

DNB Bank

A company in the DNB Group

Q3

Third quarter report 2018
(Unaudited)

DNB

Financial highlights

Income statement

	DNB Bank Group			
	3rd quarter 2018	3rd quarter 2017	January-September 2018	Full year 2017
<i>Amounts in NOK million</i>				
Net interest income	9 299	9 137	27 634	26 924
Net commissions and fees	1 431	1 503	4 721	4 511
Net gains on financial instruments at fair value	611	1 056	905	2 824
Other operating income	581	503	1 939	1 466
Net other operating income	2 623	3 062	7 564	8 801
Total income	11 922	12 199	35 198	35 725
Operating expenses	(5 114)	(5 140)	(15 189)	(15 592)
Restructuring costs and non-recurring effects	(26)	(186)	(106)	(456)
Pre-tax operating profit before impairment	6 782	6 873	19 902	19 677
Net gains on fixed and intangible assets	(3)	750	480	773
Impairment of financial instruments	(11)	(867)	374	(2 026)
Pre-tax operating profit	6 769	6 756	20 756	18 424
Tax expense	(1 354)	(1 554)	(4 151)	(4 238)
Profit from operations held for sale, after taxes	(42)	33	(63)	2
Profit for the period	5 373	5 235	16 542	14 189
				19 813

Balance sheet

	30 Sept. 2018	31 Dec. 2017	30 Sept. 2017
<i>Amounts in NOK million</i>			
Total assets	2 387 216	2 359 860	2 447 263
Loans to customers	1 561 867	1 531 345	1 524 855
Deposits from customers	995 154	980 374	1 019 896
Total equity	200 665	203 685	197 494
Average total assets	2 454 510	2 537 681	2 557 344

Key figures and alternative performance measures

	3rd quarter 2018	3rd quarter 2017	January-September 2018	Full year 2017
Return on equity, annualised (per cent) ¹⁾	11.2	11.1	11.6	10.2
Combined weighted total average spread for lending and deposits (per cent) ¹⁾	1.30	1.31	1.29	1.30
Average spread for ordinary lending to customers (per cent) ¹⁾	1.95	2.09	1.95	2.06
Average spread for deposits to customers (per cent) ¹⁾	0.29	0.15	0.27	0.18
Cost/income ratio (per cent) ¹⁾	43.1	43.7	43.5	44.9
Ratio of customer deposits to net loans to customers at end of period ¹⁾	63.7	66.9	63.7	66.9
Net loans and financial commitments in stage 2, per cent of net loans ¹⁾	6.62		6.62	
Net loans and financial commitments in stage 3, per cent of net loans ¹⁾	1.65	1.22	1.65	1.22
Impairment relative to average net loans to customers, annualised (per cent) ¹⁾	(0.00)	(0.21)	0.03	(0.17)
Common equity Tier 1 capital ratio, transitional rules, at end of period ²⁾ (per cent)	16.5	16.3	16.5	16.3
Leverage ratio, Basel III (per cent)	7.0	6.9	7.0	6.9
Number of full-time positions at end of period	8 583	10 189	8 583	10 189
				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.

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

Directors' report

Third quarter financial performance

The DNB Bank Group¹⁾ delivered solid results in the third quarter of 2018. Profits were NOK 5 373 million, an increase of NOK 138 million from the third quarter of 2017, mainly driven by lower operating expenses and lower impairment losses. Compared with the previous quarter, profits decreased by NOK 429 million, mainly due to seasonal effects and low activity in the capital markets.

The common equity Tier 1 capital ratio was 16.5 per cent at end-September (including 50 per cent of the profit for the period January-September), up from 16.3 per cent a year earlier, and 16.2 per cent at end-June.

The leverage ratio for the banking group was 7.0 per cent, up from 6.9 at end-September 2017 and up from 6.6 per cent at end-June 2018.

Return on equity was 11.2 per cent, compared with 11.1 per cent in the year-earlier period and 12.4 per cent in the second quarter.

Net interest income was up NOK 162 million or 1.8 per cent from the third quarter of 2017. Reclassification effects related to the implementation of IFRS 9 partly offset the loss of revenues from the Baltics. Compared with the second quarter, net interest income increased by NOK 105 million, mainly due to one more interest day in the third quarter.

Net other operating income was NOK 2 623 million, down NOK 439 million from the third quarter of 2017. The reduction mainly reflected lower net gains on financial instruments at fair value due to reclassifications under IFRS 9 and loss of revenues from the Baltics. Further, there was a reduction in commissions and fees, reflecting low activity in the capital markets. Compared with the second quarter, net other operating income was down NOK 119 million, mainly due to negative exchange rate effects on additional Tier 1 capital and a reduction in net commissions and fees.

Operating expenses were NOK 186 million lower than in the third quarter of 2017. The decrease was mainly due to the fact that operations in the Baltics were part of the banking group in the third quarter of 2017. Excluding the Baltic operations, operating expenses were NOK 57 million higher than in the third quarter of 2017, reflecting higher IT expenses. Compared with the second quarter, there was a decrease of NOK 36 million, mainly driven by lower restructuring costs and seasonally lower marketing costs in the third quarter.

Impairment losses on financial instruments amounted to NOK 11 million in the third quarter. The losses were due to an increase in impairments in the small and medium-sized enterprises segment-and-personal-customers-segments. The increase was to a large extent curtailed by reversals within the large corporates and international customers segment. The main drivers for the reversals were a modestly positive development for oil and gas-related industries combined with a general improvement in the underlying credit quality in the portfolio.

Important events in the third quarter

At the end of 2016, DNB and Nordea decided to combine the respective business operations in the Baltic, and the new bank Luminor Group AB was established in the fourth quarter of 2017. In mid-September, an agreement was signed with Blackstone to sell part of the merged bank. The agreement means that Blackstone will purchase 60.1 per cent of the Luminor Group from today's

owners. DNB's ownership interest will be reduced from 43.5 per cent to 20 per cent as a consequence of the transaction. The transaction is expected to be completed during the first half of 2019, subject to regulatory approvals.

On 21 September, DNB raised the interest rate on home mortgages by 0.25 percentage points, one day after Norges Bank increased the key policy rate correspondingly. For existing personal customers, the interest rate adjustments will become effective as of 4 November, and for small and medium sized enterprises as of 23 October.

During the autumn, DNB repeated its success for the third year running by arranging the NXT Conference, Norway's largest meeting place for investors and entrepreneurs.

In the middle of August, the international business website Bloomberg ranked the equity fund DNB Norge among the top ten in Western Europe in 2018.

When Google Assistant was launched in Norway in the third quarter, DNB was one of few contributors to the voice platform. This underpins the bank's focus on digitalisation and this type of platform for customer communication.

In September, DNB was ranked as the third best bank in the world on environmental, social and governmental (ESG) issues. The rating was done by the company Sustainalytics, a global leader in ESG and Corporate Governance research and ratings.

At the beginning of the third quarter, Moody's changed their outlook on Norwegian banks from negative to stable when it comes to economic prospects.

Financial performance in the first three quarters

The banking group recorded profits of NOK 16 542 million in the first three quarters of 2018, up NOK 2 353 million compared to the corresponding period in 2017. Return on equity was 11.6 per cent, compared with 10.2 per cent in the year-earlier period.

Net interest income increased by NOK 710 million from the previous year. Reclassification effects related to IFRS 9, amortisation effects and fees and reduced long-term funding costs more than offset the loss of revenues from the Baltic operations. Excluding the Baltics, there was an average increase in the healthy loan portfolio of 1.1 per cent, parallel to a 1.8 per cent decrease in average deposit volumes from the first three quarters of 2017. The combined spread narrowed by 2 basis points compared with the previous year. Average lending spreads for the customer segments narrowed by 11 basis points, and deposit spreads widened by 9 basis points.

Net other operating income decreased by NOK 1 237 million from the first three quarters of 2017. The decrease was due to lower gains from financial instruments at fair value, reflecting volatile money market activity, a negative effect from basis swaps, reclassifications under IFRS 9 as well as loss of revenues from the Baltics. Net commissions and fees were up NOK 210 million, compared with the previous period, and mainly reflected reclassifications under IFRS 9.

Total operating expenses were reduced by NOK 753 million from 2017, due to deconsolidation of the Baltics.

There were net reversals on impairment losses on financial instruments of NOK 374 million in the first three quarters of 2018. The net reversals primarily related to the large corporates and international customers segment. The main drivers were a 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 an increase in impairments related to individually assessed corporate customers in stage 3.

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.

Third quarter income statement – main items

Net interest income

Amounts in NOK million	3Q18	2Q18	3Q17
Lending spreads, customer segments	7 218	6 739	7 503
Deposit spreads, customer segments	691	752	356
Amortisation effects and fees	779	810	681
Operational leasing	383	375	383
Baltics			278
Other net interest income	228	519	(64)
Net interest income	9 299	9 194	9 137

Net interest income increased by NOK 162 million from the third quarter of 2017. Reclassification effects related to IFRS 9, amortisation effects and fees and reduced long-term funding costs more than offset the loss of revenues from the Baltic operations. In the comments below, volumes and spreads have been adjusted for the effects of the Baltic operations in 2017.

There was an average increase of NOK 35.9 billion or 2.5 per cent in the healthy loan portfolio compared with the third quarter of 2017. Adjusted for exchange rate effects, volumes were up NOK 26.7 billion or 1.9 per cent. During the same period, deposits were down NOK 4.7 billion or 0.5 per cent. Adjusted for exchange rate effects, the decrease was 1.2 per cent. Average lending spreads contracted by 13 basis points, and deposit spreads widened by 14 basis points compared with the third quarter of 2017. Volume-weighted spreads for the customer segments contracted by 1 basis point compared with the same period in 2017 and increased by 3 basis points from the second quarter of 2018.

Compared with the second quarter, net interest income increased by NOK 105 million, mainly due to one more interest day in the third quarter. There was an average increase of NOK 33.5 billion or 2.3 per cent in the healthy loan portfolio, and deposits were up NOK 11.6 billion or 1.2 per cent.

