DNB Group

Fourth quarter report 2019
(Preliminary and unaudited)

Q4

DNB

Financial highlights

DNB Group

Income statement *Amounts in NOK million*	4th quarter 2019	4th quarter 2018	Full year 2019	Full year 2018
Net interest income	10 347	9 611	39 202	36 822
Net commissions and fees	2 636	2 660	9 716	9 310
Net gains on financial instruments at fair value	(447)	430	3 183	1 342
Net financial and risk result, life insurance	216	387	1 129	969
Net insurance result, non-life insurance		189		622
Other operating income	447	226	1 628	1 302
Net other operating income	2 852	3 891	15 655	13 546
Total income	13 199	13 502	54 857	50 368
Operating expenses	(5 966)	(5 716)	(22 608)	(21 490)
Restructuring costs and non-recurring effects	(148)	(464)	(525)	(567)
Pre-tax operating profit before impairment	7 085	7 322	31 724	28 311
Net gains on fixed and intangible assets	6	49	1 703	529
Impairment of financial instruments	(178)	(235)	(2 191)	139
Pre-tax operating profit	6 913	7 136	31 235	28 979
Tax expense	(1 036)	(124)	(5 465)	(4 493)
Profit from operations held for sale, after taxes	68	(141)	(49)	(204)
Profit for the period	5 945	6 872	25 721	24 282

Balance sheet *Amounts in NOK million*	31 Dec. 2019	31 Dec. 2018
Total assets	2 793 294	2 634 903
Loans to customers	1 667 189	1 597 758
Deposits from customers	969 557	927 092
Total equity	242 255	223 966
Average total assets	2 906 775	2 771 998
Total combined assets	3 176 655	2 950 748

Key figures and alternative performance measures	4th quarter 2019	4th quarter 2018	Full year 2019	Full year 2018
Return on equity, annualised (per cent) 1)	10.4	12.9	11.7	11.7
Earnings per share (NOK)	3.57	4.14	15.54	14.56
Combined weighted total average spread for lending and deposits (per cent) 1)	1.34	1.31	1.33	1.30
Average spread for ordinary lending to customers (per cent) 1)	1.80	1.92	1.84	1.94
Average spread for deposits from customers (per cent) 1)	0.62	0.36	0.51	0.29
Cost/income ratio (per cent) 1)	46.3	45.8	42.2	43.8
Ratio of customer deposits to net loans to customers at end of period 1)	58.2	58.0	58.2	58.0
Net loans and financial commitments in stage 2, per cent of net loans 1)	6.69	6.99	6.69	6.99
Net loans and financial commitments in stage 3, per cent of net loans 1)	1.09	1.45	1.09	1.45
Impairment relative to average net loans to customers, annualised (per cent) 1)	(0.04)	(0.06)	(0.13)	0.01
Common equity Tier 1 capital ratio at end of period (per cent)	18.6	17.2	18.6	17.2
Leverage ratio (per cent)	7.4	7.5	7.4	7.5
Share price at end of period (NOK)	164.00	138.15	164.00	138.15
Book value per share	137.20	130.32	137.20	130.32
Price/book value 1)	1.20	1.06	1.20	1.06
Dividend per share (NOK)			9.00	8.25
Score from RepTrak's reputation survey in Norway (points)	72.5	72.5	72.5	72.5
Customer satisfaction index, CSI, personal customers in Norway (score)	72.0	75.3	72.8	74.7
Female representation at management levels 1-4 (%)	38.0	38.1	38.0	38.1

1) *Defined as alternative performance measure (APM). APMs are described on ir.dnb.no.*

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

Fourth quarter report 2019

Accounts for the DNB Group

Accounts for DNB ASA

Additional information DNB Group

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

Fourth quarter financial performance

Backed by a continued solid Norwegian macroeconomic situation, DNB delivered a profitable growth in revenues and the asset quality remains strong.

The fourth quarter of 2019 showed a profit of NOK 5 945 million. The underlying performance was solid, but NOK 1 103 million in negative mark-to-market effects from basis swaps and additional Tier 1 (AT1) capital this quarter and positive tax effects in the fourth quarter of 2018 led to a reduction in profit of NOK 926 million compared with the corresponding period last year. Compared with the previous quarter, profits decreased by NOK 114 million due to the mark-to-market effects.

Earnings per share were NOK 3.57 compared with NOK 4.14 in the year-earlier period and NOK 3.64 in the third quarter.

The common equity Tier 1 (CET1) capital ratio was 18.6 per cent, up from 17.2 per cent a year earlier, and from 18.3 per cent in the third quarter. The increase from the previous quarter is due to retained earnings and a reduction in risk-weighted assets.

The leverage ratio for the Group was 7.4 per cent, down from 7.5 per cent in the fourth quarter of 2018 and up from 7.1 per cent in the third quarter.

Return on equity was negatively affected by mark-to-market effects on financial instruments, and ended at 10.4 per cent, compared with 12.9 per cent in the year-earlier period and 10.9 per cent in the third quarter.

The Board of Directors has proposed a dividend for 2019 of NOK 9.00 per share, which is an increase of 9.1 per cent from 2018 and corresponds to 57 per cent of profits. Including the share buy-back programme of 2.0 per cent, the total payout ratio is 78 per cent.

Profitable volume growth in all customer segments and repricing effects led to an increase in net interest income of NOK 737 million or 7.7 per cent from the fourth quarter of 2018 and NOK 363 million, or 3.6 per cent from the third quarter. Compared with the third quarter, an increase in resolution fund fee and deposit guarantee fund levy of NOK 169 million was recognised in the fourth quarter related to the full-year 2019.

Net other operating income was NOK 2 852 million, down NOK 1 039 million from the fourth quarter of 2018.There was a positive contribution from customer and trading income from DNB Markets, which was offset by a negative contribution of NOK 1 510 million from exchange rate effects on AT1 capital compared with the fourth quarter of 2018. Compared with the third quarter, net other operating income was down NOK 1 706 million. Net commissions and fees increased by 13.5 per cent, but were offset by negative mark-to-market effects related to basis swaps and exchange rate effects on AT1 capital.

Operating expenses were the same as in the year-earlier period. Compared with the third quarter, operating expenses were up NOK 478 million. The increase was due to higher IT activity, restructuring costs and pension expenses.

Net impairment on financial instruments amounted to NOK 178 million in the quarter, a decrease of NOK 57 million compared with the fourth quarter of last year and a decrease of NOK 1 070 million compared with the third quarter of 2019. Both the personal customers segment and the small and medium-sized enterprises segment experienced low net impairment losses in the quarter, while the large corporates and international customers segment experienced a small reversal. Overall, the development in macro forecasts and asset quality for the portfolio as a whole was stable in the quarter.

Share buy-back programme

The Annual General Meeting in 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 (the Financial Supervisory Authority of Norway) 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. As of 6 February, DNB has announced share buy-back programmes totalling 2.0 per cent.

At the turn of the year, DNB had repurchased shares corresponding to 0.61 per cent of the share capital. In addition, 0.32 per cent of the shares owned by the Norwegian government will be redeemed after the AGM meeting in 2020, bringing total buy-backs to 0.93 per cent.

Important events in the fourth quarter

DNB's Capital Markets Day was held on 20 November, where the ambitions leading up to 2022 were presented. A return on equity (ROE) above 12 per cent continues to be the overriding target. The ambition is to have a cost/income ratio below 40 per cent.

A new phase in the #huninvesterer (#girlsinvest) campaign was launched in the fourth quarter, focusing on women and entrepreneurial initiatives.

DNB and StartupLab renewed their partnership agreement for another three years, enabling DNB to continue to explore new commercial partnerships with start-up companies.

From October, it has been possible to offer AISP (Account Information Service Provider) services in the mobile bank as a result of the EU's revised Payment Services Directive (PSD2). This makes it possible for customers to see their balance on accounts in other banks in DNB's mobile bank.

In the fourth quarter, DNB's chatbot Aino took over the night shift at the customer service centre. The robot will now handle all customer enquiries between 23:00 and 07:00.

DNB Livsforsikring's new corporate portal was launched on 5 December, with a user interface customised for our customers.

The increased interest rates announced after Norges Bank's key policy rate increase in September took effect in November.

In RepTrak's reputation survey for the fourth quarter, DNB scored 72.5 points, the third highest ever. The goal is a result of over 70 points, which indicates that DNB is a well-liked bank. This is the fifth consecutive quarter with a score above 70 points.

DNB's total score increased from 68 to 73 per cent in the Norwegian ethical bank guide (Etisk Bankguide). With a score of 73 per cent, DNB is clearly in the lead among Nordic banks.

DNB Markets was named best investment bank in the Corporate Finance Norway category in Prospera's annual survey.

DNB came second in the SHE Index for 2019, which measures gender balance in the business community. This is the third consecutive year DNB achieves a top ranking in this index.

In November, Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) launched an investigation of DNB after disclosures of possible corruption and money laundering by the Icelandic seafood company Samherji.

On 31 December 2019, Norway fully implemented the EU's capital requirements legislation CRR/CRD IV. At the same time, the so-called Basel I floor was removed.

Fourth quarter income statement – main items

Net interest income

Amounts in NOK million	4Q19	3Q19	4Q18
Lending spreads, customer segments	7 050	6 984	7 130
Deposit spreads, customer segments	1 521	1 321	837
Amortisation effects and fees	889	866	829
Operational leasing	463	445	393
Resolution fund fee and deposit guarantee fund levy	(391)	(223)	(136)
Other net interest income	815	591	559
Net interest income	10 347	9 984	9 611

Net interest income increased by NOK 737 million, or 7.7 per cent, from the fourth quarter of 2018 due to increased lending volumes in all segments, increased margins and income on equity.

There was an average increase of NOK 78.0 billion, or 5.3 per cent, in the healthy loan portfolio compared with the fourth quarter of 2018, backed by the positive development of the Norwegian economy. Adjusted for exchange rate effects, volumes were up NOK 55.9 billion, or 3.8 per cent. During the same period, deposits were up NOK 47.0 billion, or 5.1 per cent. Adjusted for exchange rate effects, there was an increase of NOK 33.2 billion, or 3.6 per cent. Average lending spreads contracted by 12 basis points and deposit spreads widened by 26 basis points compared with the fourth quarter of 2018. Volume-weighted spreads for the customer segments widened by 3 basis points compared with the same period in 2018, despite lag effects from increasing NOK money market rates.

As previously communicated, the final resolution fund fee and deposit guarantee fund levy for 2019 was NOK 169 million higher than expected, reducing the net interest income in the fourth quarter.

Compared with the third quarter, net interest income increased by NOK 363 million due to positive effects from repricing and deposit spreads. There was an average increase of NOK 18.5 billion, or 1.2 per cent, in the healthy loan portfolio, and deposits were up NOK 18.0 billion, or 1.9 per cent. Volume-weighted spreads for the customer segments remained stable.

Spreads in the fourth quarter of 2019 were positively impacted by interest rate adjustments, effective from October in the small and medium-sized enterprises and November for the personal customers portfolios respectively.

Net other operating income

Amounts in NOK million	4Q19	3Q19	4Q18
Net commissions and fees	2 636	2 323	2 660
Basis swaps	(361)	78	(342)
Exchange rate effects additional Tier 1 capital	(742)	812	768
Net gains on other financial instruments at fair value	656	637	3
Net financial and risk result, life insurance	216	271	387
Net insurance result, non-life insurance			189
Net profit from associated companies	52	96	(10)
Other operating income	394	342	236
Net other operating income	2 852	4 558	3 891

Net other operating income declined by NOK 1 039 million from the fourth quarter of 2018. There was a positive contribution from investment banking services, and income from customers and trading in DNB Markets, which increased by 22.8 and 20.0 per cent respectively compared with the year-earlier period. However, exchange rate effects on AT1 capital of NOK 1 510 million impacted the income in the fourth quarter negatively compared with the same quarter the previous year.

