DNB Group

Third quarter report 2019
(Unaudited)

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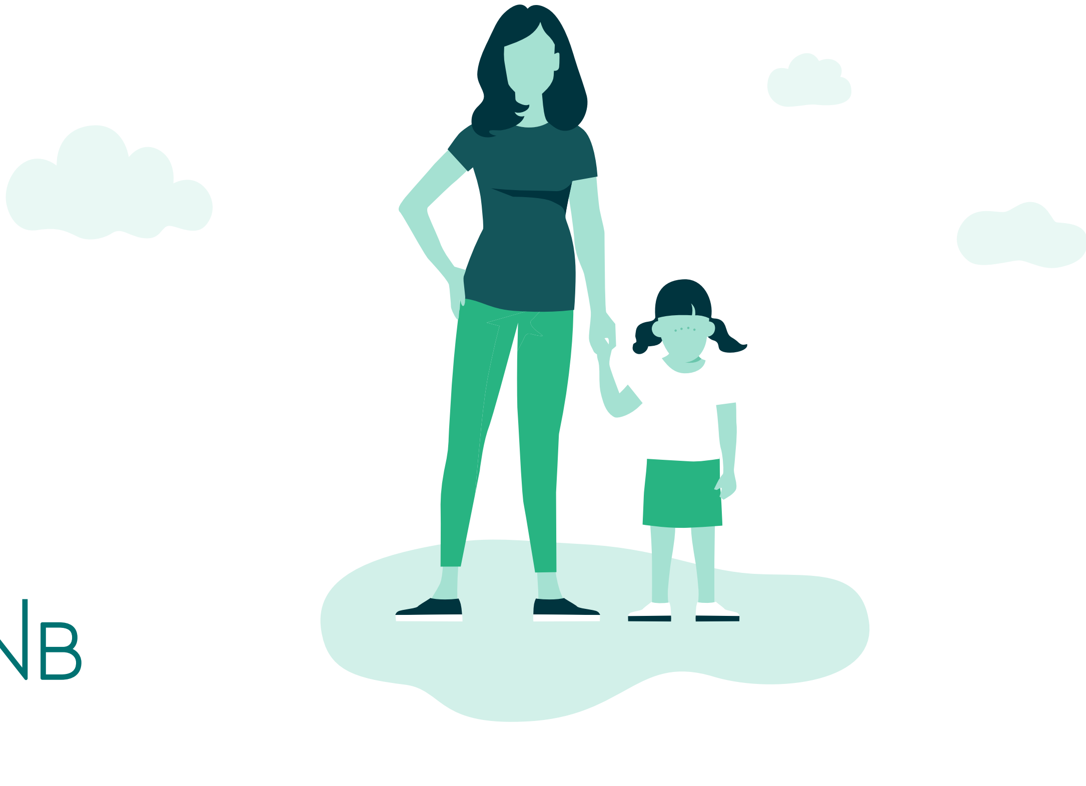

Financial highlights

DNB Group

Income statement *Amounts in NOK million*	3rd quarter 2019	3rd quarter 2018	January-September 2019	January-September 2018	Full year 2018
Net interest income	9 984	9 152	28 855	27 212	36 822
Net commissions and fees	2 323	2 082	7 080	6 651	9 310
Net gains on financial instruments at fair value	1 527	616	3 630	912	1 342
Net financial and risk result, life insurance	271	215	912	582	969
Net insurance result, non-life insurance		127		434	622
Other operating income	438	303	1 181	1 076	1 302
Net other operating income	4 558	3 343	12 803	9 655	13 546
Total income	14 543	12 495	41 657	36 866	50 368
Operating expenses	(5 503)	(5 313)	(16 641)	(15 774)	(21 490)
Restructuring costs and non-recurring effects	(134)	(26)	(377)	(104)	(567)
Pre-tax operating profit before impairment	8 906	7 157	24 639	20 989	28 311
Net gains on fixed and intangible assets	(40)	(3)	1 697	480	529
Impairment of financial instruments	(1 247)	(11)	(2 014)	374	139
Pre-tax operating profit	7 619	7 144	24 322	21 842	28 979
Tax expense	(1 524)	(1 429)	(4 430)	(4 368)	(4 493)
Profit from operations held for sale, after taxes	(36)	(42)	(117)	(63)	(204)
Profit for the period	6 059	5 673	19 776	17 411	24 282

Balance sheet *Amounts in NOK million*	30 Sept. 2019	31 Dec. 2018	30 Sept. 2018
Total assets	2 914 624	2 634 903	2 730 865
Loans to customers	1 672 520	1 597 758	1 564 318
Deposits from customers	976 207	927 092	984 518
Total equity	230 139	223 966	215 405
Average total assets	2 889 229	2 771 998	2 792 692
Total combined assets	3 275 160	2 950 748	3 064 098

Key figures and alternative performance measures	3rd quarter 2019	3rd quarter 2018	January-September 2019	January-September 2018	Full year 2018
Return on equity, annualised (per cent) [1)]	10.9	10.9	12.1	11.2	11.7
Earnings per share (NOK)	3.64	3.41	11.93	10.42	14.56
Combined weighted total average spread for lending and deposits (per cent) [1)]	1.32	1.30	1.32	1.29	1.30
Average spread for ordinary lending to customers (per cent) [1)]	1.80	1.95	1.85	1.95	1.94
Average spread for deposits from customers (per cent) [1)]	0.55	0.29	0.47	0.27	0.29
Cost/income ratio (per cent) [1)]	38.8	42.7	40.9	43.1	43.8
Ratio of customer deposits to net loans to customers at end of period [1)]	58.4	62.9	58.4	62.9	58.0
Net loans and financial commitments in stage 2, per cent of net loans [1)]	6.83	6.64	6.83	6.64	6.99
Net loans and financial commitments in stage 3, per cent of net loans [1)]	1.29	1.64	1.29	1.64	1.45
Impairment relative to average net loans to customers, annualised (per cent) [1)]	(0.30)	(0.00)	(0.16)	0.03	0.01
Common equity Tier 1 capital ratio, transitional rules, at end of period (per cent) [2)]	16.9	16.5	16.9	16.5	16.4
Leverage ratio, Basel III (per cent)	7.1	7.1	7.1	7.1	7.5
Share price at end of period (NOK)	160.25	171.25	160.25	171.25	138.15
Book value per share	133.76	125.09	133.76	125.09	130.32
Price/book value [1)]	1.20	1.37	1.20	1.37	1.06
Dividend per share (NOK)					8.25
Score from RepTrak's reputation survey in Norway (points)	71.5	67.9	71.5	67.9	72.5
Customer satisfaction index, CSI, personal customers in Norway (score)	72.3	74.9	73.0	74.5	74.7
Female representation at management levels 1-4 (%)	37.9		37.9		38.1

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.*

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

Third quarter report 2019

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

Directors' report

Third quarter financial performance

A strong Norwegian macroeconomic situation contributed to healthy lending growth, higher NOK interest rates and continued strong asset quality.

The third quarter of 2019 showed a solid profit of NOK 6 059 million, an increase of NOK 386 million from the third quarter of 2018, mainly driven by higher net interest income as well as higher income from net commissions and fees. Compared with the previous quarter, profits decreased by NOK 75 million.

Earnings per share were NOK 3.64 compared with NOK 3.41 in the year-earlier period and NOK 3.71 in the second quarter.

The common equity Tier 1 (CET1) capital ratio, calculated according to transitional rules, was 16.9 per cent at end-September, up from 16.5 per cent a year earlier, and at end-June 2019. Without transitional rules, the CET1 capital ratio was 18.3 per cent, up from 17.1 per cent a year earlier, and from 17.3 per cent in the second quarter. The increase from the previous quarter is due to the closing of the Luminor transaction, retained earnings and a reduction in risk-weighted assets.

The leverage ratio for the Group was 7.1 per cent, at the same level as in the third quarter of 2018 and the second quarter of 2019.

Return on equity was 10.9 per cent, at the same level as the year-earlier period and down from 11.3 per cent in the second quarter.

Total income increased by 16.4 per cent from the third quarter of 2018 and 3.5 per cent from the second quarter.

Profitable volume growth in all customer segments and repricing effects led to an increase in net interest income of NOK 832 million or 9.1 per cent from the third quarter of 2018, and NOK 404 million or 4.2 per cent from the second quarter.

Net other operating income was NOK 4 558 million, up NOK 1 215 million from the third quarter of 2018. There was an 11.6 per cent increase in net commissions and fees, as well as higher net gains on financial instruments at fair value. Compared with the second quarter, net other operating income was up NOK 86 million.

Operating expenses were NOK 299 million higher than in the year-earlier period, due to higher costs related to salaries and other personnel expenses as well as impairment of a leasing contract of NOK 116 million. Compared with the second quarter, operating expenses were down NOK 258 million. The decrease was due to seasonally lower activity, and a provision for a legal claim in the previous quarter of NOK 200 million.

Net impairment losses on financial instruments amounted to NOK 1 247 million in the quarter, an increase of NOK 1 237 million compared with the third quarter of last year and NOK 798 million compared with the second quarter of 2019. The increase in the quarter was related to one specific loan engagement in stage 3 in the large corporates and international customers segment. Both the personal customers segment and the small and medium-sized enterprises segment experienced low impairment losses in the quarter. Overall, the development in macro forecasts and asset quality were stable in the quarter.

Important events in the third quarter

Kjerstin R. Braathen assumed the position as new CEO on 1 September, while Ottar Ertzeid took over as CFO from the same date. Ottar Ertzeid came from the position as Group Executive Vice President of DNB Markets, a position he had held since 2003.

In September, DNB adjusted its organisational structure to meet changes in the market, which also involved further changes to the Group Management team.

Norges Bank raised the key policy rate from 1.25 per cent to 1.50 on 19 September. The following day, DNB increased the customer interest rates with effect from October for corporate customers and from November for personal customers.

On 30 September, DNB completed the sale of part of its ownership interest in the Baltic banking group Luminor to a consortium led by private equity funds managed by Blackstone. The transaction had a positive effect on the CET1 capital ratio, but no significant impact on profits. DNB will remain a shareholder in Luminor with a 20 per cent stake.

Fremtind was granted a licence to operate as a life insurance company from 1 January 2020. The transfer of the individual personal risk insurance products from DNB is expected to take place in the first quarter of 2020.

In August, DNB launched a new residential real estate brokerage service called Samsolgt ('co-sold'). Samsolgt is a digital, fixed-price brokerage service where the customers can save money by doing part of the job themselves.

In September, DNB signed the UN Principles for Responsible Banking. DNB was one of 130 banks gathered in New York City to sign the principles. Collectively, this coalition of international banks accounts for approximately USD 47 thousand billion in assets.

Also in September, DNB launched the campaign #huninvesterer (#girlsinvest) to put women and personal finances on the agenda. The gender gap in savings in general and mutual funds and equities in particular represents a significant business potential. As Norway's largest financial services group, DNB plays an important role in addressing this. Through the campaign, DNB wants to make sure that people understand how large the financial gender gap actually is.

DNB became a founding member of the Getting to Zero Coalition in September. The goal of the coalition is to bring together high-impact and future-minded organisations working to get commercially viable deep-sea, zero-emission vessels into operation by 2030 – an undeniably ambitious aspiration.

On 29 August, DNB launched 'Digital Trainee', which is a new programme for law students with a special interest in technology. The trainee programme is a collaboration between DNB, the law firm Wikborg Rein and AVO Consulting, where candidates are given the opportunity to work six weeks in each of the companies.

The Norwegian Minister of Public Security, Ingvil Smines Tybring-Gjedde, presented DNB with the Fidus security award for its dedicated work on security and strong ability to communicate security-related information to customers and the general public.

