DNB Bank

A company in the DNB Group

Q2

Second quarter and first half report 2018
(Unaudited)

DNB

Financial highlights

Income statement

DNB Bank Group

Amounts in NOK million	2nd quarter 2018	2nd quarter 2017	January-June 2018	January-June 2017	Full year 2017
Net interest income	9 194	9 146	18 335	17 787	35 914
Net commissions and fees	*1 801*	*1 540*	*3 290*	*3 007*	*5 884*
Net gains on financial instruments at fair value	*122*	*958*	*294*	*1 768*	*4 513*
Other operating income	*819*	*536*	*1 357*	*963*	*2 029*
Net other operating income	2 742	3 034	4 941	5 739	12 425
Total income	11 936	12 179	23 276	23 526	48 339
Operating expenses	(5 120)	(5 395)	(10 075)	(10 453)	(20 801)
Restructuring costs and non-recurring effects	(56)	(80)	(80)	(270)	(1 128)
Pre-tax operating profit before impairment	6 760	6 704	13 120	12 804	26 410
Net gains on fixed and intangible assets	465	17	483	23	735
Impairment of financial instruments	54	(597)	384	(1 159)	(2 428)
Pre-tax operating profit	7 279	6 124	13 987	11 668	24 718
Tax expense	(1 456)	(1 409)	(2 797)	(2 684)	(4 903)
Profit from operations held for sale, after taxes	(21)	(14)	(21)	(31)	(1)
Profit for the period	5 802	4 702	11 168	8 954	19 813

Balance sheet

Amounts in NOK million	30 June 2018	31 Dec. 2017	30 June 2017
Total assets	2 516 642	2 359 860	2 402 273
Loans to customers	1 557 534	1 531 345	1 539 225
Deposits from customers	1 042 947	980 374	1 019 295
Total equity	195 391	203 685	194 065
Average total assets	2 463 177	2 537 681	2 589 019

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)	12.4	10.1	11.8	9.7	10.5
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 to customers (per cent) 1)	0.32	0.19	0.26	0.20	0.17
Cost/income ratio (per cent) 1)	43.4	45.0	43.6	45.6	45.4
Ratio of customer deposits to net loans to customers at end of period 1)	67.0	66.2	67.0	66.2	64.0
Net loans and financial commitments in stage 2, per cent of net loans 1)	6.37		6.37		
Net loans and financial commitments in stage 3, per cent of net loans 1)	1.70	1.53	1.70	1.53	1.13
Impairment relative to average net loans to customers, annualised (per cent) 1)	0.01	(0.16)	0.05	(0.15)	(0.16)
Common equity Tier 1 capital ratio, transitional rules, at end of period 2) (per cent)	16.2	15.8	16.2	15.8	16.2
Leverage ratio, Basel III (per cent)	6.6	7.0	6.6	7.0	6.9
Number of full-time positions at end of period	8 512	10 101	8 512	10 101	8 544

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.

Second quarter and first half report 2018

Accounts

Additional information

There has been no full or partial external audit of the quarterly directors' report and accounts.

Directors' report

Second quarter financial performance

The DNB Bank Group [1] delivered strong results in the second quarter of 2018. Profits were NOK 5 802 million, an increase of NOK 1 100 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 436 million.

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 16.3 per cent at end-March.

The leverage ratio for the banking group was 6.6 per cent, down from 7.0 per cent at end-June 2017 and end-March 2018.

Return on equity was 12.4 per cent, compared with 10.1 per cent in the year-earlier period and 11.1 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 53 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 2 742 million, down NOK 292 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 543 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 299 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 banking 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 197 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.

[1] DNB Bank ASA is a subsidiary of DNB ASA and part of the DNB Group. The DNB Bank Group, hereinafter called "the banking group", comprises the bank and the bank's subsidiaries. Other companies owned by DNB ASA, including DNB Livsforsikring, DNB Forsikring and DNB Asset Management, are not part of the banking group. Operations in DNB ASA and the total DNB Group are not covered in this report but described in a separate report and presentation.

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.

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

The banking group recorded profits of NOK 11 168 million in the first half of 2018, up NOK 2 215 million from the first half of 2017. Return on equity was 11.8 per cent, compared with 9.7 per cent in the year-earlier period.

Net interest income increased by NOK 547 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 798 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 282 million, or 9.4 per cent, compared with the first half of 2017, which mainly reflected reclassifications under IFRS 9.

Total operating expenses were reduced by NOK 567 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	519	455	(65)
Net interest income	9 194	9 141	9 146

Net interest income increased by NOK 49 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 54 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	1 801	1 489	1 540
Basis swaps	(747)	(372)	(60)
Exchange rate effects additional Tier 1 capital	497	(527)	(296)
Net gains on financial instruments at fair value, other	372	1 070	1 314
Other operating income	819	539	536
Net other operating income	2 742	2 199	3 034

Net other operating income was down NOK 292 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 543 million due to positive exchange rate effects on additional Tier 1 capital and net commissions and fees of NOK 1 024 million and NOK 313 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	(2 825)	(2 753)	(2 902)
Other expenses	(1 878)	(1 745)	(2 107)
Depreciation and impairment of fixed and intangible assets	(473)	(481)	(466)
Total operating expenses	(5 176)	(4 979)	(5 476)

Operating expenses decreased by NOK 299 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 197 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 43.4 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 1 456 million, or 20 per cent of pre-tax operating profits.

Financial performance, segments

Financial governance in the banking group 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	3 241	3 394	3 295
Net other operating income	1 061	894	1 019
Total income	4 302	4 288	4 314
Operating expenses	(1 981)	(1 860)	(1 980)
Pre-tax operating profit before impairment	2 321	2 428	2 334
Impairment of financial instruments	(101)	(53)	(100)
Pre-tax operating profit	2 220	2 375	2 234
Tax expense	(555)	(594)	(559)
Profit for the period	1 665	1 781	1 676
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	14.7	16.0	18.0
Cost/income ratio	46.0	43.4	45.9
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.

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	395	399	368
Total income	2 759	2 704	2 488
Operating expenses	(984)	(992)	(984)
Pre-tax operating profit before impairment	1 774	1 712	1 504
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	1 742	1 502	1 360
Tax expense	(435)	(376)	(340)
Profit for the period	1 306	1 127	1 020
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	18.9	16.6	16.0
Cost/income ratio	35.7	36.7	39.5
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 8.7 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.