Compared with the third quarter, net other operating income decreased by NOK 1 706 million. Net commissions and fees increased by NOK 313 million, or 13.5 per cent, from the third quarter due to higher activity within investment banking and asset management services. However, this was offset by a negative mark-to-market adjustment related to basis swaps and exchange rates effects on AT1 capital.

Operating expenses

Amounts in NOK million	4Q19	3Q19	4Q18
Salaries and other personnel expenses	(3 390)	(3 031)	(2 986)
Restructuring expenses	(52)	(6)	(62)
Other expenses	(1 837)	(1 757)	(2 189)
Depreciation of fixed and intangible assets	(744)	(727)	(559)
Impairment of fixed and intangible assets	(91)	(116)	(384)
Total operating expenses	(6 114)	(5 637)	(6 179)

There was a decrease of NOK 65 million in operating expenses from the fourth quarter of 2018. This decrease was mainly due to lower IT expenses and fees related to consultancy services. The introduction of IFRS 16 Leases from 2019 led to reduced operating expenses for IT and properties, but at the same time increased depreciation and interest costs. Furthermore, expenses in the previous year were exceptionally high due to impairment related to system development and a leasing contract.

Compared with the third quarter, there was an increase in operating expenses of NOK 478 million. The main factors were seasonal effects, higher IT activity and restructuring costs. Further, there was an increase in pension expenses due to corrections from previous quarters of NOK 121 million.

The cost/income ratio was 46.3 per cent in the fourth quarter, reflecting the mentioned cost items and negative mark-to-market effects.

Impairment of financial instruments

Amounts in NOK million	4Q19	3Q19	4Q18
Personal customers	(81)	(97)	(56)
Commercial real estate	(70)	6	41
Shipping	171	(102)	147
Oil, gas and offshore	(360)	78	(198)
Other industry segments	163	(1 132)	(168)
Total impairment of financial instruments	(178)	(1 247)	(235)

Net impairment losses on financial instruments amounted to NOK 178 million in the fourth quarter, a decrease of NOK 57 million compared with the fourth quarter of last year, and of NOK 1 070 million compared with the third quarter. The decrease from the previous quarter is largely explained by a large impairment loss related to a specific customer in the third quarter.

Both personal customers and commercial real estate had low impairment losses in the quarter.

The shipping segment experienced net reversals of NOK 171 million in the quarter. This is a decrease of NOK 273 million compared with the previous quarter, and of NOK 24 million compared with the same quarter last year. The overall portfolio quality and the development in relevant macro drivers for the shipping portfolio were stable in the quarter, and the reversals were related to a positive credit development for specific customers.

There were net impairment losses of NOK 360 million for the oil, gas and offshore segment in the quarter, compared with NOK 198 million in the year-earlier period, and net reversals of NOK 78 million in the third quarter. Impairment losses in the quarter were primarily related to a negative development for individually assessed customers in stage 3 within the offshore segment. The impairment losses were somewhat offset by an expected continued modest improvement in the macro forecasts for the healthy loan portfolio.

The net impairment reversals of NOK 163 million within other industry segments were the result of a positive development on specific customers within services and manufacturing. The reversals were to a certain extent curtailed by a negative development for a few individually assessed customers within trade and services.

Apart from this, most industry segments experienced relatively stable macro forecasts and credit quality in the quarter, and the overall credit quality of the portfolio is strong.

Net stage 3 loans and financial commitments amounted to NOK 18 billion at the end of December 2019, down from NOK 23 billion in the fourth quarter of 2018 and from NOK 22 billion in the third quarter.

Taxes

The DNB Group's tax expense for the fourth quarter has been estimated at NOK 1 036 million, or 15 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. Segment reporting has not changed as per fourth quarter 2019, but will be changed as of the first quarter of 2020.

Personal customers

Income statement in NOK million	4Q19	3Q19	4Q18
Net interest income	3 523	3 425	3 465
Net other operating income	1 173	1 298	1 313
Total income	4 696	4 723	4 778
Operating expenses	(2 249)	(2 113)	(2 281)
Pre-tax operating profit before impairment	2 447	2 610	2 497
Net gains on fixed and intangible assets	(3)	(0)	49
Impairment of financial instruments	(103)	(73)	(89)
Pre-tax operating profit	2 340	2 537	2 457
Tax expense	(585)	(634)	(614)
Profit for the period	1 755	1 903	1 843
Average balance sheet items in NOK billion			
Net loans to customers	794.3	788.0	770.8
Deposits from customers	431.1	434.8	410.0
Key figures in per cent			
Lending spread [1)]	1.29	1.32	1.54
Deposit spread [1)]	0.87	0.74	0.45
Return on allocated capital	14.5	15.8	15.5
Cost/income ratio	47.9	44.7	47.7
Ratio of deposits to loans	54.3	55.2	53.2

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 fourth quarter, with pre-tax operating profit of NOK 2 340 million.

The announced interest hike in September 2019 became effective in the fourth quarter and was the main factor behind the increase in the combined spreads on loans and deposits. The combined spreads widened by 3 basis points from the third quarter. From the corresponding period in 2018, combined spreads remained unchanged.

There was a rise in average net loans of 3.0 per cent from the fourth quarter of 2018. The growth in the healthy home mortgage portfolio amounted to 3.2 per cent. Deposits from customers were up 5.1 per cent in the same period. The ratio of deposits to loans rose by 1.1 percentage points in the period.

The establishment of Fremtind affected both income and expenses compared with the year-earlier period, 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 fourth quarter of 2018, while net income from payment services contributed negatively. Seasonally lower real estate broking activities and income from payment services in the fourth quarter are the main factors behind the decline in other operating income from the previous quarter.

Operating expenses decreased by 1.4 per cent from the corresponding quarter in 2018, due to positive effects from the establishment of Fremtind, which were partly offset by higher activity in DNB Eiendom. Compared with the third quarter, operating expenses increased by 6.5 per cent mainly due to extensive IT activities and impairment of IT systems.

The personal customers segment experienced impairment of financial instruments of NOK 103 million in the fourth quarter, equivalent to annualised 0.05 per cent of net lending to customers. Overall, the credit quality and macro forecasts were stable in the quarter, and impairment losses remained at a low level.

DNB's market share of credit to households stood at 23.6 per cent at the end of October 2019, while the market share of total household savings was 30.2 per cent in the same period. DNB Eiendom had an average market share of 18.2 per cent.

The #huninvesterer (#girlsinvest) campaign has sparked great enthusiasm and contributed to an increase in savings schemes in the fourth quarter. The campaign has focused on the fact that the proportion of women investing in mutual funds and equities is low compared with men. During the campaign period, there has been an 88 per cent increase in women among new mutual fund customers, compared with new female customers in the same period last year. And for the first time ever, more women than men bought mutual funds.

DNB's mobile bank is continuously being developed, and as of December 2019, it had more than 1 million unique users. During the autumn, several new services were launched in the app, such as invoice scanning, viewing accounts from other banks and 'smart balance'.

Going forward, DNB will make it even easier for customers to get a total overview of their own finances by gathering information from other banks.

Small and medium-sized enterprises

Income statement in NOK million	4Q19	3Q19	4Q18
Net interest income	2 822	2 721	2 474
Net other operating income	599	584	527
Total income	3 421	3 305	3 001
Operating expenses	(1 187)	(1 099)	(1 111)
Pre-tax operating profit before impairment	2 234	2 206	1 890
Net gains on fixed and intangible assets	0		
Impairment of financial instruments	(143)	(16)	(101)
Profit from repossessed operations	13	0	4
Pre-tax operating profit	2 104	2 190	1 794
Tax expense	(526)	(548)	(448)
Profit for the period	1 578	1 643	1 345
Average balance sheet items in NOK billion			
Net loans to customers	333.4	325.2	310.5
Deposits from customers	225.1	222.6	212.1
Key figures in per cent			
Lending spread [1)]	2.41	2.41	2.46
Deposit spread [1)]	0.87	0.76	0.56
Return on allocated capital	19.0	20.2	18.3
Cost/income ratio	34.7	33.3	37.0
Ratio of deposits to loans	67.5	68.5	68.3

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 fourth quarter of 2019 compared with the fourth quarter of 2018.

There was a rise in average loan volumes of 7.4 per cent from the fourth quarter of 2018, while average deposit volumes were up 6.1 per cent during the same period. The solid rise in volumes, in combination with a positive development in deposit spreads, ensured an increase in net interest income of 14.1 per cent compared with the fourth quarter of 2018.

Net other operating income increased by 13.6 per cent compared with the fourth quarter of 2018. This was mainly due to a rise in income from investment banking activities related to both equity and bond markets.

Operating expenses increased by 6.9 per cent from the corresponding quarter in 2018. This was mainly due to costs related to higher activity levels within corporate finance and leasing.

Impairment of financial instruments amounted to NOK 143 million in the fourth quarter, an increase of NOK 42 million from the fourth quarter of 2018 and NOK 127 million from the third quarter.

Net stage 3 loans and financial commitments amounted to NOK 3.3 billion at year-end 2019, down from the corresponding quarter in 2018 and at the same level as in the third quarter of 2019. The impairment losses primarily related to a few individually assessed customers. Annualised impairment losses on loans and guarantees represented 0.17 per cent of average loans in the fourth quarter of 2019.Overall, the relevant macro forecasts and credit quality remained stable in the fourth quarter.

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.

Large corporates and international customers

Income statement in NOK million	4Q19	3Q19	4Q18
Net interest income	3 405	3 320	3 141
Net other operating income	1 594	1 152	1 515
Total income	4 999	4 472	4 657
Operating expenses	(1 896)	(1 590)	(1 894)
Pre-tax operating profit before impairment	3 103	2 882	2 763
Net gains on fixed and intangible assets	16	(0)	(0)
Impairment of financial instruments	68	(1 159)	(45)
Profit from repossessed operations	79	(71)	(151)
Pre-tax operating profit	3 266	1 652	2 567
Tax expense	(784)	(396)	(590)
Profit from operations held for sale, after taxes	(0)	(2)	1
Profit for the period	2 482	1 253	1 978
Average balance sheet items in NOK billion			
Net loans to customers	447.3	442.0	415.8
Deposits from customers	322.0	301.6	308.2
Key figures in per cent			
Lending spread [1)]	2.27	2.23	2.21
Deposit spread [1)]	0.10	0.11	0.10
Return on allocated capital	15.0	7.6	12.4
Cost/income ratio	37.9	35.6	40.7
Ratio of deposits to loans	72.0	68.2	74.1

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 together with stable operating expenses were the main contributors to the pre-tax operating profit before impairment improving by 12.3 per cent compared with the fourth quarter of 2018.

Average loan volumes were up 7.6 per cent compared with the fourth quarter of 2018, primarily driven by strong sector activity within financial institutions, service, seafood and commercial real estate. In contrast, the shipping segment showed a decline in exposures. Compared with the third quarter of 2019, average loan volumes remained stable and in line with expectations.

Average deposit volumes were up 4.5 per cent from the fourth quarter of 2018 and 6.8 per cent compared with the third quarter of this year.