Net other operating income

Amounts in NOK million	3Q18	2Q18	3Q17
Net commissions and fees	1 431	1 801	1 503
Basis swaps	103	(747)	(54)
Exchange rate effects additional Tier 1 capital	(18)	497	(624)
Net gains on financial instruments at fair value, other	526	372	1 734
Other operating income	581	819	503
Net other operating income	2 623	2 742	3 062

Net other operating income was down NOK 439 million from the third quarter of 2017. The reduction mainly reflected lower net gains on financial instruments at fair value due to reclassifications under IFRS 9 and loss of revenues from the Baltics. Further, there was a reduction in commissions and fees, reflecting low activity in the capital markets.

Compared with the second quarter, net other operating income was down NOK 119 million, mainly due to negative exchange rate effects on additional Tier 1 capital of NOK 515 million, and a reduction in net commissions and fees of NOK 370 million. The decrease in net commissions and fees reflected seasonally lower activity in real estate broking and low activity in the capital markets. Basis swaps contributed positively to net other operating income.

The share of profits from associated companies showed an increase compared with the previous year, and a decrease compared with a high level in the second quarter partly due to transaction effects related to Luminor.

Operating expenses

Amounts in NOK million	3Q18	2Q18	3Q17
Salaries and other personnel expenses	(2 784)	(2 825)	(2 901)
Other expenses	(1 867)	(1 878)	(1 925)
Depreciation and impairment of fixed and intangible assets	(489)	(473)	(500)
Total operating expenses	(5 140)	(5 176)	(5 325)

Operating expenses decreased by NOK 186 million compared with the third quarter of 2017. The decrease was mainly due to the fact that operating expenses of NOK 243 million relating to the Baltics were included in the accounts for the third quarter of 2017.

Excluding the Baltic operations, operating expenses increased by NOK 57 million mainly due to higher IT expenses.

Compared with the second quarter, there was a decrease of NOK 36 million. The main factors behind the decrease were lower restructuring costs and seasonally lower marketing costs in the third quarter.

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

Impairment of financial instruments

Amounts in NOK million	3Q18	2Q18
Personal customers	(76)	(94)
Commercial real estate	20	10
Shipping	(261)	75
Oil, gas and offshore	500	157
Other industry segments	(193)	(95)
Total impairment of financial instruments	(11)	54

Impairment losses on financial instruments amounted to NOK 11 million in the third quarter. The impairment losses in the quarter within the most relevant industry segments are shown 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 500 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 overall portfolio quality and the development in relevant macro drivers for the shipping portfolio were stable in the third quarter. However, a negative credit development for specific shipping customers resulted in net impairment losses of NOK 261 million.

The net impairment losses of NOK 193 million within other industry segments primarily reflect negative credit development on individually assessed customers within the industry segment trade.

Net stage 3 loans and financial commitments amounted to NOK 25.7 billion at end-September 2018.

Taxes

The banking group's tax expense for the third quarter is estimated at NOK 1 354 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	3Q18	2Q18	3Q17
Net interest income	3 328	3 241	3 427
Net other operating income	979	1 061	1 014
Total income	4 308	4 302	4 441
Operating expenses	(1 874)	(1 981)	(1 943)
Pre-tax operating profit before impairment	2 434	2 321	2 499
Impairment of financial instruments	(75)	(101)	(80)
Pre-tax operating profit	2 359	2 220	2 419
Tax expense	(590)	(555)	(605)
Profit for the period	1 769	1 665	1 814
Average balance sheet items in NOK billion			
Net loans to customers	764.4	755.4	730.9
Deposits from customers	418.0	406.2	406.8
Key figures in per cent			
Lending spread ¹⁾	1.58	1.53	1.86
Deposit spread ¹⁾	0.34	0.40	0.17
Return on allocated capital	15.9	14.7	19.7
Cost/income ratio	43.5	46.0	43.7
Ratio of deposits to loans	54.7	53.8	55.6

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

The personal customers segment delivered sound results in the third quarter of 2018, with a return on allocated capital of 15.9 per cent. The development from the previous quarter was affected by rising spreads on loans due to decreased money market rates, as well as a reduction in operating expenses.

The combined spreads on loans and deposits narrowed by 0.11 percentage points from the corresponding period in 2017, while combined spreads were unchanged from the second quarter of 2018.

There was a rise in average net loans of 4.6 per cent from the third quarter of 2017. The annualised growth from the second quarter of 2018 was 4.8 per cent. Deposits from customers were up 2.8 per cent in the same period.

Compared to the second quarter of 2018, other operating income was negatively affected by a seasonally low level of activity in real estate broking in the third quarter. This effect was partly counteracted by seasonally high income from payment transfers. The decrease in other operating income from the corresponding quarter of 2017 can mainly be explained by a positive effect in the third quarter of last year related to the merger of DNB Eiendom AS and DNB Meglerservice AS.

Sound cost control, along with positive effects from the merger mentioned above, contributed to a reduction in operating expenses from the third quarter of 2017. A lower level of activity within real estate broking gave a decrease in costs compared with the second quarter of 2018.

The relevant macro forecasts for the personal customers segment were unchanged and credit quality remained stable in the quarter. This resulted in a continued low level of impairment losses on financial instruments in the third quarter.

The market share of credit to households stood at 24.2 per cent at end-August 2018, while the market share of total household savings slightly decreased to 27.2 per cent. DNB Eiendom had an average market share of 17.9 per cent in the third quarter of 2018.

DNB is continuing to automate and digitise products and services, such as the savings app Spare, to meet customer needs and expectations. The digital loan application and chatbot functionalities were improved during this quarter.

Small and medium-sized enterprises

Income statement in NOK million	3Q18	2Q18	3Q17
Net interest income	2 387	2 364	2 141
Net other operating income	350	395	358
Total income	2 737	2 759	2 499
Operating expenses	(936)	(984)	(988)
Pre-tax operating profit before impairment	1 801	1 774	1 511
Net gains on fixed and intangible assets	2	1	
Impairment of financial instruments	(217)	(33)	(146)
Profit from repossessed operations	(1)	(1)	30
Pre-tax operating profit	1 585	1 742	1 395
Tax expense	(396)	(435)	(349)
Profit for the period	1 189	1 306	1 046
Average balance sheet items in NOK billion			
Net loans to customers	302.7	297.1	277.9
Deposits from customers	215.9	210.4	208.6
Key figures in per cent			
Lending spread ¹⁾	2.52	2.44	2.59
Deposit spread ¹⁾	0.48	0.52	0.30
Return on allocated capital	16.8	18.9	16.5
Cost/income ratio	34.2	35.7	39.5
Ratio of deposits to loans	71.3	70.8	75.0

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

Increases in net interest income combined with a reduction in operating expenses contributed to solid profits in the third quarter of 2018.

There was a rise in average loans of 8.9 per cent from the third quarter of 2017, while average deposit volumes were up 3.5 per cent during the same period. The solid rise in loan volumes in combination with a positive development in deposit spreads ensured an increase in net interest income of 11.5 per cent compared with the third quarter of 2017.

Net other operating income was on level with the corresponding quarter last year. Income from cash management showed a positive trend in the period.

A reduction in both personnel expenses and IT costs, combined by no major restructuring costs in the third quarter of 2018, explain the decrease in operating expenses from the third quarter of 2017.

Overall, the relevant macro forecasts were unchanged and the credit quality of the portfolio as a whole remained stable in the third quarter. The impairment of NOK 217 million was mainly caused by negative credit development related to individually assessed customers in stage 3. Net stage 3 loans and financial commitments amounted to NOK 5 billion at end-September 2018, up from NOK 3 billion a year earlier. Annualised impairment losses on loans and guarantees represented 0.28 per cent of average loans in the third quarter of 2018, compared with 0.21 per cent in the year-earlier period, and 0.04 per cent in the second 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.

The banking group expects continued profitable lending growth to small and medium-sized corporate customers.

Large corporates and international customers

Income statement in NOK million	3Q18	2Q18	3Q17
Net interest income	3 019	3 099	3 211
Net other operating income	925	1 263	1 293
Total income	3 945	4 362	4 504
Operating expenses	(1 521)	(1 520)	(1 777)
Pre-tax operating profit before impairment	2 423	2 843	2 727
Net gains on fixed and intangible assets	0	0	(3)
Impairment of financial instruments	281	189	(642)
Profit from repossessed operations	(98)	(17)	(2)
Pre-tax operating profit	2 606	3 014	2 080
Tax expense	(599)	(693)	(582)
Profit from operations held for sale, after taxes	(11)		
Profit for the period	1 995	2 321	1 498

Average balance sheet items in NOK billion

	3Q18	2Q18	3Q17
Net loans to customers	413.7	403.8	485.8
Deposits from customers	316.4	321.3	377.2
Key figures in per cent			
Lending spread ¹⁾	2.23	2.15	2.15
Deposit spread ¹⁾	0.09	0.09	0.03
Return on allocated capital	12.2	13.7	7.3
Cost/income ratio	38.6	34.8	39.4
Ratio of deposits to loans	76.5	79.5	77.6

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 third quarter of 2017.

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

Average loan volumes were down 14.8 per cent compared with the third quarter of 2017. Adjusted for the Baltic operations, the reduction was 5.7 per cent. The reduction is a result of rebalancing and restructuring of exposures. Compared with the second quarter of 2018, average loan volumes increased by 2.5 per cent, in line with expectations. Average customer deposits were down 6.8 per cent from the third quarter of 2017, adjusted for the Baltics. Deposits decreased by 1.5 per cent from the second quarter of 2018.

Both lending and deposit spreads widened compared with the third quarter of 2017, contributing to an increase in net interest income of 3.2 per cent, excluding the Baltics. Compared with the second quarter of 2018, there was an improvement in lending spreads while deposit spreads remained unchanged.

Lower activity within investment banking affected the development in other operating income from both the third quarter of 2017 and second quarter of 2018. However, this area is expected to increase in the coming period.