DNB's reputation score was 71.5 in the third quarter. For the fourth consecutive quarter, the RepTrack survey shows that DNB has a good reputation.

In connection with the annual publication of Innovasjonsmagasinet, a magazine that gauges innovation in Norway, DNB came second in the rating of Norway's 25 most innovative businesses.

Financial performance in the first three quarters

DNB recorded profits of NOK 19 776 million in the first three quarters of 2019, up NOK 2 365 million or 13.6 per cent from the corresponding period in 2018. Return on equity was 12.1 per cent, compared with 11.2 per cent in the year-earlier period, and earnings per share were NOK 11.93, up from NOK 10.42 in the first three quarters of 2018.

Net interest income increased by NOK 1 643 million or 6.0 per cent from the same period last year, driven by higher volumes in all customer segments and positive effects from repricing. There was an average increase in the healthy loan portfolio of 5.4 per cent parallel to a 0.5 per cent increase in average deposit volumes from the first three quarters of 2018. The combined spreads widened by 3 basis points compared with the year-earlier period. Average lending spreads for the customer segments narrowed by 10 basis points, and deposit spreads widened by 19 basis points.

Net other operating income increased by NOK 3 148 million from the first three quarters of 2018, mainly due to a positive effect from basis swaps of NOK 1 648 million. Net commissions and fees showed a healthy increase and were up NOK 429 million, or 6.4 per cent, compared with the first three quarters of 2018.

Total operating expenses increased by NOK 1 141 million from the first three quarters of 2018 due to increased IT expenses as well as higher salaries and personnel expenses. In addition, there were costs in 2019 related to a legal claim and impairment of a leasing contract of NOK 116 million.

Net impairment losses on financial instruments amounted to NOK 2 014 million in the first three quarters of 2019. This is an increase of NOK 2 387 million compared with the three first quarters of last year. The impairment losses were to a large extent related to one specific loan engagement in stage 3 in the large corporates and international customers segment. Furthermore, there were significant reversals related to the oil, gas and offshore segment in the first three quarters of 2018. The impairment losses in both the small and medium-sized enterprises segment and the personal customers segment were approximately at the same level as in the year-earlier period.

Third quarter income statement – main items

Net interest income

Amounts in NOK million	3Q19	2Q19	3Q18
Lending spreads, customer segments	6 984	7 035	7 218
Deposit spreads, customer segments	1 321	1 068	691
Amortisation effects and fees	866	817	779
Operational leasing	445	413	383
Other net interest income	369	248	81
Net interest income	9 984	9 581	9 152

Net interest income increased by NOK 832 million or 9.1 per cent from the third quarter of 2018, mainly due to increased lending volumes in all segments and a positive contribution from deposit spreads.

There was an average increase of NOK 68.9 billion or 4.7 per cent in the healthy loan portfolio compared with the third quarter of 2018, backed by a positive development in the Norwegian economy. Adjusted for exchange rate effects, volumes were up NOK 51.4 billion or 3.5 per cent. During the same period, deposits were up NOK 8.1 billion or 0.9 per cent. Adjusted for exchange rate effects, there was a decrease of 0.4 per cent. Average lending spreads contracted by 15 basis points, and deposit spreads widened by 26 basis points compared with the third quarter of 2018. Volume-weighted spreads for the customer segments widened by 2 basis points compared with the same period in 2018, despite lag effects from increasing NOK money market rates.

Compared with the second quarter, net interest income increased by NOK 404 million, mainly due to positive effects from repricing and an additional interest day. There was an average increase of NOK 12.1 billion or 0.8 per cent in the healthy loan portfolio, and deposits were up NOK 15.3 billion or 1.6 per cent. Volume-weighted spreads for the customer segments remained stable.

The spreads in the third quarter of 2019 were positively impacted by interest rate adjustments with effect from August in the small and medium-sized enterprises and personal customers portfolios. The announced interest rate rise following Norges Bank's increase of the key policy rate in September will become effective from October for the small and medium-sized enterprises customers and from November for the personal customers.

Net other operating income

Amounts in NOK million	3Q19	2Q19	3Q18
Net commissions and fees	2 323	2 538	2 082
Basis swaps	78	740	103
Exchange rate effects additional Tier 1 capital	812	(125)	(18)
Net gains on other financial instruments at fair value	637	737	532
Net financial and risk result, life insurance	271	285	215
Net insurance result, non-life insurance			127
Net profit from associated companies	96	85	94
Other operating income	342	213	210
Net other operating income	4 558	4 472	3 343

Net other operating income was up NOK 1 215 million from the third quarter of 2018.The increase mainly reflected positive exchange rate effects on additional Tier 1 capital. Further, net commissions and fees increased by 11.6 per cent, partly due to higher activity in investment banking, non-life insurance, defined-contribution pensions and real estate broking.

Compared with the second quarter, net other operating income increased by NOK 86 million. Net commissions and fees decreased by NOK 215 million, or 8.5 per cent, from the second quarter due to seasonally lower activity within credit broking, corporate finance and real estate broking, while mark-to-market effects related to changes in basis swap spreads were offset by positive exchange rate effects on additional Tier 1 capital.

Operating expenses

Amounts in NOK million	3Q19	2Q19	3Q18
Salaries and other personnel expenses	(3 037)	(3 114)	(2 942)
Other expenses	(1 757)	(2 106)	(1 901)
Depreciation and impairment of fixed and intangible assets	(843)	(674)	(495)
Total operating expenses	(5 637)	(5 895)	(5 338)

There was an increase in operating expenses from the third quarter of 2018 of NOK 299 million. The increase was mainly due to higher salaries and other personnel expenses and impairment of a leasing contract of NOK 116 million. The introduction of IFRS 16 Leasing from 2019 led to reduced operating expenses for IT and properties and premises, but at the same time increased depreciation and interest costs.

Compared with the second quarter, there was a decrease in operating expenses of NOK 258 million despite impairment of a leasing contract of NOK 116 million. The main factors behind the decrease were seasonally lower IT expenses and reduced pension costs. The previous quarter also included a provision of NOK 200 million related to a legal claim.

The cost/income ratio was 38.8 per cent in the third quarter.

Impairment of financial instruments

Amounts in NOK million	3Q19	2Q19	3Q18
Personal customers	(97)	(68)	(76)
Commercial real estate	6	(21)	20
Shipping	(102)	5	(261)
Oil, gas and offshore	78	54	500
Other industry segments	(1 132)	(420)	(193)
Total impairment of financial instruments	(1 247)	(450)	(11)

Net impairment losses on financial instruments amounted to NOK 1 247 million in the third quarter. This was an increase of NOK 1 237 million compared with third quarter last year and NOK 798 million compared with the second quarter of 2019. The increase was primarily related to one specific loan engagement. Also, there were large reversals within the oil, gas and offshore segment in the third quarter of 2018.

The aforementioned loan engagement did not affect the rest of the portfolio, nor did it provide any other indicators of non-performance. Asset quality remains strong and stable.

Both personal customers and commercial real estate experienced relatively stable macro forecasts and credit quality in the quarter.

There were net reversals of NOK 78 million for the oil, gas and offshore segment in the quarter, compared with net reversals of NOK 500 million in the same quarter last year, and NOK 54 million in the second quarter of 2019. The reversals in the quarter resulted from a continued modest improvement in market conditions within the offshore industry.

The overall portfolio quality and the development in relevant macro drivers for the shipping portfolio were stable in the third quarter. However, increased impairment losses related to specific shipping customers resulted in net impairment losses of NOK 102 million. This is a decrease of NOK 159 million compared with the third quarter last year, and an increase of NOK 107 million compared with the second quarter of 2019.

The net impairment losses of NOK 1 132 million within other industry segments were primarily related to one specific loan engagement in stage 3. Apart from this, most industry segments experienced relatively stable macro forecasts and credit quality in the quarter.

Net stage 3 loans and financial commitments amounted to 0.9 per cent of maximum exposure net of accumulated impairment losses at end-September 2019.

Taxes

The DNB Group's tax expense for the third quarter has been estimated at NOK 1 524 million, or 20 per cent of pre-tax operating profits.

Financial performance – segments

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

DNB's organisational structure, including the Group Management team, was changed on 23 September 2019. The segment reporting is not changed as per third quarter 2019, but will be reviewed, and any changes will be applicable as of first quarter 2020.

Personal customers

Income statement in NOK million	3Q19	2Q19	3Q18
Net interest income	3 425	3 374	3 336
Net other operating income	1 298	1 282	1 269
Total income	4 723	4 657	4 605
Operating expenses	(2 113)	(2 133)	(1 997)
Pre-tax operating profit before impairment	2 610	2 524	2 608
Impairment of financial instruments	(73)	(76)	(75)
Pre-tax operating profit	2 537	2 448	2 533
Tax expense	(634)	(612)	(633)
Profit for the period	1 903	1 836	1 900
Average balance sheet items in NOK billion			
Net loans to customers	788.0	781.0	764.4
Deposits from customers	434.8	418.9	418.0
Key figures in per cent			
Lending spread [1)]	1.32	1.42	1.58
Deposit spread [1)]	0.74	0.61	0.34
Return on allocated capital	15.8	15.2	16.3
Cost/income ratio	44.7	45.8	43.4
Ratio of deposits to loans	55.2	53.6	54.7

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 2019, with a return on allocated capital of 15.8 per cent. A positive development in total income together with solid cost control contributed to the positive development.

Pressure on loan margins due to increased NOK money market rates was the main factor behind the decline in the combined spreads on loans and deposits. The combined spreads narrowed by 2 basis points from the second quarter of 2019 and 3 basis points from the corresponding period in 2018. The announced interest rate hike will become effective in November.

There was a rise in average net loans of 3.1 per cent from the third quarter of 2018. The growth in the healthy home mortgage portfolio amounted to 3.3 per cent. Deposits from customers were up 4.0 per cent during the same period.

The establishment of Fremtind affected both income and expenses compared with the previous year, as the non-life insurance activity in DNB Forsikring AS was consolidated into the personal customers segment in 2018.

There was a positive trend in income from real estate broking activities from the third quarter of 2018, while income from payment services contributed negatively. Compared with the previous quarter, a positive development in income from payment services was offset by seasonally lower activity in real estate broking.

From the corresponding quarter in 2018, operating expenses rose by 5.8 per cent, mainly due to extensive IT activities. Costs were stable compared with the second quarter of 2019.

The personal customers segment experienced impairment of financial instruments of NOK 73 million in the third quarter, at the same level as the year-earlier period and previous quarter. Overall, the credit quality and macro forecasts were stable in the quarter, and impairment losses remained at a very low level.

DNB's market share of credit to households stood at 23.8 per cent at end-August 2019, while the market share of total household savings was 30.7 per cent in the same period. DNB Eiendom was a market leader in September with a market share of 19 per cent.

DNB is continuing to automate and digitise products and services. To offer a seamless customer experience, the bank is continuously working towards improving its solutions for digital self-service. Samsolgt ('co-sold') by DNB Eiendom was launched in the third quarter. Samsolgt is a new, digital brokerage service with a fixed, low price, which is offered in the four largest cities in Norway.

Small and medium-sized enterprises

Income statement in NOK million	3Q19	2Q19	3Q18
Net interest income	2 721	2 581	2 387
Net other operating income	584	577	527
Total income	3 305	3 157	2 914
Operating expenses	(1 099)	(1 140)	(1 001)
Pre-tax operating profit before impairment	2 206	2 017	1 913
Net gains on fixed and intangible assets		(0)	2
Impairment of financial instruments	(16)	(261)	(217)
Profit from repossessed operations	0	(1)	(1)
Pre-tax operating profit	2 190	1 755	1 698
Tax expense	(548)	(439)	(424)
Profit for the period	1 643	1 316	1 273
Average balance sheet items in NOK billion			
Net loans to customers	325.2	320.4	302.7
Deposits from customers	222.6	217.7	215.9
Key figures in per cent			
Lending spread [1)]	2.41	2.44	2.52
Deposit spread [1)]	0.76	0.65	0.48
Return on allocated capital	20.2	16.4	17.7
Cost/income ratio	33.3	36.1	34.3
Ratio of deposits to loans	68.5	68.0	71.3

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

Increases in both net interest income and other operating income contributed to solid profits in the third quarter of 2019 compared with the third quarter of 2018.