Lending spreads widened by 6 basis points compared with the fourth quarter of 2018, while deposit spreads remained unchanged. This resulted in an increased combined spread of 5 basis points. Compared with the third quarter of 2019, lending spreads widened by 4 basis points, whereas deposit spreads narrowed by 1 basis point. The increased key policy rate in Norway also resulted in higher return on allocated capital, which contributed to the increase in net interest income.

Net other operating income was up 5.2 per cent compared with the fourth quarter of 2018. Compared with the third quarter of 2019, there was an increase of 38.4 per cent, primarily due to higher activity within investment banking and positive effects from financial instruments at fair value.

Operating expenses were at the same level as in the fourth quarter of 2018, and 19.2 per cent higher compared with the third quarter of 2019. The large increase from the third quarter is primarily due to seasonally higher activity in the fourth quarter.

Net impairment losses showed a reversal of NOK 68 million in the quarter. Compared with the third quarter of 2019, impairment losses decreased by NOK 1 227 million. This can primarily be attributed to a large impairment loss related to one specific customer in the third quarter. Compared with the fourth quarter of 2018, the decrease was NOK 113 million.

Macro forecasts show only small changes and overall, the credit quality remains stable. Net stage 3 loans and financial commitments amounted to NOK 12.3 billion at end-December 2019, down NOK 3.6 billion from the year-earlier period and NOK 3.3 billion from the third quarter. On an annualised basis, there were net impairment reversals of 0.06 per cent of average loans in the quarter, compared with net impairment losses of 0.04 per cent in the year-earlier period, and net impairment losses of 1.04 per cent in the third 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	4Q19	3Q19	4Q18
Net interest income	597	518	531
Net other operating income	67	2 083	1 406
Total income	662	2 601	1 938
Operating expenses	(1 362)	(1 392)	(1 764)
Pre-tax operating profit before impairment	(699)	1 208	173
Net gains on fixed and intangible assets	(7)	(40)	0
Impairment of financial instruments	0	(0)	
Profit from repossessed operations	(92)	71	147
Pre-tax operating profit	(797)	1 240	320
Tax expense	859	55	1 529
Profit from operations held for sale, after taxes	68	(33)	(142)
Profit for the period	130	1 261	1 707
Average balance sheet items in NOK billion			
Net loans to customers	136.7	128.3	113.8
Deposits from customers	44.6	29.6	39.7

The profit for the Other operations segment was NOK 130 million in the fourth quarter of 2019.

Total revenues from the risk management operations in DNB Markets were NOK 433 million in the fourth quarter of 2019, compared with NOK 186 million in the third quarter, and NOK 5 million in the corresponding period a year earlier. Income growth in the fourth quarter came primarily from money market activities and interest rate positions.

For traditional pension products with a guaranteed rate of return, net other operating income reached a strong level of NOK 447 million in the fourth quarter, up NOK 91 million from the previous quarter. Compared with the year-earlier period, however, the income was down NOK 90 million, due to high profits in the corporate portfolio last year as a result of an acquisition bid for Oslo Børs VPS Holding ASA.

Return on IBNS provisions (claims provisions) has been moved from interest result to risk result in accordance with applicable legislation. The new practice was implemented in December 2019, with a gross full-year effect of NOK 140 million. The effect for owners is NOK 120 million on the risk result and minus NOK 113 million on the financial result. This effect is caused by differing profit-sharing principles for interest and risk results. Moving the claims provisions from interest result to risk result increases the owner's profit by NOK 7 million.

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 this is reflected in the results for the customer segments.

The solvency margin in DNB Livsforsikring as at 31 December 2019 stood at 169 per cent without transitional rules. This was an increase of 14 percentage points from the third quarter of 2019. The yield curve applied in Solvency II was significantly higher at the end of the fourth quarter, measured against the long-term interest rates in the third quarter. The volatility adjustment intended to compensate for artificial spread risk decreased by 5 percentage points in the fourth quarter. The solvency margin at the end of 2019 takes into account the proposed dividend. The solvency margin with transitional rules was 202 per cent, an increase of 9 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 fourth quarter was affected negatively 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 fourth quarter of 2018 was mainly caused by impairment of system development and a leasing contract in 2018.

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

Full year 2019

DNB recorded profits of NOK 25 721 million in 2019, up NOK 1 439 million, or 5.9 per cent, compared with 2018, driven by higher net interest income.

Return on equity was 11.7 per cent, at the same level as in the year-earlier period, and earnings per share were NOK 15.54, up from NOK 14.56 in 2018.

Net interest income increased by NOK 2 379 million, or 6.5 per cent, from 2018, driven by higher volumes in all customer segments and positive effects from repricing.

Net other operating income increased by NOK 2 109 million compared with 2018, mainly due to a positive effect from basis swaps of NOK 1 628 million. Net commissions and fees showed a healthy increase and were up NOK 405 million, or 4.4 per cent, compared with 2018.

Total operating expenses increased by NOK 1 075 million from 2018 due to increased IT expenses as well as higher salaries and personnel expenses.

There were net impairment losses on financial instruments of NOK 2 191 million in the full year of 2019, compared with net reversals of 139 million in 2018. Impairment losses within the personal customers and small and medium-sized enterprises segments were on the same level as last year, whereas the large corporates and international customers segment had an increase in impairment losses of approximately NOK 2 260 million. This increase can partly be explained by large net reversals within oil, gas and offshore in 2018 and a large impairment loss related to one specific customer in the third quarter of 2019.

Overall, forecasts for most macro indicators remained stable and the asset quality of the portfolio as a whole remained strong in 2019.

Income statement for 2019

Net interest income

Amounts in NOK million	2019	2018
Lending spreads, customer segments	28 096	28 152
Deposit spreads, customer segments	4 808	2 742
Amortisation effects and fees	3 370	3 200
Operational leasing	1 731	1 525
Resolution fund fee and deposit guarantee fund levy	(1 106)	(564)
Other net interest income	2 304	1 766
Net interest income	39 202	36 822

Net interest income increased by NOK 2 379 million, or 6.5 per cent, from 2018. This was mainly due to increased lending volumes, deposit spreads and higher interest income from equity. Four interest hikes were also successfully implemented throughout the year. Positive net interest income development was offset by an increase in the resolution fund fee and deposit guarantee fund levy of NOK 542 million.

There was an average increase in the healthy loan portfolio of NOK 77.7 billion, or 5.4 per cent, parallel to a NOK 15.4 billion, or 1.6 per cent, increase in average deposit volumes from 2018. 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 21 basis points.

Net other operating income

Amounts in NOK million	2019	2018
Net commissions and fees	9 716	9 310
Basis swaps	270	(1 358)
Exchange rate effects additional Tier 1 capital	(143)	721
Net gains on other financial instruments at fair value	3 057	1 979
Net financial and risk result, life insurance	1 129	969
Net insurance result, non-life insurance		622
Net profit from associated companies	410	314
Other operating income	1 218	988
Net other operating income	15 655	13 546

Net other operating income was up NOK 2 109 million from 2018. Net commissions and fees increased by NOK 405 million or 4.4 per cent, mainly driven by increased sale of insurance products and investment banking services. Basis swaps contributed positively with NOK 1 628 million. Other operating income went up by NOK 230 million, due to a general increase in all the underlying items.

Operating expenses

Amounts in NOK million	2019	2018
Salaries and other personnel expenses	(12 534)	(11 741)
Restructuring expenses	(69)	(123)
Other expenses	(7 472)	(7 789)
Depreciation of fixed and intangible assets	(2 850)	(2 024)
Impairment of fixed and intangible assets	(207)	(380)
Operating expenses	(23 133)	(22 057)

Total operating expenses were up NOK 1 075 million. This was mainly due to increased IT, personnel and pension expenses, as well as a provision of NOK 200 million in 2019 related to a legal claim. The increase in pension expenses was largely a result of an increased return of NOK 253 million related to the compensation scheme, which has been hedged from January 2020.

The cost income ratio was 42.2 per cent in 2019.

Impairment of financial instruments

Amounts in NOK million	2019	2018
Personal customers	(354)	(287)
Commercial real estate	(124)	82
Shipping	105	8
Oil, gas and offshore	(274)	1 079
Other industry segments	(1 544)	(744)
Total impairment of financial instruments	(2 191)	139

There were net impairment losses on financial instruments of NOK 2 191 million in the full year of 2019 compared with net reversals of NOK 139 million in 2018, which is an increase in impairment losses of NOK 2 330 million. Both the personal customers and commercial real estate segments experienced an increase in impairment losses compared with 2018, but impairment losses nevertheless remained at a low level.

The shipping segment experienced net impairment reversals of NOK 105 million in 2019. This was an increase in reversals of NOK 97 million compared with 2018. The reversals were primarily related to a positive development for one customer in stage 3.

Net impairment of financial instruments for the oil, gas and offshore segment amounted to NOK 274 million in 2019. This represents an increase of NOK 1 354 million compared with 2018. The increase can primarily be explained by large reversals within stage 2 in 2018 due to improved macro forecasts. Although the modestly positive macro development continued in 2019, impairment losses related to customers in stage 3 resulted in net impairment losses in 2019.

For other industry segments, net impairment losses increased by NOK 800 million in 2019 compared with 2018. The increase can primarily be explained by a large impairment loss related to one specific customer in stage 3 in the third quarter of 2019.

Overall, forecasts for most macro indicators remained stable and the asset quality of the portfolio as a whole remained strong in 2019.

Taxes

The DNB Group's tax expense for the full year 2019 is estimated at NOK 5 465 million, representing 17.5 per cent of pre-tax operating profits.

Funding, liquidity and balance sheet

2019 was an active year for DNB in the short-term funding market and there was generally a high level of interest in the bank's securities with both long and short maturities. While USD was the main short-term funding currency for DNB, the European market was influenced by low interest rates in continental Europe, and due to Brexit in the UK, some instability was registered here. On the other hand, with high activity in the long-term funding market towards the end of 2019, the bank used this increased flexibility to reduce outstanding volumes somewhat in the short-term market during the fourth quarter of 2019.

In the long-term funding market, there was some instability at the end of 2018, which continued into the first quarter of 2019. Spread levels peaked in mid-January before starting to narrow again. From mid-January to the summer, the spreads narrowed significantly, but remained more or less stable in the second half of the year. Despite volatile markets, the funding activity was high as usual in the first quarter, with large volumes issued. In March, the US 10-year Treasury yield fell below the 3-month Treasury bill, and 10-year German bonds fell below 0 per cent, which indicated the market's fear of an upcoming recession. The ongoing trade war between the US and China, in addition to concerns about Brexit, added to this sense of uncertainty. In October, the European Central Bank (ECB) restarted their asset purchase programme, which had been on hold since the beginning of 2019. DNB was very active in the senior and covered bonds market in the first half of the year. In the fourth quarter, the bank re-assumed this activity with some sizeable issues of senior bonds. In the course of the year, there was also an increasing number of issues of so-called senior non-preferred bonds in the market, due to the upcoming minimum requirement for own funds and eligible liabilities (MREL). Overall, DNB had good access to long-term funding markets at attractive spreads during the year.

The nominal value of long-term debt securities issued by the Group was NOK 654 billion at the end of December 2019, compared with NOK 604 billion a year earlier. The average remaining term to maturity for these long-term debt securities was 3.7 years at the end of December, compared with 4.1 years a year earlier.

The short-term liquidity requirement, the Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the year and stood at 138 per cent at the end of December 2019.