Operating expenses were up 0.5 per cent compared with the third quarter of 2017, excluding costs in the Baltic operations, while the development remained flat from the second quarter of 2018.

The net reversal of impairment of NOK 281 million in the third 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 the two first quarters of 2018, including an expected modestly 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 development for individually assessed customers within the shipping and trade industry segments. Net stage 3 loans and financial commitments amounted to NOK 18 billion at end-September 2018, up from NOK 14 billion a year earlier.

On an annualised basis, there were net reversals on previous impairment losses of 0.27 per cent of average loans in the quarter, compared with net impairment losses of 0.52 per cent in the third quarter of 2017, and reversals of 0.19 per cent in the second 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	3Q18	2Q18	3Q17
Net interest income	564	490	358
Net other operating income	747	311	1 055
Total income	1 311	801	1 413
Operating expenses	(1 188)	(979)	(1 277)
Pre-tax operating profit before impairment	124	(179)	137
Net gains on fixed and intangible assets	(5)	464	754
Impairment of financial instruments	0	(0)	1
Profit from repossessed operations	99	18	(28)
Pre-tax operating profit	217	303	863
Tax expense	232	228	(18)
Profit from operations held for sale, after taxes	(30)	(21)	33
Profit for the period	419	510	877

Average balance sheet items in NOK billion	3Q18	2Q18	3Q17
Net loans to customers	84.1	77.6	31.4
Deposits from customers	69.0	56.8	67.1

Profit for other operations was NOK 419 million in the period, a decrease from both the third quarter of 2017 and the second quarter of 2018.

Total revenues from the Risk Management operations in Markets were NOK 318 million in the third quarter of 2018, which was an increase of 29 per cent from the second quarter of 2018, but a reduction of 68 per cent from the year-earlier period. [Lower level of trading revenues due to reduced volumes and increased competition in the money market](#) [Narrow credit spreads and tighter money markets](#)-affected the development from 2017.

The profit in the "Other operations" segment is affected by several group items not allocated to the segments. Net other operating income in the third quarter was affected positively by mark-to-market effects related to changes in basis swaps spreads. This item varies highly from quarter to quarter.

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. The amount of NOK 754 million in the third quarter of 2017 reflected a gain on the transaction following the establishment of Vipps as a separate company. In the third quarter of 2018 there has been no similar transactions impacting this line item.

Funding, liquidity and balance sheet

The short-term funding markets remained positive in the third quarter, but short-term funding became somewhat more expensive, as expected in connection with increased interest rates from the Federal Reserve. Expectations of a further interest rate hike in December are largely priced into the market and contribute to making short-term funding with a slightly longer term to maturity relatively more expensive. As the autumn progresses, the market is expected to tighten somewhat due to increased demand for loans in the US money market, combined with investors holding back due to year-end adjustments. DNB still has ample access to short-term funding.

The long-term funding markets were characterised by continued high activity in the third quarter. There have been a

number of new issues of covered bonds in the market, and prices have remained relatively stable despite the scaling down of the European Central Bank's asset purchase programme. In the market for senior bonds, an increasing number of players have now started to issue so-called Senior Non-Preferred bonds, which are in compliance with the MREL requirements (Minimum Requirement of own funds and Eligible Liabilities). In connection with the introduction of the EU's Bank Recovery and Resolution Directive (BRRD), a final proposal for MREL requirements for Norwegian banks is expected from Finanstilsynet (the Financial Supervisory Authority of Norway) in November. In September, the banking group issued an ordinary senior bond in the euro market of EUR 750 million with a term to maturity of 5 years. The prices of senior bonds and subordinated debt have fallen somewhat during the quarter. 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 583 billion at end-September 2018, compared with NOK 550 billion a year earlier. The average remaining term to maturity for these debt securities was 4.1 years at the end of the third quarter, unchanged from a year earlier.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the quarter and was 128.6 per cent at end-September.

Total assets in the banking group's balance sheet were NOK 2 387 billion at the end of the third quarter of 2018 and NOK 2 447 billion a year earlier.

The ratio of customer deposits to net loans to customers was 63.7 per cent at end-September 2018, above the ambition of minimum 60 per cent.

Capital position and risk-weighted assets

The DNB Bank Group's Basel III common equity Tier 1 (CET 1) capital ratio, calculated according to transitional rules, increased to 16.5 per cent at the end of the third quarter, up from 16.3 per cent a year earlier and from 16.2 at end-June.

Retained earnings, 50 per cent of profits, contributed to the increase in the third quarter. A reduction in risk-weighted assets (RWA) in the large corporate and international customers segment contributed positively to the increase in the CET 1 ratio, while net growth in other segments affected the CET1 ratio negatively.

The risk-weighted assets based on transitional rules were NOK 1 024 million, down from NOK 1 027 million at end-September 2017 and NOK 1 028 at end-June 2018.

The non-risk based leverage ratio was 7.0 per cent at end-September, up from 6.9 the year-earlier period, and from 6.6 per cent at end-June.

	3Q18	2Q18	3Q17
<i>Transitional rules:</i>			
CET 1, per cent	16.5	16.2	16.3
Tier 1 capital ratio, per cent	18.1	17.7	17.8
Capital ratio, per cent	20.9	21.3	20.6
RWA, NOK billion	1 024	1 028	1 027
CET 1, without transitional rules, per cent	17.3	17.0	16.9
Leverage ratio, per cent	7.0	6.6	6.9

New regulatory framework

The Ministry of Finance confirms the removal of the Basel I floor

As discussed in the second quarter report, Finanstilsynet has recommended that the so-called Basel I floor is removed, and that Norway introduces lower capital requirements for lending to small and medium-sized enterprises (the SME supporting factor). The reason for this is that the distinctively Norwegian provisions are not in line with the EU's capital requirements regulations CRR/CRD IV.

It is expected that the CRR/CRD IV will be incorporated into the EEA agreement before long, and that in the wake of this, the Ministry of Finance will implement regulatory changes in Norway in line with EU regulations.

Counter-cyclical capital buffer requirement

The counter-cyclical capital buffer represents an additional capital requirement for banks. The purpose of the buffer is to make banks more financially sound and to prevent lending practices from adding to a setback in the economy. On 20 September, the Ministry of Finance decided that the counter-cyclical buffer requirement will be kept unchanged at 2 per cent.

New Personal Data Act as of 20 July

The EU's General Data Protection Regulation (GDPR) came into force in the EU member states on 25 May, and a decision was made to incorporate the regulations in the EEA agreement on 6 July. The purpose of the GDPR is to ensure protection of personal data, while making it possible to exchange such information freely within the European Economic Area. The regulations retain many of the principles of the Data Protection Directive, while introducing a number of new rules. Among these are extended duties for enterprises, such as providing information on how the enterprise processes personal data, assessing the privacy impacts of actions that involve a high degree of privacy protection risk, and reporting personal data security breaches.

The Norwegian Parliament (Stortinget) has adopted a new Personal Data Act, which enforces GDPR in Norway. The new Act entered into force on 20 July. New personal data regulations and separate transition regulations have also been adopted.

New anti-money laundering regulations

The new Money Laundering Act and anti-money regulations took effect on 15 October. The new regulations replace the Money Laundering Act and regulations from 2009 and incorporate the EU's fourth money-laundering directive into Norwegian law. Prevailing law is largely continued, with a tightening of the rules on some key points, including a new way of identifying beneficial owners. The rules for simplified customer due diligence will no longer involve an exception to the requirement of customer due diligence, but merely a relaxation of the general requirements. The definition of politically exposed persons (PEPs) is extended to include national PEPs, and it must also be considered whether individuals other than the customers are PEPs, e.g. beneficial owners and persons acting on behalf of the customer.

Macroeconomic developments

While 2017 globally was a year characterised by positive growth surprises, 2018 has so far shown weaker key figures and more turbulent financial markets. Higher interest rates in the United States and a stronger US dollar have contributed to increased volatility in emerging economies, especially in countries with a high level of foreign debt in US dollars. News about actual and possible increases in the US trade sanctions against a number of countries has led to uncertainty about future prospects. In the period ahead, DNB expects that a further escalation of the trade war between the United States and China will curb growth not only in the two countries, but also in the rest of the world. Nevertheless, continued above-normal growth and falling unemployment rates are forecast in most major economies in the years to come. Growth in the global economy is estimated to be 3.6 per cent this year and 3.4 per cent next year.

An expansionary fiscal policy will stimulate the US economy this year and next year, while a weaker outlook for exports and investments, as a result of the trade war with China, will slow down the growth. Due to a tight labour market and rising inflation, many expect the Federal Reserve to further raise the key policy rate, once this year and four times in 2019.

Growth in the eurozone has been disappointing so far this year, but is still above normal. The trade war between the United States and China will probably affect the eurozone negatively through a weaker global demand, but the effects are expected to be moderate. The European Central Bank has announced that it will 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.

The British economy has slowed down, and inflation has fallen faster than expected. The Brexit negotiations are at a critical phase this autumn, and uncertainty puts a damper on the economic activity. DNB believes that the Bank of England will raise interest rates gradually in the time ahead, and does not expect the next interest rate hike until the end of next year.

The upswing in the Norwegian economy is expected to continue this year, despite a marked drop in housing investment. Solid growth in business investments, on top of a strong momentum in consumption and exports, is expected to contribute to increasing the growth in the mainland economy to 2.3 per cent this year. A significant boost in oil investments is predicted for the period ahead, and domestic demand is expected to remain stable, while the trade war between China and the United States slows down the increase. However, the implications are assumed to be relatively moderate as long as a global trade war is avoided. A growth in the mainland economy of close to 2 per cent is forecast over the next few years. 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 remained low earlier in the year, but rose to 1.9 per cent in August. Norges Bank raised the key policy rate by

0.25 percentage points to 0.75 per cent in September, and has indicated further rate hikes twice a year over the next few years.