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	1 263	1 104	1 323
Total income	4 362	3 954	4 652
Operating expenses	(1 520)	(1 583)	(1 908)
Pre-tax operating profit before impairment	2 843	2 371	2 745
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	3 014	2 971	2 396
Tax expense	(693)	(683)	(671)
Profit for the period	2 321	2 288	1 725
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	13.7	13.3	8.1
Cost/income ratio	34.8	40.0	41.0
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 9.0 per cent compared with the second quarter of 2017, excluding costs in the Baltic operations, while there was a 4.0 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 developments 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, the banking group has changed the reporting segments, as risk management, previously reported as trading has been combined with Other operations.

Income statement in NOK million	2Q18	1Q18	2Q17
Net interest income	490	590	400
Net other operating income	311	358	931
Total income	801	948	1 331
Operating expenses	(979)	(1 099)	(1 209)
Pre-tax operating profit before impairment	(179)	(151)	121
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	303	(140)	134
Tax expense	228	311	161
Profit from operations held for sale, after taxes	(21)		(14)
Profit for the period	510	171	281
Average balance sheet items in NOK billion			
Net loans to customers	77.6	78.3	25.8
Deposits from customers	56.8	81.6	59.8

Profit from other operations was NOK 510 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.

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 banking group was NOK 585 billion at end-June, compared with NOK 578 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 assets in the banking group's balance sheet were NOK 2 517 billion at end-June 2018 and NOK 2 402 billion a year earlier.

The ratio of customer deposits to net loans to customers was 67.0 per cent at end-June 2018, and above the ambition of minimum 60 per cent.

Risk and capital adequacy

The DNB Bank Group quantifies risk by measuring economic capital. Economic capital was down NOK 0.3 billion from end-March, to NOK 50.5 billion at end-June.

Economic capital for the banking 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	7.2	7.5	7.6	4.7
Operational risk	6.9	6.9	6.6	6.8
Business risk	6.3	6.3	5.6	5.8
Total economic capital before diversification	58.1	59.2	60.0	62.0
Diversification effect [1)]	(7.6)	(8.4)	(7.7)	(7.4)
Total economic capital after diversification	50.5	50.8	52.3	54.6
Diversification effect in per cent of gross economic capital [1)]	13.1	14.2	12.8	11.9

1) *The diversification effect refers to the risk-mitigating effect achieved by the banking 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.

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 Bank Group'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 1 028 billion, down from NOK 1 061 billion at end-June 2017. The common equity Tier 1 capital ratio was 16.2 per cent, while the capital adequacy ratio was 21.3 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.

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 DNB 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 DNB 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.

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

Olaug Svarva
(chair of the board)

Gro Bakstad
(vice chair of the board)

Lillian Hattrem

Kim Wahl

Rune Bjerke
(group chief executive)

Income statement

Amounts in NOK million	2nd quarter 2018	2nd quarter 2017	January-June 2018	January-June 2017	Full year 2017
					DNB Bank ASA
Interest income, amortised cost	9 519	7 649	18 376	15 391	30 763
Other interest income	1 048	1 655	2 021	3 082	6 363
Interest expenses, amortised cost	(4 659)	(2 190)	(8 881)	(4 729)	(9 604)
Other interest expenses	769	(899)	1 661	(1 554)	(3 105)
Net interest income	**6 677**	**6 214**	**13 177**	**12 189**	**24 416**
Commission and fee income	2 277	1 844	4 222	3 611	7 340
Commission and expenses	(977)	(797)	(1 795)	(1 602)	(3 296)
Net gains on financial instruments at fair value	998	1 283	1 760	3 043	5 942
Other income	682	1 201	1 557	1 801	6 325
Net other operating income	**2 980**	**3 531**	**5 745**	**6 854**	**16 312**
Total income	**9 657**	**9 745**	**18 922**	**19 043**	**40 728**
Salaries and other personnel expenses	(2 418)	(2 385)	(4 778)	(4 779)	(9 639)
Other expenses	(1 709)	(1 842)	(3 276)	(3 473)	(6 904)
Depreciation and impairment of fixed and intangible assets	(467)	(436)	(944)	(891)	(2 318)
Total operating expenses	**(4 594)**	**(4 664)**	**(8 998)**	**(9 143)**	**(18 860)**
Pre-tax operating profit before impairment	**5 063**	**5 081**	**9 924**	**9 900**	**21 867**
Net gains on fixed and intangible assets	769	16	786	16	2 047
Impairment of financial instruments	55	(368)	(7)	(359)	(1 937)
Pre-tax operating profit	**5 887**	**4 729**	**10 703**	**9 557**	**21 978**
Tax expense	(1 177)	(1 088)	(2 141)	(2 198)	(3 068)
Profit for the period	**4 709**	**3 641**	**8 562**	**7 359**	**18 910**
Portion attributable to shareholders of DNB Bank ASA	4 475	3 404	8 107	6 881	17 972
Portion attributable to additional Tier 1 capital holders	234	238	455	478	938
Profit for the period	**4 709**	**3 641**	**8 562**	**7 359**	**18 910**

Comprehensive income statement

Amounts in NOK million	2nd quarter 2018	2nd quarter 2017	January-June 2018	January-June 2017	Full year 2017
					DNB Bank ASA
Profit for the period	**4 709**	**3 641**	**8 562**	**7 359**	**18 910**
Actuarial gains and losses					(115)
Financial liabilities designated at FVTPL, changes in credit risk	29		25		
Tax	(7)		(6)		(4)
Items that will not be reclassified to the income statement	22		18		(120)
Currency translation of foreign operations	(36)	21	(73)	25	53
Items that may subsequently be reclassified to the income statement	(36)	21	(73)	25	53
Other comprehensive income for the period	**(14)**	**21**	**(54)**	**25**	**(67)**
Comprehensive income for the period	**4 695**	**3 662**	**8 508**	**7 384**	**18 843**