Total combined assets in the DNB Group were NOK 3 177 billion at year-end 2019, up from NOK 2 951 billion a year earlier. Total assets in the Group's balance sheet were NOK 2 793 billion at end-December 2019 and NOK 2 635 billion a year earlier. Of this, total assets in DNB Livsforsikring amounted to NOK 340 billion and NOK 316 billion, respectively.

Loans to customers increased by NOK 69.4 billion, or 4.3 per cent, from the end of December 2018. Customer deposits were up NOK 42.5 billion, or 4.6 per cent, during the same period. The ratio of customer deposits to net loans to customers was 58.2 per cent at end-December, down from 58.8 per cent a year earlier.

Capital

On 31 December 2019, Norway fully implemented the EU's capital requirements legislation CRR/CRD IV, and the so-called Basel I floor was removed.

The DNB Group's common equity Tier 1 (CET1) capital ratio was 18.6 per cent at the end of December 2019, up from 18.3 per cent at end-September and 17.2 per cent at year-end 2018. Retained earnings and a reduction in risk-weighted assets were the main factors behind the increase.

Risk-weighted assets were reduced by NOK 38 billion from end-September to NOK 961 billion at end-December. The main drivers for the reduction were reduced risk-weighted assets from repayments and increased impairment losses on non-performing loans, as well as positive risk migration for performing loans. Furthermore, the implementation of the reduction of the capital requirement for lending to small and medium-sized enterprises (the SME supporting factor), as a consequence of the new CRR/CRD IV legislation, was offset by the increased risk factor for regional portfolios due to regulatory imposed increased Loss Given Default (LGD) safety margins.

The non-risk based leverage ratio was 7.4 per cent at end-December 2019, up from 7.1 per cent at end-September and down from 7.5 per cent at end-December 2018.

Development in CET1 capital ratio

Per cent	CET1 capital ratio
3Q19	**18.3**
Profit for the period	0.3
Repayments, non-performing portfolio	0.2
Increased impairments, non-performing portfolio	0.2
Improved risk, performing portfolio	0.1
Exchange rates and growth	0.1
SME support factor	0.3
Safety buffer on LGD in SME portfolio	(0.3)
Dividend above 50 per cent	(0.2)
Share buy-backs	(0.4)
4Q19	**18.6**

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

	4Q19	3Q19	4Q18
CET1 capital ratio, per cent	18.6	18.3	17.2
Tier 1 capital ratio, per cent	20.8	19.9	18.5
Capital ratio, per cent	22.9	22.1	20.8
Risk-weighted assets, NOK billion	961	999	1 030
Leverage ratio, per cent	7.4	7.1	7.5

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 sectoral requirements: the capital adequacy requirement in accordance with CRR/CRD IV and the Solvency II requirement. At end-December 2019, DNB complied with these requirements by a good margin, with excess capital of NOK 40.1 billion.

New regulatory framework in 2019

Changes in capital requirements for banks

On 31 December 2019, Norway fully implemented the EU's capital requirements legislation CRR/CRD IV. This regulatory framework helps highlight the strong capital adequacy of DNB. At the same time, the Norwegian Ministry of Finance has clearly signalled that there should be no easing of the capital requirements for banks as a result of the removal of the so-called Basel I floor and the reduction of the SME supporting factor. The Ministry is therefore adjusting the use of policy instruments in the banks' capital requirements so that a greater share of the risk is covered by the capital requirements in Pillar 1.

For DNB and other banks using the advanced IRB method, the systemic risk buffer requirement will increase from 3 to 4.5 per cent, with effect from 31 December 2020. For DNB's exposures abroad, the buffer rate set in the country in question will apply, and for exposures in countries that have not set a systemic risk buffer requirement, the rate will be 0 per cent. This means that the systemic risk buffer requirement for DNB will be reduced from 4.5 to about 3.1 per cent. In order to avoid double regulation, the Ministry intends to establish a transitional rule that will contribute to consistency between the capital requirements in Pillar 1 and Pillar 2.

The Norwegian Ministry of Finance is also introducing a floor for the average risk weighting of lending for real estate, especially aimed at foreign banks with operations in Norway. The countercyclical capital buffer requirement was raised from 2 per cent to 2.5 per cent with effect from 31 December 2019, in line with the previous decision. The effective requirement for DNB is 2.1 per cent.

MREL requirements determined

A key element of the new Banking Recovery and Resolution Directive (BRRD) is that capital instruments and debt can be written down and/or converted to equity (bail-in), so that losses are covered and the capital adequacy is strengthened enough for the bank's operations to continue. To this end, the BRRD introduces a minimum requirement for own funds and eligible liabilities (MREL) that can be written down or converted into equity. This requires, among other things, the banks to issue a new category of unsecured debt, so-called non-preferred senior debt or Tier 3 capital.

On 20 December 2019, Finanstilsynet (the Financial Supervisory Authority of Norway) introduced a requirement which implies that the DNB Group must have a total MREL capital corresponding to 36.7 per cent of its risk-weighted assets based on the adjusted balance as at 31 December 2018, resulting in a need for NOK 157 billion in convertible debt. The requirement must be met by 30 June 2020. Until year-end 2022, DNB is allowed to use current preferred senior debt which has been issued by DNB Bank ASA before 1 January 2020, and meets further criteria, to help fulfil this requirement. The non-preferred senior debt must be issued by

DNB ASA. However, DNB has initiated a process to merge DNB ASA and DNB Bank ASA, and this will make DNB Bank ASA the ultimate parent company of the Group. The intention of this merger, which requires the permission of the Norwegian Ministry of Finance, is to enable DNB to issue non-preferred senior debt from DNB Bank ASA.

New rules on securitisation underway
A working group appointed by the Norwegian Ministry of Finance has considered the implementation of the EU's rules on securitisation in Norwegian law. The working group has concluded that failure to implement the rules correctly and in full will constitute a breach of Norway's obligations under the EEA Agreement. DNB are thus one step closer to a system where Norwegian banks are allowed the same access as banks in the EU to use this type of instrument for both funding and risk management. The Ministry of Finance is expected to present a bill in the course of 2020.

Sustainable finance high on the agenda in the EU
The European Commission's action plan on sustainable finance includes a number of different initiatives, and the pace of development is high. Among the initiatives introduced are a classification system (taxonomy) for sustainable economic activities, financial benchmarks for carbon footprints and more stringent requirements for disclosures relating to sustainable investments and sustainability risks. The Commission is also working on a labelling scheme for sustainable financial products and an EU standard for green bonds.

By 2022, banks are required to report on sustainability and ESG risk (Environmental, Social and Governance). The European Banking Authority (EBA) has been tasked with preparing a report on ESG risk management in banks, and on how supervisory authorities can include this in their supervisory review and evaluation process (SREP). The European Commission is also considering whether it is appropriate to give banks a capital requirement discount for 'green' assets and/or increased capital requirements for 'brown' assets. A revised version of the action plan for sustainable finance is expected in the third quarter of 2020.

Home Mortgage Regulations to be continued for one more year
The purpose of the Home Mortgage Regulations is to contribute to a sustainable development in household debt. Following a public consultation in the autumn of 2019, where Finanstilsynet recommended a tightening of the regulations, the Norwegian Ministry of Finance decided to continue the current Home Mortgage Regulations until 31 December 2020. The Ministry pointed out, among other things, that the Regulations are having the intended effect, and that it would be expedient to evaluate the Home Mortgage Regulations and Consumer Loan Regulations at the same time.

Credit information companies will enable better credit assessments
In 2019, two debt information companies became 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 credit line agreements.

The debt information services are intended to function as 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 actual amount of debt a loan applicant has. Banks can thus conduct a better credit assessment of customers seeking loans, which may prevent consumers from taking up more debt than they can service.

Own pension account from 2021
The Norwegian Parliament (Stortinget) has adopted a legislative amendment which allows the establishment of so-called 'own pension accounts'. The amendment will become effective next year and entails that previously earned pension capital certificates will automatically be moved to the pension provider of the current employer. This way, all defined-contribution pensions, both old and new accruals, will be gathered in one place. The individual will be given the opportunity to move the pension account to a provider of his or her choice.

Proposed amendments to the legislation for guaranteed pension products
The current legislation for guaranteed pension products contributes to the customers' pension funds being managed in a short-term perspective and with low risk. This leads to low expected returns and loss of purchasing power, as well as a lack of profitability and competition in the market. Finanstilsynet has therefore prepared a proposal for regulatory amendments. Initially, the measures will apply to paid-up policies, but they could also be relevant for defined-benefit pensions and individual pension products with a guaranteed rate of return. The Norwegian Ministry of Finance submitted the proposals for public consultation in January 2020.

PSD2 and Open Banking
The EU's revised payment services directive, PSD2, has now entered into force in Norway. The directive was mainly implemented in the Norwegian Financial Institutions Act and the Payment Services Regulations in March 2019. The technical regulations for secure customer authentication came into force on 14 September 2019, and this, in effect, marked the start of the provision of third-party services related to account information and account-to-account payments in Norway. So far, interest seems to be limited among potential providers as well as consumers. This is in line with what can be seen in markets that are slightly ahead of us in the process. DNB is actively working to position the bank with a view to protect our existing business operations, while making the most of the potential and reducing the disadvantages of Open Banking.

Regulatory sandbox established to facilitate innovation
Finanstilsynet has created a regulatory sandbox for the fintech industry. The sandbox will give businesses the opportunity to test new products and services on a small scale under close supervision by Finanstilsynet, the aim being that the sandbox will contribute to technological innovation and the entry of more new players in the market. The sandbox is also intended help enhance Finanstilsynet's understanding of new technological solutions and business models, and make it easier to identify potential risks, or the need for regulatory changes, at an early stage.

Tax advisers' disclosure obligation and duty of confidentiality
In the Official Norwegian Report NOU 2019:15, the so-called Skatterådgiverutvalget (tax advisers' committee) proposes that a disclosure obligation be imposed towards the Norwegian tax authorities. The disclosure obligation shall apply to both tax advisers and customers, who are thus obliged to disclose information about tax arrangements that pose a risk of aggressive tax planning, in line with international recommendations (BEPS). The committee proposes to implement this in Norway in the same manner as in the EU, to a large extent based on the EU Council Directive DAC 6. The proposal is comprehensive and will primarily have consequences for lawyers, accountants and others who offer tax advice to customers. Financial institutions may also become subject to the disclosure obligation. In addition, the committee has proposed that correspondence between in-house lawyers and their clients shall no longer be subject to legal privilege. The proposals have been circulated for public comment, and are now being considered by the Ministry of Finance.

New Security Act may result in stricter security measures
The new Security Act entered into force on 1 January 2019. In accordance with the act, the ministries have been responsible for designating so-called basic national functions ('grunnleggende

nasjonale funksjoner', GNFs) in the course of the year, and for identifying companies within their respective sectors that fulfil such functions. The government has announced that a proposal will be presented in the spring of 2020.

Macroeconomic developments

The positive development in the Norwegian economy continued into the fourth quarter, and the Norwegian economy is currently experiencing a boom. It is modest in strength and duration, however, and primarily driven by positive growth impulses from oil investments. The outlook is far weaker for oil investments in 2020, as several large projects are moving towards completion without being replaced by projects of similar scope. Combined with weaker growth for our trading partners, this contributes to a slowdown in the Norwegian economy in 2020 and a slight drop below normal (which DNB Markets estimates at approximately 1.75 per cent) the following year.