There was a rise in average loan volumes of 7.4 per cent from the third quarter of 2018, while average deposit volumes were up 3.1 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 14.0 per cent compared with the third quarter of 2018.

Net other operating income increased by 10.7 per cent compared with the third quarter of 2018. This was mainly due to a rise in income from corporate finance activities and increased sale of interest rate hedging products.

Operating expenses increased by 9.8 per cent from the corresponding quarter in 2018. This was mainly related to costs connected with increased levels of activity within corporate finance and leasing.

Impairment losses on financial instruments amounted to NOK 16 million in the third quarter, a decrease of NOK 201 million from the third quarter of 2018 and NOK 245 million from the second quarter of 2019. The low impairment losses were primarily caused by net reversals on loans and financial commitments in stage 3 in the quarter.

Overall, the relevant macro forecasts and credit quality remained stable in the third quarter. Net stage 3 loans and financial commitments amounted to NOK 3.3 billion at end-September 2019, down from the year-earlier period and at the same level as the second quarter of 2019. Annualised impairment losses on loans and guarantees represented 0.02 per cent of average loans in the third quarter of 2019, compared with 0.29 per cent in the year-earlier period and 0.33 per cent in the second quarter of 2019.

DNB aspires to create the best customer experiences, to be the preferred platform for both entrepreneurs and established companies and to 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.

Large corporates and international customers

Income statement in NOK million	3Q19	2Q19	3Q18
Net interest income	3 320	3 228	3 020
Net other operating income	1 152	1 481	1 156
Total income	4 472	4 709	4 176
Operating expenses	(1 590)	(1 752)	(1 648)
Pre-tax operating profit before impairment	2 882	2 957	2 528
Net gains on fixed and intangible assets	(0)	(0)	0
Impairment of financial instruments	(1 159)	(110)	281
Profit from repossessed operations	(71)	(47)	(98)
Pre-tax operating profit	1 652	2 800	2 711
Tax expense	(396)	(672)	(624)
Profit from operations held for sale, after taxes	(2)	0	(11)
Profit for the period	1 253	2 128	2 076
Average balance sheet items in NOK billion			
Net loans to customers	442.0	441.8	413.7
Deposits from customers	301.6	306.1	316.4
Key figures in per cent			
Lending spread [1)]	2.23	2.21	2.23
Deposit spread [1)]	0.11	0.10	0.09
Return on allocated capital	7.6	13.0	12.6
Cost/income ratio	35.6	37.2	39.5
Ratio of deposits to loans	68.2	69.3	76.5

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

Increased net interest income and lower expenses are the main contributions to the pre-tax operating profit before impairment improving by 14 per cent compared with the third quarter of 2018.

Average loan volumes were up 6.8 per cent compared with the third quarter of 2018, primarily driven by higher activity in the financial institutions, healthcare and seafood sectors. Compared with the second quarter of 2019, average loan volumes remained stable, in line with expectations.

Average customer deposit volumes were down 4.7 per cent from the third quarter of 2018, while compared with the second quarter of this year, they decreased by 1.5 per cent.

Deposit spreads widened by 2 basis points compared with the third quarter of 2018, while lending spreads remained unchanged. Compared with the second quarter of 2019, both lending and deposit spreads increased, resulting in a weighted margin improvement of 3 basis points.

Increased NOK interest rates also resulted in higher return on allocated capital, which contributed to the increase in net interest income.

Net other operating income was at the same level as the third quarter of 2018. Compared with the second quarter of 2019, there was a decrease of 22.2 per cent, primarily due to seasonally lower activity within investment banking and net losses on financial instruments at fair value.

Operating expenses were down 3.5 per cent compared with the third quarter of 2018, and 9.2 per cent compared with the second quarter of 2019.

Net impairment losses came to NOK 1 159 million in the quarter. Compared with the second quarter of 2019, there was an increase in impairment losses of NOK 1 049 million, while compared with the third quarter of 2018, which showed reversals, the increase was NOK 1 440 million. This can primarily be attributed to one specific loan engagement in stage 3. Macro forecasts show only small changes and overall the credit quality remains stable.

Net stage 3 loans and financial commitments amounted to NOK 15.6 billion at end-September 2019, down from the year-earlier period and on the same level as the second quarter of 2019. On an annualised basis, there were net impairment losses of 1.0 per cent of average loans in the quarter, compared with net impairment reversals of 0.3 per cent in the year-earlier period, and net impairment losses of 0.1 per cent of average loans in the second quarter of 2019.

Going forward, DNB will continue to focus on increasing the turnover in the portfolio, reducing final hold and making more active use of portfolio management tools.

Other operations

This segment includes the results from risk management in DNB Markets and from traditional pension products. In addition, the other operations segment includes Group items not allocated to the customer segments.

Income statement in NOK million	3Q19	2Q19	3Q18
Net interest income	518	398	409
Net other operating income	2 083	1 739	1 047
Total income	2 601	2 137	1 455
Operating expenses	(1 392)	(1 476)	(1 349)
Pre-tax operating profit before impairment	1 208	660	107
Net gains on fixed and intangible assets	(40)	(2)	(5)
Impairment of financial instruments	(0)	(3)	
Profit from repossessed operations	71	47	99
Pre-tax operating profit	1 240	702	201
Tax expense	55	182	253
Profit from operations held for sale, after taxes	(33)	(30)	(30)
Profit for the period	1 261	854	423
Average balance sheet items in NOK billion			
Net loans to customers	128.3	123.9	113.3
Deposits from customers	29.6	25.5	69.0

The profit for the other operations segment was NOK 1 261 million in the third quarter of 2019.

Total revenues from the risk management operations in DNB Markets were NOK 186 million in the third quarter of 2019, compared with NOK 94 million in the second quarter and NOK 318 million in the corresponding period a year earlier. Income from money market activities made a positive contribution throughout the quarter.

For traditional pension products with a guaranteed rate of return, net other operating income reached a strong level of NOK 356 million in the third quarter, up NOK 99 million from the year-earlier period, reflecting an increase in profits in the common portfolio.

As a result of the ongoing transformation from defined-benefit pensions to defined-contribution pensions, premiums for defined-benefit pensions fell by 4 per cent over the last 12 months. Pension capital associated with defined-contribution pensions grew by 15 per cent in the same period and is reflected in the results for the customer segments.

The solvency margin in DNB Livsforsikring as at 30 September 2019 stood at 155 per cent without use of the transitional rules. This was an increase of 5 percentage points from the second quarter of 2019. The yield curve applied in Solvency II was slightly lower at the end of the third quarter, measured against the long-term interest rates in the second quarter. Short-term interest rates went up in the quarter. The volatility adjustment intended to compensate for artificial spread risk increased by 5 percentage points in the third quarter. This effectively compensated for the declining long-term NOK interest rates. Model improvements related to the paid-up policy portfolio were made during the quarter, which contributed to a strengthened solvency margin. The solvency margin with transitional rules was 193 per cent, which was an increase of 7 percentage points in the quarter.

The profit in the other operations segment was affected by several group items not allocated to the segments. Net other operating income in the third quarter was affected positively by exchange rate effects on additional Tier 1 capital and mark-to-market effects related to changes in basis swap spreads. These items vary from quarter to quarter.

The reduction in operating expenses from the previous period was mainly due to a provision for a legal claim of NOK 200 million related to a legal claim in the second quarter.

DNB's share of profit in associated companies (most importantly Luminor, Vipps and Fremtind) is included in this segment.

Funding, liquidity and balance sheet

In the third quarter, DNB continued to have ample access to short-term funding.

The general activity in the long-term funding markets was relatively low in the third quarter. This can partly be ascribed to seasonal variations due to holiday activity in Europe, but also to uncertainty related to various macroeconomic conditions, such as a possible trade agreement between the US and China, and the outcome of Brexit. This has led to expectations of lower global growth, which have caused a decrease in the already very low long-term interest rates. Based on this, the major central banks have reversed the measures they implemented last year when they attempted to normalise the monetary policy.

The nominal value of long-term debt securities issued by the Group was NOK 625 billion at the end of the third quarter, compared with NOK 582 billion a year earlier. The average remaining term to maturity for these long-term debt securities was 3.8 years at the end of September, compared with 4.1 years a year earlier.

The short-term liquidity requirement, Liquidity Coverage Ratio, LCR, remained stable at above 100 per cent throughout the quarter and stood at 137 per cent at the end of the third quarter.

Total combined assets in the DNB Group were NOK 3 275 billion at end-September, up from NOK 3 064 billion a year earlier. Total assets in the Group's balance sheet were NOK 2 915 billion at the end of the third quarter and NOK 2 731 billion a year earlier. Of this, total assets in DNB Livsforsikring amounted to NOK 333 billion and NOK 323 billion, respectively.

Loans to customers increased by NOK 29.3 billion or 1.8 per cent in the third quarter compared with the second quarter of 2019. Customer deposits were down NOK 15.6 billion or 1.6 per cent during the same period. The ratio of customer deposits to net loans to customers was 58.4 per cent at end-September, down from 62.9 per cent a year earlier.

Capital

The DNB Group's common equity Tier 1 (CET1) capital ratio, calculated according to transitional rules, was 16.9 per cent at the end of the third quarter of 2019, up from 16.5 per cent at end-June 2019. The completion of the sale of part of DNB's ownership share in Luminor and retained earnings were the main factors behind the increase.

The risk-weighted assets calculated according to transitional rules were reduced by NOK 9 billion from end-June 2019 to NOK 1 080 billion at end-September 2019.

The CET1 capital ratio without transitional rules was 18.3 per cent at end-September, up from 17.3 per cent at end-June. The increase is due to the closing of the Luminor transaction, retained earnings and a reduction in risk-weighted assets.

The non-risk based leverage ratio was 7.1 per cent at end-September 2019, the same level as in the year-earlier period and at end-June 2019.

Development in CET1 capital ratio — **DNB Group**

Per cent	Transitional rules	Without transitional rules
2Q19	**16.5**	**17.3**
Retained earnings	0.3	0.3
Luminor transaction	0.3	0.3
Share buy-back	(0.1)	(0.1)
Positive risk migration		0.2
Portfolio from standard to IRB		0.1
Other effects	(0.0)	0.2
3Q19	**16.9**	**18.3**

Capital requirements

The capital adequacy regulations specify a minimum primary capital requirement based on risk-weighted assets that include credit risk, market risk and operational risk. In addition to meeting the minimum requirement, DNB must satisfy various buffer requirements (Pillar 1 and Pillar 2 requirements).

Capital and risk — **DNB Group**

	3Q19	2Q19	3Q18
Transitional rules:			
CET1 capital ratio, per cent	16.9	16.5	16.5
Tier 1 capital ratio, per cent	18.3	18.0	17.9
Capital ratio, per cent	20.4	20.0	20.0
Risk-weighted assets, NOK billion	1 081	1 089	1 049
CET1 capital ratio, without transitional rules, per cent	18.3	17.3	17.1
Leverage ratio, per cent	7.1	7.1	7.1

Finanstilsynet (the Financial Supervisory Authority of Norway) regularly performs reviews of institutions' risks and capital needs in a Supervisory Review and Evaluation Process (SREP). The new SREP from Finanstilsynet implies no changes in the overall buffer requirement for DNB. However, the Pillar 2 buffer requirement of 1.8 percentage points will be based on risk-weighted assets at the end of 2018.