Balance sheet

Amounts in NOK million	Note	DNB Bank ASA 30 June 2018	31 Dec. 2017	30 June 2017
Assets				
Cash and deposits with central banks		380 861	151 147	265 185
Due from credit institutions		497 391	580 973	524 843
Loans to customers	4, 5, 6, 7	763 167	730 782	723 149
Commercial paper and bonds	7	221 850	271 607	207 470
Shareholdings	7	6 541	6 310	5 414
Financial derivatives	7	129 472	146 953	154 459
Investments in associated companies		9 351	9 007	1 043
Investments in subsidiaries		113 066	115 142	122 258
Intangible assets		3 463	3 515	3 631
Deferred tax assets		8 422	8 415	1 893
Fixed assets		7 840	7 842	7 404
Other assets		12 221	22 092	13 057
Total assets		**2 153 647**	**2 053 787**	**2 029 805**
Liabilities and equity				
Due to credit institutions		390 149	332 798	320 580
Deposits from customers	7	1 022 486	956 525	993 185
Financial derivatives	7	157 040	179 534	176 415
Debt securities issued	7, 8	341 896	326 171	311 202
Payable taxes		4 427	3 765	1 381
Deferred taxes		73	74	59
Other liabilities		19 676	51 103	18 104
Provisions		1 616	1 652	1 972
Pension commitments		3 100	2 906	2 627
Subordinated loan capital	7, 8	36 781	29 538	29 426
Total liabilities		**1 977 245**	**1 884 067**	**1 854 952**
Share capital		18 256	18 256	18 314
Share premium		19 895	19 895	19 895
Additional Tier 1 capital		15 782	16 159	15 787
Other equity		122 470	115 411	120 857
Total equity		**176 402**	**169 720**	**174 854**
Total liabilities and equity		**2 153 647**	**2 053 787**	**2 029 805**

Income statement

DNB Bank Group					
Amounts in NOK million	2nd quarter 2018	2nd quarter 2017	January-June 2018	January-June 2017	Full year 2017
Interest income, amortised cost	13 191	12 148	25 693	23 986	47 883
Other interest income	1 301	1 689	2 518	3 210	6 516
Interest expenses, amortised cost	(5 734)	(3 824)	(11 203)	(7 730)	(15 515)
Other interest expenses	436	(868)	1 328	(1 679)	(2 970)
Net interest income	**9 194**	**9 146**	**18 335**	**17 787**	**35 914**
Commission and fee income	2 765	2 358	5 058	4 645	9 228
Commission and fee expenses	(964)	(819)	(1 768)	(1 637)	(3 344)
Net gains on financial instruments at fair value	122	958	294	1 768	4 513
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	542	527	1 076	984	1 997
Net other operating income	**2 742**	**3 034**	**4 941**	**5 739**	**12 425**
Total income	**11 936**	**12 179**	**23 276**	**23 526**	**48 339**
Salaries and other personnel expenses	(2 825)	(2 902)	(5 578)	(5 791)	(11 561)
Other expenses	(1 878)	(2 107)	(3 624)	(3 970)	(7 899)
Depreciation and impairment of fixed and intangible assets	(473)	(466)	(954)	(962)	(2 469)
Total operating expenses	**(5 176)**	**(5 476)**	**(10 156)**	**(10 723)**	**(21 928)**
Pre-tax operating profit before impairment	**6 760**	**6 704**	**13 120**	**12 804**	**26 410**
Net gains on fixed and intangible assets	465	17	483	23	735
Impairment of financial instruments	54	(597)	384	(1 159)	(2 428)
Pre-tax operating profit	**7 279**	**6 124**	**13 987**	**11 668**	**24 718**
Tax expense	(1 456)	(1 409)	(2 797)	(2 684)	(4 903)
Profit from operations held for sale, after taxes	(21)	(14)	(21)	(31)	(1)
Profit for the period	**5 802**	**4 702**	**11 168**	**8 954**	**19 813**
Portion attributable to shareholders of DNB Bank ASA	5 568	4 464	10 713	8 476	18 876
Portion attributable to additional Tier 1 capital holders	234	238	455	478	938
Profit for the period	**5 802**	**4 702**	**11 168**	**8 954**	**19 813**

Comprehensive income statement

DNB Bank Group					
Amounts in NOK million	2nd quarter 2018	2nd quarter 2017	January-June 2018	January-June 2017	Full year 2017
Profit for the period	**5 802**	**4 702**	**11 168**	**8 954**	**19 813**
Actuarial gains and losses					(97)
Financial liabilities designated at FVTPL, changes in credit risk	29		(99)		
Tax	(7)		25		(9)
Items that will not be reclassified to the income statement	22		(74)		(107)
Currency translation of foreign operations	151	892	(2 582)	1 422	1 182
Currency translation reserve reclassified to the income statement					(1 303)
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	(62)	388	(1 005)	753	410
Other comprehensive income for the period	**(41)**	**388**	**(1 079)**	**753**	**303**
Comprehensive income for the period	**5 761**	**5 090**	**10 089**	**9 707**	**20 117**

Balance sheet

Amounts in NOK million	Note	DNB Bank 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		188 811	237 849	158 767
Loans to customers	4, 5, 6, 7	1 557 534	1 531 345	1 539 225
Commercial paper and bonds	7	224 309	266 642	205 220
Shareholdings	7	7 798	7 303	6 075
Financial derivatives	7	117 103	132 649	139 737
Investment properties		919	990	1 044
Investments accounted for by the equity method		11 415	11 176	3 695
Intangible assets		3 720	3 756	4 025
Deferred tax assets		1 150	757	1 379
Fixed assets		7 907	7 911	7 485
Assets held for sale		1 293		55 950
Other assets		13 353	7 888	14 119
Total assets		**2 516 642**	**2 359 860**	**2 402 273**
Liabilities and equity				
Due to credit institutions		301 895	222 501	215 730
Deposits from customers	7	1 042 947	980 374	1 019 295
Financial derivatives	7	105 938	112 020	111 927
Debt securities issued	7, 8	799 938	782 127	760 248
Payable taxes		6 180	4 702	1 740
Deferred taxes		830	847	2 333
Other liabilities		20 875	19 304	19 627
Liabilities held for sale		231		43 106
Provisions		2 431	1 766	2 061
Pension commitments		3 204	2 995	2 715
Subordinated loan capital	7, 8	36 781	29 538	29 426
Total liabilities		**2 321 251**	**2 156 175**	**2 208 208**
Share capital		18 256	18 256	18 314
Share premium		20 611	20 611	20 611
Additional Tier 1 capital		15 782	16 159	15 787
Other equity		140 743	148 660	139 352
Total equity		**195 391**	**203 685**	**194 065**
Total liabilities and equity		**2 516 642**	**2 359 860**	**2 402 273**

