

**DNB Bank**

A company in the DNB group

# Second quarter and first half report 2020

(Unaudited)



# Financial highlights

## Income statement

	DNB Bank Group				
	2nd quarter 2020	2nd quarter 2019	2020	January-June 2019	Full year 2019
<i>Amounts in NOK million</i>					
Net interest income	9 638	9 746	20 253	19 217	39 908
Net commissions and fees	1 601	1 770	3 049	3 263	6 618
Net gains on financial instruments at fair value	1 667	1 351	4 933	2 099	3 173
Other operating income	588	549	973	1 227	2 482
Net other operating income	3 856	3 670	8 955	6 588	12 272
Total income	13 494	13 417	29 208	25 805	52 181
Operating expenses	(5 548)	(5 489)	(10 731)	(10 789)	(21 952)
Restructuring costs and non-recurring effects	(12)	(21)	(27)	(43)	(326)
Pre-tax operating profit before impairment	7 934	7 906	18 450	14 973	29 903
Net gains on fixed and intangible assets	0	(3)	(0)	(3)	(33)
Impairment of financial instruments	(2 120)	(450)	(7 892)	(766)	(2 191)
Pre-tax operating profit	5 814	7 454	10 559	14 204	27 678
Tax expense	(1 163)	(1 491)	(2 112)	(2 841)	(4 825)
Profit from operations held for sale, after taxes	(17)	(30)	(73)	(81)	(49)
Profit for the period	4 634	5 933	8 374	11 281	22 805

## Balance sheet

	30 June 2020	31 Dec. 2019	30 June 2019
<i>Amounts in NOK million</i>			
Total assets	2 728 738	2 470 640	2 528 706
Loans to customers	1 709 736	1 671 350	1 643 781
Deposits from customers	1 108 804	977 530	998 554
Total equity	229 557	229 619	209 769
Average total assets	2 913 612	2 564 525	2 522 506

## Key figures and alternative performance measures

	2nd quarter 2020	2nd quarter 2019	2020	January-June 2019	Full year 2019
Return on equity, annualised (per cent) <sup>1)</sup>	8.4	11.8	7.4	11.2	11.1
Combined weighted total average spread for lending and deposits (per cent) <sup>1)</sup>	1.25	1.32	1.32	1.32	1.33
Average spread for ordinary lending to customers (per cent) <sup>1)</sup>	2.14	1.85	2.04	1.88	1.84
Average spread for deposits from customers (per cent) <sup>1)</sup>	(0.07)	0.46	0.20	0.42	0.51
Cost/income ratio (per cent) <sup>1)</sup>	41.2	41.1	36.8	42.0	42.7
Ratio of customer deposits to net loans to customers at end of period <sup>1)</sup>	64.9	60.7	64.9	60.7	58.5
Net loans at amortised cost and financial commitments in stage 2, per cent of net loans at amortised cost <sup>1) 2)</sup>	12.35	6.13	12.35	6.13	6.81
Net loans at amortised cost and financial commitments in stage 3, per cent of net loans at amortised cost <sup>1) 2)</sup>	1.81	1.30	1.81	1.30	1.12
Impairment relative to average net loans to customers at amortised cost, annualised (per cent) <sup>1) 2)</sup>	(0.50)	(0.11)	(0.93)	(0.09)	(0.13)
Common equity Tier 1 capital ratio at end of period (per cent)	18.0	16.2	18.0	16.2	18.3
Leverage ratio (per cent)	6.6	7.1	6.6	7.1	7.2
Number of full-time positions at end of period	8 502	8 569	8 502	8 569	8 617

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

2) Figures from 1 January 2020 are recognised excluding loans at fair value. Historical figures have been adjusted accordingly.

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

# Directors' report

## Second quarter financial performance

The reopening of the Norwegian economy has picked up faster than anticipated, and the DNB Bank Group's <sup>1)</sup> activity level in the second quarter was less impacted by the COVID-19 pandemic than expected. Operating results were solid, but impairment losses, mainly within offshore, were higher than the previous year, and the net interest income was negatively impacted by the reduced interest level. There is now a more positive outlook for the Norwegian economy, although there are still significant uncertainties concerning future developments.

The profit in the quarter was NOK 4 634 million, a decrease of NOK 1 299 million from the year-earlier period. Compared with the previous quarter, profits increased by NOK 895 million.

The common equity Tier 1 (CET1) capital ratio was 18.0 per cent, up from 16.2 per cent a year earlier, and from 17.5 per cent in the first quarter of 2020.

The leverage ratio for the banking group was 6.6 per cent, down from 7.1 per cent in the second quarter of 2019, and up from 6.3 per cent in the first quarter of 2020.

Return on equity (ROE) was negatively impacted by high impairment losses and lower interest rates. However, the activity level in the quarter was less impacted by COVID-19 than expected, and ROE ended at 8.4 per cent. The comparable figures were 11.8 per cent in the second quarter of 2019, and 6.4 per cent in the first quarter of 2020.

Net interest income was down NOK 108 million, or 1.1 per cent, from the second quarter of 2019, reflecting reduced customer interest rates. Compared with the first quarter, net interest income was down NOK 977 million, or 9.2 per cent, mainly due to reduced interest rates following the change in the key policy rate of the Norwegian central bank, Norges Bank.

Net other operating income amounted to NOK 3 856 million in the second quarter, up NOK 186 million from the same period in 2019. There was a positive contribution from trading revenues in DNB Markets, lower credit spreads on bonds, positive valuation adjustments for derivatives (CVA/DVA/FVA) and other mark-to-market adjustments. However, this was somewhat offset by negative exchange rate effects on additional Tier 1 (AT1) capital and basis swaps. Net commissions and fees decreased by 9.6 per cent from the year-earlier period, due to lower income from money transfer and banking services caused by the COVID-19 situation, and international travel coming to a halt in the quarter. Compared with the first quarter, net other operating income was down NOK 1 243 million, mainly due to negative exchange rate effects on AT1 capital and basis swaps. Net commissions and fees increased by 10.6 per cent, due to strong results driven by real estate broking and investment banking services. However, this was partly offset by reduced income from money transfer and banking services.

Operating expenses were NOK 5 560 million in the second quarter, up NOK 50 million from the same period a year earlier. The second quarter saw an increase in salaries and other personnel expenses, mainly driven by increased pension costs related to the increased return on the closed defined benefit pension scheme, where the hedging is presented as gain on financial instruments. Compared with the first quarter, operating expenses were up NOK 363 million, due to unusually low pension costs in the first quarter.

Impairment losses on financial instruments amounted to NOK 2 120 million in the second quarter. This is an increase of NOK

1 670 million from the second quarter of 2019, but a decrease of NOK 3 651 million from the first quarter of 2020. The impairment losses in the quarter were to a large extent related to customers in stage 3 within the oil, gas and offshore segment. The personal customers segment as a whole experienced low impairment losses in the quarter. In general, the portfolio credit quality remained strong and the macro forecasts were relatively stable compared with the first quarter of 2020, when the impact of the COVID-19 outbreak and the oil price fall were reflected in the forward-looking information and expected credit losses. However, there is still some uncertainty as to how the economic impact of the COVID-19 pandemic and the oil price fall will develop in the time ahead.

## Important events in the second quarter

At the Annual General Meeting (AGM) held on 30 June, Julie Galbo was elected as new board member with a term of office of up to two years.

The Ministry of Finance announced the approval of a new organisational structure for the DNB Group, under which DNB Bank ASA will be the holding company of the Group, with DNB Livsforsikring AS and DNB Asset Management Holding AS as subsidiaries. Further regulatory permissions are required before DNB can proceed with the merger and the process will take place at the earliest in 2021.

For the fourth year running, DNB and StartupLab invited start-ups to DNB NXT Accelerator. StartupLab is DNB's partner in the programme, and it has played an important role by giving the start-up companies a voice during the coronavirus situation. DNB NXT Accelerator is a strategic initiative that increases innovative power across DNB. For the first time, the Accelerator took place digitally.

DNB, the Norwegian Tax Administration and Bits were commissioned by Finance Norway and the Ministry of Finance to put together a case management system for businesses affected by COVID-19 and for the compensation scheme. The system was up and running after just three weeks.

For the fifth year running, DNB has helped children and young people to manage their personal finances with the digital learning tool A valuable lesson. Since its launch in 2015, the learning tool has never been more popular than it is now. DNB will continue to create awareness of A valuable lesson in the time ahead, so that even more children can gain greater knowledge of personal finances.

In the second quarter, DNB rolled out a new solution for in-store cash services for about 1 450 shops in Norway. The service will replace the old agreement with Posten Norge (the Norwegian postal service).

In May, DNB launched the summer campaign called *Neste sommer* (Next summer). The goal of the campaign is to help the tourism industry and encourage people to book a holiday in Norway. The tourism industry has been severely affected by the coronavirus situation. Through its *Neste sommer* campaign, the bank is giving a boost to industry players that are experiencing an extremely tough period.

DNB is the first bank to offer a fully digital solution for pre-approved payments. The new solution will make the job easier for a large number of accountants and their corporate customers, while also increasing efficiency.

Electronic registration, or eRegistration (eTinglysning), is now available to corporate customers. With the introduction of eRegistration for corporate customers, DNB is taking a major step towards a fully digitalised credit process. Together with the use of existing eSigning functionality, the final processing can now be entirely digital.

DNB became a partner of the women's national football team through the *#huninvesterer* campaign (*#girlsinvest*). Together with

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

the Norwegian Football Association (NFF), DNB will strengthen its focus on women's football and help to address and reduce the gender inequality that still exists.

DNB Markets was named best investment bank in the high-yield and investment grade category in Prospera's annual survey.

As a result of the coronavirus situation and Norges Bank's interest rate cut, the banking group lowered the mortgage rate by up to 0.4 percentage points for new and existing customers from May.

During the second quarter, Moody's and S&P maintained the long-term counterparty risk rating from previous periods, Aa2 and AA- with a stable outlook. This reflects the banks robust capitalisation, strong profitability and diversified earnings over recent years, which have contributed to the bank's healthy performance.

In May, an additional reputation survey was conducted by RepTrak. The survey is usually conducted quarterly, but due to the extraordinary circumstances caused by the COVID-19 situation, an extra survey was carried out for the period 12 March to 30 April. In this additional survey, DNB received a score of 74.2.

## Half-year financial performance

The banking group recorded profits of NOK 8 374 million in the first half of 2020, down NOK 2 908 million from the first half of 2019. Return on equity was 7.4 per cent, compared with 11.2 per cent in the year-earlier period.

Net interest income increased by NOK 1 036 million from the same period last year, driven by higher volumes, positive currency effects and increased lending margins. There was an average increase in the healthy loan portfolio of 4.5 per cent parallel to a 10.2 per cent increase in average deposit volumes from the first half of 2019. The combined spreads narrowed by 1 basis point compared with the year-earlier period. Average lending spreads for the customer segments widened by 17 basis points, and deposit spreads narrowed by 22 basis points.

Net other operating income increased by NOK 2 367 million from the first half of 2019, mainly due to positive exchange rate effects on AT1 capital and basis swaps. Net commissions and fees decreased by NOK 214 million, or 6.6 per cent, compared with the first half of 2019. The reduction was due to lower income from money transfer and banking services caused by the COVID-19 situation.

Total operating expenses were down by NOK 75 million from the first half of 2019 due to decreased salaries and other personnel expenses.

There were impairment losses on financial instruments of NOK 7 892 million in the first half of 2020, an increase of NOK 7 126 million from the previous year. The increase is caused by the impact on the economy, both in Norway and globally, of the COVID-19 pandemic, in combination with the effect of the oil price fall. About 90 per cent of the impairment losses occurred in the corporate customers segment, but the COVID-19 outbreak also resulted in increased impairment losses within the personal customers segment. For corporate customers, over half of the impairment losses were in oil-related industries (mainly offshore), while the rest was spread across different industries impacted by the COVID-19 outbreak. For the personal customers segment, most of the increase compared with last year stemmed from consumer loans in stages 1 and 2, and from specific customers in stage 3. The economic situation improved in the latter part of the period, as businesses started to reopen and more people returned to work. However, there is still some uncertainty relating to how the COVID-19 pandemic and the oil price will develop in the near future.

## Second quarter income statement – main items

### Net interest income

Amounts in NOK million	2Q20	1Q20	2Q19
Lending spreads, customer segments	8 454	7 587	7 035
Deposit spreads, customer segments	(180)	1 215	1 068
Amortisation effects and fees	909	842	817
Operational leasing	510	492	413
Contributions to the deposit guarantee and resolution funds, Poland	7	(40)	(0)
Other net interest income	(63)	518	413
Net interest income	9 638	10 615	9 746

Net interest income decreased by NOK 108 million, or 1.1 per cent, from the second quarter of 2019, due to lower customer interest rates.

There was an average increase of NOK 67.7 billion, or 4.4 per cent, in the healthy loan portfolio compared with the second quarter of 2019. Adjusted for exchange rate effects, volumes were up NOK 16.6 billion, or 1.1 per cent. During the same period, deposits were up NOK 124.4 billion, or 13.2 per cent. Adjusted for exchange rate effects, there was an increase of NOK 95.0 billion, or 10.1 per cent. Average lending spreads widened by 28 basis points, and deposit spreads narrowed by 52 basis points compared with the second quarter of 2019. Volume-weighted spreads for the customer segments narrowed by 7 basis points compared with the same period in 2019.

Compared with the first quarter, net interest income decreased by NOK 977 million, or 9.2 per cent, mainly due to lower customer interest rates. Furthermore, adjustments of customer rates following Norges Bank's reduction of the key policy rate in May, were fully reflected in the second quarter. There was an average increase of NOK 21.3 billion, or 1.4 per cent, in the healthy loan portfolio, and deposits were up NOK 71.3 billion, or 7.2 per cent. Volume-weighted spreads for the customer segments narrowed by 13 basis points compared with the first quarter.

### Net other operating income

Amounts in NOK million	2Q20	1Q20	2Q19
Net commissions and fees	1 601	1 448	1 770
Basis swaps	(19)	1 060	740
Exchange rate effects additional Tier 1 capital	(1 343)	4 097	(125)
Net gains on other financial instruments at fair value	3 029	(1 891)	737
Net profit from associated companies	75	(96)	98
Other operating income	513	481	451
Net other operating income	3 856	5 099	3 670

Net other operating income increased by NOK 186 million from the second quarter of 2019. There was a positive contribution from trading revenues in DNB Markets. In addition, negative exchange rate effects on AT1 capital totalling NOK 1 343 million impacted income in the second quarter, compared with negative effects totalling NOK 125 million in the year-earlier period. However, this was somewhat offset by positive valuation adjustments for derivatives (CVA/DVA/FVA) and bonds due to lower credit spreads. Net commissions and fees decreased by 9.6 per cent from the year-earlier period, due to lower income from money transfer and banking services related to fewer international transactions following the COVID-19 outbreak.