A proposal from the Ministry of Finance of 25 June implies an increase in the systemic risk buffer in addition to the already adopted increase in the countercyclical buffer in Norway from 2.0 to 2.5 per cent with effect from 31 December 2019. The effect for DNB of these increased buffer requirements at end-September 2019 is 0.9 percentage points and 0.3 percentage points, respectively, but will be dependent on the credit exposures in the various countries going forward. The removal of the Basel I floor will reduce the risk-weighted assets and increase the CET1 capital ratio. The implementation of the SME supporting factor will also increase the ratio.

As the DNB Group consists of both a credit institution and an insurance company, DNB has to satisfy a cross-sectoral calculation test to demonstrate that it complies with the sectoral requirements: the capital adequacy requirement in accordance with CRR/CRD IV and the Solvency II requirement. At end-September 2019, DNB complied with these requirements by a good margin, with excess capital of NOK 12.3 billion.

New regulatory framework

Home Mortgage Regulations under consideration

The current Home Mortgage Regulations expire on 31 December 2019.

At the request of the Ministry of Finance, Finanstilsynet has considered whether the Regulations should be continued, and if so, whether adjustments of individual elements are required.

Finanstilsynet proposes that the limit for debt in relation to income (maximum loan-to-income ratio) is reduced from 5 to 4.5 times gross annual income. The banks' flexibility quota, i.e. the limit for granting loans that do not meet one or more of the terms of the Home Mortgage Regulations, is proposed set at 5 per cent for the entire country. According to the current Regulations, this quota is 10 per cent, with the exception of Oslo, where the flexibility quota is 8 per cent. Finanstilsynet also proposes to repeal the special requirement of a maximum loan-to-value ratio of 60 per cent for loans for secondary housing in Oslo, so that the regulatory requirements are no longer geographically differentiated.

Finanstilsynet has obtained assessments from Norges Bank, which believes that the current Regulations have had the intended effect, and that the general development does not warrant significant changes in the requirements. However, Norges Bank agrees that the regulatory requirements should be the same across the country.

The Ministry of Finance has circulated the proposals for comments, and a decision is expected later in the fourth quarter.

Proposed amendments to the legislation for guaranteed pension products

Finanstilsynet has drafted a proposal for amendments to the legislation for guaranteed pension products. Initially, the measures will apply to paid-up policies, but they could also be relevant for defined-benefit pensions and individual pension products with guaranteed rate of return. Among other things, Finanstilsynet recommends that additional statutory reserves and market value adjustment reserves should be merged into a common buffer fund to be distributed among individual contracts. The buffer fund should be able to cover all return risks for the pension providers. Finanstilsynet also proposes that, under certain conditions, the pension provider may compensate the loss of the guaranteed rate of return when converting the pension funds into a paid-up policy with a choice of investment profile, and that small paid-up policies may be disbursed at an earlier point than today. Furthermore, Finanstilsynet proposes to revoke the opportunity to valuate held-to-maturity bonds at amortised cost.

The background for the proposals is a few years of low returns from these products, beyond the guaranteed rate of return, and a relatively small increase in the value of pension benefits from paid-up policies and defined-benefit schemes. This as a result of the legislation contributing to the customers' pension funds being managed in a short-term perspective and with low risk. It is expected that the Ministry of Finance will circulate Finanstilsynet's proposed regulatory amendments for comments in the fourth quarter of 2019, and follow up on the hearing in 2020.

Rules on secure customer authentication under PSD2 have entered into force

On 1 April 2019, the EU's revised Payment Services Directive, PSD2, entered into force in Norway. The legislation, which ensures third parties access to consenting customers' payment accounts and regulates how the authentication of clients via such third parties is to take place, entered into force on 14 September 2019. This means that the battle for the position as preferred interface for banking services for users with customer relationships in several banks has commenced. It is now possible for customers to have their accounts in selected other banks displayed in DNB's mobile bank.

Brexit still unresolved

It is not yet clear whether the United Kingdom will leave the EU on 31 October with or without a deal, as the British Prime Minister Boris Johnson wishes. It is uncertain whether the British Parliament will succeed in forcing the Prime Minister to seek a postponement from the EU, and if so, whether the EU will approve such a request. DNB nevertheless assumes that the UK will become a third country in an EU context at some point in the foreseeable future, and the bank is prepared for such a scenario. DNB's application to be regulated as a third-country branch in the UK has been prepared in consultation with the British authorities and is ready to be submitted the day Brexit occurs. On the same day, DNB will be subject to a temporary Special Permissions Regime regulating its operations in the UK and services delivered from Norway/the EEA into the UK. The work with ensuring compliance with this temporary regime is well underway.

Debt information companies will provide better credit assessments

In 2017, the Norwegian government opened up for giving private players a licence to establish companies providing credit information in connection with credit assessments. As of 1 July 2019, two debt information companies are fully operational in Norway, and all banks licenced to provide unsecured loans are obliged to furnish these two companies with information about established loan agreements and home equity credit line agreements.

The purpose of the debt information services is to be an aid for both customers and banks. It is now easier for customers to get an overview of their own debt situation, and banks can easily check the amount of actual debt the loan applicant has. Banks can thus conduct a better credit assessment of customers seeking loans, which should prevent consumers from taking up more debt than they can service.

Macroeconomic developments

A strong macroeconomic situation in Norway is reflected in Norges Bank's four key policy rate increases. In Norway, both economic growth and capacity utilisation are higher than normal, and unemployment is low. This is primarily due to an upturn in the oil sector. High growth in the investment activity on the Norwegian Continental Shelf has a positive effect on large parts of the Norwegian business community. As several of the large projects are nearing completion, and there is a lack of new projects with a similar scope, the oil investment growth will slow down next year. Weak growth among DNB's main trading partners will put a damper on the industrial sector and Norwegian export. In total, DNB believes that the growth in the Norwegian economy will slow down next year and decrease further to a little below the normal level (which DNB estimates at 1.75 per cent) in the following years. Unemployment (currently at 2.2 per cent in September) is likely to remain low for a while longer, but to eventually increase somewhat.

This is also expected to result in the wage growth declining, having reached a relatively modest peak of 3.3 per cent this year. In September, Norges Bank raised the key policy rate for the fourth time in a year, to 1.50 per cent, but the bank also signalled that the interest rate peak has most likely been reached. DNB expects the key policy rate to remain at the current level in the years ahead, provided there are no new negative shocks.

A strong macroeconomic situation contributed to healthy lending growth, higher NOK interest rates and continued strong asset quality in the third quarter.

Future prospects

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

The increase in Norges Bank's key policy rate from 1.00 per cent to 1.25 per cent in June, followed by DNB's announcement of an increase in loan rates effective from August, will have full effect in the fourth quarter. The fourth rate hike announcement from Norges Bank from 1.25 per cent to 1.50 per cent in September, and DNB's subsequent announcement of increased loan rates effective from October for corporate customers and from November for personal customers, will have a positive effect on net interest income from the fourth quarter and full effect from the first quarter 2020.

The annual increase in lending volumes is anticipated to be 3 to 4 per cent in 2020, and with currency effects possibly somewhat higher in 2019.

It is DNB's ambition to have a cost/income ratio below 40 per cent towards the end of 2019.

The tax rate for the full year is expected to be 19 per cent in 2019, 20 per cent in 2020 and 21 per cent in 2021.

The Ministry of Finance has signalled that the overall required capital level for Norwegian banks will be maintained after the removal of the Basel I transitional floor.

The second phase of the investment in Fremtind is expected in the first quarter of 2020 and this transaction will affect the CET1 capital ratio negatively by approximately 10 basis points.

The Group's dividend policy remains unchanged, with a payout ratio of more than 50 per cent and an increase in the nominal dividend per share each year. In addition to dividend payments, repurchases of own shares will be used as a flexible tool to allocate excess capital to DNB's owners.

The Annual General Meeting of 2019 has given the Board of Directors an authorisation to repurchase up to 3.5 per cent of the company's share capital as well as an authorisation to DNB Markets of 0.5 per cent for hedging purposes, valid up to the Annual General Meeting in 2020. DNB has also received approval from Finanstilsynet to repurchase up to 2 per cent of outstanding shares as well as 0.5 per cent for hedging purposes, assuming DNB meets the capital requirements.

In line with our policy of capital discipline and payout of excess capital, part of the effect related to Luminor will be used for a share buy-back of 0.5 per cent in the fourth quarter.

Oslo, 23 October 2019
The Board of Directors of DNB ASA

Olaug Svarva
(chair of the board)

Tore Olaf Rimmereid
(vice chair of the board)

Karl-Christian Agerup

Gro Bakstad

Carl A. Løvvik

Vigdis Mathisen

Jaan Ivar Semlitsch

Kjerstin R. Braathen
(group chief executive)

Income statement

Amounts in NOK million	3rd quarter 2019	3rd quarter 2018	January-September 2019	January-September 2018	Full year 2018
					DNB Group
Interest income, amortised cost	15 383	13 225	44 245	38 608	52 621
Other interest income	1 172	1 278	3 800	3 810	5 039
Interest expenses, amortised cost	(7 286)	(6 054)	(21 499)	(17 237)	(23 650)
Other interest expenses	715	703	2 308	2 031	2 812
Net interest income	**9 984**	**9 152**	**28 855**	**27 212**	**36 822**
Commission and fee income	3 284	3 034	9 840	9 635	13 235
Commission and fee expenses	(962)	(952)	(2 760)	(2 984)	(3 925)
Net gains on financial instruments at fair value	1 527	616	3 630	912	1 342
Net financial result, life insurance	222	47	661	213	574
Net risk result, life insurance	49	167	252	369	395
Net insurance result, non-life insurance		127		434	622
Profit from investments accounted for by the equity method	96	94	358	324	314
Net gains on investment properties	7	17	(0)	69	62
Other income	335	193	823	683	926
Net other operating income	**4 558**	**3 343**	**12 803**	**9 655**	**13 546**
Total income	**14 543**	**12 495**	**41 657**	**36 866**	**50 368**
Salaries and other personnel expenses	(3 037)	(2 942)	(9 161)	(8 816)	(11 864)
Other expenses	(1 757)	(1 901)	(5 635)	(5 600)	(7 789)
Depreciation and impairment of fixed and intangible assets	(843)	(495)	(2 223)	(1 461)	(2 404)
Total operating expenses	**(5 637)**	**(5 338)**	**(17 018)**	**(15 878)**	**(22 057)**
Pre-tax operating profit before impairment	**8 906**	**7 157**	**24 639**	**20 989**	**28 311**
Net gains on fixed and intangible assets	(40)	(3)	1 697	480	529
Impairment of financial instruments	(1 247)	(11)	(2 014)	374	139
Pre-tax operating profit	**7 619**	**7 144**	**24 322**	**21 842**	**28 979**
Tax expense	(1 524)	(1 429)	(4 430)	(4 368)	(4 493)
Profit from operations held for sale, after taxes	(36)	(42)	(117)	(63)	(204)
Profit for the period	**6 059**	**5 673**	**19 776**	**17 411**	**24 282**
Portion attributable to shareholders	5 752	5 440	18 979	16 722	23 323
Portion attributable to additional Tier 1 capital holders	307	233	796	689	959
Profit for the period	**6 059**	**5 673**	**19 776**	**17 411**	**24 282**
Earnings/diluted earnings per share (NOK)	3.64	3.41	11.93	10.42	14.56
Earnings per share excluding operations held for sale (NOK)	3.66	3.44	12.00	10.46	14.69