Statement of changes in equity

DNB Bank ASA

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	**18 314**	**19 895**	**15 952**	**517**		**113 425**	**168 104**
Profit for the period			478			6 881	7 359
Currency translation of foreign operations				25			25
Comprehensive income for the period			478	25		6 881	7 384
Interest payments additional Tier 1 capital			(636)				(636)
Currency movements taken to income			(7)			7	
Transfer of lending portfolio to subsidiary (continuity)						2	2
Balance sheet as at 30 June 2017	**18 314**	**19 895**	**15 787**	**542**		**120 315**	**174 854**
Balance sheet as at 31 Dec. 2017	**18 256**	**19 895**	**16 159**	**570**		**114 841**	**169 720**
Implementation of IFRS 9					(127)	(899)	(1 026)
Balance sheet as at 1 Jan. 2018	**18 256**	**19 895**	**16 159**	**570**	**(127)**	**113 942**	**168 694**
Profit for the period			455			8 107	8 562
Financial liabilities designated at FVTPL, changes in credit risk					25		25
Currency translation of foreign operations				(73)			(73)
Tax on other comprehensive income					(6)		(6)
Comprehensive income for the period			455	(73)	18	8 107	8 508
Interest payments additional Tier 1 capital			(800)				(800)
Currency movements taken to income			(32)			32	
Balance sheet as at 30 June 2018	**18 256**	**19 895**	**15 782**	**497**	**(108)**	**122 081**	**176 402**

DNB Bank 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	**18 314**	**20 611**	**15 952**	**4 266**		**130 934**	**190 078**
Profit for the period			478			8 476	8 954
Currency translation of foreign operations				1 422			1 422
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	653		8 576	9 707
Interest payments additional Tier 1 capital			(636)				(636)
Currency movements taken to income			(7)			7	
Group contribution to DNB ASA for 2016						(5 084)	(5 084)
Balance sheet as at 30 June 2017	**18 314**	**20 611**	**15 787**	**4 920**		**134 432**	**194 065**
Balance sheet as at 31 Dec. 2017	**18 256**	**20 611**	**16 159**	**4 516**		**144 144**	**203 685**
Implementation of IFRS 9					(342)	(1 437)	(1 779)
Balance sheet as at 1 Jan. 2018	**18 256**	**20 611**	**16 159**	**4 516**	**(342)**	**142 707**	**201 907**
Profit for the period			455			10 713	11 168
Financial liabilities designated at FVTPL, changes in credit risk					(99)		(99)
Currency translation of foreign operations				(2 582)			(2 582)
Hedging of net investment				2 102			2 102
Tax on other comprehensive income				(526)	25		(501)
Comprehensive income for the period			455	(1 005)	(74)	10 713	10 089
Interest payments additional Tier 1 capital			(800)				(800)
Currency movements taken to income			(32)			32	
Group contribution to DNB ASA for 2017						(15 804)	(15 804)
Balance sheet as at 30 June 2018	**18 256**	**20 611**	**15 782**	**3 510**	**(416)**	**137 648**	**195 391**

Cash flow statement

Amounts in NOK million	DNB Bank ASA January-June 2018	January-June 2017	Full year 2017
Operating activities			
Net payments on loans to customers	(39 854)	(30 059)	(39 831)
Interest received from customers	17 156	13 748	27 604
Net receipts on deposits from customers	69 128	68 553	36 940
Interest paid to customers	(3 035)	(1 134)	(5 346)
Net receipts/payments on loans to credit institutions	148 415	16 143	(28 516)
Interest received from credit institutions	3 582	2 433	5 074
Interest paid to credit institutions	(2 174)	(1 412)	(3 058)
Net receipts/payments on the sale of financial assets for investment or trading	33 614	36 243	(21 783)
Interest received on bonds and commercial paper	2 041	3 423	4 521
Net receipts on commissions and fees	2 494	2 029	3 920
Payments to operations	(8 456)	(8 199)	(16 322)
Taxes paid	(1 158)	(1 091)	(1 897)
Other net receipts/payments	(205)	(559)	5 289
Net cash flow from operating activities	**221 547**	**100 119**	**(33 406)**
Investing activities			
Net payments on the acquisition of fixed assets	(150)	(1 289)	(1 010)
Receipts on the sale of long-term investments in shares	13	89	1 210
Payments on the acquisition of long-term investments in shares	(96)	(3 045)	(3 728)
Dividends received on long-term investments in shares	90	347	347
Net cash flow from investment activities	**(143)**	**(3 898)**	**(3 181)**
Financing activities			
Receipts on issued bonds and commercial paper	609 213	891 935	1 788 376
Payments on redeemed bonds and commercial paper	(567 293)	(917 781)	(1 804 568)
Interest payments on issued bonds and commercial paper	(4 437)	(4 231)	(5 926)
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	(237)	(469)	(780)
Interest payments on additional Tier 1 capital	(800)	(636)	(724)
Group contribution payments	(17 842)	(3 818)	(4 018)
Net cash flow from funding activities	**26 853**	**(35 438)**	**(28 080)**
Effects of exchange rate changes on cash and cash equivalents	**(7 359)**	**(1 264)**	**6 082**
Net cash flow	**240 898**	**59 519**	**(58 584)**
Cash as at 1 January	153 184	211 768	211 768
Net receipts/payments of cash	240 898	59 519	(58 584)
Cash at end of period *)	394 082	271 287	153 184
**) Of which: Cash and deposits with central banks*	*380 861*	*265 185*	*151 147*
Deposits with credit institutions with no agreed period of notice 1)	*13 220*	*6 101*	*2 036*

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

Cash flow statement (continued)

			DNB Bank Group
		January-June	Full year
Amounts in NOK million	2018	2017	2017
Operating activities			
Net payments on loans to customers	(38 008)	(44 073)	(36 193)
Interest received from customers	26 571	23 976	47 789
Net receipts on deposits from customers	65 724	68 953	34 723
Interest paid to customers	(2 710)	(858)	(4 425)
Net receipts/payments on loans to credit institutions	135 311	30 825	(40 214)
Interest received from credit institutions	2 093	1 098	2 449
Interest paid to credit institutions	(1 712)	(1 098)	(2 428)
Net receipts/payments on the sale of financial assets for investment or trading	24 395	34 897	(20 381)
Interest received on bonds and commercial paper	1 995	3 368	4 394
Net receipts on commissions and fees	3 358	3 059	6 035
Payments to operations	(9 593)	(9 878)	(19 505)
Taxes paid	(1 610)	(9 611)	(10 004)
Other net receipts/payments	(846)	(2 124)	6 282
Net cash flow from operating activities	**204 968**	**98 535**	**(31 478)**
Investing activities			
Net payments on the acquisition of fixed assets	(476)	(1 338)	(2 274)
Net receipt from investment properties	107	188	382
Receipts on the sale of long-term investments in shares	10	89	90
Acquisition of long-term investments in shares	(96)		(675)
Dividends received on long-term investments in shares	9	7	7
Net cash flow from investment activities	**(446)**	**(1 054)**	**(2 470)**
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	(8 841)	(9 290)	(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)
Group contributions payments	(16 094)	(5 118)	(5 318)
Net cash flow from funding activities	**42 722**	**(34 560)**	**(28 459)**
Effects of exchange rate changes on cash and cash equivalents	**(6 851)**	**(2 599)**	**5 436**
Net cash flow	**240 393**	**60 323**	**(56 971)**
Cash as at 1 January	154 051	214 790	211 022
Net receipts/payments of cash	240 393	60 323	(56 971)
Cash at end of period *)	394 444	275 113	154 051