Future prospects

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

The increase in Norges Bank's key policy rate from 0.5 per cent to 0.75 per cent, followed by DNB's announcement of an increase in loan rates effective from 23 October and 4 November, will have a positive effect on net interest income in the fourth quarter. The annual increase in lending volumes is anticipated to be 3 to 4 per cent in 2018. 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.

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 16.4-3 per cent from year-end 2018, and t^he CET 1 ratio achieved at end-September was 16.5 per cent. DNB is well-positioned for new regulatory requirements, including Basel 4, which is expected to have minimal effects for DNB.

Oslo, 24 October 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

	DNB Bank ASA			
Amounts in NOK million	3rd quarter 2018	3rd quarter 2017	January-September 2018	Full year 2017
Interest income, amortised cost	9 741	7 648	28 117	23 038
Other interest income	995	1 669	3 016	4 751
Interest expenses, amortised cost	(4 879)	(2 389)	(13 761)	(7 118)
Other interest expenses	1 022	(881)	2 683	(2 436)
Net interest income	6 878	6 047	20 055	18 236
Commission and fee income	1 904	1 816	6 127	5 427
Commission and expenses	(816)	(826)	(2 610)	(2 428)
Net gains on financial instruments at fair value	662	1 152	2 422	4 195
Other income	1 398	949	2 955	2 751
Net other operating income	3 148	3 092	8 894	9 945
Total income	10 026	9 138	28 949	28 181
Salaries and other personnel expenses	(2 410)	(2 390)	(7 189)	(7 170)
Other expenses	(1 699)	(1 581)	(4 974)	(5 054)
Depreciation and impairment of fixed and intangible assets	(490)	(460)	(1 434)	(1 351)
Total operating expenses	(4 599)	(4 431)	(13 597)	(13 575)
Pre-tax operating profit before impairment	5 428	4 707	15 352	14 607
Net gains on fixed and intangible assets	1	753	788	769
Impairment of financial instruments	(399)	(704)	(406)	(1 063)
Pre-tax operating profit	5 030	4 756	15 734	14 313
Tax expense	(1 006)	(1 094)	(3 147)	(3 292)
Profit for the period	4 024	3 662	12 586	11 021
Portion attributable to shareholders of DNB Bank ASA	3 791	3 445	11 898	10 326
Portion attributable to additional Tier 1 capital holders	233	218	689	695
Profit for the period	4 024	3 662	12 586	11 021

Comprehensive income statement

Amounts in NOK million	3rd quarter 2018	3rd quarter 2017	January-September 2018	Full year 2017
Profit for the period	4 024	3 662	12 586	11 021
Actuarial gains and losses				(115)
Financial liabilities designated at FVTPL, changes in credit risk	14		39	
Tax	(4)		(10)	(4)
Items that will not be reclassified to the income statement	11		29	(120)
Currency translation of foreign operations	(28)	(14)	(101)	11
Items that may subsequently be reclassified to the income statement	(28)	(14)	(101)	53
Other comprehensive income for the period	(18)	(14)	(72)	11
Comprehensive income for the period	4 006	3 648	12 514	11 032

Balance sheet

DNB Bank ASA

Amounts in NOK million	Note	30 Sept. 2018	31 Dec. 2017	30 Sept. 2017
Assets				
Cash and deposits with central banks		311 853	151 147	325 187
Due from credit institutions		429 074	580 973	518 673
Loans to customers	4, 5, 6, 7	768 543	730 782	723 526
Commercial paper and bonds	7	239 478	271 607	203 583
Shareholdings	7	7 321	6 310	5 922
Financial derivatives	7	119 071	146 953	144 949
Investments in associated companies		9 111	9 007	1 595
Investments in subsidiaries		106 918	115 142	119 775
Intangible assets		3 471	3 515	3 665
Deferred tax assets		8 416	8 415	1 873
Fixed assets		8 008	7 842	7 473
Other assets		10 234	22 092	16 274
Total assets		2 021 497	2 053 787	2 072 496
Liabilities and equity				
Due to credit institutions		331 555	332 798	342 824
Deposits from customers	7	976 228	956 525	994 667
Financial derivatives	7	142 866	179 534	163 563
Debt securities issued	7, 8	334 570	326 171	332 165
Payable taxes		5 587	3 765	2 629
Deferred taxes		71	74	58
Other liabilities		16 408	51 103	25 806
Provisions		1 403	1 652	1 785
Pension commitments		3 179	2 906	2 687
Subordinated loan capital	7, 8	29 267	29 538	28 554
Total liabilities		1 841 134	1 884 067	1 894 739
Share capital		18 256	18 256	18 256
Share premium		19 895	19 895	19 895
Additional Tier 1 capital		15 969	16 159	15 960
Other equity		126 243	115 411	123 646
Total equity		180 363	169 720	177 756
Total liabilities and equity		2 021 497	2 053 787	2 072 496

Income statement

	DNB Bank Group			
Amounts in NOK million	3rd quarter 2018	3rd quarter 2017	January-September 2018	Full year 2017
Interest income, amortised cost	13 392	12 066	39 084	36 052
Other interest income	1 270	1 717	3 787	4 928
Interest expenses, amortised cost	(6 065)	(3 873)	(17 269)	(11 602)
Other interest expenses	703	(774)	2 031	(2 452)
Net interest income	9 299	9 137	27 634	26 924
Commission and fee income	2 237	2 357	7 295	7 002
Commission and fee expenses	(806)	(853)	(2 574)	(2 491)
Net gains on financial instruments at fair value	611	1 056	905	2 824
Profit from investments accounted for by the equity method	94	(17)	324	(38)
Net gains on investment properties	17	(3)	69	(3)
Other income	470	523	1 546	1 507
Net other operating income	2 623	3 062	7 564	8 801
Total income	11 922	12 199	35 198	35 725
Salaries and other personnel expenses	(2 784)	(2 901)	(8 362)	(8 692)
Other expenses	(1 867)	(1 925)	(5 491)	(5 894)
Depreciation and impairment of fixed and intangible assets	(489)	(500)	(1 443)	(1 461)
Total operating expenses	(5 140)	(5 325)	(15 295)	(16 048)
Pre-tax operating profit before impairment	6 782	6 873	19 902	19 677
Net gains on fixed and intangible assets	(3)	750	480	773
Impairment of financial instruments	(11)	(867)	374	(2 026)
Pre-tax operating profit	6 769	6 756	20 756	18 424
Tax expense	(1 354)	(1 554)	(4 151)	(4 238)
Profit from operations held for sale, after taxes	(42)	33	(63)	2
Profit for the period	5 373	5 235	16 542	14 189
Portion attributable to shareholders of DNB Bank ASA	5 140	5 018	15 853	13 494
Portion attributable to additional Tier 1 capital holders	233	218	689	695
Profit for the period	5 373	5 235	16 542	14 189

Comprehensive income statement

	DNB Bank Group			
Amounts in NOK million	3rd quarter 2018	3rd quarter 2017	January-September 2018	Full year 2017
Profit for the period	5 373	5 235	16 542	14 189
Actuarial gains and losses				(97)
Financial liabilities designated at FVTPL, changes in credit risk	78		(20)	
Tax	(20)		5	(9)
Items that will not be reclassified to the income statement	59		(15)	(107)
Currency translation of foreign operations	(343)	(2 974)	(2 925)	(1 552)
Currency translation reserve reclassified to the income statement	(2)		(2)	(1 303)
Hedging of net investment	307	2 525	2 409	1 500
Hedging reserve reclassified to the income statement	1		1	1 224
Investments according to the equity method		20		119
Tax	(77)	(631)	(602)	(375)
Tax reclassified to the income statement				(338)
Items that may subsequently be reclassified to the income statement	(114)	(1 061)	(1 119)	(308)
Other comprehensive income for the period	(55)	(1 061)	(1 135)	(308)
Comprehensive income for the period	5 318	4 174	15 407	13 881

Balance sheet

Amounts in NOK million	Note	DNB Bank Group		
		30 Sept. 2018	31 Dec. 2017	30 Sept. 2017
Assets				
Cash and deposits with central banks		312 366	151 595	325 842
Due from credit institutions		121 846	237 849	154 682
Loans to customers	4, 5, 6, 7	1 561 867	1 531 345	1 524 855
Commercial paper and bonds	7	238 342	266 642	199 124
Shareholdings	7	9 314	7 303	6 867
Financial derivatives	7	105 799	132 649	130 345
Investment properties		651	990	889
Investments accounted for by the equity method		11 321	11 176	4 250
Intangible assets		3 737	3 756	4 073
Deferred tax assets		1 155	757	1 168
Fixed assets		8 065	7 911	7 563
Assets held for sale		1 343		70 359
Other assets		11 411	7 888	17 246
Total assets		2 387 216	2 359 860	2 447 263
Liabilities and equity				
Due to credit institutions		251 861	222 501	246 056
Deposits from customers	7	995 154	980 374	1 019 896
Financial derivatives	7	95 245	112 020	108 143
Debt securities issued	7, 8	783 069	782 127	758 003
Payable taxes		7 665	4 702	3 842
Deferred taxes		853	847	2 310
Other liabilities		17 752	19 304	27 319
Liabilities held for sale		268		51 001
Provisions		2 120	1 766	1 867
Pension commitments		3 299	2 995	2 779
Subordinated loan capital	7, 8	29 267	29 538	28 554
Total liabilities		2 186 552	2 156 175	2 249 770
Share capital		18 256	18 256	18 256
Share premium		20 611	20 611	20 611
Additional Tier 1 capital		15 969	16 159	15 960
Other equity		145 828	148 660	142 667
Total equity		200 665	203 685	197 494
Total liabilities and equity		2 387 216	2 359 860	2 447 263