Comprehensive income statement

Amounts in NOK million	3rd quarter 2019	3rd quarter 2018	January-September 2019	January-September 2018	Full year 2018
					DNB Group
Profit for the period	**6 059**	**5 673**	**19 776**	**17 411**	**24 282**
Actuarial gains and losses [1]	(152)		(152)		(117)
Property revaluation	(15)	0	228	(58)	(21)
Items allocated to customers (life insurance)	15	(0)	(228)	58	21
Financial liabilities designated at FVTPL, changes in credit risk	(23)	78	(117)	(20)	221
Tax	44	(20)	67	5	(18)
Items that will not be reclassified to the income statement	(131)	59	(202)	(15)	86
Currency translation of foreign operations	2 576	(343)	641	(2 930)	1 309
Currency translation reserve reclassified to the income statement		(2)		(2)	(2)
Hedging of net investment	(2 362)	307	(668)	2 409	(1 060)
Hedging reserve reclassified to the income statement		1		1	1
Financial assets at fair value through OCI	(8)		(26)		
Tax	593	(77)	174	(602)	265
Items that may subsequently be reclassified to the income statement	799	(114)	121	(1 125)	512
Other comprehensive income for the period	**667**	**(55)**	**(81)**	**(1 140)**	**599**
Comprehensive income for the period	**6 727**	**5 618**	**19 695**	**16 270**	**24 881**

1) *Pension commitments and pension funds in the defined-benefit schemes have been recalculated. Calculations for the third quarter have been updated with new calculation assumptions in accordance with guidance notes from the Norwegian Accounting Standards Board as of 31 August 2019.*

Balance sheet

Amounts in NOK million	Note	DNB Group 30 Sept. 2019	31 Dec. 2018	30 Sept. 2018
Assets				
Cash and deposits with central banks		398 587	155 592	312 366
Due from credit institutions		106 065	130 146	123 979
Loans to customers	4, 5, 6, 7	1 672 520	1 597 758	1 564 318
Commercial paper and bonds	7	365 650	409 328	393 535
Shareholdings	7	33 506	39 802	42 030
Financial assets, customers bearing the risk	7	92 857	77 241	82 380
Financial derivatives	7	139 580	124 755	105 229
Investment properties		17 090	16 715	16 168
Investments accounted for by the equity method		16 532	16 362	15 831
Intangible assets		5 384	5 455	5 589
Deferred tax assets		889	996	1 166
Fixed assets		19 112	9 240	8 801
Assets held for sale		1 209	5 044	1 343
Other assets		45 642	46 469	58 129
Total assets		**2 914 624**	**2 634 903**	**2 730 865**
Liabilities and equity				
Due to credit institutions		233 641	188 063	252 032
Deposits from customers	7	976 207	927 092	984 518
Financial derivatives	7	123 465	110 116	94 969
Debt securities issued	7, 8	938 026	801 918	781 201
Insurance liabilities, customers bearing the risk		92 857	77 241	82 380
Liabilities to life insurance policyholders		206 673	204 280	207 527
Non-life insurance liabilities				2 250
Payable taxes		4 982	2 461	7 844
Deferred taxes		4 368	4 216	2 802
Other liabilities		66 118	55 424	64 493
Liabilities held for sale		258	3 037	268
Provisions		2 537	2 536	2 316
Pension commitments		3 939	3 472	3 592
Subordinated loan capital	7, 8	31 415	31 082	29 267
Total liabilities		**2 684 485**	**2 410 937**	**2 515 460**
Share capital		15 803	15 944	15 944
Share premium		22 609	22 609	22 609
Additional Tier 1 capital		18 715	16 194	15 969
Other equity		173 011	169 220	160 883
Total equity		**230 139**	**223 966**	**215 405**
Total liabilities and equity		**2 914 624**	**2 634 903**	**2 730 865**

Statement of changes in equity

DNB Group

Amounts in NOK million	Non-controlling interests	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
Balance sheet as at 1 Jan. 2018		**16 180**	**22 609**	**16 159**	**4 550**	**(342)**	**155 961**	**215 118**
Profit for the period				689			16 722	17 411
Financial liabilities designated at FVTPL, changes in credit risk						(20)		(20)
Currency translation of foreign operations					(2 932)			(2 932)
Hedging of net investment					2 410			2 410
Tax on other comprehensive income					(602)	5		(597)
Comprehensive income for the period				689	(1 125)	(15)	16 722	16 270
Interest payments additional Tier 1 capital				(846)				(846)
Currency movements taken to income				(32)			32	
Repurchased under share buy-back programme		(237)					(3 451)	(3 688)
Dividends paid for 2017 (NOK 7.10 per share)							(11 450)	(11 450)
Balance sheet as at 30 Sept. 2018		**15 944**	**22 609**	**15 969**	**3 425**	**(357)**	**157 815**	**215 405**
Balance sheet as at 31 Dec. 2018		**15 944**	**22 609**	**16 194**	**5 063**	**(176)**	**164 333**	**223 966**
Profit for the period	(4)			796			18 983	19 776
Actuarial gains and losses							(114)	(114)
Financial assets at fair value through OCI							(26)	(26)
Financial liabilities designated at FVTPL, changes in credit risk						(117)		(117)
Currency translation of foreign operations	1				641			641
Hedging of net investment					(668)			(668)
Tax on other comprehensive income					167	29	7	203
Comprehensive income for the period	(3)			796	140	(88)	18 849	19 695
Additional Tier 1 capital issued [1)]				2 700				2 700
Interest payments additional Tier 1 capital				(965)				(965)
Currency movements taken to income				(10)			10	
Non-controlling interests DNB Auto Finance OY	49							49
Repurchased under share buy-back programme		(141)					(2 061)	(2 202)
Dividends paid for 2018 (NOK 8.25 per share)							(13 105)	(13 105)
Balance sheet as at 30 Sept. 2019	**46**	**15 803**	**22 609**	**18 715**	**5 203**	**(264)**	**168 026**	**230 139**

1) *At the end of the second quarter of 2019, the DNB Group's subsidiary, DNB Bank ASA, issued an additional Tier 1 capital instrument with a nominal value of NOK 2 700 million. The instrument is perpetual with a floating interest of 3 months NIBOR plus 3.50 per cent.*

Cash flow statement

			DNB Group
	January-September		Full year
Amounts in NOK million	2019	2018	2018
Operating activities			
Net payments on loans to customers	(72 081)	(40 347)	(52 811)
Interest received from customers	45 832	39 711	62 596
Net receipts on deposits from customers	41 404	15 868	(52 122)
Interest paid to customers	(5 075)	(4 155)	(17 319)
Net receipts on loans to credit institutions	70 898	142 362	71 943
Interest received from credit institutions	2 900	3 164	4 082
Interest paid to credit institutions	(3 438)	(2 681)	(3 783)
Net receipts on the sale of financial assets for investment or trading	83 703	22 836	38 095
Interest received on bonds and commercial paper	3 010	2 222	3 861
Net receipts on commissions and fees	7 103	6 844	9 118
Payments to operations	(13 294)	(14 313)	(21 279)
Taxes paid	(1 327)	(1 720)	(4 785)
Receipts on premiums	10 913	11 469	14 902
Net payments on premium reserve transfers	(276)	(298)	(405)
Payments of insurance settlements	(10 245)	(11 598)	(15 525)
Other net receipts/(payments)	4 182	(2 528)	(5 545)
Net cash flow from operating activities	**164 209**	**166 834**	**31 024**
Investing activities			
Net payments on the acquisition of fixed assets	(1 427)	(1 108)	(2 283)
Net receipts/(payments) from investment properties	(4 704)	336	19
Net investment in long-term shares	3 260	(93)	(292)
Dividends received on long-term investments in shares	1 140	13	13
Net cash flow from investment activities	**(1 732)**	**(852)**	**(2 543)**
Financing activities			
Receipts on issued bonds and commercial paper	849 467	886 650	1 115 987
Payments on redeemed bonds and commercial paper	(738 413)	(861 993)	(1 109 463)
Interest payments on issued bonds and commercial paper	(13 268)	(11 112)	(14 193)
Receipts on the raising of subordinated loan capital	9	9 419	9 419
Redemptions of subordinated loan capital	(9)	(8 542)	(8 542)
Interest payments on subordinated loan capital	(450)	(542)	(579)
Receipts on issue of additional Tier 1 capital	2 700		
Interest payments on additional Tier 1 capital	(965)	(846)	(892)
Lease payments	(308)		
Repurchased shares	(2 202)	(3 688)	(3 688)
Dividend payments	(13 105)	(11 450)	(11 450)
Net cash flow from funding activities	**83 457**	**(2 105)**	**(23 401)**
Effects of exchange rate changes on cash and cash equivalents	**(1 513)**	**(2 307)**	**97**
Net cash flow	**244 421**	**161 570**	**5 176**
Cash as at 1 January	159 298	154 122	154 122
Net receipts/payments of cash	244 421	161 570	5 176
Cash at end of period *)	403 720	315 692	159 298

**) Of which: Cash and deposits with central banks*	*398 587*	*312 366*	*155 592*
Deposits with credit institutions with no agreed period of notice 1)	*5 132*	*3 326*	*3 706*

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

Note 1 Basis for preparation

The quarterly financial statements for the Group have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. When preparing the consolidated financial statements, management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied by the Group, can be found in note 1 Accounting principles in the annual report for 2018.

The Group applied the hedge accounting requirements of IFRS 9 Financial Instruments as of 1 January 2019. Hedging relationships in the Group that qualified for hedge accounting in accordance with IAS 39 Financial Instruments: Recognition and Measurement also qualify for hedge accounting under IFRS 9.

The Group applied the new accounting standard IFRS 16 Leases as of 1 January 2019. IFRS 16 Leases replaces IAS 17 Leases. IFRS 16 establishes significant new accounting requirements for lessees, while the requirements for lessors are more or less unchanged. For lessees, IFRS 16 eliminates the distinction between operating and finance leases as is required by IAS 17, and instead introduces a single lessee accounting model. When applying the new model, DNB recognises a liability to make lease payments (lease liability) and an asset representing the right to use the underlying asset during the lease term (right-of-use asset). In the income statement, depreciation of the right-of-use assets is recognised separately from interest on lease liabilities.

DNB has decided on the following policy choices and practical expedients:

- to apply the low value exception (primarily for office equipment)
- to not recognise non-lease components in the lease liability
- to apply the modified retrospective approach for transition to IFRS 16, meaning that the Group has not restated the comparatives for 2018. Right-of-use assets and lease liabilities are measured at the same amount, taking into consideration prepayments, accruals and provisions recognised as of 31 December 2018.

The right-of-use asset is classified as part of the fixed assets in the balance sheet, while the lease liability is classified as other liabilities.

The major part of DNB’s lease liabilities arises from leases on commercial real estate as well as some IT equipment. Within real estate, the most significant liabilities are related to head offices in Norway and DNB’s international offices. The total lease liabilities and right-of-use assets on 1 January 2019 was NOK 6 billion. The right-of-use-asset is assigned a risk weight of 100 per cent, and the impact on the CET1 capital ratio was approximately 8 basis points.

The impact on profit and loss will vary over time, but the combination of interest and depreciation expenses from IFRS 16 is expected to be slightly higher than the lease expenses from IAS 17 at the start of the lease term and lower towards the end.

Note 2 Segments

According to DNB's management model, the operating segments are independent profit centres that are fully responsible for their profit after tax and for achieving the targeted returns on allocated capital. DNB has the following operating segments: Personal customers, Small and medium-sized enterprises, Large corporates and international customers, Risk management and Traditional pension products. The Risk management and Traditional pension products segments are included in Other operations. DNB's share of profit in associated companies (most importantly Luminor, Vipps and Fremtind) is included in Other operations.