**) 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]	*13 117*	*5 233*	*2 456*

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

Note 1 Basis for preparation

The quarterly financial statements for the DNB Bank 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. DNB Bank 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. 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 DNB Bank Group, can be found in note 1 Accounting principles and 49 Transition to IFRS 9 in the annual report for 2017.

With effect from the first quarter of 2018, DNB Bank group changed the composition of reportable segments, as the Risk management, previously reported as Trading segment, was 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 DNB Bank 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 49 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 banking group’s financial statements.

Note 2 Segments

According to DNB Bank'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 Bank has the following operating segments: Personal customers, Small and medium-sized enterprises, Large corporates and international customers and Risk management, previously reported as Trading. With effect from the first quarter of 2018, DNB Bank has changed the composition of reportable segments, as the Risk management segment has been combined with Other operations. In addition, eliminations have been separated from the Other operations/eliminations and presented in a separate column. Figures for 2017 have been adjusted correspondingly.

Income statement, second quarter

DNB Bank Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Bank 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	3 241	3 295	2 364	2 121	3 099	3 330	490	400			9 194	9 146
Net other operating income	1 061	1 019	395	368	1 263	1 323	311	931	(288)	(606)	2 742	3 034
Total income	4 302	4 314	2 759	2 488	4 362	4 652	801	1 331	(288)	(606)	11 936	12 179
Operating expenses	(1 981)	(1 980)	(984)	(984)	(1 520)	(1 908)	(979)	(1 209)	288	606	(5 176)	(5 475)
Pre-tax operating profit before impairment	2 321	2 334	1 774	1 504	2 843	2 745	(179)	121			6 760	6 704
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	2 220	2 234	1 742	1 360	3 014	2 396	303	134			7 279	6 124
Tax expense	(555)	(559)	(435)	(340)	(693)	(671)	228	161			(1 456)	(1 409)
Profit from operations held for sale, after taxes						(0)	(21)	(14)			(21)	(14)
Profit for the period	1 665	1 676	1 306	1 020	2 321	1 725	510	281			5 802	4 702

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

Income statement, January-June

DNB Bank Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Bank 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	6 635	6 397	4 670	4 156	5 950	6 430	1 080	805			18 335	17 787
Net other operating income	1 955	1 891	793	785	2 367	2 599	668	1 423	(842)	(959)	4 941	5 739
Total income	8 590	8 289	5 463	4 941	8 317	9 029	1 749	2 227	(842)	(959)	23 276	23 526
Operating expenses	(3 841)	(3 936)	(1 976)	(2 075)	(3 103)	(3 706)	(2 078)	(1 965)	842	959	(10 156)	(10 722)
Pre-tax operating profit before impairment	4 749	4 353	3 487	2 866	5 214	5 323	(329)	262			13 120	12 804
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	4 595	4 363	3 244	2 722	5 986	4 284	163	300			13 987	11 668
Taxes	(1 149)	(1 091)	(811)	(680)	(1 377)	(1 199)	539	287			(2 797)	(2 684)
Profit from operations held for sale, after taxes						(0)	(21)	(31)			(21)	(31)
Profit for the period	3 446	3 272	2 433	2 041	4 609	3 084	680	556			11 168	8 954

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. Associated companies are consolidated pro rata. The figures as at 30 June 2018 are partially based on estimates.

DNB Bank ASA		Primary capital	DNB Bank Group	
31 Dec. 2017	30 June 2018	*Amounts in NOK million*	30 June 2018	31 Dec. 2017
169 720	168 295	Total equity	184 678	203 685
		Effect from regulatory consolidation	(382)	183
(15 574)	(15 574)	Additional Tier 1 capital instruments included in total equity	(15 574)	(15 574)
(439)	(156)	Net accrued interest on additional Tier 1 capital instruments	(156)	(439)
153 708	152 565	Common equity Tier 1 capital instruments	168 567	187 856
		Deductions		
	(6)	Pension funds above pension commitments	(6)	
(2 404)	(2 358)	Goodwill	(2 760)	(2 559)
(584)	(574)	Deferred tax assets that are not due to temporary differences	(441)	(454)
(1 110)	(1 105)	Other intangible assets	(1 811)	(1 984)
		Group contribution, payable		(15 804)
(951)	(1 256)	Expected losses exceeding actual losses, IRB portfolios	(1 397)	(1 915)
(449)	(426)	Value adjustment due to the requirements for prudent valuation (AVA)	(849)	(720)
123	108	Adjustments for unrealised losses/(gains) on debt recorded at fair value	416	123
(481)	(558)	Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(143)	(113)
147 851	146 390	Common equity Tier 1 capital	161 576	164 431
	150 444	Common equity Tier 1 capital incl. 50 per cent of profit for the period	166 940	
15 574	15 574	Additional Tier 1 capital instruments	15 574	15 574
163 425	161 964	Tier 1 capital	177 150	180 005
	166 017	Tier 1 capital incl. 50 per cent of profit for the period	182 514	
5 361	5 360	Perpetual subordinated loan capital	5 360	5 361
23 897	31 094	Term subordinated loan capital	31 094	23 897
29 258	36 454	Tier 2 capital	36 454	29 258
192 683	198 418	Total eligible capital	213 604	209 263
	202 471	Total eligible capital incl. 50 per cent of profit for the period	218 968	
835 986	854 152	Risk-weighted volume, transitional rules	1 028 396	1 014 683
66 879	68 332	Minimum capital requirement, transitional rules	82 272	81 175
17.7	17.6	Common equity Tier 1 capital ratio, transitional rules (%)	16.2	16.2
19.5	19.4	Tier 1 capital ratio, transitional rules (%)	17.7	17.7
23.0	23.7	Capital ratio, transitional rules (%)	21.3	20.6
	17.1	Common equity Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	15.7	
	19.0	Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	17.2	
	23.2	Capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	20.8	