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			695			10 326	11 021
Currency translation of foreign operations				11			11
Comprehensive income for the period			695	11		10 326	11 032
Demerger Vipps AS	(59)					(641)	(700)
Interest payments additional Tier 1 capital			(681)				(681)
Currency movements taken to income			(7)			7	
Transfer of lending portfolio to subsidiary (continuity)						2	2
Balance sheet as at 30 Sept. 2017	18 256	19 895	15 960	527		123 119	177 756
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			689			11 898	12 586
Financial liabilities designated at FVTPL, changes in credit risk					39		39
Currency translation of foreign operations				(101)			(101)
Tax on other comprehensive income					(10)		(10)
Comprehensive income for the period			689	(101)	29	11 898	12 514
Interest payments additional Tier 1 capital			(846)				(846)
Currency movements taken to income			(32)		32		
Balance sheet as at 30 Sept. 2018	18 256	19 895	15 969	468	(98)	125 873	180 363
	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			695			13 494	14 189
Currency translation of foreign operations				(1 552)			(1 552)
Hedging of net investment				1 500			1 500
Investments according to the equity method						119	119
Tax on other comprehensive income				(375)			(375)
Comprehensive income for the period			695	(427)		13 613	13 881
Demerger Vipps AS	(59)					(641)	(700)
Interest payments additional Tier 1 capital			(681)				(681)
Currency movements taken to income			(7)		7		
Group contribution to DNB ASA for 2016						(5 084)	(5 084)
Balance sheet as at 30 Sept. 17	18 256	20 611	15 960	3 839		138 828	197 494
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			689			15 853	16 542
Financial liabilities designated at FVTPL, changes in credit risk					(20)		(20)
Currency translation of foreign operations				(2 927)			(2 927)
Hedging of net investment				2 410			2 410
Tax on other comprehensive income				(602)	5		(597)
Comprehensive income for the period			689	(1 119)	(15)	15 853	15 407
Interest payments additional Tier 1 capital			(846)				(846)
Currency movements taken to income			(32)		32		
Group contribution to DNB ASA for 2017						(15 804)	(15 804)
Balance sheet as at 30 Sept. 18	18 256	20 611	15 969	3 396	(357)	142 789	200 665

Cash flow statement

Amounts in NOK million	DNB Bank ASA	
	January-September 2018	Full year 2017
Operating activities		
Net payments on loans to customers	(45 295)	(38 411)
Interest received from customers	25 559	20 578
Net receipts on deposits from customers	22 251	80 896
Interest paid to customers	(4 105)	(1 809)
Net receipts/payments on loans to credit institutions	150 815	36 078
Interest received from credit institutions	5 561	3 837
Interest paid to credit institutions	(3 378)	(2 226)
Net receipts/payments on the sale of financial assets for investment or trading	21 243	30 163
Interest received on bonds and commercial paper	3 310	3 982
Net receipts on commissions and fees	3 657	2 725
Payments to operations	(12 114)	(11 794)
Taxes paid	(1 155)	(930)
Other net receipts/payments	764	5 255
Net cash flow from operating activities	167 113	128 345
	(33 406)	(33 406)
Investing activities		
Net payments on the acquisition of fixed assets	(810)	(1 115)
Net investment in long-term shares	6 067	(3 513)
Dividends received on long-term investments in shares	869	347
Net cash flow from investment activities	6 126	(4 281)
	(3 181)	(3 181)
Financing activities		
Receipts on issued bonds and commercial paper	835 577	1 365 828
Payments on redeemed bonds and commercial paper	(819 404)	(1 362 930)
Interest payments on issued bonds and commercial paper	(5 561)	(4 945)
Receipts on the raising of subordinated loan capital	9 419	10 106
Redemptions of subordinated loan capital	(8 542)	(10 544)
Interest payments on subordinated loan capital	(539)	(746)
Interest payments on additional Tier 1 capital	(846)	(681)
Group contribution payments	(17 842)	(4 018)
Net cash flow from funding activities	(7 739)	(7 930)
	(28 080)	(28 080)
Effects of exchange rate changes on cash and cash equivalents	(2 938)	1 580
	6 082	6 082
Net cash flow	162 562	117 713
	(58 584)	(58 584)
Cash as at 1 January	153 184	211 768
Net receipts/payments of cash	162 562	117 713
Cash at end of period ¹⁾	315 746	329 481
	153 184	211 768
	(58 584)	(58 584)
	329 481	153 184
*) Of which: Cash and deposits with central banks		
Deposits with credit institutions with no agreed period of notice ¹⁾		
	311 853	325 187
	3 893	4 294
	151 147	2 036

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

Cash flow statement (continued)

Amounts in NOK million	DNB Bank Group		
	January-September 2018	2017	Full year 2017
Operating activities			
Net payments on loans to customers	(43 570)	(44 866)	(36 193)
Interest received from customers	40 202	35 846	47 789
Net receipts on deposits from customers	17 267	81 413	34 723
Interest paid to customers	(4 187)	(1 247)	(4 425)
Net receipts/payments on loans to credit institutions	144 379	60 640	(40 214)
Interest received from credit institutions	3 163	1 866	2 449
Interest paid to credit institutions	(2 684)	(1 732)	(2 428)
Net receipts/payments on the sale of financial assets for investment or trading	23 208	27 140	(20 381)
Interest received on bonds and commercial paper	3 254	3 898	4 394
Net receipts on commissions and fees	4 867	4 294	6 035
Payments to operations	(13 792)	(14 198)	(19 505)
Taxes paid	(1 709)	(9 631)	(10 004)
Other net receipts/payments	(729)	10 350	6 282
Net cash flow from operating activities	169 671	153 773	(31 478)
Investing activities			
Net payments on the acquisition of fixed assets	(1 139)	(1 175)	(2 274)
Net receipt from investment properties	336	321	382
Net investment in long-term shares	107	(468)	(585)
Dividends received on long-term investments in shares	13	7	7
Net cash flow from investment activities	(683)	(1 314)	(2 470)
Financing activities			
Receipts on issued bonds and commercial paper	886 650	1 411 117	1 849 030
Payments on redeemed bonds and commercial paper	(861 993)	(1 414 759)	(1 856 373)
Interest payments on issued bonds and commercial paper	(11 124)	(11 495)	(13 853)
Receipts on the raising of subordinated loan capital	9 419	10 106	10 106
Redemptions of subordinated loan capital	(8 542)	(10 544)	(10 544)
Interest payments on subordinated loan capital	(542)	(749)	(784)
Interest payments on additional Tier 1 capital	(846)	(681)	(724)
Group contributions payments	(16 094)	(5 318)	(5 318)
Net cash flow from funding activities	(3 072)	(22 322)	(28 459)
Effects of exchange rate changes on cash and cash equivalents			
Net cash flow	161 495	131 136	(56 971)
Cash as at 1 January	154 051	214 790	211 022
Net receipts/payments of cash	161 495	131 136	(56 971)
Cash at end of period ¹⁾	315 547	345 926	154 051
*) Of which: <i>Cash and deposits with central banks</i>			
Deposits with credit institutions with no agreed period of notice ¹⁾			
	312 366	337 274	151 595
	3 180	8 651	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 third 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 third 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, third quarter

	DNB Bank Group											
			Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Bank Group	
	Personal customers	3rd quarter	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<u>Amounts in NOK million</u>												
Net interest income		3 328	3 427	2 387	2 141	3 019	3 211	564	358		9 299	9 137
Net other operating income		979	1 014	350	358	925	1 293	747	1 055	(379)	(658)	2 623
Total income		4 308	4 441	2 737	2 499	3 945	4 504	1 311	1 413	(379)	(658)	11 922
Operating expenses		(1 874)	(1 943)	(936)	(988)	(1 521)	(1 777)	(1 188)	(1 277)	379	658	(5 140)
Pre-tax operating profit before impairment		2 434	2 499	1 801	1 511	2 423	2 727	124	137			6 782
Net gains on fixed and intangible assets				2		0	(3)	(5)	754			(3)
Impairment of financial instruments		(75)	(80)	(217)	(146)	281	(642)	0	1			(11)
Profit from repossessed operations				(1)	30	(98)	(2)	99	(28)			(867)
Pre-tax operating profit		2 359	2 419	1 585	1 395	2 606	2 080	217	863			6 769
Tax expense		(590)	(605)	(396)	(349)	(599)	(582)	232	(18)			(1 354)
Profit from operations held for sale, after taxes						(11)	(30)	33				33
Profit for the period		1 769	1 814	1 189	1 046	1 995	1 498	419	877			5 373
												5 235

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

Income statement, January-September

	DNB Bank Group											
			Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Bank Group	
	Personal customers	Jan.-Sept.	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<u>Amounts in NOK million</u>												
Net interest income		9 964	9 825	7 056	6 296	8 969	9 640	1 644	1 163			27 634
Net other operating income		2 934	2 905	1 143	1 143	3 292	3 892	1 416	2 478	(1 222)	(1 617)	7 564
Total income		12 898	12 730	8 200	7 439	12 261	13 532	3 060	3 641	(1 222)	(1 617)	35 198
Operating expenses		(5 715)	(5 878)	(2 912)	(3 062)	(4 624)	(5 482)	(3 266)	(3 242)	1 222	1 617	(15 295)
Pre-tax operating profit before impairment		7 183	6 852	5 288	4 377	7 637	8 050	(206)	399			19 902
Net gains on fixed and intangible assets			(0)	3	(0)	0	20	477	754			480
Impairment of financial instruments		(229)	(70)	(465)	(264)	1 067	(1 701)	0	8			374
Profit from repossessed operations				3	3	(113)	(6)	109	2			(2 026)
Pre-tax operating profit		6 954	6 782	4 829	4 116	8 592	6 364	380	1 163			20 756
Taxes		(1 738)	(1 695)	(1 207)	(1 029)	(1 976)	(1 782)	771	269			(4 151)
Profit from operations held for sale, after taxes						(11)	(0)	(52)	2			(4 238)
Profit for the period		5 215	5 086	3 622	3 087	6 604	4 582	1 099	1 434			16 542
												14 189

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.