Income statement, third quarter

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Group	
	3rd quarter		3rd quarter		3rd quarter		3rd quarter		3rd quarter		3rd quarter	
Amounts in NOK million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income	3 425	3 336	2 721	2 387	3 320	3 020	518	409			9 984	9 152
Net other operating income	1 298	1 269	584	527	1 152	1 156	2 083	1 047	(558)	(656)	4 558	3 343
Total income	4 723	4 605	3 305	2 914	4 472	4 176	2 601	1 455	(558)	(656)	14 543	12 495
Operating expenses	(2 113)	(1 997)	(1 099)	(1 001)	(1 590)	(1 648)	(1 392)	(1 349)	558	656	(5 637)	(5 338)
Pre-tax operating profit before impairment	2 610	2 608	2 206	1 913	2 882	2 528	1 208	107			8 906	7 157
Net gains on fixed and intangible assets	(0)			2	(0)	0	(40)	(5)			(40)	(3)
Impairment of financial instruments	(73)	(75)	(16)	(217)	(1 159)	281	(0)	0			(1 247)	(11)
Profit from repossessed operations			0	(1)	(71)	(98)	71	99				
Pre-tax operating profit	2 537	2 533	2 190	1 698	1 652	2 711	1 240	201			7 619	7 144
Tax expense	(634)	(633)	(548)	(424)	(396)	(624)	55	253			(1 524)	(1 429)
Profit from operations held for sale, after taxes					(2)	(11)	(33)	(30)			(36)	(42)
Profit for the period	1 903	1 900	1 643	1 273	1 253	2 076	1 261	423			6 059	5 673

Income statement, January-September

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Group	
	Jan.-Sept.		Jan.-Sept.		Jan.-Sept.		Jan.-Sept.		Jan.-Sept.		Jan.-Sept.	
Amounts in NOK million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income	10 180	9 987	7 806	7 057	9 602	8 970	1 267	1 197			28 855	27 212
Net other operating income	3 723	3 804	1 744	1 630	3 933	3 927	5 184	2 376	(1 781)	(2 082)	12 803	9 655
Total income	13 903	13 791	9 551	8 687	13 535	12 897	6 450	3 573	(1 781)	(2 082)	41 657	36 866
Operating expenses	(6 333)	(6 104)	(3 357)	(3 117)	(5 104)	(4 996)	(4 005)	(3 742)	1 781	2 082	(17 018)	(15 878)
Pre-tax operating profit before impairment	7 570	7 686	6 193	5 569	8 431	7 901	2 445	(168)			24 639	20 989
Net gains on fixed and intangible assets	(0)		(0)	3	(0)	0	1 698	477			1 697	480
Impairment of financial instruments	(250)	(229)	(452)	(465)	(1 308)	1 067	(4)	0			(2 014)	374
Profit from repossessed operations			3	3	(203)	(113)	201	109				
Pre-tax operating profit	7 320	7 457	5 744	5 111	6 920	8 856	4 339	417			24 322	21 842
Tax expense	(1 830)	(1 864)	(1 436)	(1 278)	(1 661)	(2 037)	497	810			(4 430)	(4 368)
Profit from operations held for sale, after taxes					(0)	(11)	(117)	(52)			(117)	(63)
Profit for the period	5 490	5 593	4 308	3 833	5 259	6 807	4 720	1 176			19 776	17 411

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

Note 3 Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU capital requirements regulations for banks and investment firms (CRD IV/CRR). The regulatory consolidation deviates from consolidation in the accounts and comprises the parent company, subsidiaries and associated companies within the financial sector, excluding insurance companies. Associated companies are consolidated pro rata.

Primary capital	**DNB Bank ASA**		**DNB Bank Group**		**DNB Group**	
Amounts in NOK million	30 Sept. 2019	31 Dec. 2018	30 Sept. 2019	31 Dec. 2018	30 Sept. 2019	31 Dec. 2018
Total equity excluding profit for the period	179 018	176 562	199 870	207 933	211 156	223 966
Effect from regulatory consolidation			(234)	(234)	(4 187)	(5 595)
Additional Tier 1 capital instruments included in total equity	(18 274)	(15 574)	(18 274)	(15 574)	(18 274)	(15 574)
Net accrued interest on additional Tier 1 capital instruments	(331)	(465)	(331)	(465)	(331)	(465)
Common equity Tier 1 capital instruments	160 413	160 523	181 030	191 660	188 364	202 333
Deductions						
Goodwill	(2 366)	(2 389)	(2 938)	(2 929)	(4 643)	(4 634)
Deferred tax assets that are not due to temporary differences	(562)	(562)	(524)	(524)	(524)	(524)
Other intangible assets	(983)	(1 040)	(1 597)	(1 712)	(1 597)	(1 712)
Dividends payable etc.				(10 758)	(1 266)	(15 360)
Significant investments in financial sector entities [1]					(4 715)	(693)
Expected losses exceeding actual losses, IRB portfolios	(923)	(1 286)	(1 687)	(1 719)	(1 687)	(1 719)
Value adjustments due to the requirements for prudent valuation (AVA)	(474)	(467)	(867)	(886)	(867)	(886)
Adjustments for unrealised losses/(gains) on debt measured at fair value	100	63	264	176	264	176
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(577)	(596)	(104)	(149)	(104)	(149)
Common equity Tier 1 capital	154 629	154 247	173 578	173 159	173 226	176 831
Common equity Tier 1 capital incl. 50 per cent of profit for the period	162 361		181 689		182 382	
Additional Tier 1 capital instruments	18 274	15 574	18 274	15 574	18 274	15 574
Deduction of holdings of Tier 1 instruments in insurance companies [2]					(1 500)	(1 500)
Non-eligible Tier 1 capital, DNB Group [3]					(866)	(19)
Tier 1 capital	172 903	169 820	191 852	188 733	189 133	190 886
Tier 1 capital incl. 50 per cent of profit for the period	180 634		199 962		198 290	
Perpetual subordinated loan capital	5 970	5 693	5 970	5 693	5 970	5 693
Term subordinated loan capital	24 993	25 110	24 993	25 110	24 993	25 110
Deduction of holdings of Tier 2 instruments in insurance companies [2]					(5 761)	(5 750)
Non-eligible Tier 2 capital, DNB Group [3]					(3 206)	(1 936)
Additional Tier 2 capital instruments	30 962	30 804	30 962	30 804	21 996	23 117
Total eligible capital	203 865	200 624	222 814	219 537	211 129	214 003
Total eligible capital incl. 50 per cent of profit for the period	211 597		230 925		220 285	
Risk-weighted assets, transitional rules [4]	835 207	852 363	1 053 994	1 051 159	1 080 608	1 077 934
Minimum capital requirement, transitional rules	66 817	68 189	84 320	84 093	86 449	86 235
Common equity Tier 1 capital ratio, transitional rules (%)	19.4	18.1	17.2	16.5	16.9	16.4
Tier 1 capital ratio, transitional rules (%)	21.6	19.9	19.0	18.0	18.3	17.7
Capital ratio, transitional rules (%)	25.3	23.5	21.9	20.9	20.4	19.9
Common equity Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	18.5		16.5		16.0	
Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	20.7		18.2		17.5	
Capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	24.4		21.1		19.5	

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

2) Investments in Tier 1 and Tier 2 instruments issued by the Group's insurance companies are deducted from the Group's Tier 1 and Tier 2 capital.

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

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

Note 3 Capital adequacy (continued)

Basel III

The majority of the credit portfolios are reported according to the IRB approach. Exposures to central governments, institutions, equity positions and other assets are, however, reported according to the standardised approach.

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

Amounts in NOK million	Nominal exposure 30 Sept. 2019	EAD [1] 30 Sept. 2019	Average risk weights in per cent 30 Sept. 2019	Risk-weighted assets 30 Sept. 2019	Capital requirement 30 Sept. 2019	Capital requirement 31 Dec. 2018
IRB approach						
Corporate	983 249	820 562	50.0	410 132	32 811	33 716
Specialised lending (SL)	12 882	12 333	52.1	6 431	515	526
Retail - mortgages	794 015	794 015	21.8	173 421	13 874	13 617
Retail - other exposures	100 599	85 196	25.1	21 357	1 709	1 727
Securitisation						
Total credit risk, IRB approach	1 890 746	1 712 106	35.7	611 342	48 907	49 587
Standardised approach						
Central government	480 500	454 244	0.0	93	7	12
Institutions	328 016	143 322	24.1	34 480	2 758	2 859
Corporate	212 043	148 931	85.3	127 044	10 164	11 824
Retail - mortgages	60 600	57 094	48.9	27 913	2 233	2 539
Retail - other exposures	139 770	49 632	74.6	37 016	2 961	2 958
Equity positions	21 475	21 395	220.3	47 138	3 771	3 753
Other assets	19 554	18 741	60.9	11 407	913	540
Total credit risk, standardised approach	1 261 957	893 360	31.9	285 091	22 807	24 484
Total credit risk	3 152 703	2 605 465	34.4	896 433	71 715	74 070
Market risk						
Position risk, debt instruments				9 229	738	927
Position risk, equity instruments				402	32	16
Currency risk				13	1	
Commodity risk				0	0	1
Credit value adjustment risk (CVA)				4 433	355	311
Total market risk				14 078	1 126	1 254
Operational risk				88 005	7 040	7 040
Net insurance, after eliminations						
Total risk-weighted assets and capital requirements before transitional rules				998 515	79 881	82 365
Additional capital requirements according to transitional rules [2]				82 093	6 567	3 870
Total risk-weighted assets and capital requirements				1 080 608	86 449	86 235

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. Maximum exposure is the gross carrying amount of loans to customers plus off-balance exposure, which mainly includes guarantees, unutilised credit lines and loan offers. 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 (quarterly figures)

DNB Group

	3rd quarter 2019				3rd quarter 2018			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 30 June	**1 489 251**	**77 086**	**25 073**	**1 591 411**	**1 405 820**	**75 150**	**28 878**	**1 509 849**
Transfer to stage 1	16 118	(16 053)	(65)		15 044	(14 869)	(175)	
Transfer to stage 2	(30 512)	31 139	(627)		(23 717)	24 230	(513)	
Transfer to stage 3	(250)	(2 129)	2 379		(2 231)	(642)	2 873	
Originated and purchased	130 000	3 517		133 517	94 290	682	204	95 176
Derecognition	(102 442)	(6 037)	(78)	(108 557)	(81 157)	(3 970)	(3 084)	(88 211)
Exchange rate movements	4 418	355	139	4 911	(4 880)	(337)	(204)	(5 421)
Other	(63)			(63)	(216)			(216)
Gross carrying amount as at 30 September	**1 506 520**	**87 877**	**26 822**	**1 621 220**	**1 402 954**	**80 244**	**27 979**	**1 511 177**

Loans to customers at amortised cost (year-to-date figures)

DNB Group

	Jan.-Sept. 2019				Jan.-Sept. 2018			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December / 1 January	**1 435 014**	**82 321**	**27 846**	**1 545 180**	**1 376 314**	**90 102**	**25 843**	**1 492 259**
Transfer to stage 1	52 167	(51 674)	(493)		42 854	(42 417)	(437)	
Transfer to stage 2	(71 311)	74 187	(2 877)		(50 296)	52 207	(1 911)	
Transfer to stage 3	(1 806)	(4 134)	5 940		(3 182)	(8 295)	11 477	
Originated and purchased	374 020	3 905		377 925	332 744	2 809	1 930	337 483
Derecognition	(280 146)	(16 723)	(3 633)	(300 502)	(286 821)	(13 546)	(8 644)	(309 010)
Exchange rate movements	(1 606)	(4)	38	(1 571)	(8 658)	(615)	(280)	(9 553)
Other	188			188				
Gross carrying amount as at 30 September	**1 506 520**	**87 877**	**26 822**	**1 621 220**	**1 402 954**	**80 244**	**27 979**	**1 511 177**

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

Financial commitments (quarterly figures)