Due to the healthy growth in employment in recent years, unemployment has fallen to a low level in a historical context. DNB expect it to remain low this year, but increase modestly over the next couple of years. The wage growth will therefore not continue to rise, but remain at just over 3 per cent this year, while declining towards 3 per cent towards the end of the forecast period. A weak Norwegian krone will contribute to an inflation close to the target of 2 per cent this year, but the moderate wage growth leads us to believe that price inflation will decrease to slightly below the target in the coming years. Lower electricity prices will also help curb inflation somewhat.

Due to low unemployment, a weak krone and inflation close to the target, Norges Bank has raised interest rates four times in just over a year, most recently to 1.50 per cent in September of last year. At the same time, the central bank signalled that the interest rate peak has most likely been reached. This message was reiterated at the monetary policy meeting in December, and DNB expect the key policy rate to remain at the current level in the years ahead, in the absence of new negative shocks.

Housing price growth was moderate last year, while the turnover remained high. Interest rate rises, a plentiful supply of housing and changes in regulations for home mortgages and consumer loans have probably helped curb the price growth. Meanwhile, low unemployment and higher income growth have maintained it. With a slightly lower supply of new housing units this year compared with last year and interest rates at the current level, DNB expect continued moderate price growth in the coming years.

Household credit growth has diminished over the past two to three years, and is now approaching the income growth. Mortgage and consumer loan regulations, as well as the establishment of the debt register in the summer of 2019, have most likely contributed to this decline. A more moderate rise in housing prices and slightly higher interest rate levels in the past year have probably also been contributing factors. Due to continued moderate housing price growth and the continuation of regulations, credit growth is expected to slow down somewhat in the coming years.

Future prospects

The Group's overriding financial target is a return on equity (ROE) above 12 per cent. At the Capital Markets Day in November, DNB announced that this target will be retained for the period 2020–2022. Several factors will contribute to reaching the ROE target: increased net interest income including growth in both lending and deposit volumes, growth in commissions and fees from capital-light activities and a number of cost control initiatives. Growth in income is expected to exceed growth in costs. In addition, DNB will focus on capital efficiency based on the new CRR/CRD IV capital requirements implemented in Norway, effective as of year-end 2019.

The increase in Norges Bank's key policy rate from 1.25 per cent to 1.50 per cent in September, followed by DNB's announcement of increased interest rates effective from November, will have full effect from the first quarter of 2020.

In the period 2020 to 2022, the annual increase in lending and deposit volumes is expected to be 3 to 4 per cent. In the same period, it is DNB's ambition to increase net commissions and fees by 4 to 5 per cent annually, and to have a cost/income ratio below 40 per cent.

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

The current common equity Tier 1 (CET1) capital ratio requirement for DNB is 17.1 per cent, including a management buffer (Pillar 2 Guidance) of 1.0 per cent. The CET1 capital ratio was 18.6 per cent at 31 December 2019. DNB has an ambition of a CET1 capital ratio of around 17.9 per cent. The second phase of the investment in Fremtind was concluded in January 2020, and the 5 per cent increase in ownership to 40 per cent is expected during the first quarter of 2020. These transactions will reduce the CET1 capital ratio by 0.2 percentage points.

The Group's dividend policy remains unchanged, with a payout ratio of more than 50 per cent in cash dividends and an ambition of 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.

Oslo, 5 February 2020
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

Jorunn Løvås

Jaan Ivar Semlitsch

Kjerstin R. Braathen
(Group Chief Executive Officer, CEO)

Income statement

Amounts in NOK million	4th quarter 2019	4th quarter 2018	Full year 2019	Full year 2018
				DNB Group
Interest income, amortised cost	15 980	14 013	60 225	52 621
Other interest income	1 323	1 229	5 123	5 039
Interest expenses, amortised cost [1)]	(5 701)	(5 223)	(23 661)	(18 792)
Other interest expenses [1)]	(1 255)	(408)	(2 486)	(2 046)
Net interest income	**10 347**	**9 611**	**39 202**	**36 822**
Commission and fee income	3 644	3 600	13 484	13 235
Commission and fee expenses	(1 008)	(940)	(3 768)	(3 925)
Net gains on financial instruments at fair value	(447)	430	3 183	1 342
Net financial result, life insurance	35	361	696	574
Net risk result, life insurance	181	26	433	395
Net insurance result, non-life insurance		189		622
Profit from investments accounted for by the equity method	52	(10)	410	314
Net gains on investment properties	92	(6)	92	62
Other income	302	243	1 126	926
Net other operating income	**2 852**	**3 891**	**15 655**	**13 546**
Total income	**13 199**	**13 502**	**54 857**	**50 368**
Salaries and other personnel expenses	(3 442)	(3 048)	(12 603)	(11 864)
Other expenses	(1 837)	(2 189)	(7 472)	(7 789)
Depreciation and impairment of fixed and intangible assets	(835)	(942)	(3 058)	(2 404)
Total operating expenses	**(6 114)**	**(6 179)**	**(23 133)**	**(22 057)**
Pre-tax operating profit before impairment	**7 085**	**7 322**	**31 724**	**28 311**
Net gains on fixed and intangible assets	6	49	1 703	529
Impairment of financial instruments	(178)	(235)	(2 191)	139
Pre-tax operating profit	**6 913**	**7 136**	**31 235**	**28 979**
Tax expense	(1 036)	(124)	(5 465)	(4 493)
Profit from operations held for sale, after taxes	68	(141)	(49)	(204)
Profit for the period	**5 945**	**6 872**	**25 721**	**24 282**
Portion attributable to shareholders	5 620	6 601	24 603	23 323
Portion attributable to non-controlling interests	(1)		(5)	
Portion attributable to additional Tier 1 capital holders	326	270	1 123	959
Profit for the period	**5 945**	**6 872**	**25 721**	**24 282**
Earnings/diluted earnings per share (NOK)	3.57	4.14	15.54	14.56
Earnings per share excluding operations held for sale (NOK)	3.53	4.23	15.57	14.69

1) *The presentation of interest income from derivatives has been changed as of 31 December 2019. Figures in previous periods have been restated correspondingly. See Note 1 Basis for preparation for more information.*

Comprehensive income statement

Amounts in NOK million	4th quarter 2019	4th quarter 2018	Full year 2019	Full year 2018
				DNB Group
Profit for the period	**5 945**	**6 872**	**25 721**	**24 282**
Actuarial gains and losses [1]	149	(117)	(3)	(117)
Property revaluation	50	37	278	(21)
Items allocated to customers (life insurance)	(50)	(37)	(278)	21
Financial liabilities designated at FVTPL, changes in credit risk [2]	349	241	232	221
Tax	(130)	(23)	(63)	(18)
Items that will not be reclassified to the income statement	367	102	165	86
Currency translation of foreign operations	(180)	4 239	462	1 309
Currency translation reserve reclassified to the income statement				(2)
Hedging of net investment	209	(3 469)	(459)	(1 060)
Hedging reserve reclassified to the income statement				1
Financial assets at fair value through OCI	85		59	
Tax	(382)	867	(208)	265
Items that may subsequently be reclassified to the income statement	(268)	1 637	(147)	512
Other comprehensive income for the period	**99**	**1 739**	**19**	**599**
Comprehensive income for the period	**6 045**	**8 611**	**25 740**	**24 881**

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

2) The measurement category for debt securities issued in Norwegian kroner with floating rates has been changed from FVTPL to amortised cost as of 31 December 2019. A gain of NOK 251 million before tax (NOK 188 million after tax) has been recognised in the Comprehensive income statement in the fourth quarter, due to the correction. Comparative information has not been restated. The correction does not impact the CET1 capital ratio.

Balance sheet

Amounts in NOK million	Note	DNB Group 31 Dec. 2019	31 Dec. 2018
Assets			
Cash and deposits with central banks		304 746	155 592
Due from credit institutions		102 961	130 146
Loans to customers	5, 6, 7, 8	1 667 189	1 597 758
Commercial paper and bonds	8	376 323	409 328
Shareholdings	8	36 247	39 802
Financial assets, customers bearing the risk	8	98 943	77 241
Financial derivatives	8	125 076	124 755
Investment properties		17 403	16 715
Investments accounted for by the equity method		16 559	16 362
Intangible assets		5 454	5 455
Deferred tax assets		1 224	996
Fixed assets		19 098	9 240
Assets held for sale		1 274	5 044
Other assets		20 798	46 469
Total assets		**2 793 294**	**2 634 903**
Liabilities and equity			
Due to credit institutions		202 782	188 063
Deposits from customers	8	969 557	927 092
Financial derivatives	8	115 682	110 116
Debt securities issued	8, 9	870 170	801 918
Insurance liabilities, customers bearing the risk		98 943	77 241
Liabilities to life insurance policyholders		206 876	204 280
Non-life insurance liabilities			
Payable taxes		10 710	2 461
Deferred taxes		48	4 216
Other liabilities		39 125	55 424
Liabilities held for sale		423	3 037
Provisions		1 726	2 536
Pension commitments		3 903	3 472
Subordinated loan capital	8, 9	31 095	31 082
Total liabilities		**2 551 038**	**2 410 937**
Additional Tier 1 capital		26 729	16 194
Non-controlling interests		45	
Share capital		15 706	15 944
Share premium		22 609	22 609
Other equity		177 167	169 220
Total equity		**242 255**	**223 966**
Total liabilities and equity		**2 793 294**	**2 634 903**

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				959			23 323	24 282
Actuarial gains and losses							(117)	(117)
Financial liabilities designated at FVTPL, changes in credit risk						221		221
Currency translation of foreign operations					1 307			1 307
Hedging of net investment					(1 060)			(1 060)
Tax on other comprehensive income					265	(55)	37	247
Comprehensive income for the period				959	512	166	23 244	24 881
Compensation for natural damage, other changes in reserves, non-life insurance							(3)	(3)
Interest payments additional Tier 1 capital				(892)				(892)
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 31 Dec. 2018		**15 944**	**22 609**	**16 194**	**5 063**	**(176)**	**164 333**	**223 966**
Profit for the period	(5)			1 123			24 603	25 721
Actuarial gains and losses							(3)	(3)
Financial assets at fair value through OCI							59	59
Financial liabilities designated at FVTPL, changes in credit risk						232		232
Currency translation of foreign operations	0				462			462
Hedging of net investment					(459)			(459)
Tax on other comprehensive income					(194)	(58)	(20)	(271)
Comprehensive income for the period	(4)			1 123	(191)	174	24 638	25 740
Additional Tier 1 capital issued [1)]				10 474			(39)	10 436
Interest payments additional Tier 1 capital				(1 052)				(1 052)
Currency movements taken to income				(10)			10	
Non-controlling interests DNB Auto Finance OY	49							49
Repurchased under share buy-back programme		(238)					(3 540)	(3 778)
Dividends paid for 2018 (NOK 8.25 per share)							(13 105)	(13 105)
Balance sheet as at 31 Dec. 2019	**45**	**15 706**	**22 609**	**26 729**	**4 872**	**(2)**	**172 297**	**242 255**

1) *The DNB Group's subsidiary, DNB Bank ASA, issued two additional Tier 1 capital instruments in 2019. The first, issued in June, has a nominal value of NOK 2 700 million, and is perpetual with a floating interest of 3 months NIBOR plus 3.50 per cent. The second, issued in November, has a nominal value of USD 850 million, and is perpetual with an interest rate of 4.875 per cent p.a.*