Compared with the first quarter of 2020, net other operating income decreased by NOK 1 243 million. The decrease was mainly due to negative exchange rate effects on AT1 capital and basis swaps. However, there was a positive contribution from other market-to-market adjustments and trading revenues in DNB Markets which rebounded strongly in the second quarter as the financial markets normalised. Net commissions and fees increased by NOK 153 million, or 10.6 per cent, from the first quarter, mainly due to strong results driven by real estate broking and investment banking services. However, this was partly offset by reduced income from

money transfer and banking services, which was caused by the COVID-19 situation and international travel coming to a halt.

## Operating expenses

Amounts in NOK million	2Q20	1Q20	2Q19
Salaries and other personnel expenses	(3 067)	(2 678)	(2 971)
Restructuring expenses	(12)	(14)	(3)
Other expenses	(1 634)	(1 676)	(1 818)
Depreciation of fixed and intangible assets	(848)	(828)	(718)
Impairment of fixed and intangible assets	(0)	(1)	
Total operating expenses	(5 560)	(5 197)	(5 510)

Operating expenses increased by NOK 50 million, compared with the second quarter of 2019. There was an increase in salaries and other personnel expenses, mainly driven by increased pension costs related to the increased return on the closed defined benefit pension scheme, where the hedging is presented as gain on financial instruments.

Compared with the first quarter of 2020, there was an increase in operating expenses of NOK 363 million, or 7.0 per cent. This was due to higher pension costs, also related to the increased return on the closed defined benefit pension scheme.

The cost/income ratio was 41.2 per cent in the second quarter.

## Impairment of financial instruments

Amounts in NOK million	2Q20	1Q20	2Q19
Personal customers	(43)	(522)	(68)
Commercial real estate	15	(143)	(21)
Shipping	(136)	(211)	5
Oil, gas and offshore	(1 863)	(2 605)	54
Other industry segments	(93)	(2 289)	(420)
Total impairment of financial instruments	(2 120)	(5 771)	(450)

Net impairment losses amounted to NOK 2 120 million in the second quarter of 2020. This is an increase of NOK 1 670 million from the second quarter of 2019, but a decrease of NOK 3 651 million from the first quarter of 2020. In general, the economic outlook was stable compared with the previous quarter, when the COVID-19 outbreak and the oil price fall were reflected in the forecasts for key macro drivers.

Personal customers had impairment losses of NOK 43 million in the quarter. This is down NOK 25 million compared to the same quarter last year, and down NOK 479 million compared with the first quarter of 2020. The low impairment losses can be ascribed to continued low credit risk and a stable economic outlook for key risk drivers compared with the previous quarter, when the COVID-19 outbreak was reflected in the macro forecasts. The impairment this quarter was primarily related to customers in stage 3.

Net impairment losses on financial instruments in commercial real estate decreased by NOK 35 million and NOK 158 million compared with second quarter of 2019 and the first quarter of 2020, respectively. There are so far no indications that the COVID-19 outbreak will have a significant negative impact on the commercial real estate segment.

There were net impairment losses of NOK 136 million within the shipping segment in the second quarter. This is an increase of NOK 141 million compared with the second quarter of last year, and a decrease of NOK 75 million compared with the first quarter of 2020. The net impairment losses in the quarter were primarily related to a negative development for specific customers in stages 2 and 3, while the macro outlook for all shipping segments was stable compared with the previous quarter.

Net impairment losses amounted to NOK 1 863 million for the oil, gas and offshore segment in the quarter. This is an increase of NOK 1 917 million from the second quarter of 2019, and a decrease of NOK 742 million from the first quarter of 2020. The impairment losses this quarter were primarily related to customers in stage 3 within the offshore segment. The macro forecasts for this segment in the second quarter are stable compared with the

previous quarter, as the oil price is developing in line with expectations, and the challenging situation for offshore companies continues.

There were net impairment losses of NOK 93 million within other industry segments. This is a decrease of NOK 327 million and NOK 2 196 million compared with the second quarter of 2019 and the first quarter of 2020, respectively. An increase in stage 2 loans due to a negative credit migration for specific customers within the hotel and tourism industry was curtailed by a positive development for a few customers in stage 3 within the trade segment. Apart from this, there were no significant developments for specific customers, and the macro forecasts for all segments remained stable compared with the previous quarter.

Net stage 3 loans and financial commitments amounted to NOK 30 billion at end-June 2020, up from NOK 21 billion in the year-earlier period and up from NOK 27 billion in the first quarter of 2020.

## Taxes

The banking group's tax expense for the second quarter has been estimated at NOK 1 163 million, or 20.0 per cent of pre-tax operating profits.

## Financial performance – segments

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

### Personal customers

Income statement in NOK million	2Q20	1Q20	2Q19
Net interest income	3 389	3 702	3 372
Net other operating income	884	920	1 020
Total income	4 273	4 622	4 392
Operating expenses	(2 151)	(2 194)	(2 044)
Pre-tax operating profit before impairment	2 122	2 428	2 348
Impairment of financial instruments	(82)	(734)	(76)
Pre-tax operating profit	2 041	1 695	2 272
Tax expense	(510)	(424)	(568)
Profit for the period	1 530	1 271	1 704

### Average balance sheet items in NOK billion

Net loans to customers	795.6	795.8	781.0
Deposits from customers	453.4	435.4	418.9

### Key figures in per cent

Lending spread <sup>1)</sup>	1.81	1.53	1.42
Deposit spread <sup>1)</sup>	(0.22)	0.68	0.61
Return on allocated capital	12.8	10.8	14.5
Cost/income ratio	50.3	47.5	46.5
Ratio of deposits to loans	57.0	54.7	53.6

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

The financial performance in the second quarter was affected by the COVID-19 situation. Pre-tax operating profit declined by 10.2 per cent from the corresponding quarter in 2019, and return on allocated capital went down 1.7 percentage points to 12.8 per cent.

The effect of the interest rate adjustments on loans to customers and deposits combined with decreasing money market rates explains the development in net interest income. Combined spreads on loans and deposits narrowed by 16 basis points from the previous quarter and by 7 basis points from the second quarter of 2019.

There was a moderate rise in average net loans of 1.9 per cent from the second quarter of 2019. The growth in the healthy home mortgage portfolio amounted to 2.7 per cent. Deposits from customers rose significantly by 8.2 per cent, and the ratio of deposits to loans improved by 3.4 percentage points compared with the year-earlier period.

Net income from payment services contributed negatively compared with the same period in 2019, mainly due to falling revenues from card sales and currency withdrawals. Income from real estate broking showed a more positive development than first expected, with a total income of NOK 461 million, down 1.7 per cent from the second quarter of 2019.

Operating expenses remained relatively stable. Lower IT activity together with seasonally higher real estate broking and marketing activities explains the development from the previous quarter.

The personal customers segment experienced impairment of financial instruments of NOK 82 million, the same level as the year-earlier period. This is equivalent to 0.04 per cent of net loans to customers.

DNB's market share of credit to households stood at 23.2 per cent at the end of May 2020, while the market share of total household savings was 30.1 per cent in the same period. DNB Eiendom had an average market share of 18.1 per cent this quarter.

During the COVID-19 period, the banking group has focused on providing customers with relevant financial advice and keeping digital services available to them. A total of 35 000 customers have been granted interest-only periods, 600 000 advisory conversations with customers have been carried out, 110 000 enquiries have been answered through the open live chat and 60 000 modules of DNB's digital learning tool for children, A valuable lesson, have been completed.

### Corporate customers

<i>Income statement in NOK million</i>	2Q20	1Q20	2Q19
Net interest income	5 944	6 107	5 807
Net other operating income	1 523	1 382	1 688
Total income	7 467	7 489	7 496
Operating expenses	(2 939)	(2 865)	(2 712)
Pre-tax operating profit before impairment	4 528	4 624	4 784
Net gains on fixed and intangible assets	0	(0)	(0)
Impairment of financial instruments	(2 030)	(5 038)	(371)
Profit from repossessed operations	(29)	(80)	(47)
Pre-tax operating profit	2 469	(494)	4 365
Tax expense	(617)	124	(1 064)
Profit for the period	1 852	(371)	3 301

### Average balance sheet items in NOK billion

Net loans to customers	815.8	792.9	762.2
Deposits from customers	613.8	559.5	523.8

### Key figures in per cent

Lending spread <sup>1)</sup>	2.46	2.37	2.31
Deposit spread <sup>1)</sup>	0.05	0.35	0.33
Return on allocated capital	7.0	(1.5)	13.7
Cost/income ratio	39.4	38.3	36.2
Ratio of deposits to loans	75.2	70.6	68.7

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

The effects of the COVID-19 pandemic and the oil price fall continued in the second quarter and had a negative impact on Corporate customers financial performance. Pre-tax operating profit before impairment declined by 5.4 per cent from the second quarter of 2019, and 2.1 per cent from the first quarter of 2020.

Net interest income was positively affected by consistently high loan volumes, mainly currency-driven, and widening lending spreads. Average loan volumes were up 2.9 per cent compared with the first quarter, and the underlying currency adjusted growth rate was 0.4 per cent, mainly due to activity in commercial real estate and the small and medium-sized enterprises (SME) segment. There was also continued underlying growth in deposit volumes in the second quarter, mainly from the SME segment, as well as from the public sector. Deposit spreads were, however, negatively affected by decreasing money market rates and interest rate adjustments.

In the second quarter, there was increased activity within investment banking and a somewhat more normalised level of activity within fixed income, currencies and commodities products compared with the first quarter. Income from DNB Markets products remained at the same level as the corresponding quarter last year and increased by 5.4 per cent compared with the first quarter of 2020.

Operating expenses were up 8.4 per cent compared with the second quarter of 2019, primarily due to currency effects and depreciation of operating leases. Costs were up 2.6 per cent compared with the first quarter of 2020.

Impairment of financial instruments decreased from the previous quarter and amounted to NOK 2 030 million in the second quarter of 2020. The losses were primarily related to customers in oil-related industries (mainly offshore) in stage 3. The overall credit quality in the portfolio was stable during the quarter, but negative migration was observed for certain customers in travel-related industries as a consequence of the COVID-19 outbreak, which resulted in somewhat higher impairments in stage 2. In general, the macro forecasts that affect corporate customers were relatively stable compared to the first quarter of 2020, when the impact of the COVID-19 pandemic and the oil price fall were reflected in the forward-looking macro assumptions.

In the time ahead, DNB will focus on making profitable transactions across industries and will work to maintain its activity level, both through the management of state-guaranteed loans and by making effective use of the capital available. It will continue to be important to increase turnover in the portfolio, reduce final hold and make more active use of portfolio management tools.

### Other operations

This segment includes the results from risk management in DNB Markets and items not allocated to the customer segments.

<i>Income statement in NOK million</i>	2Q20	1Q20	2Q19
Net interest income	305	806	567
Net other operating income	1 528	3 111	1 352
Total income	1 833	3 917	1 919
Operating expenses	(549)	(452)	(1 145)
Pre-tax operating profit before impairment	1 284	3 464	774
Net gains on fixed and intangible assets	(0)	0	(2)
Impairment of financial instruments	(8)	(0)	(3)
Profit from repossessed operations	29	80	47
Pre-tax operating profit	1 304	3 544	816
Tax expense	(35)	(649)	142
Profit from operations held for sale, after taxes	(17)	(56)	(30)
Profit for the period	1 252	2 839	927

### Average balance sheet items in NOK billion

Net loans to customers	110.7	119.7	97.8
Deposits from customers	73.4	55.6	25.5

The profit for the other operations segment was NOK 1 252 million in the second quarter of 2020.

Risk management income rebounded strongly in the second quarter, reaching NOK 1 166 million, up from NOK 94 million in the second quarter of 2019 and up from minus NOK 846 million in the previous quarter. A normalised financial market reversed the widening credit spreads and decreased counterparty risk. Revenues from money market activities and repurchase agreements (repo trading) increased compared with the second quarter last year.

The profit in the other operations segment is affected by several group items not allocated to the segments. Net other operating income in the second quarter was affected negatively by exchange rate effects on AT1 capital, and basis swaps. These items vary from quarter to quarter.

The banking group's share of the profit in associated companies (most importantly Luminor and Vipps) is included in this segment with a total income of NOK 75 million. There was

adecrease in profit from these companies of NOK 24 million compared with the second quarter of 2019, and an increase of NOK 170 million compared with the first quarter of 2020.

## Funding, liquidity and balance sheet

The start of the second quarter was to a great extent affected by the COVID-19 pandemic, which led to high levels of uncertainty in the market and expensive funding. The banking group benefited from having issued a considerable number of senior bonds late in 2019, which contributed to the bank being well positioned and having good liquidity going into 2020. As a result, the banking group was able to delay taking out large amounts of short-term funding until the market had calmed down and interest rates had returned to lower levels. Substantial injections of liquidity by governments all over the world have helped to ensure that banks have had good access to liquidity throughout the quarter. At the end of the quarter, interest rates were back to low levels, and this situation is expected to continue. The banking group thus has good access to liquidity at favourable prices.

The uncertainty associated with the COVID-19 pandemic also contributed to high prices for long-term funding at the beginning of the quarter. During the course of April, the market continued to improve, and by the end of the quarter the market had recovered and funding costs were back to pre-pandemic levels. There has been a high level of activity in the markets for both senior bonds and covered bonds. The banking group had ample long-term funding and has not needed to issue either senior or covered bonds during the quarter. The markets for subordinated loans have also seen significant activity during the spring, and the banking group issued a NOK 4 billion subordinated loan in May that attracted considerable investor interest. The banking group has ample access to long-term funding in all markets.

The nominal value of long-term debt securities issued by the banking group was NOK 661 billion at the end of the second quarter, compared with NOK 617 billion a year earlier. The average remaining term to maturity for these long-term debt securities was 3.5 years at the end of June, compared with 4.0 years in the year-earlier period.

The short-term liquidity requirement, the Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the quarter and stood at 130 per cent at the end of the second quarter.

Total assets in the banking group were NOK 2 729 billion at the end of the second quarter, and NOK 2 529 billion a year earlier.

Loans to customers increased by NOK 66.0 billion, or 4.0 per cent in the second quarter, compared with the second quarter of 2019. Customer deposits were up NOK 110.3 billion, or 11.0 per cent, during the same period. The ratio of customer deposits to net loans to customers was 64.9 per cent at end-June 2020, up from 62.2 per cent at end-March 2020.

## Risk management and capital position

Four months into the COVID-19 pandemic, the banking group's capital position remains strong and is well above the regulatory requirements. Markets have normalised but there is still some uncertainty attached to future developments.

At the end of June 2020, the CET1 capital ratio was 18.0 per cent, up from 16.2 per cent a year-earlier, and from 17.5 per cent at end-March.

While no further relief on the capital requirement has been introduced in the second quarter, the CET1 'headroom' over the requirement (15.7 per cent) for the banking group is comfortable at 2.3 percentage points.

Risk-weighted assets decreased by NOK 21 billion from end-March to NOK 972 billion at end-June 2020. The retained profit and strengthening of the NOK were the main factors behind the decrease in risk-weighted assets and the higher CET1 capital from end-March.

The non-risk based leverage ratio was 6.6 per cent at end-June 2020, down from 7.1 per cent at the year-earlier period, and up from 6.3 per cent in the first quarter of 2020.