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 Bank ASA

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 require-ments 30 June 2018	Capital require-ments 31 Dec. 2017
IRB approach						
Corporate	720 335	594 207	53.7	318 847	25 508	25 542
Specialised lending (SL)	9 710	9 271	50.3	4 667	373	396
Retail - mortgages	111 905	111 905	24.0	26 849	2 148	1 974
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	942 090	801 047	46.5	372 126	29 770	30 283
Standardised approach						
Central government	467 878	424 359	0.0	85	7	6
Institutions	715 872	579 242	22.5	130 088	10 407	7 570
Corporate	111 565	84 251	92.5	77 894	6 232	6 059
Retail - mortgages	8 505	8 025	39.0	3 130	250	240
Retail - other exposures	123 439	42 315	74.6	31 567	2 525	2 104
Equity positions	123 317	123 317	100.2	123 554	9 884	10 018
Other assets	19 452	19 452	122.5	23 819	1 906	1 898
Total credit risk, standardised approach	1 570 029	1 280 962	30.5	390 137	31 211	27 895
Total credit risk	2 512 119	2 082 009	36.6	762 263	60 981	58 178
Market risk						
Position risk, debt instruments				9 678	774	1 620
Position risk, equity instruments				275	22	21
Currency risk						
Commodity risk				21	2	2
Credit value adjustment risk (CVA)				4 794	384	888
Total market risk				14 767	1 181	2 531
Operational risk				77 122	6 170	6 170
Total risk-weighted volume and capital requirements before transitional rules				854 152	68 332	66 879
Additional capital requirements according to transitional rules						
Total risk-weighted volume and capital requirements				854 152	68 332	66 879

1) *EAD, exposure at default.*

Note 3 Capital adequacy (continued)

Specification of risk-weighted volume and capital requirements

DNB Bank 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 require-ments 30 June 2018	Capital require-ments 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	486 130	443 642	0.0	138	11	6
Institutions	254 056	163 585	27.0	44 001	3 520	3 312
Corporate	191 329	150 154	87.3	131 135	10 491	9 816
Retail - mortgages	67 502	64 272	48.7	31 327	2 506	2 207
Retail - other exposures	137 145	52 638	75.0	39 503	3 160	2 941
Equity positions	9 166	9 164	102.6	9 401	752	662
Other assets	14 986	14 986	48.0	7 196	576	513
Total credit risk, standardised approach	1 160 315	898 440	29.3	262 700	21 016	19 458
Total credit risk	2 978 334	2 541 058	34.5	875 650	70 052	70 699
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	469
Total market risk				15 232	1 219	1 612
Operational risk				89 234	7 139	7 139
Total risk-weighted volume and capital requirements before transitional rules				980 116	78 409	79 450
Additional capital requirements according to transitional rules [2]				48 280	3 862	1 725
Total risk-weighted volume and capital requirements				1 028 396	82 272	81 175

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 Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(196)**	**(2 138)**	**(6 562)**	**(8 896)**
Transfer to stage 1	(55)	47	8	
Transfer to stage 2	3	(9)	6	
Transfer to stage 3		669	(669)	
Originated and purchased during the period	(17)	(6)		(23)
Increased expected credit loss	(26)	(192)	(1 522)	(1 740)
Decreased (reversed) expected credit loss	133	154	1 207	1 494
Write-offs			470	470
Derecognition (including repayments)	1	44		45
Exchange rate movements		1	3	4
Accumulated impairment as at 31 March 2018	**(157)**	**(1 430)**	**(7 059)**	**(8 646)**
Transfer to stage 1	(45)	45		
Transfer to stage 2	3	(130)	127	
Transfer to stage 3		355	(355)	
Originated and purchased during the period	(15)	(3)		(18)
Increased expected credit loss	(18)	(113)	(1 001)	(1 132)
Decreased (reversed) expected credit loss	71	369	433	873
Write-offs			810	810
Derecognition (including repayments)	7	48		55
Exchange rate movements			2	2
Accumulated impairment as at 30 June 2018	**(154)**	**(859)**	**(7 042)**	**(8 056)**

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

Loans to customers at amortised cost **DNB Bank Group**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(380)**	**(3 081)**	**(8 709)**	**(12 171)**
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	(29)	(17)		(46)
Increased expected credit loss	(48)	(227)	(1 777)	(2 052)
Decreased (reversed) expected credit loss	459	253	1 490	2 202
Write-offs			471	471
Derecognition (including repayments)	(165)	57		(108)
Exchange rate movements	1	1	7	9
Other			1	1
Accumulated impairment as at 31 March 2018	**(360)**	**(2 026)**	**(9 307)**	**(11 694)**
Transfer to stage 1	(84)	81	3	
Transfer to stage 2	8	(154)	146	
Transfer to stage 3		388	(388)	
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	470	516	1 118
Write-offs			1 461	1 461
Derecognition (including repayments)	11	61		72
Exchange rate movements	1	1	17	20
Accumulated impairment as at 30 June 2018	(344)	(1 368)	(8 760)	(10 472)

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

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.

Financial commitments

DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(137)**	**(1 164)**	**(508)**	**(1 809)**
Transfer to stage 1	(36)	36		
Transfer to stage 2	5	(5)		
Transfer to stage 3		147	(147)	
Originated and purchased during the period	(26)	(4)		(30)
Increased expected credit loss	(3)	(122)	(44)	(169)
Decreased (reversed) expected credit loss	86	129	347	562
Derecognition (including repayments)		19		19
Accumulated impairment as at 31 March 2018	**(111)**	**(964)**	**(352)**	**(1 427)**
Transfer to stage 1	(66)	66		
Transfer to stage 2	1	(2)	1	
Transfer to stage 3		436	(436)	
Originated and purchased during the period	(46)	(2)		(48)
Increased expected credit loss	(9)	(71)	(86)	(166)
Decreased (reversed) expected credit loss	104	93	339	536
Write-offs			15	15
Derecognition (including repayments)		31		31
Accumulated impairment as at 30 June 2018	**(127)**	**(413)**	**(519)**	**(1 059)**

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

				DNB Bank Group
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(171)**	**(2 128)**	**(511)**	**(2 810)**
Transfer to stage 1	(45)	45		
Transfer to stage 2	5	(5)		
Transfer to stage 3		147	(147)	
Originated and 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 (including repayments)		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 and purchased during the period	(48)	(293)		(341)
Increased expected credit loss	(8)	(80)	(86)	(174)
Decreased (reversed) expected credit loss	108	444	340	892
Write-offs			15	15
Derecognition (including repayments)		40		40
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 and fair value over other comprehensive income