DNB Bank ASA		Primary capital		DNB Bank Group	
31 Dec. 2017	30 Sept. 2018	Amounts in NOK million		30 Sept. 2018	31 Dec. 2017
169 720	168 465	Total equity		184 812	203 685
		Effect from regulatory consolidation		(262)	183
(15 574)	(15 574)	Additional Tier 1 capital instruments included in total equity		(15 574)	(15 574)
(439)	(297)	Net accrued interest on additional Tier 1 capital instruments		(297)	(439)
153 708	152 595	Common equity Tier 1 capital instruments		168 679	187 856
		Deductions			
	(6)	Pension funds above pension commitments		(6)	
(2 404)	(2 362)	Goodwill		(2 942)	(2 559)
(584)	(574)	Deferred tax assets that are not due to temporary differences		(441)	(454)
(1 110)	(1 109)	Other intangible assets		(1 698)	(1 984)
		Group contribution, payable			(15 804)
(951)	(1 380)	Expected losses exceeding actual losses, IRB portfolios		(1 684)	(1 915)
		Value adjustment due to the requirements for prudent valuation (AVA)		(794)	(720)
(449)	(374)	Adjustments for unrealised losses/(gains) on debt measured at fair value			
123	98			357	123
		Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)		(133)	(113)
147 851	146 368	Common equity Tier 1 capital		161 339	164 431
	152 316	Common equity Tier 1 capital incl. 50 per cent of profit for the period		169 295	
15 574	15 574	Additional Tier 1 capital instruments		15 574	15 574
163 425	161 941	Tier 1 capital		176 913	180 005
	167 890	Tier 1 capital incl. 50 per cent of profit for the period		184 869	
5 361	5 334	Perpetual subordinated loan capital		5 334	5 361
23 897	23 827	Term subordinated loan capital		23 827	23 897
29 258	29 160	Tier 2 capital		29 160	29 258
192 683	191 102	Total eligible capital		206 073	209 263
	197 051	Total eligible capital incl. 50 per cent of profit for the period		214 029	
835 986	859 788	Risk-weighted assets, transitional rules		1 023 552	1 014 683
66 879	68 783	Minimum capital requirement, transitional rules		81 884	81 175
17.7	17.7	Common equity Tier 1 capital ratio, transitional rules (%)		16.5	16.2
19.5	19.5	Tier 1 capital ratio, transitional rules (%)		18.1	17.7
23.0	22.9	Capital ratio, transitional rules (%)		20.9	20.6
	17.0	Common equity Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)		15.8	
	18.8	Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)		17.3	
	22.2	Capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)		20.1	

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 assets and capital requirements

	DNB Bank ASA					
	Nominal exposure 30 Sept. 2018	EAD ¹⁾ 30 Sept. 2018	Average risk weights in per cent 30 Sept. 2018	Risk-weighted assets 30 Sept. 2018	Capital requirements 30 Sept. 2018	Capital requirements 31 Dec. 2017
<i>Amounts in NOK million</i>						
IRB approach						
Corporate	711 837	585 075	54.7	319 881	25 590	25 542
Specialised lending (SL)	10 999	10 578	53.5	5 663	453	396
Retail - mortgages	116 779	116 779	24.1	28 123	2 250	1 974
Retail - other exposures	102 830	87 951	24.8	21 806	1 744	1 745
Securitisation	63	63	10.2	6	1	626
Total credit risk, IRB approach	942 508	800 447	46.9	375 479	30 038	30 283
Standardised approach						
Central government	393 415	367 829	0.0	87	7	6
Institutions	695 350	547 495	24.1	132 153	10 572	7 570
Corporate	111 625	86 025	93.1	80 078	6 406	6 059
Retail - mortgages	9 469	8 956	39.5	3 534	283	240
Retail - other exposures	118 680	39 150	74.5	29 173	2 334	2 104
Equity positions	116 939	116 939	100.2	117 150	9 372	10 018
Other assets	23 053	23 053	130.4	30 062	2 405	1 898
Total credit risk, standardised approach	1 468 531	1 189 446	33.0	392 236	31 379	27 895
Total credit risk	2 411 039	1 989 893	38.6	767 716	61 417	58 178
Market risk						
Position risk, debt instruments				9 980	798	1 620
Position risk, equity instruments				311	25	21
Currency risk						
Commodity risk				15	1	2
Credit value adjustment risk (CVA)				4 644	372	888
Total market risk				14 951	1 196	2 531
Operational risk				77 122	6 170	6 170
Total risk-weighted assets and capital requirements before transitional rules				859 788	68 783	66 879
Additional capital requirements according to transitional rules						
Total risk-weighted assets and capital requirements				859 788	68 783	66 879

1) EAD, exposure at default.

Note 3 Capital adequacy (continued)

Specification of risk-weighted assets and capital requirements

Amounts in NOK million	Nominal exposure 30 Sept. 2018	EAD ¹⁾ 30 Sept. 2018	Average risk weights in per cent 30 Sept. 2018	Risk-weighted assets 30 Sept. 2018	DNB Bank Group	
					Capital requirements 30 Sept. 2018	Capital requirements 31 Dec. 2017
IRB approach						
Corporate	934 371	774 091	53.9	417 003	33 360	35 197
Specialised Lending (SL)	12 169	11 748	55.8	6 555	524	454
Retail - mortgages	771 678	771 678	21.8	168 565	13 485	13 220
Retail - other exposures	102 830	87 951	24.8	21 806	1 744	1 745
Securitisation	63	63	10.2	6	1	626
Total credit risk, IRB approach	1 821 110	1 645 531	37.3	613 936	49 115	51 241
Standardised approach						
Central government	410 826	385 920	0.0	133	11	6
Institutions	259 828	149 881	30.7	45 939	3 675	3 312
Corporate	190 121	151 208	87.6	132 495	10 600	9 816
Retail - mortgages	63 771	60 572	49.7	30 077	2 406	2 207
Retail - other exposures	131 879	48 973	75.1	36 757	2 941	2 941
Equity positions	9 765	9 764	89.2	8 711	697	662
Other assets	12 251	12 251	56.9	6 976	558	513
Total credit risk, standardised approach	1 078 442	818 570	31.9	261 089	20 887	19 458
Total credit risk	2 899 552	2 464 101	35.5	875 025	70 002	70 699
Market risk						
Position risk, debt instruments				10 078	806	1 120
Position risk, equity instruments				311	25	21
Currency risk						
Commodity risk				15	1	2
Credit value adjustment risk (CVA)				4 982	399	469
Total market risk				15 387	1 231	1 612
Operational risk				89 234	7 139	7 139
Total risk-weighted assets and capital requirements before transitional rules				979 646	78 372	79 450
Additional capital requirements according to transitional rules ²⁾				43 906	3 512	1 725
Total risk-weighted assets and capital requirements				1 023 552	81 884	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 gross carrying amount and maximum exposure

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

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

Loans to customers at amortised cost and fair value over other comprehensive income, DNB Bank ASA third quarter 2018

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 30 June 2018	696 264	45 057	23 248	764 569
Transfer to stage 1	4 769	(4 805)	36	
Transfer to stage 2	(10 132)	10 503	(371)	0
Transfer to stage 3	(1 646)	(465)	2 111	0
Originated and purchased	34 831	1 317	199	36 347
Derecognition	(27 713)	(1 055)	(1 799)	(30 567)
Exchange rate movements	(595)	(30)	(40)	(665)
Gross carrying amount as at 30 September 2018	695 778	50 523	23 384	769 684

Loans to customers at amortised cost and fair value over other comprehensive income, DNB Bank ASA January-September 2018

Amounts in NOK million	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	15 813	(15 677)	(136)	
Transfer to stage 2	(16 646)	18 135	(1 489)	
Transfer to stage 3	(2 368)	(7 011)	9 379	
Originated and purchased	198 081	4 042	1 853	203 977
Derecognition	(159 898)	(6 470)	(6 114)	(172 482)
Exchange rate movements	(3 227)	(230)	(59)	(3 516)
Gross carrying amount as at 30 September 2018	695 778	50 523	23 384	769 684

Loans to customers at amortised cost, third quarter 2018

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 30 June 2018	1 418 509	75 151	28 878	1 522 537
Transfer to stage 1	15 061	(14 885)	(176)	0
Transfer to stage 2	(23 735)	24 248	(513)	0
Transfer to stage 3	(2 231)	(647)	2 877	(1)
Originated and purchased	84 690	652	203	85 545
Derecognition	(70 903)	(3 935)	(3 088)	(77 926)
Exchange rate movements	(4 925)	(340)	(202)	(5 467)
Other	(5)			(5)
Gross carrying amount as at 30 September 2018	1 416 461	80 244	27 979	1 524 684

Loans to customers at amortised cost, January-September 2018

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	42 841	(42 404)	(437)	
Transfer to stage 2	(50 281)	52 192	(1 911)	(0)
Transfer to stage 3	(3 182)	(8 295)	11 476	
Originated and purchased	322 962	2 804	1 930	327 697
Derecognition	(276 406)	(13 540)	(8 643)	(298 589)
Exchange rate movements	(8 889)	(615)	(280)	(9 784)
Other	209			209
Gross carrying amount as at 30 September 2018	1 416 461	80 244	27 979	1 524 684

Note 4 Development in gross carrying amount and maximum exposure (continued)

Financial commitments, third quarter 2018

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	DNB Bank ASA
Maximum exposure as at 30 June 2018	506 874	9 357	6 673	522 904
Transfer to stage 1	2 211	(2 151)	(60)	
Transfer to stage 2	(3 967)	4 109	(141)	1
Transfer to stage 3	(462)	(97)	558	(1)
Originated and purchased	44 775	1 013	469	46 257
Derecognition	(47 954)	(331)	(893)	(49 178)
Exchange rate movements	(1 298)	(11)	(22)	(1 331)
Maximum exposure as at 30 September 2018	500 179	11 889	6 583	518 652