In the second half of the year, Finanstilsynet will conduct an annual supervisory review and evaluation process (SREP) in collaboration with the supervisory authorities of the DNB College, but will not make a new decision concerning capital requirements unless special circumstances are revealed to indicate a greater need for capital. The assessments will be summarised in joint decisions that are sent to the bank once they have been made, most likely by the end of the year.

## Capital adequacy

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, the banking group must satisfy various buffer requirements (Pillar 1 and Pillar 2 requirements). The CET1 requirement is 15.7 per cent.

## Capital and risk

	2Q20	1Q20	2Q19
CET1 capital ratio, per cent	18.0	17.5	17.7
Tier 1 capital ratio, per cent	19.9	19.3	19.6
Capital ratio, per cent	23.3	22.9	22.6
Risk-weighted assets, NOK billion	972	993	1 003
Leverage ratio, per cent	6.6	6.3	7.1

## New regulatory framework

### Norway's way out of the crisis

In order to mitigate the adverse effects of the COVID-19 outbreak on Norway's economy, business community and labour market, the authorities have implemented far-reaching financial measures. The Norwegian Government has also presented an exit strategy for the coronavirus crisis, including additional measures intended to help get more people back to work and boost activity and value creation in the Norwegian business community, as well as to promote the green shift. Among the measures to be introduced are salary support for businesses that take back temporarily laid off (furloughed) employees, a reduction of the wealth tax on working capital, and more money for research, innovation and technology development.

### MREL requirement – extension of grandfathering period

The EU's Bank Recovery and Resolution Directive (BRRD) has been effective in Norway since 1 January 2019. On 20 December 2019, the minimum requirement for own funds and eligible liabilities (MREL) was determined for DNB and seven other Norwegian banks. The MREL requirement applied from 30 June 2020. Initially, preferred senior debt issued before 1 January 2020, with more than one year's remaining maturity, qualified as MREL-eligible debt until 31 December 2022 (grandfathering). Due to the demanding market conditions caused by the COVID-19 pandemic, Finanstilsynet announced on 26 May 2020 that the grandfathering period was to be extended to 1 January 2024.

### Expectation for the distribution of profits

In a press release published on 25 March 2020, the Ministry of Finance expressed a clear expectation that Norwegian financial institutions should refrain from distributing profits until the great economic uncertainty has subsided. On 8 June 2020, the European Systemic Risk Board (ESRB) published a recommendation to national authorities urging them to request financial institutions to refrain from distributing profits, in light of the economic uncertainty caused by the COVID-19 outbreak. The recommendation includes requesting financial institutions to refrain from distributing dividends, buying back shares and providing variable remuneration

to individual employees at least until 1 January 2021. On 1 July 2020, the Ministry of Finance sent a communication to the ESRB referring to the press release of 25 March, adding that the expectation also applies to share buy-backs.

#### **CRR 'quick fix'**

The EU has adopted certain temporary relief measures relating to the Capital Requirements Regulation for banks (CRR 2), to facilitate lending to businesses and households. The measures are intended to give banks greater flexibility to provide loans during the demanding period caused by the COVID-19 pandemic. It is still not clear how this may affect the regulatory framework for the Norwegian banking industry. Finanstilsynet is currently examining the Norwegian implementation of the EU's Banking Package, which includes the CRR 2.

#### **Lending regulations to be evaluated**

Banks' lending practices towards households are currently regulated by the Home Mortgage Regulations and the Consumer Loan Regulations. The Norwegian Ministry of Finance has asked Finanstilsynet to give advice on how banks' lending practices should be regulated after these regulations expire on 31 December 2020. The Ministry will also consider whether limits should be introduced for loans that are currently not regulated by the regulations. Finanstilsynet is to present its assessment by 28 September.

#### **Temporary increased flexibility in the Home Mortgage Regulations**

The Ministry of Finance has allowed a temporary increase in the flexibility quotas set out in the Home Mortgage Regulations to 20 per cent in the second quarter. On 11 June, the Ministry decided to extend the increased flexibility quotas to the end of the third quarter. Increased flexibility strengthens the ability of banks to help their customers through a demanding period.

#### **New Financial Contracts Act in the pipeline**

The Ministry of Justice and Public Security has presented a proposal for a new Financial Contracts Act. The draft legislation also implements new EU directives on home mortgages, payment accounts and payment services, as well as strengthening the protection and specifying the rights of the consumer and the obligations of the service provider. Among other things, it is proposed that banks be held accountable to a greater extent in cases where they fail to fulfil the obligation to assess the consumer's debt-servicing capacity, or in cases where they do not decline credit applications from customers who cannot afford to service the loans. New rules are also proposed for protecting consumers against fraud when entering into financial services agreements using electronic signatures.

#### **Risk mitigation through Innovation Norway's growth guarantee scheme**

The purpose of the growth guarantee scheme is to make bank financing more easily available to innovative or fast-growing SMEs. The guarantee scheme is based on an agreement between the European Investment Fund and Innovation Norway. Through the scheme, Innovation Norway guarantees 75 per cent of banks' losses on loans of up to NOK 4 million per company. DNB and five other banks have tested the scheme since 2017, and it is now being expanded and rolled out further. Over the next two years, Norwegian banks will be able to provide loans totalling nearly NOK 2 billion in risk capital to companies that meet the criteria. DNB has been allocated NOK 700 million of this amount.

#### **Macroeconomic developments**

The measures to stop the spread of the coronavirus resulted in a clear decline in global GDP in the first quarter, and the drop in global GDP was probably considerably greater in the second

quarter. In light of the reopening of economies in the second quarter, it seems likely that GDP reached its lowest point in the second quarter in most countries. One exception is China, which was most severely affected in the first quarter.

So far, it seems that the Norwegian economy has performed better than many other advanced economies. On 16 June, DNB Markets projected a decline in mainland GDP of 4.3 per cent in 2020. This is an improvement of 1.6 percentage points from the projected decline of 5.9 percentage points presented on 5 May. Statistics Norway and Norges Bank changed their projections by approximately the same. After the Government introduced the stringent infection control measures on 12 March, the number of fully unemployed rose rapidly to a peak of 10.4 per cent. During the course of April, however, the unemployment rate fell, and by end-June it was 4.8 per cent. Norges Bank expects the percentage to decline to 3.2 per cent in 2021. The monthly GDP figures suggest that value creation picked up throughout April. Statistics Norway's survey of investments in oil and gas indicated a smaller fall in investments this year than previously estimated, and the oil price has risen from the low levels of late April to around USD 40 per barrel in the second half of June. In the housing markets, prices for existing homes fell in March and April, but rose sharply in May and June. Sales of existing homes, which had fallen in March, also picked up in April. Home prices are now 3.5 per cent higher than in the year-earlier. In May, core inflation was 3.0 per cent. Some prices were quickly affected by the weakening of the Norwegian krone in March. DNB Markets expects the weakening of the krone to contribute to core inflation remaining at the current level in the next few months, before gradually starting to fall, and estimates annual growth of 2.8 per cent in 2020. Low wage growth could bring inflation down in the time ahead. Falling energy prices are projected to contribute to the total inflation this year ending at little over 1 per cent.

Norges Bank reduced the key policy rate from 1.50 per cent to 0.00 per cent in three phases. In its June Monetary Policy Report, Norges Bank presented a policy rate path that would suggest a rise in interest rates from the second half of 2022. In addition to cutting the key policy rate, Norges Bank has provided substantial liquidity stimulus packages, primarily in NOK, but also in USD. Moreover, Norges Bank intervened in the currency markets twice in March. In fiscal policy, support was first given to businesses and households to compensate for loss of income. Then, in step with the reopening of the economy, the measures have turned more towards stimulating aggregate demand. The authorities have also introduced special measures for, among other things, air transport and the oil and gas sector. The fiscal stimulus packages are estimated to amount to 5.5 per cent of the mainland economy. In addition, deadlines for paying tax and fees have been extended, and favourable loan schemes and guarantees have been offered.

#### **Future prospects**

DNB's financial ambitions, including the overriding financial target of a return on equity above 12 per cent, remain unchanged. However, due to the COVID-19 pandemic and the subsequent developments in the macroeconomic environment, these are unlikely to be achieved in 2020.

In the period 2020 to 2022, the annual increase in lending and deposit volumes is expected to be around 3 to 4 per cent. DNB's ambition is to have a cost/income ratio below 40 per cent.

The reduction in interest rates on customer loans and deposits following Norges Bank's 150 basis point reduction in the key policy rate, will have a negative effect on net interest income of approximately NOK 5 billion annually, effective from the second quarter. Alongside this, net commissions and fees will be affected by lower income from money transfer and banking services due to lower levels of business and travel activity.

Due to the COVID-19 pandemic, the decision on the distribution of dividends will be considered at an extraordinary general meeting due to take place in December 2020, at the latest.

Oslo, 12 July 2020  
The Board of Directors of DNB Bank ASA



Olaug Svarva  
(Chair of the Board)



Kim Wahl  
(Vice Chair of the Board)



Julie Galbo



Eli Solhaug



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

# Income statement

## DNB Bank ASA

<i>Amounts in NOK million</i>	2nd quarter 2020	2nd quarter 2019	2020	January-June 2019	Full year 2019
Interest income, amortised cost	9 042	10 709	20 537	21 161	44 084
Other interest income	1 223	1 082	2 480	2 188	4 257
Interest expenses, amortised cost	(2 797)	(5 912)	(8 238)	(11 926)	(23 799)
Other interest expenses	(86)	1 430	714	2 969	5 638
<b>Net interest income</b>	<b>7 382</b>	<b>7 309</b>	<b>15 493</b>	<b>14 392</b>	<b>30 180</b>
Commission and fee income	1 921	2 090	3 817	4 028	8 343
Commission and expenses	(793)	(775)	(1 550)	(1 526)	(3 168)
Net gains on financial instruments at fair value	1 048	353	4 681	1 421	2 688
Net gains on investment properties					97
Other income	1 376	5 290	2 096	6 027	15 299
<b>Net other operating income</b>	<b>3 552</b>	<b>6 957</b>	<b>9 043</b>	<b>9 950</b>	<b>23 260</b>
<b>Total income</b>	<b>10 934</b>	<b>14 266</b>	<b>24 536</b>	<b>24 342</b>	<b>53 440</b>
Salaries and other personnel expenses	(2 651)	(2 561)	(4 957)	(5 046)	(10 360)
Other expenses	(1 458)	(1 641)	(2 957)	(3 257)	(6 477)
Depreciation and impairment of fixed and intangible assets	(827)	(695)	(1 627)	(1 531)	(3 203)
<b>Total operating expenses</b>	<b>(4 936)</b>	<b>(4 897)</b>	<b>(9 541)</b>	<b>(9 834)</b>	<b>(20 039)</b>
<b>Pre-tax operating profit before impairment</b>	<b>5 998</b>	<b>9 369</b>	<b>14 995</b>	<b>14 508</b>	<b>33 401</b>
Net gains on fixed and intangible assets	0	(16)	(0)	(16)	(34)
Impairment of financial instruments	(2 484)	(571)	(6 933)	(944)	(2 484)
<b>Pre-tax operating profit</b>	<b>3 515</b>	<b>8 782</b>	<b>8 062</b>	<b>13 548</b>	<b>30 883</b>
Tax expense	(703)	(1 485)	(1 613)	(2 439)	(4 122)
<b>Profit for the period</b>	<b>2 812</b>	<b>7 296</b>	<b>6 449</b>	<b>11 109</b>	<b>26 761</b>
Portion attributable to shareholders of DNB Bank ASA	2 554	7 050	5 759	10 620	25 638
Portion attributable to additional Tier 1 capital holders	258	246	690	489	1 123
<b>Profit for the period</b>	<b>2 812</b>	<b>7 296</b>	<b>6 449</b>	<b>11 109</b>	<b>26 761</b>

# Comprehensive income statement

<i>Amounts in NOK million</i>	DNB Bank ASA				
	2nd quarter 2020	2nd quarter 2019	2020	January-June 2019	Full year 2019
<b>Profit for the period</b>	<b>2 812</b>	<b>7 296</b>	<b>6 449</b>	<b>11 109</b>	<b>26 761</b>
Actuarial gains and losses <sup>1)</sup>			(278)		(11)
Financial liabilities designated at FVTPL, changes in credit risk	(140)	3	34	(36)	9
Tax	35	(1)	61	9	(5)
Items that will not be reclassified to the income statement	(105)	2	(183)	(27)	(7)
Currency translation of foreign operations	9	(16)	161	(37)	(44)
Financial assets at fair value through OCI	114	(23)	(240)	(18)	59
Tax	(28)	6	60	5	(15)
Items that may subsequently be reclassified to the income statement	94	(33)	(19)	(51)	0
<b>Other comprehensive income for the period</b>	<b>(11)</b>	<b>(31)</b>	<b>(203)</b>	<b>(78)</b>	<b>(7)</b>
<b>Comprehensive income for the period</b>	<b>2 801</b>	<b>7 265</b>	<b>6 247</b>	<b>11 032</b>	<b>26 754</b>

1) Pension commitments and pension funds in the defined-benefit schemes were recalculated in the first quarter of 2020 and updated with new calculation assumptions in accordance with guidance notes from the Norwegian Accounting Standards Board as of 31 March 2020.