DNB Group

Amounts in NOK million	3rd quarter 2019 Stage 1	3rd quarter 2019 Stage 2	3rd quarter 2019 Stage 3	3rd quarter 2019 Total	3rd quarter 2018 Stage 1	3rd quarter 2018 Stage 2	3rd quarter 2018 Stage 3	3rd quarter 2018 Total
Maximum exposure as at 30 June	**657 897**	**22 707**	**4 216**	**684 820**	**648 465**	**21 355**	**6 777**	**676 597**
Transfer to stage 1	4 461	(4 355)	(106)		3 343	(3 281)	(62)	
Transfer to stage 2	(9 972)	9 996	(24)		(5 001)	5 143	(142)	
Transfer to stage 3	(87)	(384)	471		(334)	(26)	360	
Originated and purchased	97 092			97 092	73 786	1 191	693	75 670
Derecognition	(117 791)	(1 921)	(297)	(120 010)	(75 556)	(460)	(893)	(76 909)
Exchange rate movements	5 064	461	22	5 547	(4 580)	(187)	(26)	(4 793)
Other					(1 357)			(1 357)
Maximum exposure as at 30 September	**636 663**	**26 504**	**4 282**	**667 448**	**638 766**	**23 734**	**6 707**	**669 207**

Financial commitments (year-to-date figures)

DNB Group

Amounts in NOK million	Jan.-Sept. 2019 Stage 1	Jan.-Sept. 2019 Stage 2	Jan.-Sept. 2019 Stage 3	Jan.-Sept. 2019 Total	Jan.-Sept. 2018 Stage 1	Jan.-Sept. 2018 Stage 2	Jan.-Sept. 2018 Stage 3	Jan.-Sept. 2018 Total
Maximum exposure as at 31 December / 1 January	**627 302**	**29 462**	**4 152**	**660 916**	**651 248**	**28 358**	**3 208**	**682 814**
Transfer to stage 1	17 137	(16 914)	(223)		9 377	(8 960)	(417)	
Transfer to stage 2	(19 896)	20 185	(289)		(10 736)	11 456	(719)	
Transfer to stage 3	(924)	(953)	1 877		(1 462)	(1 386)	2 848	
Originated and purchased	315 593	6		315 599	166 149	4 003	3 405	173 557
Derecognition	(302 955)	(5 575)	(1 215)	(309 744)	(170 680)	(9 527)	(1 590)	(181 797)
Exchange rate movements	406	292	(21)	677	(5 091)	(209)	(27)	(5 327)
Other					(39)			(39)
Maximum exposure as at 30 September	**636 663**	**26 504**	**4 282**	**667 448**	**638 766**	**23 734**	**6 707**	**669 207**

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 (quarterly figures)

DNB Group

	3rd quarter 2019				3rd quarter 2018			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 June	**(319)**	**(1 015)**	**(7 793)**	**(9 127)**	**(345)**	**(1 370)**	**(8 760)**	**(10 475)**
Transfer to stage 1	(152)	136	17		(63)	54	9	
Transfer to stage 2	24	(51)	28		16	(33)	16	
Transfer to stage 3	0	52	(52)		2	3	(5)	
Originated and purchased	(33)	(21)	(0)	(54)	(72)	(19)	(1)	(92)
Increased expected credit loss	(78)	(521)	(1 489)	(2 088)	(43)	(313)	(1 756)	(2 112)
Decreased (reversed) expected credit loss	201	88	654	943	119	312	1 497	1 928
Write-offs	0	0	194	194			324	324
Derecognition	18	125	5	149	25	50	3	78
Exchange rate movements	(4)	(11)	(32)	(47)	5	14	86	105
Other			(3)	(3)				
Accumulated impairment as at 30 September	**(343)**	**(1 217)**	**(8 473)**	**(10 034)**	**(356)**	**(1 302)**	**(8 587)**	**(10 245)**

Loans to customers at amortised cost (year-to-date figures)

DNB Group

	Jan.-Sept. 2019				Jan.-Sept. 2018			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 December / 1 January	**(352)**	**(1 225)**	**(8 321)**	**(9 898)**	**(382)**	**(3 082)**	**(8 710)**	**(12 174)**
Transfer to stage 1	(289)	264	25		(349)	323	25	
Transfer to stage 2	48	(121)	73		29	(205)	176	
Transfer to stage 3	3	80	(83)		3	1 207	(1 209)	
Originated and purchased	(143)	(39)		(183)	(128)	(62)	(1)	(191)
Increased expected credit loss [1]	(170)	(990)	(4 116)	(5 276)	(117)	(705)	(4 741)	(5 563)
Decreased (reversed) expected credit loss [1]	534	532	2 734	3 801	710	1 034	3 503	5 247
Write-offs	0	0	1 182	1 182	0	(0)	2 256	2 256
Derecognition	26	286	39	351	(128)	168	3	43
Exchange rate movements	1	(5)	(7)	(10)	7	18	110	136
Other								
Accumulated impairment as at 30 September	**(343)**	**(1 217)**	**(8 473)**	**(10 034)**	**(356)**	**(1 302)**	**(8 587)**	**(10 245)**

1) *DNB has performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans and financial commitments in the second quarter of 2019. The net effect of the recalibration is a decrease in expected credit loss of NOK 6 million. As the recalibration resulted in both increases and decreases on a financial instrument level, the effect is included in the flows 'increased expected credit loss' and 'decreased (reversed) expected credit loss'.*

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

Financial commitments (quarterly figures)

DNB Group

Amounts in NOK million	3rd quarter 2019 Stage 1	Stage 2	Stage 3	Total	3rd quarter 2018 Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 June	**(176)**	**(900)**	**(700)**	**(1 776)**	**(157)**	**(1 129)**	**(522)**	**(1 807)**
Transfer to stage 1	(68)	38	30		(15)	15	(0)	
Transfer to stage 2	30	(31)	1		4	(6)	2	
Transfer to stage 3	0	4	(4)			1	(1)	
Originated and purchased	(15)	(8)		(23)	(24)	(30)		(54)
Increased expected credit loss	(29)	(181)	(732)	(942)	(15)	(74)	(34)	(123)
Decreased (reversed) expected credit loss	102	167	355	624	70	189	116	375
Derecognition	5	35	0	39	1	16		17
Exchange rate movements	(1)	(27)	(5)	(34)	1	10	3	14
Other	0	0	0	0				
Accumulated impairment as at 30 September	**(152)**	**(904)**	**(1 054)**	**(2 110)**	**(134)**	**(1 008)**	**(436)**	**(1 578)**

Financial commitments (year-to-date figures)

DNB Group

Amounts in NOK million	Jan.-Sept. 2019 Stage 1	Stage 2	Stage 3	Total	Jan.-Sept. 2018 Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 December / 1 January	**(149)**	**(1 001)**	**(569)**	**(1 719)**	**(171)**	**(2 128)**	**(511)**	**(2 810)**
Transfer to stage 1	(150)	120	30		(127)	127		
Transfer to stage 2	39	(41)	2		10	(13)	3	
Transfer to stage 3	0	8	(9)		0	584	(584)	
Originated and purchased	(135)	(14)		(149)	(100)	(327)		(428)
Increased expected credit loss [1)]	(60)	(520)	(1 104)	(1 684)	(29)	(472)	(164)	(665)
Decreased (reversed) expected credit loss [1)]	296	478	581	1 356	280	868	803	1 951
Derecognition	6	84	0	90	1	344	15	360
Exchange rate movements	0	(18)	0	(18)	2	10	3	14
Other	0	0	14	14				
Accumulated impairment as at 30 September	**(152)**	**(904)**	**(1 054)**	**(2 110)**	**(134)**	**(1 008)**	**(436)**	**(1 578)**

1) *DNB has performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans and financial commitments in the second quarter of 2019. The net effect of the recalibration is a decrease in expected credit loss of NOK 6 million. As the recalibration resulted in both increases and decreases on a financial instrument level, the effect is included in the flows 'increased expected credit loss' and 'decreased (reversed) expected credit loss'.*

Note 6 Loans and financial commitments to customers by industry segment

Loans to customers as at 30 September 2019

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Stage 2	Stage 3	Loans at fair value	DNB Group Total
Bank, insurance and portfolio management	96 321	(10)	(10)	(11)		96 290
Commercial real estate	179 320	(12)	(55)	(305)	171	179 120
Shipping	52 112	(59)	(183)	(438)		51 432
Oil, gas and offshore	64 529	(59)	(418)	(4 126)		59 926
Power and renewables	30 681	(5)	(4)	(55)		30 617
Healthcare	24 408	(7)	(4)			24 397
Public sector	15 451	(4)	(0)	(0)		15 446
Fishing, fish farming and farming	39 752	(7)	(33)	(105)	164	39 770
Trade	42 697	(12)	(36)	(683)	59	42 026
Manufacturing	44 369	(22)	(26)	(334)	19	44 006
Technology, media and telecom	25 120	(21)	(12)	(32)	25	25 081
Services	67 206	(30)	(41)	(626)	195	66 704
Residential property	92 433	(6)	(17)	(108)	379	92 680
Personal customers	780 799	(72)	(317)	(646)	60 253	840 018
Other corporate customers	66 022	(18)	(62)	(1 004)	68	65 007
Total [1)]	**1 621 220**	**(343)**	**(1 217)**	**(8 473)**	**61 334**	**1 672 520**

1) Of which NOK 58 252 million in repo trading volumes.

Loans to customers as at 30 September 2018

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Stage 2	Stage 3	Loans at fair value	DNB Group Total
Bank, insurance and portfolio management	30 133	(6)	(2)	(68)		30 056
Commercial real estate	164 216	(11)	(52)	(294)	190	164 049
Shipping	59 338	(116)	(308)	(821)		58 093
Oil, gas and offshore	57 623	(30)	(537)	(3 997)		53 058
Power and renewables	25 476	(6)	(10)	(190)		25 270
Healthcare	21 163	(8)	(14)	(0)		21 141
Public sector	34 415	(4)	(2)	(179)	32	34 262
Fishing, fish farming and farming	31 973	(3)	(17)	(67)	180	32 066
Trade	41 249	(17)	(10)	(688)	59	40 593
Manufacturing	44 036	(16)	(9)	(356)	10	43 665
Technology, media and telecom	25 294	(24)	(31)	(115)	11	25 134
Services	51 105	(9)	(14)	(389)	157	50 851
Residential property	91 967	(7)	(9)	(216)	431	92 166
Personal customers	754 579	(85)	(262)	(705)	62 228	815 753
Other corporate customers	78 610	(14)	(24)	(501)	87	78 159
Total [1)]	**1 511 177**	**(356)**	**(1 302)**	**(8 587)**	**63 386**	**1 564 318**

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

Note 6 Loans and financial commitments to customers by industry segment (continued)

Financial commitments as at 30 September 2019

		Accumulated impairment			DNB Group
Amounts in NOK million	Maximum exposure	Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	34 983	(6)	(1)	(0)	34 976
Commercial real estate	26 469	(2)	(2)	(4)	26 461
Shipping	8 935	(7)	(22)		8 906
Oil, gas and offshore	59 842	(60)	(628)	(206)	58 948
Power and renewables	31 925	(6)	(21)		31 899
Healthcare	26 899	(4)	(0)		26 895
Public sector	9 673	(0)	(0)		9 673
Fishing, fish farming and farming	16 254	(3)	(0)	(5)	16 246
Trade	28 081	(8)	(23)	(22)	28 028
Manufacturing	53 082	(14)	(43)	(4)	53 021
Technology, media and telecom	20 034	(10)	(8)	(2)	20 014
Services	25 232	(8)	(47)	(457)	24 720
Residential property	31 735	(2)	(2)	(2)	31 729
Personal customers	254 623	(16)	(78)	(0)	254 529
Other corporate customers	39 682	(7)	(29)	(352)	39 294
Total	**667 448**	**(152)**	**(904)**	**(1 054)**	**665 338**