Financial commitments, January-September 2018

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	DNB Bank ASA
Maximum exposure as at 1 January 2018	564 001	9 805	3 039	576 845
Transfer to stage 1	5 797	(5 386)	(411)	
Transfer to stage 2	(7 647)	8 363	(715)	
Transfer to stage 3	(1 585)	(1 452)	3 036	(0)
Originated and purchased	92 233	2 209	3 201	97 644
Derecognition	(151 068)	(1 639)	(1 544)	(154 251)
Exchange rate movements	(1 553)	(11)	(23)	(1 587)
Maximum exposure as at 30 September 2018	500 179	11 889	6 583	518 652

Financial commitments, third quarter 2018

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	DNB Bank Group
Maximum exposure as at 30 June 2018	644 219	21 355	6 777	672 351
Transfer to stage 1	3 343	(3 281)	(62)	0
Transfer to stage 2	(5 001)	5 143	(142)	(0)
Transfer to stage 3	(464)	(96)	560	
Originated and purchased	108 020	1 261	493	109 774
Derecognition	(110 163)	(461)	(892)	(111 516)
Exchange rate movements	(4 581)	(187)	(26)	(4 794)
Other	(1 355)			(1 355)
Maximum exposure as at 30 September 2018	634 018	23 734	6 707	664 460

Financial commitments, January-September 2018

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	DNB Bank Group
Maximum exposure as at 1 January 2018	649 570	28 358	3 208	681 136
Transfer to stage 1	9 377	(8 960)	(417)	
Transfer to stage 2	(10 736)	11 456	(719)	(0)
Transfer to stage 3	(1 592)	(1 456)	3 048	
Originated and purchased	198 685	4 073	3 205	205 963
Derecognition	(206 156)	(9 527)	(1 590)	(217 273)
Exchange rate movements	(5 091)	(209)	(27)	(5 327)
Other	(39)			(39)
Maximum exposure as at 30 September 2018	634 018	23 734	6 707	664 460

Note 5 Development in accumulated impairment of financial instruments

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

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

Loans to customers at amortised cost, third quarter 2018

	DNB Bank ASA			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 June 2018	(154)	(859)	(7 042)	(8 056)
Transfer to stage 1	(42)	36	5	0
Transfer to stage 2	11	(17)	6	
Transfer to stage 3	2	3	(5)	
Originated and purchased	(15)	(10)		(25)
Increased expected credit loss	(46)	(255)	(1 727)	(2 028)
Decreased (reversed) expected credit loss	96	176	1 359	1 631
Write-offs	0	0	293	293
Derecognition (including repayments)	4	35	1	40
Exchange rate movements	0	(2)	19	17
Accumulated impairment as at 30 September 2018	(144)	(892)	(7 092)	(8 128)

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	(142)	128	14	
Transfer to stage 2	17	(156)	139	(0)
Transfer to stage 3	2	1 027	(1 029)	0
Originated and purchased	(46)	(19)		(66)
Increased expected credit loss	(91)	(560)	(4 250)	(4 900)
Decreased (reversed) expected credit loss	300	699	2 999	3 998
Write-offs	(0)	(0)	1 572	1 572
Derecognition (including repayments)	12	128	1	140
Exchange rate movements	1	(1)	24	24
Accumulated impairment as at 30 September 2018	(144)	(892)	(7 092)	(8 128)

Note 5 Development in accumulated impairment of financial instruments (continued)

Loans to customers at amortised cost, third quarter 2018

Amounts in NOK million	Stage 1	Stage 2	Stage 3	DNB Bank Group
Accumulated impairment as at 30 June 2018	(344)	(1 368)	(8 760)	(10 472)
Transfer to stage 1	(61)	51	9	(1)
Transfer to stage 2	16	(31)	16	1
Transfer to stage 3	3	2	(4)	1
Originated and purchased	(73)	(20)	(1)	(94)
Increased expected credit loss	(97)	(349)	(1 909)	(2 355)
Decreased (reversed) expected credit loss	177	346	1 650	2 173
Write-offs		0	328	328
Derecognition (including repayments)	20	51	4	74
Exchange rate movements	4	17	80	101
Accumulated impairment as at 30 September 2018	(355)	(1 302)	(8 586)	(10 243)

Loans to customers at amortised cost, January-September 2018

Amounts in NOK million	Stage 1	Stage 2	Stage 3	DNB Bank Group
Accumulated impairment as at 1 January 2018	(380)	(3 081)	(8 709)	(12 171)
Transfer to stage 1	(348)	322	25	(0)
Transfer to stage 2	29	(204)	176	(0)
Transfer to stage 3	3	1 207	(1 209)	
Originated and purchased	(128)	(62)	(1)	(191)
Increased expected credit loss	(171)	(740)	(4 894)	(5 805)
Decreased (reversed) expected credit loss	768	1 070	3 656	5 493
Write-offs	0	(0)	2 260	2 260
Derecognition (including repayments)	(134)	169	5	40
Exchange rate movements	7	18	105	131
Accumulated impairment as at 30 September 2018	(355)	(1 302)	(8 586)	(10 243)

Note 5 Development in accumulated impairment of financial instruments (continued)

Financial commitments, third quarter 2018

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	DNB Bank ASA
				Total
Accumulated impairment as at 30 June 2018	(127)	(413)	(519)	(1 059)
Transfer to stage 1	(14)	14	(0)	
Transfer to stage 2	4	(6)	2	
Transfer to stage 3		0	(0)	
Originated and purchased	(14)	(7)		(22)
Increased expected credit loss	(8)	(58)	(34)	(100)
Decreased (reversed) expected credit loss	58	52	117	227
Derecognition	0	20		20
Exchange rate movements			2	2
Accumulated impairment as at 30 September 2018	(101)	(398)	(433)	(932)

Financial commitments, January-September 2018

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	DNB Bank ASA
				Total
Accumulated impairment as at 1 January 2018	(137)	(1 164)	(508)	(1 809)
Transfer to stage 1	(115)	115		
Transfer to stage 2	10	(12)	3	
Transfer to stage 3	0	584	(584)	0
Originated and purchased	(86)	(14)		(100)
Increased expected credit loss	(21)	(251)	(164)	(437)
Decreased (reversed) expected credit loss	247	274	803	1 325
Write-offs	(0)	(1)	15	15
Derecognition	0	70		71
Exchange rate movements	0	0	2	3
Accumulated impairment as at 30 September 2018	(101)	(398)	(433)	(933)

Note 5 Development in accumulated impairment of financial instruments (continued)

Financial commitments, third quarter 2018

Amounts in NOK million	Stage 1	Stage 2	Stage 3	DNB Bank Group
Accumulated impairment as at 30 June 2018	(157)	(1 129)	(522)	(1 807)
Transfer to stage 1	(15)	15		(0)
Transfer to stage 2	4	(6)	2	(0)
Transfer to stage 3		1	(1)	
Originated and purchased	(24)	(29)		(53)
Increased expected credit loss	(15)	(74)	(34)	(123)
Decreased (reversed) expected credit loss	70	189	116	375
Derecognition	0	16		16
Exchange rate movements	2	9	3	14
Accumulated impairment as at 30 September 2018	(134)	(1 008)	(436)	(1 578)

Financial commitments, January-September 2018

Amounts in NOK million	Stage 1	Stage 2	Stage 3	DNB Bank Group
Accumulated impairment as at 1 January 2018	(171)	(2 128)	(511)	(2 810)
Transfer to stage 1	(127)	127		
Transfer to stage 2	10	(13)	3	(0)
Transfer to stage 3	0	584	(584)	0
Originated and purchased	(100)	(327)		(428)
Increased expected credit loss	(29)	(472)	(164)	(665)
Decreased (reversed) expected credit loss	280	868	803	1 951
Write-offs	(0)	(0)	15	15
Derecognition	1	344		345
Exchange rate movements	2	10	2	13
Accumulated impairment as at 30 September 2018	(134)	(1 008)	(436)	(1 580)

Note 6 Loans to customers and financial commitments by industry segment

Loans to customers	Amounts in NOK million	Gross carrying amount	Accumulated impairment			DNB Bank Group	
			Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	56 063	(6)	(2)	(68)		55 987	
Commercial real estate	156 673	(10)	(52)	(294)	190	156 507	
Power and renewables	25 476	(6)	(10)	(190)		25 270	
Fishing, fish farming and farming	31 973	(3)	(17)	(67)	180	32 066	
Healthcare	21 163	(8)	(14)	(0)		21 141	
Manufacturing	44 036	(16)	(9)	(356)	10	43 665	
Oil, gas and offshore	57 623	(30)	(537)	(3 997)		53 058	
Public, state and municipality	32 344	(4)	(2)	(179)	32	32 192	
Residential property	91 967	(7)	(9)	(216)	431	92 166	
Services	51 107	(9)	(14)	(389)	156	50 851	
Shipping	58 318	(116)	(308)	(821)		57 073	
Technology, media and telecom	25 294	(24)	(31)	(115)	11	25 134	
Trade	40 431	(17)	(10)	(688)	59	39 776	
Personal customers	754 577	(85)	(262)	(705)	46 270	799 794	
Other	77 640	(14)	(24)	(501)	87	77 188	
Total as at 30 September 2018 ¹⁾	1 524 684	(355)	(1 302)	(8 586)	47 426	1 561 867	

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

Financial commitments	Amounts in NOK million	Maximum exposure	Accumulated impairment			DNB Bank Group	
			Stage 1	Stage 2	Stage 3	Total	
Bank, insurance and portfolio management	25 244	(7)	(4)	(0)		25 233	
Commercial real estate	23 525	(2)	(1)	(4)		23 519	
Power and renewables	28 842	(4)	(38)	0		28 800	
Fishing, fish farming and farming	12 413	(3)	(1)	(1)		12 408	
Healthcare	20 373	(3)	(35)			20 335	
Manufacturing	54 690	(15)	(29)	(5)		54 641	
Oil, gas and offshore	74 177	(39)	(787)	(224)		73 127	
Public, state and municipality	14 896	(1)	(0)	(1)		14 893	
Residential property	36 123	(3)	(4)	(3)		36 114	
Services	22 215	(6)	(10)	(9)		22 190	
Shipping	12 478	(15)	(29)			12 434	
Technology, media and telecom	23 785	(9)	(2)	(2)		23 772	
Trade	26 289	(6)	(4)	(69)		26 211	
Personal customers	250 452	(13)	(57)	(0)		250 382	
Other	38 957	(7)	(7)	(119)		38 823	
Total as at 30 September 2018	664 460	(134)	(1 008)	(436)		662 881	