# Balance sheet

		DNB Bank ASA		
Amounts in NOK million	Note	30 June 2020	31 Dec. 2019	30 June 2019
<b>Assets</b>				
Cash and deposits with central banks		335 269	301 246	394 700
Due from credit institutions		390 142	394 237	416 531
Loans to customers	5, 6, 7, 8	883 348	880 203	843 921
Commercial paper and bonds	8	364 002	231 910	197 847
Shareholdings	8	3 790	6 008	6 115
Financial derivatives	8	213 813	136 255	130 094
Investment properties		144	144	
Investments in associated companies		2 575	2 575	9 584
Investments in subsidiaries		108 843	113 810	104 632
Intangible assets		3 294	3 392	3 336
Deferred tax assets		6 297	6 205	2 652
Fixed assets		15 474	14 557	14 037
Other assets		15 903	11 897	10 835
<b>Total assets</b>		<b>2 342 893</b>	<b>2 102 439</b>	<b>2 134 284</b>
<b>Liabilities and equity</b>				
Due to credit institutions		381 494	277 188	313 253
Deposits from customers	8	1 084 596	956 655	973 404
Financial derivatives	8	233 851	168 349	154 132
Debt securities issued	8, 9	355 500	416 565	439 129
Payable taxes		8 530	7 495	2 348
Deferred taxes		98	88	84
Other liabilities		55 427	52 215	26 718
Provisions		2 557	1 341	1 738
Pension commitments		3 734	3 454	3 397
Subordinated loan capital	8, 9	33 879	31 095	30 504
<b>Total liabilities</b>		<b>2 159 666</b>	<b>1 914 446</b>	<b>1 944 707</b>
Additional Tier 1 capital		18 376	26 729	18 493
Share capital		18 256	18 256	18 256
Share premium		19 895	19 895	19 895
Other equity		126 700	123 113	132 933
<b>Total equity</b>		<b>183 227</b>	<b>187 993</b>	<b>189 577</b>
<b>Total liabilities and equity</b>		<b>2 342 893</b>	<b>2 102 439</b>	<b>2 134 284</b>

# Income statement

	DNB Bank Group				
<i>Amounts in NOK million</i>	2nd quarter 2020	2nd quarter 2019	2020	January-June 2019	Full year 2019
Interest income, amortised cost	12 985	14 832	29 210	29 256	61 067
Other interest income	1 232	1 299	2 638	2 629	5 123
Interest expenses, amortised cost	(2 929)	(5 886)	(8 661)	(11 928)	(23 796)
Other interest expenses	(1 650)	(499)	(2 934)	(740)	(2 486)
<b>Net interest income</b>	<b>9 638</b>	<b>9 746</b>	<b>20 253</b>	<b>19 217</b>	<b>39 908</b>
Commission and fee income	2 387	2 529	4 582	4 773	9 758
Commission and fee expenses	(786)	(759)	(1 533)	(1 511)	(3 141)
Net gains on financial instruments at fair value	1 667	1 351	4 933	2 099	3 173
Profit from investments accounted for by the equity method	75	98	(21)	253	302
Net gains on investment properties	(7)	(11)	(32)	(7)	92
Other income	520	463	1 027	980	2 088
<b>Net other operating income</b>	<b>3 856</b>	<b>3 670</b>	<b>8 955</b>	<b>6 588</b>	<b>12 272</b>
<b>Total income</b>	<b>13 494</b>	<b>13 417</b>	<b>29 208</b>	<b>25 805</b>	<b>52 181</b>
Salaries and other personnel expenses	(3 079)	(2 974)	(5 771)	(5 837)	(11 989)
Other expenses	(1 634)	(1 818)	(3 310)	(3 572)	(7 131)
Depreciation and impairment of fixed and intangible assets	(848)	(718)	(1 677)	(1 423)	(3 157)
<b>Total operating expenses</b>	<b>(5 560)</b>	<b>(5 510)</b>	<b>(10 757)</b>	<b>(10 832)</b>	<b>(22 278)</b>
<b>Pre-tax operating profit before impairment</b>	<b>7 934</b>	<b>7 906</b>	<b>18 450</b>	<b>14 973</b>	<b>29 903</b>
Net gains on fixed and intangible assets	0	(3)	(0)	(3)	(33)
Impairment of financial instruments	(2 120)	(450)	(7 892)	(766)	(2 191)
<b>Pre-tax operating profit</b>	<b>5 814</b>	<b>7 454</b>	<b>10 559</b>	<b>14 204</b>	<b>27 678</b>
Tax expense	(1 163)	(1 491)	(2 112)	(2 841)	(4 825)
Profit from operations held for sale, after taxes	(17)	(30)	(73)	(81)	(49)
<b>Profit for the period</b>	<b>4 634</b>	<b>5 933</b>	<b>8 374</b>	<b>11 281</b>	<b>22 805</b>
Portion attributable to shareholders of DNB Bank ASA	4 381	5 688	7 690	10 793	21 686
Portion attributable to non-controlling interests	(4)	(1)	(7)	(1)	(5)
Portion attributable to additional Tier 1 capital holders	258	246	690	489	1 123
<b>Profit for the period</b>	<b>4 634</b>	<b>5 933</b>	<b>8 374</b>	<b>11 281</b>	<b>22 805</b>

# Comprehensive income statement

	DNB Bank Group				
Amounts in NOK million	2nd quarter 2020	2nd quarter 2019	2020	January-June 2019	Full year 2019
<b>Profit for the period</b>	<b>4 634</b>	<b>5 933</b>	<b>8 374</b>	<b>11 281</b>	<b>22 805</b>
Actuarial gains and losses <sup>1)</sup>			(278)		(7)
Financial liabilities designated at FVTPL, changes in credit risk	(399)	53	216	(94)	232
Tax	100	(13)	15	24	(62)
Items that will not be reclassified to the income statement	(299)	40	(46)	(71)	163
Currency translation of foreign operations	(5 275)	(785)	8 062	(1 933)	463
Hedging of net investment	4 735	780	(7 010)	1 695	(459)
Financial assets at fair value through OCI	114	(23)	(240)	(18)	59
Tax	(1 212)	(189)	1 812	(419)	(208)
Items that may subsequently be reclassified to the income statement	(1 638)	(217)	2 624	(676)	(146)
<b>Other comprehensive income for the period</b>	<b>(1 937)</b>	<b>(177)</b>	<b>2 578</b>	<b>(746)</b>	<b>17</b>
<b>Comprehensive income for the period</b>	<b>2 697</b>	<b>5 755</b>	<b>10 951</b>	<b>10 535</b>	<b>22 821</b>

1) Pension commitments and pension funds in the defined-benefit schemes were recalculated in the first quarter of 2020 and updated with new calculation assumptions in accordance with guidance notes from the Norwegian Accounting Standards Board as of 31 March 2020.

# Balance sheet

		DNB Bank Group		
Amounts in NOK million	Note	30 June 2020	31 Dec. 2019	30 June 2019
<b>Assets</b>				
Cash and deposits with central banks		337 282	304 746	395 080
Due from credit institutions		116 017	101 165	129 398
Loans to customers	5, 6, 7, 8	1 709 736	1 671 350	1 643 781
Commercial paper and bonds	8	310 178	222 368	190 311
Shareholdings	8	6 196	7 479	7 474
Financial derivatives	8	200 891	125 364	117 520
Investment properties		721	741	631
Investments accounted for by the equity method		7 848	7 467	12 005
Intangible assets		3 654	3 744	3 652
Deferred tax assets		2 030	1 959	880
Fixed assets		15 797	14 882	14 295
Assets held for sale		1 315	1 274	1 180
Other assets		17 072	8 103	12 499
<b>Total assets</b>		<b>2 728 738</b>	<b>2 470 640</b>	<b>2 528 706</b>
<b>Liabilities and equity</b>				
Due to credit institutions		304 780	202 177	230 912
Deposits from customers	8	1 108 804	977 530	998 554
Financial derivatives	8	174 537	115 871	103 700
Debt securities issued	8, 9	830 149	871 632	913 679
Payable taxes		9 207	9 810	3 777
Deferred taxes		63	60	3 393
Other liabilities		30 688	27 129	28 340
Liabilities held for sale		385	423	237
Provisions		2 831	1 726	2 336
Pension commitments		3 858	3 568	3 505
Subordinated loan capital	8, 9	33 878	31 095	30 504
<b>Total liabilities</b>		<b>2 499 180</b>	<b>2 241 022</b>	<b>2 318 938</b>
Additional Tier 1 capital		18 376	26 729	18 493
Non-controlling interests		43	45	47
Share capital		18 256	18 256	18 256
Share premium		20 611	20 611	20 611
Other equity		172 271	163 978	152 361
<b>Total equity</b>		<b>229 557</b>	<b>229 619</b>	<b>209 769</b>
<b>Total liabilities and equity</b>		<b>2 728 738</b>	<b>2 470 640</b>	<b>2 528 706</b>

# Statement of changes in equity

DNB Bank ASA

<i>Amounts in NOK million</i>	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
<b>Balance sheet as at 31 December 2018</b>	<b>18 256</b>	<b>19 895</b>	<b>16 194</b>	<b>536</b>	<b>(63)</b>	<b>121 745</b>	<b>176 562</b>
Profit for the period			489			10 620	11 109
Actuarial gains and losses						(18)	(18)
Financial liabilities designated at FVTPL, changes in credit risk					(36)		(36)
Currency translation of foreign operations				(37)			(37)
Tax on other comprehensive income					9	5	14
Comprehensive income for the period			489	(37)	(27)	10 606	11 032
Merger DNB Næringskreditt						163	163
Additional Tier 1 capital issued			2 700				2 700
Interest payments additional Tier 1 capital			(880)				(880)
Currency movements taken to income			(10)			10	
Transfer of loan portfolio to subsidiary						1	1
<b>Balance sheet as at 30 June 2019</b>	<b>18 256</b>	<b>19 895</b>	<b>18 493</b>	<b>499</b>	<b>(90)</b>	<b>132 524</b>	<b>189 577</b>
<b>Balance sheet as at 31 December 2019</b>	<b>18 256</b>	<b>19 895</b>	<b>26 729</b>	<b>492</b>	<b>(57)</b>	<b>122 678</b>	<b>187 993</b>
Profit for the period			690			5 759	6 449
Actuarial gains and losses						(278)	(278)
Financial assets at fair value through OCI						(240)	(240)
Financial liabilities designated at FVTPL, changes in credit risk					34		34
Currency translation of foreign operations				161			161
Tax on other comprehensive income					(8)	130	121
Comprehensive income for the period			690	161	25	5 370	6 247
Interest payments additional Tier 1 capital			(1 110)				(1 110)
Additional Tier 1 capital redeemed <sup>1)</sup>			(10 024)				(10 024)
Currency movements interest payments and redemption additional Tier 1 capital			2 091			(1 971)	120
<b>Balance sheet as at 30 June 2020</b>	<b>18 256</b>	<b>19 895</b>	<b>18 376</b>	<b>653</b>	<b>(31)</b>	<b>126 078</b>	<b>183 227</b>

1) Two additional Tier 1 capital instruments of NOK 2 150 million and USD 750 million, issued in 2015, were redeemed in the first quarter of 2020.

## Statement of changes in equity (continued)

Amounts in NOK million	DNB Bank Group							
	Non-controlling interests	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
<b>Balance sheet as at 31 December 2018</b>		<b>18 256</b>	<b>20 611</b>	<b>16 194</b>	<b>5 029</b>	<b>(176)</b>	<b>148 019</b>	<b>207 933</b>
Profit for the period	(1)			489			10 793	11 281
Actuarial gains and losses							(18)	(18)
Financial liabilities designated at FVTPL, changes in credit risk						(94)		(94)
Currency translation of foreign operations					(1 933)			(1 933)
Hedging of net investment					1 695			1 695
Tax on other comprehensive income					(424)	24	5	(396)
Comprehensive income for the period	(1)			489	(662)	(71)	10 780	10 535
Additional Tier 1 capital issued				2 700				2 700
Interest payments additional Tier 1 capital				(880)				(880)
Currency movements taken to income				(10)			10	
Non-controlling interests DNB Auto Finance OY	49							49
Group contribution to DNB ASA for 2018							(10 568)	(10 568)
<b>Balance sheet as at 30 June 2019</b>	<b>47</b>	<b>18 256</b>	<b>20 611</b>	<b>18 493</b>	<b>4 367</b>	<b>(247)</b>	<b>148 241</b>	<b>209 769</b>
<b>Balance sheet as at 31 December 2019</b>	<b>45</b>	<b>18 256</b>	<b>20 611</b>	<b>26 729</b>	<b>4 840</b>	<b>(2)</b>	<b>159 141</b>	<b>229 619</b>
Profit for the period	(7)			690			7 690	8 374
Actuarial gains and losses							(278)	(278)
Financial assets at fair value through OCI							(240)	(240)
Financial liabilities designated at FVTPL, changes in credit risk						216		216
Currency translation of foreign operations	5				8 057			8 062
Hedging of net investment					(7 010)			(7 010)
Tax on other comprehensive income					1 752	(54)	130	1 828
Comprehensive income for the period	(2)			690	2 800	162	7 301	10 951
Interest payments additional Tier 1 capital				(1 110)				(1 110)
Additional Tier 1 capital redeemed <sup>1)</sup>				(10 024)				(10 024)
Currency movements interest payments and redemption additional Tier 1 capital				2 091			(1 971)	120
<b>Balance sheet as at 30 June 2020</b>	<b>43</b>	<b>18 256</b>	<b>20 611</b>	<b>18 376</b>	<b>7 639</b>	<b>160</b>	<b>164 472</b>	<b>229 557</b>

1) Two additional Tier 1 capital instruments of NOK 2 150 million and USD 750 million, issued by the DNB Bank Group's Parent company DNB Bank ASA in 2015, were redeemed in the first quarter of 2020.

# Cash flow statement

## DNB Bank ASA

<i>Amounts in NOK million</i>	2020	January-June 2019	Full year 2019
<b>Operating activities</b>			
Net payments on loans to customers	13 888	(56 459)	(92 995)
Interest received from customers	20 066	20 261	42 475
Net receipts on deposits from customers	89 766	59 849	44 455
Interest paid to customers	(2 305)	(3 297)	(10 892)
Net receipts on loans to credit institutions	142 714	44 535	38 538
Interest received from credit institutions	2 016	3 869	7 686
Interest paid to credit institutions	(1 658)	(2 954)	(5 549)
Net receipts/(payments) on the sale of financial assets for investment or trading	(147 076)	71 025	(43 319)
Interest received on bonds and commercial paper	2 669	3 343	5 002
Net receipts on commissions and fees	2 486	2 622	4 910
Payments to operations	(9 129)	(8 451)	(16 279)
Taxes paid	(610)	(925)	(1 058)
Other net receipts/payments	9 694	18 120	24 100
<b>Net cash flow from operating activities</b>	<b>122 521</b>	<b>151 537</b>	<b>(2 926)</b>
<b>Investing activities</b>			
Net payments on the acquisition of fixed assets	(2 240)	(1 239)	(4 067)
Net payment for investment properties			(144)
Net disposal/(investment) in long-term shares	12 258	(256)	(218)
Dividends received on long-term investments in shares	1 039	4 633	8 153
<b>Net cash flow from investment activities</b>	<b>11 057</b>	<b>3 138</b>	<b>3 723</b>
<b>Financing activities</b>			
Receipts on issued bonds and commercial paper	737 582	565 794	1 068 424
Payments on redeemed bonds and commercial paper	(828 581)	(460 776)	(909 130)
Interest payments on issued bonds and commercial paper	(4 495)	(5 747)	(9 302)
Receipts on the raising of subordinated loan capital	4 056		9
Redemptions of subordinated loan capital	(4 207)	(9)	(9)
Interest payments on subordinated loan capital	(328)	(341)	(410)
Net receipts/(payments) on issue or redemption of additional Tier 1 capital	(10 024)	2 700	10 436
Interest payments on additional Tier 1 capital	(1 110)	(880)	(1 052)
Lease payments	(311)	(307)	(557)
Group contribution payments		(10 568)	(10 568)
<b>Net cash flow from funding activities</b>	<b>(107 418)</b>	<b>89 866</b>	<b>147 840</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>6 123</b>	<b>(826)</b>	<b>(50)</b>
<b>Net cash flow</b>	<b>32 283</b>	<b>243 715</b>	<b>148 588</b>
Cash as at 1 January	306 446	157 858	157 858
Net receipts of cash	32 283	243 715	148 588
Cash at end of period <sup>1)</sup>	338 729	401 573	306 446
 *) Of which: Cash and deposits with central banks	 335 269	 394 700	 301 246
Deposits with credit institutions with no agreed period of notice <sup>1)</sup>	3 460	6 873	5 200