Financial commitments as at 30 September 2018

		Accumulated impairment			DNB Group
Amounts in NOK million	Maximum exposure	Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	29 992	(7)	(4)	(0)	29 981
Commercial real estate	23 525	(2)	(1)	(4)	23 519
Shipping	12 478	(15)	(29)		12 434
Oil, gas and offshore	74 177	(39)	(787)	(224)	73 127
Power and renewables	28 842	(4)	(38)	0	28 800
Healthcare	20 373	(3)	(35)		20 335
Public sector	14 896	(1)	(0)	(1)	14 893
Fishing, fish farming and farming	12 413	(3)	(1)	(1)	12 408
Trade	26 289	(6)	(4)	(69)	26 211
Manufacturing	54 690	(15)	(29)	(5)	54 641
Technology, media and telecom	23 785	(9)	(2)	(2)	23 772
Services	22 215	(6)	(10)	(9)	22 190
Residential property	36 123	(3)	(4)	(3)	36 114
Personal customers	250 452	(13)	(57)	(0)	250 382
Other corporate customers	38 957	(7)	(7)	(119)	38 823
Total	**669 207**	**(134)**	**(1 008)**	**(436)**	**667 629**

Note 7 Financial instruments at fair value

DNB Group

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 30 September 2019				
Loans to customers			61 334	61 334
Commercial paper and bonds	23 665	254 581	231	278 477
Shareholdings	5 739	21 630	6 137	33 506
Financial assets, customers bearing the risk		92 857		92 857
Financial derivatives	228	137 388	1 965	139 580
Liabilities as at 30 September 2019				
Deposits from customers		17 475		17 475
Debt securities issued		84 778		84 778
Subordinated loan capital		2 513		2 513
Financial derivatives	265	121 588	1 612	123 465
Other financial liabilities [1]	7 204	0		7 204

DNB Group

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 30 September 2018				
Loans to customers			63 386	63 386
Commercial paper and bonds	43 696	263 607	140	307 443
Shareholdings	8 481	29 382	4 167	42 030
Financial assets, customers bearing the risk		82 380		82 380
Financial derivatives	225	103 292	1 713	105 229
Liabilities as at 30 September 2018				
Deposits from customers		14 597		14 597
Debt securities issued		81 900		81 900
Subordinated loan capital		2 507		2 507
Financial derivatives	180	93 354	1 435	94 969
Other financial liabilities [1]	2 420	(0)	0	2 420

1) Short positions, trading activities.

For a further description of the instruments and valuation techniques, see the annual report for 2018.

Note 7 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Group

Amounts in NOK million	Financial assets: Loans to customers	Financial assets: Commercial paper and bonds	Financial assets: Share-holdings	Financial assets: Financial derivatives	Financial liabilities: Financial derivatives
Carrying amount as at 31 December 2018	**62 476**	**319**	**4 810**	**2 036**	**1 654**
Net gains recognised in the income statement	163	(154)	166	(453)	(148)
Additions/purchases	6 697	249	1 621	1 121	810
Sales		(223)	(429)		
Settled	(7 918)			(729)	(705)
Transferred from level 1 or level 2		56			
Transferred to level 1 or level 2		(125)	(32)		
Other	(84)	109	(0)	(11)	1
Carrying amount as at 30 September 2019	**61 334**	**231**	**6 137**	**1 965**	**1 612**

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 165 million. The effects on other Level 3 financial instruments are insignificant.

Note 8 Debt securities issued and subordinated loan capital

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

Debt securities issued

DNB Group

Amounts in NOK million	Balance sheet 30 Sept. 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
Commercial paper issued, nominal amount	276 322	781 539	(689 665)	9 716		174 732
Bond debt, nominal amount [1)]	625 488	67 928	(48 748)	2 181		604 127
Value adjustments	36 217				13 158	23 059
Total debt securities issued	**938 026**	**849 467**	**(738 413)**	**11 896**	**13 158**	**801 918**

1) Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 471.6 billion as at 30 September 2019. The market value of the cover pool represented NOK 636.2 billion.

Debt securities issued

DNB Group

Amounts in NOK million	Balance sheet 30 Sept. 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Commercial paper issued, nominal amount	180 972	825 703	(802 413)	(992)		158 675
Bond debt, nominal amount [1)]	581 514	60 947	(59 580)	(16 230)		596 377
Value adjustments	18 715				(6 481)	25 195
Total debt securities issued	**781 201**	**886 650**	**(861 993)**	**(17 222)**	**(6 481)**	**780 247**

1) Minus own bonds.

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

Subordinated loan capital and perpetual subordinated loan capital securities — DNB Group

Amounts in NOK million	Balance sheet 30 Sept. 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
Term subordinated loan capital, nominal amount	24 993	9	(9)	(118)		25 110
Perpetual subordinated loan capital, nominal amount	5 970			276		5 693
Perpetual subordinated loan capital securities, nominal amount						
Value adjustments	453				175	278
Total subordinated loan capital and perpetual subordinated loan capital securities	**31 415**	**9**	**(9)**	**159**	**175**	**31 082**

Subordinated loan capital and perpetual subordinated loan capital securities — DNB Group

Amounts in NOK million	Balance sheet 30 Sept. 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
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				(173)	280
Total subordinated loan capital and perpetual subordinated loan capital securities	**29 267**	**9 419**	**(8 542)**	**(974)**	**(173)**	**29 538**

Note 9 Contingencies

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

On 21 June 2016, the Norwegian Consumer Council instituted legal proceedings before the Oslo District Court against DNB Asset Management AS, a wholly-owned subsidiary of DNB ASA offering asset management services. The Norwegian Consumer Council has instituted a group action to pursue compensation of up to NOK 690 million on behalf of current and former investors in a fund managed by DNB Asset Management AS, as well as two funds merged into that fund. The lawsuit alleges that the funds were charging high fees for active management, but were actually tracking an index. The Oslo District Court passed its judgment on 12 January 2018, whereby the claim was rejected and DNB Asset Management was held not liable. On 12 February 2018, the Norwegian Consumer Council appealed to the Borgarting Court of Appeal and reduced the compensation claim to NOK 430 million. The ruling from the Borgarting Court of Appeal was announced on 9 May 2019, and found in favour of the Norwegian Consumer Council in the group action. DNB Asset Management was sentenced to pay approximately NOK 350 million. DNB Asset Management disagrees with the ruling of the Court of Appeal and has appealed the case to the Norwegian Supreme Court, which has accepted it for consideration. Based on an overall assessment, an accounting provision of NOK 200 million was made in the second quarter of 2019, recognised in the accounts of DNB Asset Management AS as operational losses/operating expenses.

DNB ASA

Income statement

Amounts in NOK million	3rd quarter 2019	3rd quarter 2018	January-September 2019	January-September 2018	Full year 2018
Interest income, amortised cost	35	9	64	24	32
Interest expenses, amortised cost	(140)	(113)	(395)	(334)	(452)
Net interest income	**(105)**	**(104)**	**(330)**	**(310)**	**(420)**
Commissions and fees payable	(2)	(3)	(5)	(6)	(7)
Other income [1]	2		2		14 087
Net other operating income	**1**	**(3)**	**(2)**	**(6)**	**14 081**
Total income	**(104)**	**(107)**	**(333)**	**(316)**	**13 661**
Salaries and other personnel expenses	0	(1)	(0)	(3)	(4)
Other expenses	(72)	(82)	(220)	(248)	(329)
Total operating expenses	**(72)**	**(83)**	**(220)**	**(251)**	**(334)**
Net gain on the sale of fixed and intangible assets [2]			2 237		
Pre-tax operating profit	**(177)**	**(190)**	**1 685**	**(566)**	**13 327**
Tax expense	44	47	138	142	
Profit for the period	**(132)**	**(142)**	**1 823**	**(425)**	**13 327**
Earnings/diluted earnings per share (NOK)	(0.08)	(0.09)	1.15	(0.27)	8.36
Earnings per share excluding operations held for sale (NOK)	(0.08)	(0.09)	1.15	(0.27)	8.36

DNB ASA

Balance sheet

Amounts in NOK million	30 Sept. 2019	31 Dec. 2018	30 Sept. 2018
Assets			
Due from DNB Bank ASA	4 042	8 925	7 862
Investments in group companies	78 784	74 720	74 720
Receivables due from group companies [1]		12 585	
Other assets	138		142
Total assets	**82 965**	**96 229**	**82 723**
Liabilities and equity			
Short-term amounts due to DNB Bank ASA	14	11	12
Other liabilities and provisions		13 105	
Long-term amounts due to DNB Bank ASA	20 305	20 087	20 333
Total liabilities	**20 319**	**33 204**	**20 345**
Share capital	15 803	15 944	15 944
Share premium	22 556	22 556	22 556
Other equity	24 287	24 525	23 878
Total equity	**62 646**	**63 025**	**62 378**
Total liabilities and equity	**82 965**	**96 229**	**82 723**

DNB ASA

1) Of which dividend/group contribution from DNB Bank ASA represented NOK 10 758 in 2018. The dividend from DNB Livsforsikring AS represented NOK 2 900 million in 2018. The dividend from DNB Asset Management Holding AS was NOK 427 million in 2018.

2) The establishment of the insurance company Fremtind Forsikring AS, through the merger of SpareBank 1 Skadeforsikring and DNB Forsikring AS in January 2019, resulted in a gain of NOK 2 237 million in the first quarter for DNB ASA. The gain for the DNB Group amounted to NOK 1 740 million.

Statement of changes in equity

Amounts in NOK million	Share capital	Share premium	Other equity	Total equity
Balance sheet as at 31 December 2017	**16 180**	**22 556**	**27 813**	**66 550**
Profit for the period			(425)	(425)
Repurchase under share buy-back programme	(237)		(3 510)	(3 747)
Balance sheet as at 30 September 2018	**15 944**	**22 556**	**23 878**	**62 378**
Balance sheet as at 31 December 2018	**15 944**	**22 556**	**24 525**	**63 025**
Profit for the period			1 823	1 823
Repurchase under share buy-back programme	(141)		(2 061)	(2 202)
Balance sheet as at 30 September 2019	**15 803**	**22 556**	**24 287**	**62 646**

DNB ASA

Basis for preparation

DNB ASA has prepared the financial statements according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-6, on the use of IFRS. A description of the accounting principles applied by the company when preparing the financial statements appear in note 1 Accounting principles in the annual report for 2018.

Information about the DNB Group

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Board of Directors in DNB ASA

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Tore Olaf Rimmereid, vice chair of the board
Karl-Christian Agerup
Gro Bakstad
Carl A. Løvvik
Vigdis Mathisen
Jaan Ivar Semlitsch

Group management

Kjerstin Braathen	Group chief executive
Ottar Ertzeid	Group executive vice president Group Finance
Ingjerd Blekeli Spiten	Group executive vice president Personal Banking
Harald Serck-Hanssen	Group executive vice president Corporate Banking
Håkon Hansen	Group executive vice president Wealth Management
Alexander Opstad	Group executive vice president Markets
Rasmus Figenschou	Group executive vice president Payments & Innovation
Mirella E. Wassiluk	Group executive vice president Group Compliance
Ida Lerner	Group executive vice president Group Risk Management
Maria Ervik Løvold	Group executive vice president Technology & Services
Kari Bech-Moen	Group executive vice president People
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Financial calendar 2019

20 November	Capital markets day

Financial calendar 2020

6 February	Q4 2019
5 March	Annual report 2019
28 April	Annual general meeting
29 April	Ex-dividend date
30 April	Q1 2020
as of 8 May	Distribution of dividends
13 July	Q2 2020
22 October	Q3 2020

Other sources of information

Annual and quarterly reports

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

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