DNB Bank ASA

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**664 024**	**57 732**	**19 949**	**741 705**
Transfer to stage 1	28 288	(8 118)	(20 170)	
Transfer to stage 2	(4 206)	4 456	(250)	
Transfer to stage 3	(299)	(3 500)	3 799	
Originated and purchased during the period	56 254	1 215	21 018	78 487
Derecognition	(73 654)	(2 872)	(2 320)	(78 846)
Exchange rate movements	(1 657)	(123)	(12)	(1 792)
Other	(3)	(250)	(70)	(323)
Gross carrying amount as at 31 March 2018	**668 747**	**48 540**	**21 944**	**739 231**
Transfer to stage 1	2 778	(2 754)	(24)	
Transfer to stage 2	(2 308)	3 176	(868)	
Transfer to stage 3	(423)	(3 046)	3 469	
Originated and purchased during the period	86 973	1 510	659	89 142
Derecognition	(58 531)	(2 543)	(1 995)	(63 069)
Exchange rate movements	(975)	(77)	(7)	(1 059)
Other	3	250	70	323
Gross carrying amount as at 30 June 2018	**696 264**	**45 057**	**23 248**	**764 569**

Loans to customers at amortised cost

DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**1 389 207**	**90 102**	**25 843**	**1 505 152**
Transfer to stage 1	17 971	(17 810)	(161)	
Transfer to stage 2	(14 960)	15 334	(374)	
Transfer to stage 3	(283)	(4 080)	4 363	
Originated and purchased during the period	107 214	708	1 023	108 946
Derecognition	(110 445)	(4 908)	(2 490)	(117 843)
Exchange rate movements	(2 144)	(157)	(28)	(2 329)
Other	(73)	(250)	(70)	(393)
Gross carrying amount as at 31 March 2018	**1 386 487**	**78 939**	**28 106**	**1 493 532**
Transfer to stage 1	9 809	(9 709)	(100)	
Transfer to stage 2	(11 586)	12 610	(1 024)	
Transfer to stage 3	(668)	(3 568)	4 236	
Originated and purchased during the period	131 058	1 446	704	133 208
Derecognition	(95 058)	(4 697)	(3 066)	(102 821)
Exchange rate movements	(1 820)	(121)	(48)	(1 989)
Other	287	250	70	607
Gross carrying amount as at 30 June 2018	**1 418 509**	**75 151**	**28 878**	**1 522 537**

Note 5 Development in gross carrying amount and maximum exposure (continued)

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.

Financial commitments — DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 1 January 2018	**564 001**	**9 805**	**3 039**	**576 846**
Transfer to stage 1	1 344	(1 283)	(61)	
Transfer to stage 2	(1 268)	1 308	(40)	
Transfer to stage 3	(798)	(216)	1 014	
Originated and purchased during the period	26 045	(204)	567	26 408
Assets that have been derecognised during the period	(24 694)	(867)	(343)	(25 904)
Exchange rate movements	(157)			(157)
Maximum exposure as at 31 March 2018	**564 473**	**8 543**	**4 176**	**577 192**
Transfer to stage 1	2 242	(1 952)	(290)	
Transfer to stage 2	(2 412)	2 946	(534)	
Transfer to stage 3	(325)	(1 139)	1 464	
Originated and purchased during the period	21 413	1 400	2 165	24 978
Assets that have been derecognised during the period	(78 420)	(441)	(308)	(79 169)
Exchange rate movements	(97)			(97)
Maximum exposure as at 30 June 2018	**506 874**	**9 357**	**6 673**	**522 904**

Financial commitments — DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 1 January 2018	**649 570**	**28 358**	**3 208**	**681 136**
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	12 696	362	546	13 604
Derecognition	(14 407)	(4 221)	(381)	(19 009)
Exchange rate movements	(242)	(8)		(250)
Other	540			540
Maximum exposure as at 31 March 2018	**647 710**	**24 023**	**4 286**	**676 020**
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	77 969	2 450	2 166	82 585
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	**644 219**	**21 355**	**6 777**	**672 351**

Note 6 Loans to customers and financial commitments by industry segment

Loans to customers		Accumulated impairment				**DNB Bank Group**
Amounts in NOK million	Gross carrying amount	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	54 090	(6)	(2)	(69)	46	54 059
Commercial real estate	165 906	(10)	(59)	(330)	154	165 660
Power and renewables	24 072	(5)	(11)	(243)		23 813
Fishing, fish farming and farming	30 116	(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	25 087	(3)	(2)	(220)	32	24 894
Residential property	82 088	(4)	(8)	(209)	416	82 283
Services	51 272	(8)	(9)	(419)	166	51 001
Shipping	61 128	(119)	(222)	(607)		60 180
Technology, media and telecom	22 847	(18)	(30)	(118)	13	22 694
Trade	47 092	(13)	(9)	(604)	77	46 542
Personal customers	748 105	(82)	(241)	(714)	44 299	791 366
Other	80 087	(12)	(15)	(455)	85	79 690
Total as at 30 June 2018 [1)]	**1 522 537**	**(344)**	**(1 368)**	**(8 760)**	**45 469**	**1 557 534**

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

Financial commitments		Accumulated impairment			**DNB Bank Group**
Amounts in NOK million	Maximum exposure	Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	26 198	(6)	(0)	(0)	26 192
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	**672 351**	**(157)**	**(1 128)**	**(522)**	**670 545**

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 Bank ASA Total
Assets as at 30 June 2018				
Loans to customers		111 634	6 791	118 425
Commercial paper and bonds	45 901	175 807	141	221 850
Shareholdings	5 653	272	616	6 541
Financial derivatives	316	127 251	1 905	129 472
Liabilities as at 30 June 2018				
Deposits from customers		13 928		13 928
Debt securities issued		6 948		6 948
Subordinated loan capital		2 511		2 511
Financial derivatives	220	155 192	1 627	157 040
Other financial liabilities [1)]	4 560	48		4 608

1) Short positions, trading activities.

Loans with floating interest rate measured at fair value through other comprehensive income are categorised within level 2, since the valuation is mainly based on observable inputs.