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

## Cash flow statement (continued)

	DNB Bank Group		
	January-June	Full year	
Amounts in NOK million	2020	2019	2019
<b>Operating activities</b>			
Net payments on loans to customers	(21 364)	(51 912)	(80 135)
Interest received from customers	27 515	30 163	58 082
Net receipts on deposits from customers	93 117	61 135	41 519
Interest paid to customers	(2 434)	(3 415)	(11 289)
Net receipts on loans to credit institutions	106 707	45 042	41 700
Interest received from credit institutions	707	2 011	3 639
Interest paid to credit institutions	(1 235)	(2 341)	(4 287)
Net receipts/(payments) on the sale of financial assets for investment or trading	(36 730)	79 022	(13 684)
Interest received on bonds and commercial paper	2 248	3 253	4 882
Net receipts on commissions and fees	3 206	3 328	6 294
Payments to operations	(10 468)	(9 605)	(18 412)
Taxes paid	(1 002)	(1 281)	(1 878)
Other net receipts/payments	3 938	(2 408)	(778)
<b>Net cash flow from operating activities</b>	<b>164 205</b>	<b>152 992</b>	<b>25 653</b>
<b>Investing activities</b>			
Net payments on the acquisition of fixed assets	(2 344)	(1 105)	(3 966)
Net receipts/(payments) on investment properties	21	(15)	(116)
Net disposal in long-term shares		(183)	3 260
Dividends received on long-term investments in shares	60	75	942
<b>Net cash flow from investment activities</b>	<b>(2 263)</b>	<b>(1 227)</b>	<b>120</b>
<b>Financing activities</b>			
Receipts on issued bonds and commercial paper	735 851	598 844	1 097 101
Payments on redeemed bonds and commercial paper	(848 416)	(487 457)	(955 115)
Interest payments on issued bonds and commercial paper	(9 072)	(10 403)	(16 922)
Receipts on the raising of subordinated loan capital	4 056		9
Redemptions of subordinated loan capital	(4 207)	(9)	(9)
Interest payments on subordinated loan capital	(330)	(344)	(413)
Net receipts/(payments) on issue or redemption of additional Tier 1 capital	(10 024)	2 700	10 436
Interest payments on additional Tier 1 capital	(1 110)	(880)	(1 052)
Lease payments	(267)	(314)	(615)
Group contributions payments		(10 568)	(10 568)
<b>Net cash flow from funding activities</b>	<b>(133 520)</b>	<b>91 568</b>	<b>122 850</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>5 204</b>	<b>(604)</b>	<b>(174)</b>
<b>Net cash flow</b>	<b>33 626</b>	<b>242 728</b>	<b>148 449</b>
Cash as at 1 January	307 623	159 173	159 173
Net receipts of cash	33 626	242 728	148 449
Cash at end of period <sup>1)</sup>	341 249	401 902	307 623
<i>*) Of which: Cash and deposits with central banks</i>	<i>337 282</i>	<i>395 080</i>	<i>304 746</i>
<i>Deposits with credit institutions with no agreed period of notice <sup>1)</sup></i>	<i>3 967</i>	<i>6 822</i>	<i>2 877</i>

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

## Note 1 Basis for preparation

The quarterly financial statements for the DNB Bank Group have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. DNB Bank ASA has prepared the financial statements according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-6, on the use of IFRS. When preparing the consolidated financial statements, the management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied by the DNB Bank Group, can be found in note 1 Accounting principles in the annual report for 2019.

With effect from the first quarter of 2020, the DNB Bank Group changed the composition of reportable segments. For further information, see note 2 Segments.

## Note 2 Segments

According to DNB Bank's management model, the operating segments are independent profit centres that are fully responsible for their profit after tax and for achieving the targeted returns on allocated capital. DNB Bank has the following operating segments: Personal customers, Corporate customers and Risk management. Risk management segment is included in Other operations. DNB's share of profit in associated companies (most importantly Luminor and Vipps) is included in Other operations. With effect from the first quarter of 2020, the DNB Bank Group changed the composition of reportable segments, as the Small and medium-sized enterprises and Large corporates and international customers have been combined into the reportable segment Corporate customers. Figures for 2019 have been adjusted accordingly.

### Income statement, second quarter

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Bank Group	
	2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<i>Amounts in NOK million</i>										
Net interest income	3 389	3 372	5 944	5 807	305	567			9 638	9 746
Net other operating income	884	1 020	1 523	1 688	1 528	1 352	(79)	(390)	3 856	3 670
Total income	4 273	4 392	7 467	7 496	1 833	1 919	(79)	(390)	13 494	13 417
Operating expenses	(2 151)	(2 044)	(2 939)	(2 712)	(549)	(1 145)	79	390	(5 560)	(5 510)
Pre-tax operating profit before impairment	2 122	2 348	4 528	4 784	1 284	774			7 934	7 906
Net gains on fixed and intangible assets			0	(0)	(0)	(2)			0	(3)
Impairment of financial instruments	(82)	(76)	(2 030)	(371)	(8)	(3)			(2 120)	(450)
Profit from repossessed operations			(29)	(47)	29	47				
Pre-tax operating profit	2 041	2 272	2 469	4 365	1 304	816			5 814	7 454
Tax expense	(510)	(568)	(617)	(1 064)	(35)	142			(1 163)	(1 491)
Profit from operations held for sale, after taxes				0	(17)	(30)			(17)	(30)
Profit for the period	1 530	1 704	1 852	3 301	1 252	927			4 634	5 933

### Income statement, January-June

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Bank Group	
	Jan.-June		Jan.-June		Jan.-June		Jan.-June		Jan.-June	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<i>Amounts in NOK million</i>										
Net interest income	7 091	6 751	12 051	11 366	1 111	1 101			20 253	19 217
Net other operating income	1 804	1 882	2 905	3 246	4 639	2 238	(393)	(778)	8 955	6 588
Total income	8 895	8 633	14 956	14 611	5 750	3 339	(393)	(778)	29 208	25 805
Operating expenses	(4 345)	(4 062)	(5 804)	(5 384)	(1 002)	(2 164)	393	778	(10 757)	(10 832)
Pre-tax operating profit before impairment	4 550	4 571	9 152	9 227	4 748	1 174			18 450	14 973
Net gains on fixed and intangible assets			(0)	(1)	(0)	(2)			(0)	(3)
Impairment of financial instruments	(815)	(177)	(7 068)	(586)	(9)	(4)			(7 892)	(766)
Profit from repossessed operations			(109)	(129)	109	129				
Pre-tax operating profit	3 735	4 394	1 975	8 512	4 848	1 298			10 559	14 204
Taxes	(934)	(1 099)	(494)	(2 077)	(684)	334			(2 112)	(2 841)
Profit from operations held for sale, after taxes				2	(73)	(84)			(73)	(81)
Profit for the period	2 801	3 296	1 481	6 437	4 091	1 549			8 374	11 281

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

DNB Bank ASA		Primary capital	DNB Bank Group	
31 Dec. 2019	30 June 2020	Amounts in NOK million	30 June 2020	31 Dec. 2019
187 993	177 468	Total equity	221 867	229 619
		Effect from regulatory consolidation	(199)	(198)
(26 048)	(17 995)	Additional Tier 1 capital instruments included in total equity	(17 995)	(26 048)
(510)	(286)	Net accrued interest on additional Tier 1 capital instruments	(286)	(510)
161 434	159 187	Common equity Tier 1 capital instruments	203 387	202 862
		Deductions		
(2 376)	(2 424)	Goodwill	(2 998)	(2 946)
(457)	(457)	Deferred tax assets that are not due to temporary differences	(935)	(868)
(1 016)	(870)	Other intangible assets	(1 451)	(1 626)
		Group contribution, payable	(25 000)	(25 000)
(1 633)	(112)	Expected losses exceeding actual losses, IRB portfolios	(655)	(2 502)
(532)	(766)	Value adjustment due to the requirements for prudent valuation (AVA)	(1 012)	(810)
57	31	Adjustments for unrealised losses/(gains) on debt measured at fair value	(160)	2
(460)	(723)	Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(119)	(96)
155 017	153 865	Common equity Tier 1 capital	171 057	169 016
155 017	156 745	- including 50 per cent of profit for the period	174 948	169 016
26 048	17 995	Additional Tier 1 capital instruments	17 995	26 048
181 065	171 860	Tier 1 capital	189 052	195 064
181 065	174 739	- including 50 per cent of profit for the period	192 943	195 064
5 774	6 385	Perpetual subordinated loan capital	6 385	5 774
24 943	27 169	Term subordinated loan capital	27 169	24 943
30 717	33 555	Additional Tier 2 capital instruments	33 555	30 717
211 783	205 415	Total eligible capital	222 607	225 781
211 783	208 294	- including 50 per cent of profit for the period	226 498	225 781
804 721	826 410	Risk-weighted assets	971 976	924 869
64 378	66 113	Minimum capital requirement	77 758	73 990
Capital ratios incl. 50 per cent of profit for the period (%):				
19.3	19.0	Common equity Tier 1 capital ratio	18.0	18.3
22.5	21.1	Tier 1 capital ratio	19.9	21.1
26.3	25.2	Capital ratio	23.3	24.4
Capital ratios excl. 50 per cent of profit for the period (%):				
	18.6	Common equity Tier 1 capital ratio	17.6	
	20.8	Tier 1 capital ratio	19.5	
	24.9	Capital ratio	22.9	

## 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 Bank ASA

	Nominal exposure 30 June 2020	EAD <sup>1)</sup> 30 June 2020	Average risk weights in per cent 30 June 2020	Risk- weighted assets 30 June 2020	Capital require- ments 30 June 2020	Capital require- ments 31 Dec. 2019
<i>Amounts in NOK million</i>						
IRB approach						
Corporate	808 761	669 644	47.8	319 987	25 599	23 886
Specialised lending (SL)	12 722	12 011	57.3	6 879	550	442
Retail - mortgages	118 088	118 080	24.0	28 380	2 270	2 476
Retail - other exposures	94 148	78 389	24.6	19 309	1 545	1 653
Securitisation						
Total credit risk, IRB approach	1 033 719	878 125	42.7	374 554	29 964	28 457
Standardised approach						
Central government	392 075	390 813	0.0	78	6	3
Institutions	702 152	622 563	17.1	106 725	8 538	8 510
Corporate	124 000	107 114	65.9	70 556	5 644	6 025
Retail - mortgages	14 188	13 513	42.8	5 790	463	362
Retail - other exposures	155 619	53 221	74.7	39 774	3 182	2 560
Equity positions	114 796	114 796	100.2	114 996	9 200	9 540
Other assets	20 733	20 206	126.0	25 462	2 037	1 853
Total credit risk, standardised approach	1 523 563	1 322 226	27.5	363 381	29 070	28 852
Total credit risk	2 557 282	2 200 351	33.5	737 935	59 035	57 309
Market risk						
Position risk, debt instruments				9 181	735	827
Position risk, equity instruments				617	49	30
Currency risk				12	1	1
Commodity risk				0	0	0
Credit value adjustment risk (CVA)				4 973	398	316
Total market risk				14 784	1 183	1 173
Operational risk				73 691	5 895	5 895
Total risk-weighted assets and capital requirements				826 410	66 113	64 378

1) EAD, exposure at default.

## Note 3 Capital adequacy (continued)

### Specification of risk-weighted assets and capital requirements

	DNB Bank Group					
	Nominal exposure	EAD <sup>1)</sup>	Average risk weights in per cent	Risk-weighted assets	Capital requirements	Capital requirements
<i>Amounts in NOK million</i>	30 June 2020	30 June 2020	30 June 2020	30 June 2020	30 June 2020	31 Dec. 2019
IRB approach						
Corporate	1 020 906	844 958	49.3	416 524	33 322	30 537
Specialised Lending (SL)	14 005	13 294	57.1	7 587	607	503
Retail - mortgages	808 166	808 158	21.7	175 737	14 059	13 893
Retail - other exposures	94 148	78 389	24.6	19 309	1 545	1 653
Securitisation						
Total credit risk, IRB approach	1 937 225	1 744 799	35.5	619 157	49 533	46 586
Standardised approach						
Central government	409 407	408 807	0.1	362	29	6
Institutions	236 760	205 825	14.3	29 333	2 347	2 667
Corporate	195 694	167 394	69.1	115 740	9 259	9 320
Retail - mortgages	68 434	64 634	48.8	31 519	2 522	2 245
Retail - other exposures	162 782	58 139	74.1	43 102	3 448	2 812
Equity positions	11 978	11 945	84.6	10 102	808	764
Other assets	21 963	20 896	85.0	17 769	1 422	1 241
Total credit risk, standardised approach	1 107 018	937 640	26.4	247 926	19 834	19 054
Total credit risk	3 044 242	2 682 439	32.3	867 084	69 367	65 641
Market risk						
Position risk, debt instruments				9 731	778	842
Position risk, equity instruments				617	49	30
Currency risk				12	1	1
Commodity risk				0	0	0
Credit value adjustment risk (CVA)				5 507	441	354
Total market risk				15 867	1 269	1 227
Operational risk				89 025	7 122	7 122
Total risk-weighted assets and capital requirements				971 976	77 758	73 990

1) EAD, exposure at default.

## Note 4 Measurement of expected credit loss (ECL)

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In light of the spread of COVID-19, a variety of measures have been taken by the banking group to assist individuals and businesses in handling the financial consequences of the virus outbreak, primarily by offering payment waivers to customers. Furthermore, the business-related and financial impacts on the various business segments as well as Government relief programmes have been considered when measuring expected credit losses (ECL) on loans to customers, loan commitments, financial guarantees and other financial instruments subject to the IFRS 9 impairment rules.

### Forbearance

Following the business-related and financial impacts of the COVID-19 outbreak, DNB has offered several customers payment waivers in order to provide temporary relief from the current situation, primarily by granting reduced or deferred instalment payments.

The Group has a policy that payment waivers directly related to COVID-19 combined with an otherwise healthy financial situation for the customer are not to result in forbearance classification. However, when payment waivers are combined with high credit risk and an expectation that the forbearance measures are not temporary, reclassification to the forbearance category should still be performed. The gross carrying amount of loans and financial commitments classified in the forbearance category was NOK 36 056 million as at 30 June 2020, compared with NOK 34 469 million as at 31 December 2019.

### Segmentation, macro scenarios and credit cycle index

The assessment of significant increases in credit risk and the calculation of ECL incorporate past, present and forward-looking information. Following the COVID-19 outbreak, the massive lockdown and gradual reopening of the economy, the level of uncertainty in assessing forward-looking information has increased substantially. During the first half of 2020, the oil price declined sharply and has subsequently stabilised at relatively low levels. In addition, the ongoing challenges in the OPEC coordination adds further complexity to the process of establishing forward-looking information. The uncertainty encompasses the magnitude and duration of the business-related and financial impacts as well as the impact of the various financial support and relief measures being implemented by the Government.

In order to reflect the effect of macro drivers in a reasonable and supportable manner, DNB's portfolio is divided into 22 segments with shared credit risk characteristics. The forecast periods incorporated in the segments vary between three and four years, and forecasts are prepared for each year in the forecast period. The macroeconomic forecasts for each segment have been carefully considered in the expert credit judgement forum to ensure that they reflect the expected impact of the economic consequences of the COVID-19 outbreak. Macro forecasts are usually obtained from DNB Markets and supplementary internal sources. Following the rapid change in the economic situation during the first half of 2020, forecasts from various external sources have also been considered. When selecting the macroeconomic forecasts, consideration has been given to both the reliability of the source and the timeliness of the update. Norges Bank is the main source for unemployment rates for Norway and GDP rates for Sweden this quarter.