Cash flow statement

Amounts in NOK million	DNB Group Full year 2019	 Full year 2018
Operating activities		
Net payments on loans to customers	(71 034)	(52 811)
Interest received from customers	57 236	62 596
Net receipts/(payments) on deposits from customers	41 353	(52 122)
Interest paid to customers	(11 181)	(17 319)
Net receipts on loans to credit institutions	41 486	71 943
Interest received from credit institutions	3 640	4 082
Interest paid to credit institutions	(4 286)	(3 783)
Net receipts/(payments) on the sale of financial assets for investment or trading	(17 531)	38 095
Interest received on bonds and commercial paper	5 049	3 861
Net receipts on commissions and fees	9 414	9 118
Payments to operations	(18 136)	(21 279)
Taxes paid	(2 022)	(4 785)
Receipts on premiums	14 446	14 902
Net payments on premium reserve transfers	(625)	(405)
Payments of insurance settlements	(13 523)	(15 525)
Other net payments	(4 313)	(5 545)
Net cash flow from operating activities	**29 974**	**31 024**
Investing activities		
Net payments on the acquisition of fixed assets	(2 599)	(2 283)
Net receipts/(payments) on investment properties	(271)	19
Net disposal/(investment) in long-term shares	3 260	(292)
Dividends received on long-term investments in shares	1 140	13
Net cash flow from investment activities	**1 530**	**(2 543)**
Financing activities		
Receipts on issued bonds and commercial paper	1 097 101	1 115 987
Payments on redeemed bonds and commercial paper	(954 715)	(1 109 463)
Interest payments on issued bonds and commercial paper	(16 908)	(14 193)
Receipts on the raising of subordinated loan capital	9	9 419
Redemptions of subordinated loan capital	(9)	(8 542)
Interest payments on subordinated loan capital	(413)	(579)
Receipts on issue of additional Tier 1 capital	10 436	
Interest payments on additional Tier 1 capital	(1 052)	(892)
Lease payments	(442)	
Repurchased shares	(3 778)	(3 688)
Dividend payments	(13 105)	(11 450)
Net cash flow from funding activities	**117 123**	**(23 401)**
Effects of exchange rate changes on cash and cash equivalents	**(174)**	**97**
Net cash flow	**148 453**	**5 176**
Cash as at 1 January	159 298	154 122
Net receipts/payments of cash	148 453	5 176
Cash at end of period *)	307 751	159 298

**) Of which: Cash and deposits with central banks*	*304 746*	*155 592*
Deposits with credit institutions with no agreed period of notice [1)]	*3 006*	*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.

Changes in line items in the income statement

The presentation of interest income from derivatives has been changed as of 31 December 2019. Interest expenses reported on the line "Interest expenses, amortised cost" have decreased and interest expenses reported as "Other interest expenses" have increased with an equal amount. Figures in previous periods have been restated correspondingly. The effects are shown in the table below.

						DNB Group
Amounts in NOK million	4th quarter 2019	3rd quarter 2019	2nd quarter 2019	1st quarter 2019	Full year 2019	Full year 2018
Interest expenses, amortised cost	1 262	1 206	1 177	1 156	4 801	4 858
Other interest expenses	(1 262)	(1 206)	(1 177)	(1 156)	(4 801)	(4 858)

Interest expenses from derivatives designated as hedging instruments are presented as "Interest expenses, amortised cost" together with effects from the hedged item, while interest expenses from other derivatives are presented as "Other interest expenses".

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

Income statement, fourth quarter

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
Amounts in NOK million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income	3 523	3 465	2 822	2 474	3 405	3 141	597	531			10 347	9 611
Net other operating income	1 173	1 313	599	527	1 594	1 515	67	1 406	(580)	(871)	2 852	3 891
Total income	4 696	4 778	3 421	3 001	4 999	4 657	662	1 938	(580)	(871)	13 199	13 502
Operating expenses	(2 249)	(2 281)	(1 187)	(1 111)	(1 896)	(1 894)	(1 362)	(1 764)	580	871	(6 114)	(6 179)
Pre-tax operating profit before impairment	2 447	2 497	2 234	1 890	3 103	2 763	(699)	173			7 085	7 322
Net gains on fixed and intangible assets	(3)	49	0		16	(0)	(7)	0			6	49
Impairment of financial instruments	(103)	(89)	(143)	(101)	68	(45)	0	(0)			(178)	(235)
Profit from repossessed operations			13	4	79	(151)	(92)	147				
Pre-tax operating profit	2 340	2 457	2 104	1 794	3 266	2 567	(797)	320			6 913	7 136
Tax expense	(585)	(614)	(526)	(448)	(784)	(590)	859	1 529			(1 036)	(124)
Profit from operations held for sale, after taxes					(0)	1	68	(142)			68	(141)
Profit for the period	1 755	1 843	1 578	1 345	2 482	1 978	130	1 707			5 945	6 872

Income statement, full year

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Group	
	Full year		Full year		Full year		Full year		Full year		Full year	
Amounts in NOK million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income	13 703	13 452	10 628	9 530	13 008	12 111	1 863	1 729			39 202	36 822
Net other operating income	4 896	5 117	2 344	2 157	5 527	5 442	5 251	3 783	(2 361)	(2 953)	15 655	13 546
Total income	18 599	18 569	12 971	11 688	18 534	17 553	7 113	5 511	(2 361)	(2 953)	54 857	50 368
Operating expenses	(8 583)	(8 386)	(4 544)	(4 228)	(7 000)	(6 890)	(5 367)	(5 506)	2 361	2 953	(23 133)	(22 057)
Pre-tax operating profit before impairment	10 016	10 183	8 427	7 459	11 534	10 663	1 746	5			31 724	28 311
Net gains on fixed and intangible assets	(4)	49	(0)	3	16	(0)	1 691	477			1 703	529
Impairment of financial instruments	(353)	(318)	(595)	(566)	(1 240)	1 022	(4)	(0)			(2 191)	139
Profit from repossessed operations			16	8	(124)	(263)	109	256				
Pre-tax operating profit	9 660	9 914	7 847	6 905	10 186	11 422	3 542	738			31 235	28 979
Tax expense	(2 415)	(2 478)	(1 962)	(1 726)	(2 445)	(2 627)	1 356	2 339			(5 465)	(4 493)
Profit from operations held for sale, after taxes					(0)	(10)	(49)	(194)			(49)	(204)
Profit for the period	7 245	7 435	5 885	5 179	7 741	8 785	4 849	2 883			25 721	24 282

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 (CRR/CRD IV). 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. On 31 December 2019, Norway fully implemented the EU's capital requirements legislation CRR/CRD IV, and the so-called Basel I floor was removed. The additional capital requirements due to the transitional rules have been removed from the historical figures. The harmonised rules include the introduction of the SME discount factor.

Primary capital	**DNB Bank ASA**		**DNB Bank Group**		**DNB Group**	
Amounts in NOK million	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Total equity excluding profit for the period	187 993	176 562	229 619	207 933	242 255	223 966
Effect from regulatory consolidation			(198)	(234)	(4 963)	(5 595)
Additional Tier 1 capital instruments included in total equity	(26 048)	(15 574)	(26 048)	(15 574)	(26 048)	(15 574)
Net accrued interest on additional Tier 1 capital instruments	(510)	(465)	(510)	(465)	(510)	(465)
Common equity Tier 1 capital instruments	161 434	160 523	202 862	191 660	210 734	202 333
Deductions						
Goodwill	(2 376)	(2 389)	(2 946)	(2 929)	(4 651)	(4 634)
Deferred tax assets that are not due to temporary differences	(457)	(562)	(868)	(524)	(868)	(524)
Other intangible assets	(1 016)	(1 040)	(1 626)	(1 712)	(1 626)	(1 712)
Dividends payable etc.			(25 000)	(10 758)	(17 625)	(15 360)
Significant investments in financial sector entities [1]					(4 254)	(693)
Expected losses exceeding actual losses, IRB portfolios	(1 633)	(1 286)	(2 502)	(1 719)	(2 502)	(1 719)
Value adjustments due to the requirements for prudent valuation (AVA)	(532)	(467)	(810)	(886)	(810)	(886)
Adjustments for unrealised losses/(gains) on debt measured at fair value	57	63	2	176	2	176
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(460)	(596)	(96)	(149)	(96)	(149)
Common equity Tier 1 capital	155 017	154 247	169 016	173 159	178 304	176 831
Additional Tier 1 capital instruments	26 048	15 574	26 048	15 574	26 048	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]					(2 561)	(19)
Tier 1 capital	181 065	169 820	195 064	188 733	200 291	190 886
Perpetual subordinated loan capital	5 774	5 693	5 774	5 693	5 774	5 693
Term subordinated loan capital	24 943	25 110	24 943	25 110	24 943	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]					(5 032)	(1 936)
Additional Tier 2 capital instruments	30 717	30 804	30 717	30 804	19 925	23 117
Total eligible capital	211 783	200 624	225 781	219 537	220 216	214 003
Risk-weighted assets	804 721	852 363	924 869	1 000 415	960 691	1 029 560
Minimum capital requirement	64 378	68 189	73 990	80 033	76 855	82 365
Common equity Tier 1 capital ratio (%)	19.3	18.1	18.3	17.3	18.6	17.2
Tier 1 capital ratio (%)	22.5	19.9	21.1	18.9	20.8	18.5
Capital ratio (%)	26.3	23.5	24.4	21.9	22.9	20.8

1) *Deductions are made for significant investments in financial sector entities when the total value of the investments exceeds 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 DNB Bank ASA that are not included in consolidated own funds in accordance with Articles 85-88 of the CRR.*

Note 3 Capital adequacy (continued)

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 31 Dec. 2019	EAD [1] 31 Dec. 2019	Average risk weights in per cent 31 Dec. 2019	Risk-weighted assets 31 Dec. 2019	Capital requirement 31 Dec. 2019	Capital requirement 31 Dec. 2018
IRB approach						
Corporate	965 259	800 350	47.7	381 718	30 537	33 716
Specialised lending (SL)	12 219	11 675	53.8	6 281	503	526
Retail - mortgages	796 424	796 424	21.8	173 664	13 893	13 617
Retail - other exposures	98 656	83 466	24.8	20 663	1 653	1 727
Securitisation						
Total credit risk, IRB approach	1 872 559	1 691 915	34.4	582 327	46 586	49 587
Standardised approach						
Central government	330 557	375 095	0.0	80	6	12
Institutions	196 552	124 049	23.2	28 745	2 300	2 859
Corporate	181 663	147 058	79.2	116 497	9 320	11 824
Retail - mortgages	61 381	58 205	48.2	28 061	2 245	2 539
Retail - other exposures	128 473	47 692	73.7	35 149	2 812	2 958
Equity positions	21 966	21 909	219.8	48 152	3 852	3 753
Other assets	22 314	21 517	74.3	15 993	1 279	540
Total credit risk, standardised approach	942 905	795 524	34.3	272 676	21 814	24 484
Total credit risk	2 815 464	2 487 439	34.4	855 004	68 400	74 070
Market risk						
Position risk, debt instruments				10 523	842	927
Position risk, equity instruments				374	30	16
Currency risk				14	1	
Commodity risk				0	0	1
Credit value adjustment risk (CVA)				4 426	354	311
Total market risk				15 337	1 227	1 254
Operational risk				90 350	7 228	7 040
Total risk-weighted assets and capital requirements				960 691	76 855	82 365

1) EAD, exposure at default.