Note 7 Financial instruments at fair value

Amounts in NOK million	DNB Bank ASA			
	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 September 2018				
Loans to customers		113 941	7 121	121 062
Commercial paper and bonds	43 696	195 642	140	239 478
Shareholdings	6 410	238	672	7 321
Financial derivatives	225	117 133	1 713	119 071
Liabilities as at 30 September 2018				
Deposits from customers		14 597		14 597
Debt securities issued		7 448		7 448
Subordinated loan capital		2 507		2 507
Financial derivatives	180	141 250	1 435	142 866
Other financial liabilities ¹⁾	2 420	(0)	0	2 420

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	DNB Bank ASA			
	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 September 2017				
Deposits with central banks		315 969		315 969
Due from credit institutions		305 511		305 511
Loans to customers		48 752	13 171	61 923
Commercial paper and bonds	43 448	149 982	416	193 845
Shareholdings	5 132	254	536	5 922
Financial derivatives	131	143 583	1 236	144 949
Liabilities as at 30 September 2017				
Due to credit institutions		296 261		296 261
Deposits from customers		61 287		61 287
Debt securities issued		193 533		193 533
Subordinated loan capital		2 876		2 876
Financial derivatives	150	162 438	975	163 563
Other financial liabilities ¹⁾	4 020	61		4 081

1) Short positions, trading activities.

Note 7 Financial instruments at fair value (continued)

Amounts in NOK million	DNB Bank Group			
	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 September 2018				
Loans to customers			47 426	47 426
Commercial paper and bonds	43 696	189 960	140	233 796
Shareholdings	7 550	997	767	9 314
Financial derivatives	225	103 861	1 713	105 799

Liabilities as at 30 September 2018	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
Deposits from customers		14 597		14 597
Debt securities issued		83 767		83 767
Subordinated loan capital		2 507		2 507
Financial derivatives	180	93 630	1 435	95 245
Other financial liabilities ¹⁾	2 420	(0)	0	2 420

Amounts in NOK million	DNB Bank Group			
	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 September 2017				
Deposits with central banks		315 969		315 969
Due from credit institutions		135 492		135 492
Loans to customers		48 752	59 232	107 984
Commercial paper and bonds	48 709	140 261	416	189 386
Shareholdings	6 009	260	599	6 867
Financial derivatives	131	128 978	1 236	130 345
Liabilities as at 30 September 2017				
Due to credit institutions		206 531		206 531
Deposits from customers		61 287		61 287
Debt securities issued		269 335		269 335
Subordinated loan capital		2 876		2 876
Financial derivatives	150	107 018	975	108 143
Other financial liabilities ¹⁾	4 020	61		4 081

1) Short positions, trading activities.

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

Note 7 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

Amounts in NOK million	Financial assets				Financial liabilities
	Commercial paper and bonds		Shareholdings	Financial derivatives	
	Loans to customers				
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	(81)	(355)	18	(710)	(381)
Additions/purchases	2 793	155	170	1 046	760
Sales	(34)	(14)	(42)		
Settled	(1 816)	(0)		(692)	(694)
Transferred from level 1 or level 2		99			
Transferred to level 1 or level 2		(59)			
Other		(13)	0		2
Carrying amount as at 30 September 2018	7 121	140	672	1 713	1 435

Financial instruments at fair value, level 3

Amounts in NOK million	Financial assets				Financial liabilities
	Commercial paper and bonds		Shareholdings	Financial derivatives	
	Loans to customers				
Carrying amount as at 31 December 2017	55 373	328	621	2 069	1 749
Implementation impact from IFRS 9 at 1 January 2018	(8 768)				
Net gains recognised in the income statement	(520)	(355)	18	(710)	(381)
Additions/purchases	12 449	155	170	1 046	760
Sales		(14)	(42)		
Settled	(11 108)	(0)		(692)	(694)
Transferred from level 1 or level 2		99			
Transferred to level 1 or level 2		(59)			
Other		(13)	0		2
Carrying amount as at 30 September 2018	47 426	140	767	1 713	1 435

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 27 million in DNB Bank ASA and 144 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				
	Balance sheet 30 Sept. 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Balance sheet 31 Dec. 2017
<i>Amounts in NOK million</i>					
Commercial paper issued, nominal amount	180 972	825 703	(802 413)	(992)	158 675
Bond debt, nominal amount	148 118	9 874	(16 991)	(4 301)	159 536
Value adjustments	5 480			(2 481)	7 961
Total debt securities issued	334 570	835 577	(819 404)	(5 293)	(2 481)
					326 171

Debt securities issued

	DNB Bank ASA				
	Balance sheet 30 Sept. 2017	Issued 2017	Matured/ redeemed 2017	Exchange rate movements 2017	Balance sheet 31 Dec. 2016
<i>Amounts in NOK million</i>					
Commercial paper issued, nominal amount	182 764	1 363 065	(1 327 338)	(6 379)	153 415
Bond debt, nominal amount	141 500	2 762	(35 592)	962	173 368
Value adjustments	7 901			(2 257)	10 158
Total debt securities issued	332 165	1 365 828	(1 362 930)	(5 417)	(2 257)
					336 941

Debt securities issued

	DNB Bank Group				
	Balance sheet 30 Sept. 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Balance sheet 31 Dec. 2017
<i>Amounts in NOK million</i>					
Commercial paper issued, nominal amount	180 972	825 703	(802 413)	(992)	158 675
Bond debt, nominal amount ¹⁾	583 339	60 947	(59 580)	(16 230)	598 202
Value adjustments	18 757			(6 493)	25 250
Total debt securities issued	783 069	886 650	(861 993)	(17 222)	(6 493)
					782 127

Debt securities issued

	DNB Bank Group				
	Balance sheet 30 Sept. 2017	Issued 2017	Matured/ redeemed 2017	Exchange rate movements 2017	Balance sheet 31 Dec. 2016
<i>Amounts in NOK million</i>					
Commercial paper issued, nominal amount	182 764	1 363 065	(1 327 338)	(6 379)	153 415
Bond debt, nominal amount	550 035	48 051	(87 421)	7 958	581 447
Value adjustments	25 204			(7 684)	32 888
Total debt securities issued	758 003	1 411 117	(1 414 759)	1 579	(7 684)
					767 750

1) Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkredit was NOK 440.6 billion as at 30 September 2018. The market value of the cover pool represented NOK 623.6 billion.

Note 8 Debt securities issued and subordinated loan capital (continued)

Subordinated loan capital and perpetual subordinated loan capital securities

	Balance sheet 30 Sept. 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	23 827	9 419	(8 542)	(947)		23 897
Perpetual subordinated loan capital, nominal amount	5 334			(27)		5 361
Perpetual subordinated loan capital securities, nominal amount						
Value adjustments	106				(174)	280
Total subordinated loan capital and perpetual subordinated loan capital securities	29 267	9 419	(8 542)	(974)	(174)	29 538

Subordinated loan capital and perpetual subordinated loan capital securities

	Balance sheet 30 Sept. 2017	Issued 2017	Matured/ redeemed 2017	Exchange rate movements 2017	Other changes 2017	Balance sheet 31 Dec. 2016
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	23 123	10 106	(6 812)	414		19 415
Perpetual subordinated loan capital, nominal amount	5 216			(386)		5 602
Perpetual subordinated loan capital securities, nominal amount				(3 732)		3 732
Value adjustments	215				(384)	599
Total subordinated loan capital and perpetual subordinated loan capital securities	28 554	10 106	(10 544)	28	(384)	29 347

Subordinated loan capital and perpetual subordinated loan capital securities

	Balance sheet 30 Sept. 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	23 827	9 419	(8 542)	(947)		23 897
Perpetual subordinated loan capital, nominal amount	5 334			(27)		5 361
Perpetual subordinated loan capital securities, nominal amount						
Value adjustments	106				(174)	280
Total subordinated loan capital and perpetual subordinated loan capital securities	29 267	9 419	(8 542)	(974)	(174)	29 538

Subordinated loan capital and perpetual subordinated loan capital securities

	Balance sheet 30 Sept. 2017	Issued 2017	Matured/ redeemed 2017	Exchange rate movements 2017	Other changes 2017	Balance sheet 31 Dec. 2016
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	23 123	10 106	(6 812)	414		19 415
Perpetual subordinated loan capital, nominal amount	5 216			(386)		5 602
Perpetual subordinated loan capital securities, nominal amount				(3 732)		3 732
Value adjustments	215				(384)	599
Total subordinated loan capital and perpetual subordinated loan capital securities	28 554	10 106	(10 544)	28	(384)	29 347

Note 9 Information on related parties

DNB Boligkreditt AS

In the first three quarters of 2018, loan portfolios representing NOK 2.4 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-September 2018 the bank had invested NOK 5.7 billion in covered bonds issued by DNB Boligkreditt.

The management fee paid to the bank for purchased services amounted to NOK 494 million at end-September 2018 (NOK 748 million at end-September 2017).

In the first three quarters of 2018 DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 6 billion at end-September 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 44 million at end-September 2018 (NOK 71 million at end-September 2017).

In the first three quarters 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-September 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-September 2018 DNB Livsforsikring's holding of DNB Boligkreditt bonds was valued at NOK 1.9 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.

Information about the DNB Bank Group

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Internet	dnb.no
Organisation number	Register of Business Enterprises NO 981 276 957 MVA

DNB Bank ASA

Organisation number	Register of Business Enterprises NO 984 851 006 MVA
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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 2019

7 February	Q4 2018
7 March	Annual report 2018
30 April	Annual general meeting
2 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 Boligkredit, DNB Næringskredit 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.

We are here.
So you can stay ahead.

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