Due consideration has been given to all aspects of the situation when assessing the duration of the financial and business-related consequences of the COVID-19 outbreak. In general, the estimated adverse economic impact is incorporated into the first year of the period. The remaining forecast periods are expected to be substantially less affected by the adverse economic consequences.

When the expected business-related and financial impacts in the updated macro forecasts are not reflected in projections of the credit cycle in a way that represents the management's view, professional judgement has been applied to ensure the management's view is better reflected in the credit cycle index used.

### Sensitivity

To calculate expected credit losses in stages 1 and 2, DNB uses a range of macroeconomic variables. Each variable is given several alternative scenarios of probability.

Macroeconomic variables are interrelated, in that changes in a forecast in one variable will most likely affect forecasts in the other variables. Furthermore, a weakening of the macro forecasts would normally imply more customers migrating from stages 1 and 2 to stages 2 and 3. Comparative sensitivity analyses for each macroeconomic variable will therefore, in isolation, not provide relevant sensitivity information.

DNB has simulated an alternative adverse scenario for relevant macro forecasts. The scenario represents a possible downside compared with the scenario used for calculating the ECL recognised in the financial statements. Each macroeconomic variable is given alternative weaker expectations for each period in the forecast period. In the simulated alternative scenario, the ECL in stages 1 and 2 would increase by approximately 92 per cent compared with the ECL in stages 1 and 2 that is recognised in the financial statements at 30 June 2020.

The following table shows selected base case macroeconomic variables for the period 2020 to 2022 in the DNB's model used to calculate the ECL recognised in the financial statements compared to the base case in the alternative scenario. Each variable represents an annual estimate.

## Note 4 Measurement of expected credit loss (ECL) (continued)

### Selected base case macroeconomic variables used for calculating the ECL recognised in the financial statements and the alternative scenario

	Base case financial statements			Base case alternative scenario		
	2020	2021	2022	2020	2021	2022
Global GDP, year-to-year growth	(4.1)	6.3	3.7	(5.9)	0.3	3.7
Emerging countries' GDP, year-to-year growth	(2.1)	7.1	4.5	(4.0)	2.2	4.5
Swedish GDP, year-to-year growth	(4.7)	4.1	3.1	(8.0)	(0.5)	3.1
Oil price, USD per barrel	42	50	65	32	30	42
Norwegian house price index, year-to-year growth	2.8	3.3	2.6	(3.7)	(16.6)	2.6
Norwegian registered unemployment rate	5.0	3.2	2.8	7.4	7.0	2.8
NIBOR 3-month interest rate	0.8	0.3	0.3	0.9	0.5	0.3

The following table provides an overview of the macro forecasts that are included in the loan loss model. The table includes the average downside that is imposed on each macro variable in the alternative scenario.

### Change from the average base case level used for calculating the ECL recognised in the financial statements, to the average base case level used in the alternative scenario

	Change
Global GDP (percentage points)	(2.0)
Emerging countries' GDP (percentage points)	(1.7)
Oil price (per cent)	(33.0)
Norwegian mainland GDP (percentage points)	(1.9)
Norwegian consumer price index (percentage points)	(0.1)
Norwegian house price index (percentage points)	(6.6)
Norwegian registered unemployment rate (percentage points)	1.6
NIBOR 3-month interest rate (percentage points)	0.1
Swedish GDP (percentage points)	(2.0)
Norwegian commercial real estate rental price (per cent)	(1.8)
Salmon price (per cent)	(36.1)
Floater spot rate (per cent)	(10.6)
Rig utilisation rate (per cent)	0.0
Very large crude carriers spot rate (per cent)	(39.6)
Capesize spot rate (per cent)	(43.8)
Very large gas carrier spot rate (per cent)	(3.4)

One of the most significant exposures in stages 1 and 2 is lending to personal customers. This lending includes mortgage lending, credit card lending and consumer financing. In addition to specific customer attributes, the portfolio's ECL is forecast<sup>eds</sup> based on the Norwegian house price index, the Norwegian interest rate, the household debt level and the unemployment rate. In the simulated alternative scenario, where all of these input parameters are given more adverse projections, the ECL in stages 1 and 2 would increase by approximately 125 per cent for the personal customer portfolio compared with the ECL measured at 30 June 2020 for the same portfolio and stages.

DNB has furthermore investigated the effect of non-linearity in the ECL for stages 1 and 2. If the base case scenario alone is used to calculate expected credit losses, thereby excluding the fan that represents the range of alternative scenarios, the ECL at 30 June 2020 would decrease by 13 per cent.

### Significant increase in credit risk (staging)

To assess significant increase in credit risk, the banking group considers changes in the probability of a default occurring during the expected life of a financial instrument. Debt levels are expected to rise, and this will typically affect credit risk assessments.

The assessment of a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and backstops. The extension or deferral of payments from borrowers does not automatically result in instruments being considered to have a significantly increased credit risk. Careful consideration is given to whether the credit risk has significantly increased and borrowers are unlikely to restore their creditworthiness, or whether the borrowers are only experiencing a temporary liquidity constraint, for instance due to COVID-19 lockdown measures. On a general level, a change in the macroeconomic outlook will influence the assessment of a significant increase in customers' credit risk, as this will affect the overall view of the economic situation for the relevant segment.

### Measurement of expected credit loss for credit-impaired financial instruments

The business-related and financial impacts of the COVID-19 outbreak and the oil price fall, as well as of the assessed relief expected to be provided through established Government programmes, are incorporated into the net present value of the discounted estimated future cash flows.

### Sensitivity

If the value of collaterals on all stage 3 exposures were reduced by 10 per cent, the stage 3 ECL at 30 June 2020 would increase by approximately NOK 1.8 billion.

## 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 effect from consolidation and other changes affecting the gross carrying amount and maximum exposure.

### Loans to customers at amortised cost (quarterly figures) <sup>1)</sup>

DNB Bank ASA

Amounts in NOK million	2nd quarter 2020				2nd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 31 March</b>	<b>652 852</b>	<b>109 473</b>	<b>28 650</b>	<b>790 975</b>	<b>645 085</b>	<b>44 619</b>	<b>22 932</b>	<b>712 636</b>
Transfer to stage 1	22 114	(21 811)	(302)		7 366	(7 334)	(32)	
Transfer to stage 2	(40 217)	40 635	(418)		(10 511)	10 876	(365)	
Transfer to stage 3	(358)	(3 518)	3 877		(943)	(728)	1 672	
Originated and purchased	41 902	2 729	0	44 631	71 448	463	0	71 911
Derecognition	(47 819)	(11 853)	(2 646)	(62 318)	(56 430)	(3 131)	(1 951)	(61 512)
Exchange rate movements	(955)	(151)	(59)	(1 166)	(490)	(35)	(30)	(554)
<b>Gross carrying amount as at 30 June</b>	<b>627 518</b>	<b>115 503</b>	<b>29 101</b>	<b>772 123</b>	<b>655 524</b>	<b>44 730</b>	<b>22 227</b>	<b>722 481</b>

### Loans to customers at amortised cost (year-to-date figures) <sup>1)</sup>

DNB Bank ASA

Amounts in NOK million	Jan.-June 2020				Jan.-June 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 31 Dec.</b>	<b>678 866</b>	<b>53 733</b>	<b>21 251</b>	<b>753 849</b>	<b>607 258</b>	<b>49 259</b>	<b>23 195</b>	<b>679 712</b>
Transfer to stage 1	25 768	(25 280)	(488)		16 218	(15 981)	(237)	
Transfer to stage 2	(98 932)	99 740	(807)		(17 477)	18 711	(1 233)	
Transfer to stage 3	(2 786)	(8 743)	11 529		(1 241)	(1 526)	2 767	
Originated and purchased	113 628	12 223	(0)	125 851	136 214	1 561	0	137 775
Derecognition	(93 649)	(16 585)	(2 644)	(112 878)	(98 510)	(7 203)	(2 212)	(107 925)
Exchange rate movements	4 624	416	263	5 302	(2 145)	(167)	(53)	(2 365)
Other <sup>2)</sup>					15 208	76		15 284
<b>Gross carrying amount as at 30 June</b>	<b>627 518</b>	<b>115 503</b>	<b>29 101</b>	<b>772 123</b>	<b>655 524</b>	<b>44 730</b>	<b>22 227</b>	<b>722 481</b>

1) Figures from 1 January 2020 are recognised excluding loans at fair value through other comprehensive income. Historical figures have been adjusted accordingly.

2) With effect from 1 January 2019, DNB Næringskreditt AS was merged with DNB Bank ASA. The merger means that DNB Bank has taken over all assets, rights and obligations belonging to DNB Næringskreditt without remuneration.

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

### Loans to customers at amortised cost (quarterly figures)

DNB Bank Group

Amounts in NOK million	2nd quarter 2020				2nd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 31 March</b>	<b>1 521 667</b>	<b>158 246</b>	<b>33 558</b>	<b>1 713 470</b>	<b>1 479 003</b>	<b>80 272</b>	<b>27 115</b>	<b>1 586 389</b>
Transfer to stage 1	36 838	(36 451)	(388)		18 701	(18 590)	(110)	
Transfer to stage 2	(55 058)	56 319	(1 261)		(21 286)	22 556	(1 270)	
Transfer to stage 3	(597)	(5 310)	5 907		(1 116)	(1 035)	2 151	
Originated and purchased	89 120	639	(0)	89 759	125 376	(0)	(0)	125 376
Derecognition	(97 613)	(14 671)	(1 489)	(113 773)	(96 162)	(5 974)	(2 762)	(104 898)
Exchange rate movements	(10 620)	(1 823)	(463)	(12 906)	(2 127)	(186)	(66)	(2 379)
Other					(1)			(1)
<b>Gross carrying amount as at 30 June</b>	<b>1 483 737</b>	<b>156 949</b>	<b>35 864</b>	<b>1 676 550</b>	<b>1 502 387</b>	<b>77 042</b>	<b>25 058</b>	<b>1 604 487</b>

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

DNB Bank Group

Amounts in NOK million	Jan.-June 2020				Jan.-June 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 31 Dec.</b>	<b>1 519 017</b>	<b>88 291</b>	<b>24 297</b>	<b>1 631 605</b>	<b>1 449 032</b>	<b>82 255</b>	<b>27 832</b>	<b>1 559 120</b>
Transfer to stage 1	48 272	(47 301)	(972)		35 988	(35 562)	(426)	
Transfer to stage 2	(135 320)	137 106	(1 786)		(40 742)	42 992	(2 250)	
Transfer to stage 3	(3 515)	(12 432)	15 947		(1 554)	(2 001)	3 556	
Originated and purchased	216 161	10 575	0	226 737	241 500	380	0	241 879
Derecognition	(177 328)	(20 454)	(1 848)	(199 630)	(175 904)	(10 663)	(3 554)	(190 121)
Exchange rate movements	16 450	1 163	227	17 839	(6 182)	(359)	(100)	(6 642)
Other					250			250
<b>Gross carrying amount as at 30 June</b>	<b>1 483 737</b>	<b>156 949</b>	<b>35 864</b>	<b>1 676 550</b>	<b>1 502 387</b>	<b>77 042</b>	<b>25 058</b>	<b>1 604 487</b>

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

### Financial commitments (quarterly figures)

#### DNB Bank ASA

Amounts in NOK million	2nd quarter 2020				2nd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Maximum exposure as at 31 March</b>	<b>439 359</b>	<b>38 313</b>	<b>5 006</b>	<b>482 677</b>	<b>470 095</b>	<b>17 478</b>	<b>3 091</b>	<b>490 664</b>
Transfer to stage 1	7 734	(7 717)	(17)		6 608	(6 595)	(13)	
Transfer to stage 2	(13 644)	13 980	(335)		(3 533)	3 565	(32)	
Transfer to stage 3	(414)	(447)	861		(783)	(475)	1 258	
Originated and purchased	98 849	(0)	0	98 849	103 077	(0)	0	103 077
Derecognition	(80 043)	(3 019)	(295)	(83 356)	(94 529)	(1 176)	(94)	(95 799)
Exchange rate movements	(2 971)	(125)	(16)	(3 111)	(789)	(13)	(22)	(824)
<b>Maximum exposure as at 30 June</b>	<b>448 869</b>	<b>40 985</b>	<b>5 205</b>	<b>495 059</b>	<b>480 148</b>	<b>12 784</b>	<b>4 187</b>	<b>497 119</b>

### Financial commitments (year-to-date figures)

#### DNB Bank ASA

Amounts in NOK million	Jan.-June 2020				Jan.-June 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Maximum exposure as at 31 Dec.</b>	<b>442 766</b>	<b>13 537</b>	<b>3 245</b>	<b>459 547</b>	<b>457 594</b>	<b>18 722</b>	<b>3 922</b>	<b>480 237</b>
Transfer to stage 1	9 293	(9 152)	(142)		10 505	(10 389)	(116)	
Transfer to stage 2	(44 731)	45 114	(383)		(7 141)	7 279	(138)	
Transfer to stage 3	(1 139)	(1 832)	2 970		(835)	(567)	1 402	
Originated and purchased	186 687	0	0	186 688	199 712	0	(0)	199 712
Derecognition	(148 245)	(6 756)	(509)	(155 510)	(178 012)	(2 236)	(839)	(181 086)
Exchange rate movements	4 238	72	23	4 333	(1 675)	(25)	(44)	(1 744)
<b>Maximum exposure as at 30 June</b>	<b>448 869</b>	<b>40 985</b>	<b>5 205</b>	<b>495 059</b>	<b>480 148</b>	<b>12 784</b>	<b>4 187</b>	<b>497 119</b>

### Financial commitments (quarterly figures)

#### DNB Bank Group

Amounts in NOK million	2nd quarter 2020				2nd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Maximum exposure as at 31 March</b>	<b>611 409</b>	<b>51 914</b>	<b>5 516</b>	<b>668 839</b>	<b>644 896</b>	<b>27 604</b>	<b>3 247</b>	<b>675 747</b>
Transfer to stage 1	9 745	(9 724)	(21)		7 850	(7 836)	(14)	
Transfer to stage 2	(16 023)	16 359	(336)		(5 041)	5 201	(160)	
Transfer to stage 3	(724)	(4 400)	5 124		(784)	(477)	1 260	
Originated and purchased	113 031	1 184	0	114 215	109 452	320	(0)	109 772
Derecognition	(80 855)	(3 265)	(2 279)	(86 399)	(102 929)	(2 014)	(95)	(105 039)
Exchange rate movements	(7 751)	(938)	(74)	(8 764)	(2 105)	(93)	(23)	(2 220)
<b>Maximum exposure as at 30 June</b>	<b>628 830</b>	<b>51 130</b>	<b>7 931</b>	<b>687 891</b>	<b>651 338</b>	<b>22 707</b>	<b>4 216</b>	<b>678 261</b>

### Financial commitments (year-to-date figures)

#### DNB Bank Group

Amounts in NOK million	Jan.-June 2020				Jan.-June 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Maximum exposure as at 31 Dec.</b>	<b>617 345</b>	<b>23 794</b>	<b>3 343</b>	<b>644 482</b>	<b>620 917</b>	<b>29 462</b>	<b>4 152</b>	<b>654 531</b>
Transfer to stage 1	13 278	(13 132)	(146)		12 676	(12 559)	(117)	
Transfer to stage 2	(54 416)	54 801	(385)		(9 924)	10 190	(265)	
Transfer to stage 3	(1 509)	(6 120)	7 629		(836)	(569)	1 405	
Originated and purchased	201 974	1 184	0	203 158	218 328	105	0	218 434
Derecognition	(160 913)	(10 170)	(2 524)	(173 608)	(185 164)	(3 752)	(917)	(189 834)
Exchange rate movements	13 073	772	14	13 860	(4 658)	(169)	(43)	(4 870)
<b>Maximum exposure as at 30 June</b>	<b>628 830</b>	<b>51 130</b>	<b>7 931</b>	<b>687 891</b>	<b>651 338</b>	<b>22 707</b>	<b>4 216</b>	<b>678 261</b>

## 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 effect from consolidation and other changes affecting the expected credit loss.