Note 4 Taxes

Amounts in NOK million	DNB Group Full year 2019	 Full year 2018
Pre-tax operating profit	31 235	28 979
Estimated tax expense - nominal tax rate - 22 per cent (23 per cent in 2018)	(6 872)	(6 665)
Tax effect of financial tax	(578)	(341)
Tax effect of different tax rates in other countries	59	(21)
Transitional effects from new tax rules DNB Livsforsikring		880
Tax effect of debt interest distribution with international branches	1 140	1 104
Tax effect of tax-exempt income and non-deductible expenses	619	460
Tax effect of tax losses carried forward not recognised in the balance sheet [1)]		(5)
Tax effect of changed tax rate for deferred taxes recognised in the balance sheet	(54)	
Excess tax provision previous year	221	95
Total tax expense	(5 465)	(4 493)
Effective tax rate	17%	16%

1) Deferred taxes for tax-deductible differences (mainly losses carried forward) in subsidiaries are recognised in the balance sheet to the extent that it is probable that the Group can utilise the tax positions in the future.

Note 5 Development in gross carrying amount and maximum exposure

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

	4th quarter 2019				4th 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 September	**1 506 520**	**87 877**	**26 822**	**1 621 220**	**1 402 954**	**80 244**	**27 979**	**1 511 177**
Transfer to stage 1	15 563	(15 216)	(347)		15 300	(14 878)	(421)	
Transfer to stage 2	(20 683)	22 474	(1 791)		(24 186)	24 715	(529)	
Transfer to stage 3	(2 039)	(1 222)	3 262		(800)	(3 570)	4 370	
Originated and purchased	99 895	861		100 756	108 300	1 895	2 338	112 532
Derecognition	(97 614)	(6 622)	(3 695)	(107 931)	(76 466)	(6 801)	(6 212)	(89 479)
Exchange rate movements	1 968	194	57	2 219	9 912	716	322	10 949
Other								
Gross carrying amount as at 31 December	**1 503 609**	**88 347**	**24 308**	**1 616 264**	**1 435 014**	**82 321**	**27 846**	**1 545 180**

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

DNB Group

	Full year 2019				Full year 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	67 730	(66 890)	(840)		58 153	(57 295)	(858)	
Transfer to stage 2	(91 994)	96 661	(4 668)		(74 482)	76 922	(2 440)	
Transfer to stage 3	(3 846)	(5 356)	9 202		(3 982)	(11 865)	15 847	
Originated and purchased	473 915	4 767		478 682	441 044	4 704	4 268	450 015
Derecognition	(377 761)	(23 346)	(7 327)	(408 434)	(363 286)	(20 347)	(14 856)	(398 489)
Exchange rate movements	362	190	95	647	1 253	101	41	1 396
Other	188			188				
Gross carrying amount as at 31 December	**1 503 609**	**88 347**	**24 308**	**1 616 264**	**1 435 014**	**82 321**	**27 846**	**1 545 180**

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

Financial commitments (quarterly figures)

DNB Group

Amounts in NOK million	4th quarter 2019 Stage 1	Stage 2	Stage 3	Total	4th quarter 2018 Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 30 September	**636 663**	**26 504**	**4 282**	**667 448**	**638 766**	**23 734**	**6 707**	**669 207**
Transfer to stage 1	3 443	(3 417)	(26)		4 807	(4 455)	(352)	
Transfer to stage 2	(5 176)	5 415	(239)		(10 179)	10 209	(30)	
Transfer to stage 3	(241)	(57)	298		(201)	(201)	402	
Originated and purchased	81 620	0	0	81 621	80 854	1 243	195	82 292
Derecognition	(95 024)	(4 496)	(982)	(100 502)	(95 018)	(1 674)	(2 810)	(99 502)
Exchange rate movements	309	(157)	11	163	8 268	604	40	8 912
Other					7			7
Maximum exposure as at 31 December	**621 594**	**23 794**	**3 343**	**648 730**	**627 302**	**29 462**	**4 152**	**660 916**

Financial commitments (year-to-date figures)

DNB Group

Amounts in NOK million	Full year 2019 Stage 1	Stage 2	Stage 3	Total	Full year 2018 Stage 1	Stage 2	Stage 3	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	20 580	(20 331)	(249)		14 184	(13 415)	(769)	
Transfer to stage 2	(25 073)	25 600	(528)		(20 916)	21 665	(749)	
Transfer to stage 3	(1 164)	(1 010)	2 175		(1 663)	(1 587)	3 250	
Originated and purchased	397 213	0	0	397 214	247 002	5 247	3 599	255 848
Derecognition	(397 978)	(10 062)	(2 198)	(410 238)	(265 698)	(11 201)	(4 400)	(281 298)
Exchange rate movements	715	135	(10)	840	3 177	394	13	3 584
Other					(32)			(32)
Maximum exposure as at 31 December	**621 594**	**23 794**	**3 343**	**648 730**	**627 302**	**29 462**	**4 152**	**660 916**

Note 6 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

	4th quarter 2019				4th 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 September	**(343)**	**(1 217)**	**(8 473)**	**(10 034)**	**(356)**	**(1 302)**	**(8 587)**	**(10 245)**
Transfer to stage 1	(62)	55	7		(105)	102	3	
Transfer to stage 2	10	(155)	144		50	(76)	26	
Transfer to stage 3	0	6	(6)		0	144	(144)	
Originated and purchased	(26)	(106)		(132)	(48)	(99)	0	(147)
Increased expected credit loss	(41)	(231)	(1 985)	(2 257)	(43)	(240)	(1 416)	(1 700)
Decreased (reversed) expected credit loss	151	471	775	1 397	156	166	1 268	1 589
Write-offs	0	0	656	656	0	(0)	639	639
Derecognition	7	137	20	163	4	107	0	111
Exchange rate movements	(2)	(1)	(42)	(45)	(10)	(26)	(111)	(146)
Accumulated impairment as at 31 December	**(306)**	**(1 042)**	**(8 905)**	**(10 252)**	**(352)**	**(1 225)**	**(8 321)**	**(9 898)**

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

	Full year 2019				Full year 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	(351)	319	32		(454)	425	29	
Transfer to stage 2	58	(276)	218		79	(281)	202	
Transfer to stage 3	3	86	(90)		3	1 351	(1 353)	
Originated and purchased	(170)	(145)		(315)	(176)	(161)	0	(336)
Increased expected credit loss [1)]	(212)	(1 221)	(6 103)	(7 535)	(160)	(944)	(6 158)	(7 262)
Decreased (reversed) expected credit loss [1)]	686	1 003	3 510	5 198	866	1 200	4 770	6 835
Write-offs	0	0	1 838	1 838	0	(0)	2 895	2 895
Derecognition	33	423	61	516	(124)	275	4	155
Exchange rate movements	(1)	(6)	(49)	(55)	(2)	(7)	(0)	(10)
Accumulated impairment as at 31 December	**(306)**	**(1 042)**	**(8 905)**	**(10 252)**	**(352)**	**(1 225)**	**(8 321)**	**(9 898)**

1) In the second quarter of 2019, DNB performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans and financial commitments. 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 Development in accumulated impairment of financial instruments (continued)

Financial commitments (quarterly figures)

DNB Group

Amounts in NOK million	4th quarter 2019 Stage 1	Stage 2	Stage 3	Total	4th quarter 2018 Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 September	**(152)**	**(904)**	**(1 054)**	**(2 110)**	**(134)**	**(1 008)**	**(436)**	**(1 578)**
Transfer to stage 1	(37)	32	5		(67)	67		
Transfer to stage 2	7	(9)	1		17	(18)	1	
Transfer to stage 3	0	0	(0)		0	0	(0)	
Originated and purchased	(23)	(0)		(23)	(34)	(10)		(45)
Increased expected credit loss	(23)	(132)	(69)	(225)	(20)	(108)	(152)	(281)
Decreased (reversed) expected credit loss	79	219	574	872	91	90	18	199
Derecognition	3	116	0	119	2	26	2	30
Exchange rate movements	(0)	10	(0)	9	(3)	(39)	(3)	(45)
Other	0	0	0	0				
Accumulated impairment as at 31 December	**(146)**	**(667)**	**(543)**	**(1 357)**	**(149)**	**(1 001)**	**(569)**	**(1 719)**

Financial commitments (year-to-date figures)

DNB Group

Amounts in NOK million	Full year 2019 Stage 1	Stage 2	Stage 3	Total	Full year 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	(187)	152	35		(194)	194		
Transfer to stage 2	46	(50)	4		27	(31)	4	
Transfer to stage 3	0	9	(9)		0	584	(584)	
Originated and purchased	(158)	(14)		(172)	(134)	(338)		(472)
Increased expected credit loss [1)]	(83)	(653)	(1 173)	(1 909)	(49)	(580)	(316)	(945)
Decreased (reversed) expected credit loss [1)]	375	697	1 155	2 228	371	958	821	2 150
Derecognition	8	201	0	209	2	370	17	389
Exchange rate movements	(0)	(8)	(0)	(9)	(1)	(30)	0	(31)
Other	0	0	14	14				
Accumulated impairment as at 31 December	**(146)**	**(667)**	**(543)**	**(1 357)**	**(149)**	**(1 001)**	**(569)**	**(1 719)**

1) *In the second quarter of 2019, DNB performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans and financial commitments. 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 7 Loans and financial commitments to customers by industry segment

Loans to customers as at 31 December 2019

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Accumulated impairment Stage 2	Accumulated impairment Stage 3	Loans at fair value	DNB Group Total
Bank, insurance and portfolio management	92 336	(8)	(8)	(23)	5	92 303
Commercial real estate	185 586	(10)	(37)	(384)	145	185 299
Shipping	47 957	(47)	(94)	(285)		47 531
Oil, gas and offshore	64 934	(44)	(376)	(4 384)		60 131
Power and renewables	31 254	(8)	(3)	(46)		31 197
Healthcare	20 989	(7)	(3)			20 979
Public sector	13 952	(7)	(0)	(0)		13 945
Fishing, fish farming and farming	41 198	(6)	(29)	(143)	161	41 182
Retail industries	40 551	(10)	(34)	(457)	58	40 108
Manufacturing	42 216	(21)	(35)	(204)	19	41 976
Technology, media and telecom	24 540	(21)	(6)	(25)	25	24 513
Services	72 108	(24)	(38)	(847)	191	71 391
Residential property	89 719	(6)	(13)	(121)	362	89 941
Personal customers	782 720	(72)	(308)	(641)	60 143	841 842
Other corporate customers	66 203	(17)	(59)	(1 345)	69	64 852
Total [1)]	**1 616 264**	**(306)**	**(1 042)**	**(8 905)**	**61 178**	**1 667 189**

1) Of which NOK 56 049 million in repo trading volumes.

Loans to customers as at 31 December 2018

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Accumulated impairment Stage 2	Accumulated impairment Stage 3	Loans at fair value	DNB Group Total
Bank, insurance and portfolio management	65 390	(9)	(4)	(55)		65 322
Commercial real estate	169 204	(9)	(43)	(261)	179	169 069
Shipping	58 769	(67)	(117)	(655)		57 931
Oil, gas and offshore	61 201	(54)	(586)	(4 336)		56 225
Power and renewables	30 556	(8)	(85)	(107)		30 355
Healthcare	22 601	(7)	(9)	(0)		22 585
Public sector	22 303	(0)	(1)	(0)		22 301
Fishing, fish farming and farming	34 983	(3)	(13)	(70)	165	35 063
Retail industries	40 210	(15)	(13)	(595)	65	39 653
Manufacturing	45 914	(19)	(9)	(339)	21	45 568
Technology, media and telecom	28 336	(28)	(4)	(30)	18	28 292
Services	65 666	(18)	(18)	(545)	205	65 290
Residential property	91 562	(6)	(7)	(222)	375	91 702
Personal customers	760 144	(91)	(288)	(679)	61 368	820 454
Other corporate customers	48 341	(17)	(30)	(427)	80	47 948
Total [1)]	**1 545 180**	**(352)**	**(1 225)**	**(8 321)**	**62 476**	**1 597 758**

1) Of which NOK 38 783 million in repo trading volumes.