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 Bank ASA Total
Assets as at 30 June 2017				
Deposits with central banks		263 182		263 182
Due from credit institutions		323 358		323 358
Loans to customers		47 887	13 588	61 475
Commercial paper and bonds	43 959	152 695	298	196 952
Shareholdings	4 583	318	513	5 414
Financial derivatives		153 224	1 235	154 459
Liabilities as at 30 June 2017				
Due to credit institutions		274 022		274 022
Deposits from customers		63 047		63 047
Debt securities issued		167 670		167 670
Subordinated loan capital		2 870		2 870
Financial derivatives		175 474	942	176 415
Other financial liabilities [1)]	4 141	9		4 150

1) Short positions, trading activities.

Note 7 Financial instruments at fair value (continued)

DNB Bank Group

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	Total
Assets as at 30 June 2018				
Loans to customers			45 469	45 469
Commercial paper and bonds	45 901	172 324	141	218 366
Shareholdings	6 557	531	711	7 798
Financial derivatives	316	114 882	1 905	117 103
Liabilities as at 30 June 2018				
Deposits from customers		13 928		13 928
Debt securities issued		87 895		87 895
Subordinated loan capital		2 511		2 511
Financial derivatives	220	104 090	1 627	105 938
Other financial liabilities [1]	4 560	48		4 608

DNB Bank Group

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	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	61 838	109 725
Commercial paper and bonds	48 710	145 694	298	194 702
Shareholdings	5 180	324	571	6 075
Financial derivatives		138 502	1 235	139 737
Liabilities as at 30 June 2017				
Due to credit institutions		176 179		176 179
Deposits from customers		63 047		63 047
Debt securities issued		245 053		245 053
Subordinated loan capital		2 870		2 870
Financial derivatives		110 985	942	111 927
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 Bank ASA

	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	**12 322**	**328**	**527**	**2 069**	**1 749**
Implementation impact from IFRS 9 at 1 January 2018	(6 063)				
Net gains recognised in the income statement	(52)	(295)	(2)	(656)	(335)
Additions/purchases	1 834	116	164	914	636
Sales	15	(11)	(72)		
Settled	(1 265)			(423)	(423)
Transferred from level 1 or level 2		46			
Transferred to level 1 or level 2		(33)			
Other		(10)		0	0
Carrying amount as at 30 June 2018	**6 791**	**141**	**616**	**1 905**	**1 627**

Financial instruments at fair value, level 3

DNB Bank 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	**55 373**	**328**	**621**	**2 069**	**1 749**
Implementation impact from IFRS 9 at 1 January 2018	(8 778)				
Net gains recognised in the income statement	(315)	(295)	(2)	(656)	(335)
Additions/purchases	8 000	116	164	914	636
Sales		(11)	(72)		
Settled	(8 811)			(423)	(423)
Transferred from level 1 or level 2		46			
Transferred to level 1 or level 2		(33)			
Other		(10)		0	0
Carrying amount as at 30 June 2018	**45 469**	**141**	**711**	**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 34 million in DNB Bank ASA and 165 million in DNB Bank Group. 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 Bank Group issues and redeems own securities.

Debt securities issued

DNB Bank ASA

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	142 166	1 525	(15 491)	(3 404)		159 536
Value adjustments	5 594				(2 367)	7 961
Total debt securities issued	**341 896**	**609 213**	**(567 293)**	**(23 827)**	**(2 367)**	**326 171**

Debt securities issued

DNB Bank ASA

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	146 828	2 750	(33 876)	4 586		173 368
Value adjustments	7 734				(2 424)	10 158
Total debt securities issued	**311 202**	**891 935**	**(917 781)**	**2 531**	**(2 424)**	**336 941**

Debt securities issued

DNB Bank 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)]	584 972	54 955	(50 394)	(17 790)		598 202
Value adjustments	20 829				(4 421)	25 250
Total debt securities issued	**799 938**	**662 643**	**(602 197)**	**(38 214)**	**(4 421)**	**782 127**

Debt securities issued

DNB Bank 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	577 640	42 678	(66 566)	20 081		581 447
Value adjustments	25 967				(6 920)	32 888
Total debt securities issued	**760 248**	**931 863**	**(950 470)**	**18 026**	**(6 920)**	**767 750**

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 8 Debt securities issued and subordinated loan capital (continued)

Subordinated loan capital and perpetual subordinated loan capital securities — DNB Bank ASA

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 Bank ASA

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**

Subordinated loan capital and perpetual subordinated loan capital securities — DNB Bank 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 Bank 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**

Note 9 Information on related parties

DNB Boligkreditt AS

In the first half of 2018, loan portfolios representing NOK 1.6 billion were transferred from the bank to DNB Boligkreditt in accordance with the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS".

At end-June 2018 the bank had invested NOK 3.5 billion in covered bonds issued by DNB Boligkreditt.

The management fee paid to the bank for purchased services amounted to NOK 379 million at end-June 2018 (NOK 337 million at end-June 2017).

In the first half of 2018 DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 8 billion at end-June 2018.

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 220 billion.

DNB Næringskreditt AS

The management fee paid to the bank for purchased services amounted to NOK 29 million in the first half of 2018 (NOK 49 million in the first half of 2017).

In the first half of 2018 DNB Næringskreditt entered into reverse repurchase agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 50 million at end-June 2018.

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 20 billion.

DNB Livsforsikring AS

At end-June 2018 DNB Livsforsikring's holding of DNB Boligkreditt bonds was valued at NOK 1.8 billion.

Note 10 Contingencies

Due to its extensive operations in Norway and abroad, the DNB banking 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 banking group's financial position.

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

Statement

pursuant to Section 5-6 of the Securities Trading Act

We hereby confirm that the half-yearly financial statements for the banking 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 banking 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 banking group over the next accounting period
- description of major transactions with related parties.

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

Olaug Svarva
(chair of the board)

Gro Bakstad
(vice chair of the board)

Lillian Hattrem

Kim Wahl

Rune Bjerke
(group chief executive)

Kjerstin R. Braathen
(chief financial officer)

Information about the DNB Bank Group

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DNB Bank ASA

Organisation number	Register of Business Enterprises NO 984 851 006 MVA

Board of Directors in DNB Bank ASA

Olaug Svarva, chair of the board
Gro Bakstad, vice chair of the board
Lilliam Hattrem
Kim Wahl

Investor Relations

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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
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 Group, DNB Boligkreditt, DNB Næringskreditt and DNB Livsforsikring. The reports are available on ir.dnb.no. Annual and quarterly reports can be ordered by sending an e-mail to Investor Relations.

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So you can stay ahead.

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