### Loans to customers at amortised cost (quarterly figures)

Amounts in NOK million	2nd quarter 2020				2nd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Accumulated impairment as at 31 March</b>	<b>(619)</b>	<b>(1 482)</b>	<b>(10 051)</b>	<b>(12 152)</b>	<b>(180)</b>	<b>(702)</b>	<b>(7 420)</b>	<b>(8 302)</b>
Transfer to stage 1	(146)	137	9		(44)	43	0	
Transfer to stage 2	46	(74)	28		7	(27)	21	
Transfer to stage 3	0	159	(159)		3	2	(5)	
Originated and purchased	(74)	(32)		(105)	(40)	(8)		(49)
Increased expected credit loss <sup>1)</sup>	(166)	(486)	(2 699)	(3 351)	(51)	(230)	(852)	(1 133)
Decreased (reversed) expected credit loss <sup>1)</sup>	270	218	1 011	1 499	127	173	566	867
Write-offs			109	109	0	0	503	503
Derecognition (including repayments)	32	139	36	207	1	40		40
Exchange rate movements	2	1	31	34	0	0	4	5
<b>Accumulated impairment as at 30 June</b>	<b>(655)</b>	<b>(1 419)</b>	<b>(11 685)</b>	<b>(13 758)</b>	<b>(177)</b>	<b>(709)</b>	<b>(7 182)</b>	<b>(8 068)</b>

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

Amounts in NOK million	Jan.-June 2020				Jan.-June 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Accumulated impairment as at 31 Dec.</b>	<b>(168)</b>	<b>(777)</b>	<b>(8 252)</b>	<b>(9 197)</b>	<b>(154)</b>	<b>(850)</b>	<b>(7 416)</b>	<b>(8 420)</b>
Transfer to stage 1	(213)	192	21		(88)	85	2	
Transfer to stage 2	67	(108)	41		11	(40)	29	
Transfer to stage 3	1	211	(212)		3	26	(29)	
Originated and purchased	(138)	(153)		(291)	(59)	(14)		(73)
Increased expected credit loss <sup>1)</sup>	(581)	(1 352)	(5 951)	(7 884)	(100)	(380)	(2 236)	(2 717)
Decreased (reversed) expected credit loss <sup>1)</sup>	338	362	1 794	2 493	208	321	1 740	2 269
Write-offs			879	879	0	0	715	716
Derecognition (including repayments)	43	209	47	299	1	141		142
Exchange rate movements	(4)	(3)	(51)	(58)	1	2	12	15
<b>Accumulated impairment as at 30 June</b>	<b>(655)</b>	<b>(1 419)</b>	<b>(11 685)</b>	<b>(13 758)</b>	<b>(177)</b>	<b>(709)</b>	<b>(7 182)</b>	<b>(8 068)</b>

1) DNB has performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans in the second quarter of 2019. The net effect of the recalibration is an increase in expected credit loss of approximately NOK 70 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)

### Loans to customers at amortised cost (quarterly figures)

DNB Bank Group

Amounts in NOK million	2nd quarter 2020				2nd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Accumulated impairment as at 31 March</b>	<b>(922)</b>	<b>(2 306)</b>	<b>(10 777)</b>	<b>(14 005)</b>	<b>(392)</b>	<b>(1 040)</b>	<b>(8 265)</b>	<b>(9 698)</b>
Transfer to stage 1	(204)	188	16		(72)	70	2	
Transfer to stage 2	69	(117)	48		16	(43)	27	
Transfer to stage 3	1	159	(160)		3	3	(6)	
Originated and purchased	(101)	(33)		(134)	(65)	(13)	0	(77)
Increased expected credit loss <sup>1)</sup>	(266)	(508)	(3 396)	(4 170)	(63)	(297)	(983)	(1 343)
Decreased (reversed) expected credit loss <sup>1)</sup>	387	271	1 341	1 998	248	247	622	1 117
Write-offs			135	135	0	0	776	776
Derecognition (including repayments)	38	299	36	374	5	54	33	93
Exchange rate movements	22	75	96	193	1	4	9	15
Other						0	(9)	(9)
<b>Accumulated impairment as at 30 June</b>	<b>(978)</b>	<b>(1 971)</b>	<b>(12 660)</b>	<b>(15 609)</b>	<b>(319)</b>	<b>(1 015)</b>	<b>(7 792)</b>	<b>(9 126)</b>

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

DNB Bank Group

Amounts in NOK million	Jan.-June 2020				Jan.-June 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Accumulated impairment as at 31 Dec.</b>	<b>(305)</b>	<b>(1 041)</b>	<b>(8 904)</b>	<b>(10 251)</b>	<b>(351)</b>	<b>(1 224)</b>	<b>(8 321)</b>	<b>(9 897)</b>
Transfer to stage 1	(281)	250	30		(137)	128	8	
Transfer to stage 2	107	(176)	70		24	(70)	46	
Transfer to stage 3	1	217	(218)		3	28	(31)	
Originated and purchased	(198)	(157)		(355)	(110)	(19)	0	(129)
Increased expected credit loss <sup>1)</sup>	(821)	(1 870)	(6 968)	(9 660)	(143)	(491)	(2 688)	(3 322)
Decreased (reversed) expected credit loss <sup>1)</sup>	477	435	2 208	3 120	383	466	2 142	2 991
Write-offs			1 167	1 167	0	0	990	990
Derecognition (including repayments)	55	386	47	488	7	161	33	202
Exchange rate movements	(12)	(14)	(91)	(118)	5	7	25	37
Other					(1)		3	3
<b>Accumulated impairment as at 30 June</b>	<b>(978)</b>	<b>(1 971)</b>	<b>(12 660)</b>	<b>(15 609)</b>	<b>(319)</b>	<b>(1 015)</b>	<b>(7 792)</b>	<b>(9 126)</b>

1) DNB has performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans in the second quarter of 2019. The net effect of the recalibration is a decrease in expected credit loss of NOK 5 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 Bank ASA

Amounts in NOK million	2nd quarter 2020				2nd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Accumulated impairment as at 31 March</b>	<b>(315)</b>	<b>(767)</b>	<b>(1 112)</b>	<b>(2 194)</b>	<b>(152)</b>	<b>(466)</b>	<b>(540)</b>	<b>(1 159)</b>
Transfer to stage 1	(51)	51			(50)	50	0	
Transfer to stage 2	21	(23)	2		4	(5)	1	
Transfer to stage 3		44	(44)		0	4	(5)	
Originated and purchased	(138)	(23)		(161)	(67)	(3)		(70)
Increased expected credit loss <sup>1)</sup>	(95)	(204)	(199)	(499)	(9)	(128)	(265)	(401)
Decreased (reversed) expected credit loss <sup>1)</sup>	115	102	284	501	125	103	88	316
Derecognition	2	47		49	0	20		20
Exchange rate movements	2	2	0	4	0	0	5	5
Other					0	(1)	13	13
<b>Accumulated impairment as at 30 June</b>	<b>(459)</b>	<b>(770)</b>	<b>(1 070)</b>	<b>(2 299)</b>	<b>(148)</b>	<b>(425)</b>	<b>(703)</b>	<b>(1 276)</b>

### Financial commitments (year-to-date figures)

DNB Bank ASA

Amounts in NOK million	Jan.-June 2020				Jan.-June 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Accumulated impairment as at 31 Dec.</b>	<b>(111)</b>	<b>(358)</b>	<b>(546)</b>	<b>(1 016)</b>	<b>(117)</b>	<b>(436)</b>	<b>(569)</b>	<b>(1 122)</b>
Transfer to stage 1	(74)	72	3		(79)	79	0	
Transfer to stage 2	47	(50)	3		8	(9)	1	
Transfer to stage 3	1	107	(107)		0	5	(5)	
Originated and purchased	(187)	(30)		(217)	(104)	(6)		(109)
Increased expected credit loss <sup>1)</sup>	(279)	(712)	(985)	(1 975)	(29)	(251)	(376)	(656)
Decreased (reversed) expected credit loss <sup>1)</sup>	145	130	563	838	171	145	226	542
Derecognition	2	72		74	0	48		49
Exchange rate movements	(2)	(1)	(0)	(3)	1	1	5	7
Other	0	0	0	0	0	0	14	13
<b>Accumulated impairment as at 30 June</b>	<b>(459)</b>	<b>(770)</b>	<b>(1 070)</b>	<b>(2 299)</b>	<b>(148)</b>	<b>(425)</b>	<b>(703)</b>	<b>(1 276)</b>

1) DNB has performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 financial commitments in the second quarter of 2019. The net effect of the recalibration is an increase in expected credit loss of approximately NOK 70 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 Bank Group

Amounts in NOK million	2nd quarter 2020				2nd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Accumulated impairment as at 31 March</b>	<b>(386)</b>	<b>(1 583)</b>	<b>(1 110)</b>	<b>(3 079)</b>	<b>(187)</b>	<b>(1 016)</b>	<b>(541)</b>	<b>(1 743)</b>
Transfer to stage 1	(55)	55			(53)	53	0	
Transfer to stage 2	24	(26)	2		4	(5)	1	
Transfer to stage 3		186	(186)		0	4	(5)	
Originated and purchased	(164)	(24)		(188)	(75)	(3)		(78)
Increased expected credit loss <sup>1)</sup>	(116)	(479)	(608)	(1 204)	(9)	(181)	(261)	(451)
Decreased (reversed) expected credit loss <sup>1)</sup>	144	705	835	1 684	142	222	88	452
Derecognition	2	169		170	1	21	0	22
Exchange rate movements	7	74	0	81	1	5	5	10
Other					(1)	(1)	13	12
<b>Accumulated impairment as at 30 June</b>	<b>(545)</b>	<b>(922)</b>	<b>(1 067)</b>	<b>(2 535)</b>	<b>(176)</b>	<b>(900)</b>	<b>(700)</b>	<b>(1 776)</b>

### Financial commitments (year-to-date figures)

DNB Bank Group

Amounts in NOK million	Jan.-June 2020				Jan.-June 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Accumulated impairment as at 31 Dec.</b>	<b>(146)</b>	<b>(667)</b>	<b>(543)</b>	<b>(1 357)</b>	<b>(149)</b>	<b>(1 001)</b>	<b>(569)</b>	<b>(1 719)</b>
Transfer to stage 1	(88)	85	3		(82)	82	0	
Transfer to stage 2	52	(56)	3		9	(10)	1	
Transfer to stage 3	1	250	(250)		0	5	(5)	
Originated and purchased	(218)	(30)		(249)	(120)	(6)		(126)
Increased expected credit loss <sup>1)</sup>	(334)	(1 405)	(1 393)	(3 132)	(31)	(340)	(372)	(742)
Decreased (reversed) expected credit loss <sup>1)</sup>	191	739	1 114	2 044	194	311	226	731
Derecognition	2	196		198	1	50	0	51
Exchange rate movements	(4)	(33)	(1)	(38)	1	9	5	16
Other	0	0	0	0	0	0	14	14
<b>Accumulated impairment as at 30 June</b>	<b>(545)</b>	<b>(922)</b>	<b>(1 067)</b>	<b>(2 535)</b>	<b>(176)</b>	<b>(900)</b>	<b>(700)</b>	<b>(1 776)</b>

1) DNB has performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 financial commitments in the second quarter of 2019. The net effect of the recalibration is a decrease in expected credit loss of NOK 5 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 30 June 2020

Amounts in NOK million	Gross carrying amount	Accumulated impairment			DNB Bank Group	
		Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	109 127	(60)	(20)	(311)		108 737
Commercial real estate	177 125	(84)	(91)	(369)	140	176 722
Shipping	48 920	(61)	(199)	(338)		48 322
Oil, gas and offshore	70 242	(93)	(513)	(8 419)		61 218
Power and renewables	34 257	(46)	(20)	(27)		34 165
Healthcare	23 432	(22)	(2)			23 409
Public sector	15 866	(9)	(0)	(0)		15 856
Fishing, fish farming and farming	47 201	(56)	(60)	(138)	121	47 069
Retail industries	38 516	(40)	(65)	(396)	27	38 043
Manufacturing	44 861	(54)	(83)	(229)	5	44 501
Technology, media and telecom	27 771	(46)	(16)	(30)	6	27 684
Services	82 408	(100)	(130)	(659)	67	81 586
Residential property	95 254	(30)	(23)	(138)	363	95 425
Personal customers	797 363	(210)	(415)	(680)	48 003	844 061
Other corporate customers	64 205	(68)	(333)	(928)	63	62 939
<b>Total <sup>1)</sup></b>	<b>1 676 550</b>	<b>(978)</b>	<b>(1 971)</b>	<b>(12 660)</b>	<b>48 795</b>	<b>1 709 736</b>

1) Of which NOK 51 657 million in repo trading volumes.

### Loans to customers as at 30 June 2019

Amounts in NOK million	Gross carrying amount	Accumulated impairment			DNB Bank Group	
		Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	111 216	(6)	(9)	(20)		111 180
Commercial real estate	166 273	(12)	(47)	(320)	167	166 063
Shipping	52 110	(54)	(95)	(372)		51 589
Oil, gas and offshore	56 993	(58)	(399)	(3 812)		52 724
Power and renewables	29 888	(5)	(3)	(62)		29 818
Healthcare	24 625	(6)	(9)			24 609
Public sector	12 038	(1)	(0)	(0)		12 037
Fishing, fish farming and farming	37 207	(6)	(20)	(88)	162	37 255
Retail industries	43 482	(13)	(21)	(671)	62	42 839
Manufacturing	45 579	(23)	(15)	(359)	19	45 201
Technology, media and telecom	27 245	(20)	(8)	(31)	24	27 210
Services	66 795	(24)	(34)	(633)	203	66 308
Residential property	93 973	(7)	(18)	(240)	388	94 095
Personal customers	773 603	(71)	(291)	(654)	47 331	819 918
Other corporate customers	63 461	(13)	(45)	(531)	64	62 936
<b>Total <sup>1)</sup></b>	<b>1 604 487</b>	<b>(319)</b>	<b>(1 015)</b>	<b>(7 792)</b>	<b>48 420</b>	<b>1 643 781</b>

1) Of which NOK 45 349 million in repo trading volumes.