Note 7 Loans and financial commitments to customers by industry segment (continued)

Financial commitments as at 31 December 2019		Accumulated impairment			**DNB Group**
Amounts in NOK million	Maximum exposure	Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	30 438	(5)	(1)	(0)	30 432
Commercial real estate	26 052	(2)	(1)	(4)	26 045
Shipping	10 409	(11)	(30)		10 368
Oil, gas and offshore	57 026	(48)	(463)	(268)	56 247
Power and renewables	28 403	(5)	(19)		28 378
Healthcare	29 100	(8)	(0)		29 091
Public sector	11 086	(0)	(0)		11 085
Fishing, fish farming and farming	17 835	(2)	(0)	(6)	17 826
Retail industries	30 429	(5)	(17)	(35)	30 373
Manufacturing	50 321	(11)	(32)	(2)	50 276
Technology, media and telecom	16 138	(10)	(3)		16 125
Services	25 494	(11)	(16)	(21)	25 445
Residential property	33 412	(2)	(1)	(3)	33 405
Personal customers	241 498	(14)	(67)	(0)	241 416
Other corporate customers	41 089	(10)	(17)	(203)	40 859
Total	**648 730**	**(146)**	**(667)**	**(543)**	**647 373**

Financial commitments as at 31 December 2018		Accumulated impairment			**DNB Group**
Amounts in NOK million	Maximum exposure	Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	24 270	(7)	(7)	(0)	24 256
Commercial real estate	26 867	(2)	(1)	(4)	26 861
Shipping	10 605	(6)	(22)		10 577
Oil, gas and offshore	73 945	(53)	(809)	(322)	72 761
Power and renewables	30 481	(4)	(38)	0	30 439
Healthcare	24 000	(7)	(0)		23 992
Public sector	10 711	(0)			10 711
Fishing, fish farming and farming	14 578	(3)	(1)	(3)	14 571
Retail industries	30 386	(9)	(5)	(98)	30 275
Manufacturing	56 392	(16)	(28)	(5)	56 343
Technology, media and telecom	17 799	(8)	(3)	(2)	17 785
Services	26 142	(11)	(11)	(11)	26 109
Residential property	34 240	(2)	(3)	(2)	34 232
Personal customers	241 943	(15)	(63)	(0)	241 866
Other corporate customers	38 558	(6)	(10)	(123)	38 419
Total	**660 916**	**(149)**	**(1 001)**	**(569)**	**659 197**

Note 8 Financial instruments at fair value

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	DNB Group Total
Assets as at 31 December 2019				
Loans to customers			61 178	61 178
Commercial paper and bonds	22 432	265 418	356	288 205
Shareholdings	6 414	22 814	7 018	36 247
Financial assets, customers bearing the risk		98 943		98 943
Financial derivatives	244	122 964	1 868	125 076
Liabilities as at 31 December 2019				
Deposits from customers		19 535		19 535
Debt securities issued [1)]		20 294		20 294
Subordinated loan capital [1)]		176		176
Financial derivatives	261	113 886	1 536	115 682
Other financial liabilities [2)]	10 883			10 883

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	DNB Group Total
Assets as at 31 December 2018				
Loans to customers			62 476	62 476
Commercial paper and bonds	55 834	262 459	319	318 612
Shareholdings	8 159	26 833	4 810	39 802
Financial assets, customers bearing the risk		77 241		77 241
Financial derivatives	238	122 480	2 036	124 755
Liabilities as at 31 December 2018				
Deposits from customers		14 680		14 680
Debt securities issued		77 524		77 524
Subordinated loan capital		2 483		2 483
Financial derivatives	285	108 177	1 654	110 116
Other financial liabilities [2)]	3 157			3 157

1) The measurement category for debt securities issued in Norwegian kroner with floating rates has been changed from FVTPL to amortised cost as of 31 December 2019. Comparative information has not been restated.
2) Short positions, trading activities.

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

Note 8 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 1 January 2018	**64 998**	**328**	**4 498**	**2 069**	**1 749**
Net gains recognised in the income statement	(398)	(459)	383	(462)	(237)
Additions/purchases	15 324	358	1 097	1 185	886
Sales		(27)	(1 854)		
Settled	(17 195)	(0)		(756)	(745)
Transferred from level 1 or level 2		230	882		
Transferred to level 1 or level 2		(69)			
Other	(254)	(42)	(197)	0	2
Carrying amount as at 31 December 2018	**62 476**	**319**	**4 810**	**2 036**	**1 654**
Net gains recognised in the income statement	(192)	(156)	401	(535)	(215)
Additions/purchases	9 696	419	2 766	1 152	849
Sales		(280)	(959)		
Settled	(10 664)			(774)	(753)
Transferred from level 1 or level 2		129			
Transferred to level 1 or level 2		(135)			
Other	(138)	60	(0)	(11)	1
Carrying amount as at 31 December 2019	**61 178**	**356**	**7 018**	**1 868**	**1 536**

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

Note 9 Debt securities issued and subordinated loan capital

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

Debt securities issued 2019

DNB Group

Amounts in NOK million	Balance sheet 31 Dec. 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
Commercial paper issued, nominal amount	188 120	977 397	(885 921)	(78 087)		174 732
Bond debt, nominal amount [1)]	654 030	119 704	(68 794)	(1 008)		604 127
Value adjustments	28 019				4 961	23 059
Total debt securities issued	**870 170**	**1 097 101**	**(954 715)**	**(79 095)**	**4 961**	**801 918**

1) Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 449.0 billion as at 31 December 2019. The market value of the cover pool represented NOK 632.6 billion.

Debt securities issued 2018

DNB Group

Amounts in NOK million	Balance sheet 31 Dec. 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Commercial paper issued, nominal amount	174 732	1 037 792	(1 028 264)	6 529		158 675
Bond debt, nominal amount [1)]	604 127	78 195	(81 198)	10 754		596 377
Value adjustments	23 059				(2 137)	25 195
Total debt securities issued	**801 918**	**1 115 987**	**(1 109 463)**	**17 283**	**(2 137)**	**780 247**

1) Minus own bonds.

Note 9 Debt securities issued and subordinated loan capital (continued)

Subordinated loan capital and perpetual subordinated loan capital securities 2019 — DNB Group

Amounts in NOK million	Balance sheet 31 Dec. 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
Term subordinated loan capital, nominal amount	24 943	9	(9)	(167)		25 110
Perpetual subordinated loan capital, nominal amount	5 774			81		5 693
Value adjustments	378				100	278
Total subordinated loan capital and perpetual subordinated loan capital securities	**31 095**	**9**	**(9)**	**(86)**	**100**	**31 082**

Subordinated loan capital and perpetual subordinated loan capital securities 2018 — DNB Group

Amounts in NOK million	Balance sheet 31 Dec. 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Term subordinated loan capital, nominal amount	25 110	9 419	(8 542)	336		23 897
Perpetual subordinated loan capital, nominal amount	5 693			332		5 361
Value adjustments	278				(2)	280
Total subordinated loan capital and perpetual subordinated loan capital securities	**31 082**	**9 419**	**(8 542)**	**669**	**(2)**	**29 538**

Note 10 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 disagreed with the ruling of the Court of Appeal and appealed the case to the Norwegian Supreme Court, which accepted it for consideration. The appeal case started 21 January 2020. The ruling is expected at the end of February or beginning of March. 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	4th quarter 2019	4th quarter 2018	Full year 2019	Full year 2018
Interest income, amortised cost	17	8	82	32
Interest expenses, amortised cost	(153)	(119)	(547)	(452)
Net interest income	**(136)**	**(110)**	**(466)**	**(420)**
Commissions and fees payable	(1)	(1)	(5)	(7)
Other income [1)]	26 981	14 087	26 984	14 087
Net other operating income	**26 981**	**14 087**	**26 978**	**14 081**
Total income	**26 845**	**13 976**	**26 513**	**13 661**
Salaries and other personnel expenses		(1)	(0)	(4)
Other expenses	(75)	(82)	(294)	(329)
Total operating expenses	**(75)**	**(83)**	**(295)**	**(334)**
Net gain on the sale of fixed and intangible assets [2)]			2 237	
Pre-tax operating profit	**26 771**	**13 893**	**28 455**	**13 327**
Tax expense	(138)	(142)		
Profit for the period	**26 632**	**13 752**	**28 455**	**13 327**
Earnings/diluted earnings per share (NOK)	16.91	8.63	17.88	8.36
Earnings per share excluding operations held for sale (NOK)	16.91	8.63	17.88	8.36

DNB ASA

Balance sheet

Amounts in NOK million	31 Dec. 2019	31 Dec. 2018
Assets		
Due from DNB Bank ASA	4 572	8 925
Investments in group companies	78 784	74 720
Receivables due from group companies [1)]	26 981	12 585
Total assets	**110 337**	**96 229**
Liabilities and equity		
Short-term amounts due to DNB Bank ASA	17	11
Other liabilities and provisions	14 035	13 105
Long-term amounts due to DNB Bank ASA	22 617	20 087
Total liabilities	**36 669**	**33 204**
Share capital	15 706	15 944
Share premium	22 556	22 556
Other equity	35 406	24 525
Total equity	**73 668**	**63 025**
Total liabilities and equity	**110 337**	**96 229**

DNB ASA

1) *Of which dividend/group contribution from DNB Bank ASA represented NOK 25 191 million in 2019 and NOK 10 758 million in 2018. The dividend from DNB Livsforsikring AS represented NOK 1 341 million in 2019 and NOK 2 900 million in 2018. The dividend from DNB Asset Management Holding AS was NOK 450 million in 2019 and 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			13 327	13 327
Repurchase under share buy-back programme	(237)		(3 510)	(3 747)
Dividends for 2018 (NOK 8.25 per share)			(13 105)	(13 105)
Balance sheet as at 31 December 2018	**15 944**	**22 556**	**24 525**	**63 025**
Profit for the period			28 455	28 455
Repurchase under share buy-back programme	(238)		(3 540)	(3 778)
Dividends for 2019 (NOK 9.00 proposed per share)			(14 035)	(14 035)
Balance sheet as at 31 December 2019	**15 706**	**22 556**	**35 406**	**73 668**

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

Board of Directors in DNB ASA

Olaug Svarva, Chair of the Board
Tore Olaf Rimmereid, Vice Chair of the Board
Karl-Christian Agerup
Gro Bakstad
Carl A. Løvvik
Jorunn Løvås
Jaan Ivar Semlitsch

Group Management

Kjerstin R. Braathen	Group Chief Executive Officer (CEO)
Ottar Ertzeid	Group Chief Financial Officer (CFO)
Ingjerd Blekeli Spiten	Group Executive Vice President of Personal Banking
Harald Serck-Hanssen	Group Executive Vice President of Corporate Banking
Håkon Hansen	Group Executive Vice President of Wealth Management
Alexander Opstad	Group Executive Vice President of Markets
Rasmus Figenschou	Group Executive Vice President of Payments & Innovation
Mirella E. Wassiluk	Group Chief Compliance Officer (CCO)
Ida Lerner	Group Chief Risk Officer (CRO)
Maria Ervik Løvold	Group Executive Vice President of Technology & Services
Kari Bech-Moen	Group Executive Vice President of People
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Financial calendar 2020

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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We are here. So you can stay ahead.

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