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

### Financial commitments as at 30 June 2020

<i>Amounts in NOK million</i>	Maximum exposure	Accumulated impairment			DNB Bank Group Total
		Stage 1	Stage 2	Stage 3	
Bank, insurance and portfolio management	32 657	(51)	(4)	(0)	32 602
Commercial real estate	26 047	(32)	(2)	(4)	26 010
Shipping	9 124	(13)	(75)	(5)	9 031
Oil, gas and offshore	57 703	(76)	(484)	(685)	56 459
Power and renewables	31 821	(29)	(34)		31 759
Healthcare	23 073	(11)	(0)		23 062
Public sector	10 030	(0)	(0)		10 030
Fishing, fish farming and farming	17 645	(24)	(5)	(4)	17 612
Retail industries	34 936	(24)	(32)	(21)	34 859
Manufacturing	55 712	(51)	(59)	(6)	55 596
Technology, media and telecom	18 559	(21)	(4)		18 534
Services	26 645	(35)	(34)	(35)	26 542
Residential property	33 750	(14)	(5)	(5)	33 726
Personal customers	274 943	(135)	(99)	(0)	274 710
Other corporate customers	35 244	(30)	(85)	(304)	34 825
<b>Total</b>	<b>687 891</b>	<b>(545)</b>	<b>(922)</b>	<b>(1 067)</b>	<b>685 357</b>

### Financial commitments as at 30 June 2019

<i>Amounts in NOK million</i>	Maximum exposure	Accumulated impairment			DNB Bank Group Total
		Stage 1	Stage 2	Stage 3	
Bank, insurance and portfolio management	28 768	(5)	(0)	(0)	28 763
Commercial real estate	27 575	(2)	(1)	(3)	27 568
Shipping	13 595	(15)	(38)		13 542
Oil, gas and offshore	69 690	(81)	(670)	(318)	68 621
Power and renewables	29 863	(5)	(22)		29 837
Healthcare	19 351	(4)	(0)		19 347
Public sector	10 316	(0)	(0)		10 315
Fishing, fish farming and farming	16 165	(3)	(0)	(4)	16 158
Retail industries	26 621	(7)	(20)	(29)	26 563
Manufacturing	51 997	(11)	(20)	(4)	51 962
Technology, media and telecom	19 209	(7)	(7)	(3)	19 192
Services	24 451	(8)	(15)	(25)	24 403
Residential property	37 664	(4)	(2)	(3)	37 656
Personal customers	265 698	(19)	(78)	(0)	265 601
Other corporate customers	37 299	(5)	(27)	(310)	36 956
<b>Total</b>	<b>678 261</b>	<b>(176)</b>	<b>(900)</b>	<b>(700)</b>	<b>676 485</b>

## Note 8 Financial instruments at fair value

	DNB Bank ASA			
	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
<i>Amounts in NOK million</i>				
<b>Assets as at 30 June 2020</b>				
Loans to customers		117 343	7 640	124 983
Commercial paper and bonds	42 185	321 093	406	363 684
Shareholdings	2 546	655	589	3 790
Financial derivatives	878	210 881	2 054	213 813
<b>Liabilities as at 30 June 2020</b>				
Deposits from customers		20 591		20 591
Debt securities issued <sup>1)</sup>		7 690		7 690
Subordinated loan capital <sup>1)</sup>		176		176
Financial derivatives	631	231 722	1 499	233 851
Other financial liabilities <sup>2)</sup>	3 413			3 413

	DNB Bank ASA			
	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
<i>Amounts in NOK million</i>				
<b>Assets as at 30 June 2019</b>				
Loans to customers		121 784	7 725	129 509
Commercial paper and bonds	28 796	168 871	180	197 847
Shareholdings	5 264	256	594	6 115
Financial derivatives	131	127 806	2 157	130 094
<b>Liabilities as at 30 June 2019</b>				
Deposits from customers		16 020		16 020
Debt securities issued		9 641		9 641
Subordinated loan capital		2 502		2 502
Financial derivatives	145	152 160	1 827	154 132
Other financial liabilities <sup>2)</sup>	8 305			8 305

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

2) Short positions, trading activities.

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

## Note 8 Financial instruments at fair value (continued)

	DNB Bank Group			
	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
<i>Amounts in NOK million</i>				
<b>Assets as at 30 June 2020</b>				
Loans to customers			48 795	48 795
Commercial paper and bonds	42 185	259 620	406	302 211
Shareholdings	4 793	668	735	6 196
Financial derivatives	878	197 959	2 054	200 891
<b>Liabilities as at 30 June 2020</b>				
Deposits from customers		20 591		20 591
Debt securities issued <sup>1)</sup>		22 457		22 457
Subordinated loan capital <sup>1)</sup>		176		176
Financial derivatives	631	172 408	1 499	174 537
Other financial liabilities <sup>2)</sup>	3 413			3 413

	DNB Bank Group			
	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
<i>Amounts in NOK million</i>				
<b>Assets as at 30 June 2019</b>				
Loans to customers			48 420	48 420
Commercial paper and bonds	28 796	155 001	180	183 977
Shareholdings	6 464	267	742	7 474
Financial derivatives	131	115 232	2 157	117 520
<b>Liabilities as at 30 June 2019</b>				
Deposits from customers		16 020		16 020
Debt securities issued		88 273		88 273
Subordinated loan capital		2 502		2 502
Financial derivatives	145	101 728	1 827	103 700
Other financial liabilities <sup>2)</sup>	8 305			8 305

1) The measurement category for debt securities issued in Norwegian kroner with floating rates was 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 2019.

## Note 8 Financial instruments at fair value (continued)

### Financial instruments at fair value, level 3

#### DNB Bank ASA

	Financial assets				Financial liabilities
	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
<i>Amounts in NOK million</i>					
<b>Carrying amount as at 31 December 2018</b>	<b>7 509</b>	<b>319</b>	<b>583</b>	<b>2 036</b>	<b>1 654</b>
Net gains recognised in the income statement	55	(150)	23	(530)	(193)
Additions/purchases	796	158	39	1 057	749
Sales	(20)	(132)	(51)		
Settled	(616)			(395)	(384)
Transferred from level 1 or level 2		42			
Transferred to level 1 or level 2		(44)			
Other		(13)		(11)	1
<b>Carrying amount as at 30 June 2019</b>	<b>7 725</b>	<b>180</b>	<b>594</b>	<b>2 157</b>	<b>1 827</b>
<b>Carrying amount as at 31 December 2019</b>	<b>8 495</b>	<b>356</b>	<b>633</b>	<b>1 868</b>	<b>1 536</b>
Net gains recognised in the income statement	260	(8)	(54)	642	418
Additions/purchases	2 483	277	15	224	219
Sales	(1 342)	(90)	(5)		
Settled	(2 256)			(707)	(695)
Transferred from level 1 or level 2		85			
Transferred to level 1 or level 2		(204)	(0)		
Other		(9)		27	22
<b>Carrying amount as at 30 June 2020</b>	<b>7 640</b>	<b>406</b>	<b>589</b>	<b>2 054</b>	<b>1 499</b>

### Financial instruments at fair value, level 3

#### DNB Bank Group

	Financial assets				Financial liabilities
	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
<i>Amounts in NOK million</i>					
<b>Carrying amount as at 31 December 2018</b>	<b>48 794</b>	<b>319</b>	<b>741</b>	<b>2 036</b>	<b>1 654</b>
Net gains recognised in the income statement	148	(150)	10	(530)	(193)
Additions/purchases	3 493	158	41	1 057	749
Sales		(132)	(51)		
Settled	(4 015)			(395)	(384)
Transferred from level 1 or level 2		42			
Transferred to level 1 or level 2		(44)			
Other		(13)	(0)	(11)	1
<b>Carrying amount as at 30 June 2019</b>	<b>48 420</b>	<b>180</b>	<b>742</b>	<b>2 157</b>	<b>1 827</b>
<b>Carrying amount as at 31 December 2019</b>	<b>49 995</b>	<b>356</b>	<b>795</b>	<b>1 868</b>	<b>1 536</b>
Net gains recognised in the income statement	1 548	(8)	(68)	642	418
Additions/purchases	6 242	277	18	224	219
Sales		(90)	(9)		
Settled	(8 991)			(707)	(695)
Transferred from level 1 or level 2		85			
Transferred to level 1 or level 2		(204)	(0)		
Other		(9)	0	27	22
<b>Carrying amount as at 30 June 2020</b>	<b>48 795</b>	<b>406</b>	<b>735</b>	<b>2 054</b>	<b>1 499</b>

### 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 31 million in DNB Bank ASA and 157 million in DNB Bank Group. 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 Bank Group issues and redeems own securities.

### Debt securities issued 2020

	Balance sheet 30 June 2020	Issued 2020	Matured/ redeemed 2020	Exchange rate movements 2020	Other changes 2020	Balance sheet 31 Dec. 2019
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	135 092	734 970	(798 236)	10 238		188 120
Bond debt, nominal amount	214 415	2 612	(30 345)	19 598		222 550
Value adjustments	5 993				98	5 895
<b>Total debt securities issued</b>	<b>355 500</b>	<b>737 582</b>	<b>(828 581)</b>	<b>29 836</b>	<b>98</b>	<b>416 565</b>

### Debt securities issued 2019

	Balance sheet 30 June 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	266 872	530 378	(440 346)	2 108		174 732
Bond debt, nominal amount	166 271	35 417	(20 430)	(2 773)		154 057
Value adjustments	5 987				(542)	6 528
<b>Total debt securities issued</b>	<b>439 129</b>	<b>565 794</b>	<b>(460 776)</b>	<b>(665)</b>	<b>(542)</b>	<b>335 317</b>

### Debt securities issued 2020

	Balance sheet 30 June 2020	Issued 2020	Matured/ redeemed 2020	Exchange rate movements 2020	Other changes 2020	Balance sheet 31 Dec. 2019
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	135 092	734 970	(798 236)	10 238		188 120
Bond debt, nominal amount <sup>1)</sup>	661 206	881	(50 180)	55 050		655 455
Value adjustments	33 850				5 793	28 057
<b>Total debt securities issued</b>	<b>830 149</b>	<b>735 851</b>	<b>(848 416)</b>	<b>65 288</b>	<b>5 793</b>	<b>871 632</b>

### Debt securities issued 2019

	Balance sheet 30 June 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	266 872	530 378	(440 346)	2 108		174 732
Bond debt, nominal amount <sup>1)</sup>	616 530	68 466	(47 111)	(10 777)		605 952
Value adjustments	30 277				7 165	23 112
<b>Total debt securities issued</b>	<b>913 679</b>	<b>598 844</b>	<b>(487 457)</b>	<b>(8 669)</b>	<b>7 165</b>	<b>803 796</b>

1) Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 381.8 billion as at 30 June 2020. The market value of the cover pool represented NOK 655.6 billion.

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

### Subordinated loan capital and perpetual subordinated loan capital securities 2020

DNB Bank ASA

	Balance sheet 30 June 2020	Issued 2020	Matured/ redeemed 2020	Exchange rate movements 2020	Other changes 2020	Balance sheet 31 Dec. 2019
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	27 168	4 056	(4 207)	2 376		24 943
Perpetual subordinated loan capital, nominal amount	6 385			611		5 774
Value adjustments	325				(53)	378
<b>Total subordinated loan capital and perpetual subordinated loan capital securities</b>	<b>33 879</b>	<b>4 056</b>	<b>(4 207)</b>	<b>2 988</b>	<b>(53)</b>	<b>31 095</b>

### Subordinated loan capital and perpetual subordinated loan capital securities 2019

DNB Bank ASA

	Balance sheet 30 June 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	24 499		(9)	(603)		25 110
Perpetual subordinated loan capital, nominal amount	5 616			(77)		5 693
Value adjustments	390				112	278
<b>Total subordinated loan capital and perpetual subordinated loan capital securities</b>	<b>30 504</b>		<b>(9)</b>	<b>(680)</b>	<b>112</b>	<b>31 082</b>

### Subordinated loan capital and perpetual subordinated loan capital securities 2020

DNB Bank Group

	Balance sheet 30 June 2020	Issued 2020	Matured/ redeemed 2020	Exchange rate movements 2020	Other changes 2020	Balance sheet 31 Dec. 2019
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	27 168	4 056	(4 207)	2 376		24 943
Perpetual subordinated loan capital, nominal amount	6 385			611		5 774
Value adjustments	324				(54)	378
<b>Total subordinated loan capital and perpetual subordinated loan capital securities</b>	<b>33 878</b>	<b>4 056</b>	<b>(4 207)</b>	<b>2 988</b>	<b>(54)</b>	<b>31 095</b>

### Subordinated loan capital and perpetual subordinated loan capital securities 2019

DNB Bank Group

	Balance sheet 30 June 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	24 499		(9)	(603)		25 110
Perpetual subordinated loan capital, nominal amount	5 616			(77)		5 693
Value adjustments	390				112	278
<b>Total subordinated loan capital and perpetual subordinated loan capital securities</b>	<b>30 504</b>		<b>(9)</b>	<b>(680)</b>	<b>112</b>	<b>31 082</b>

## **Note 10      Information on related parties**

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### **DNB Boligkreditt AS**

In the first half of 2020, loan portfolios representing NOK 29.4 billion (NOK 1.0 billion in 2019) were transferred from the bank to DNB Boligkreditt in accordance with the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS".

At end-June 2020, the bank had invested NOK 61.5 billion in covered bonds issued by DNB Boligkreditt.

The management fee paid to the bank for purchased services amounted to NOK 63 million in the first half of 2020 (NOK 390 million in the first half of 2019).

In the first half of 2020, DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 6.3 billion at end-June 2020.

DNB Boligkreditt AS has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 150 billion.

### **DNB Livsforsikring AS**

At end-June 2020 DNB Livsforsikring's holding of DNB Boligkreditt bonds was valued at NOK 1.4 billion.

## **Note 11      Contingencies**

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

# Statement

## pursuant to Section 5-6 of the Securities Trading Act

We hereby confirm that the half-yearly financial statements for the banking group and the company for the period 1 January through 30 June 2020 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the banking group and the company taken as a whole.

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

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

Oslo, 12 July 2020  
The Board of Directors of DNB Bank ASA



Olaug Svarva  
(Chair of the Board)



Kim Wahl  
(Vice Chair of the Board)



Julie Galbo



Eli Solhaug



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



Ottar Ertzeid  
(Group Chief Financial Officer, CFO)

# Information about the DNB Bank Group

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Organisation number Register of Business Enterprises NO 981 276 957 MVA

## DNB Bank ASA

Organisation number Register of Business Enterprises NO 984 851 006 MVA

## Board of Directors in DNB Bank ASA

Olaug Svarva, Chair of the Board  
Kim Wahl, Vice Chair of the Board  
Julie Galbo  
Eli Solhaug

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## Financial calendar 2020

22 October Q3 2020

## Financial calendar 2021

10 February	Q4 2020
11 March	Annual report 2020
29 April	Q1 2021
13 July	Q2 2021
21 October	Q3 2021

## Other sources of information

### Annual and quarterly reports

Separate annual and quarterly reports are prepared for the DNB Group, DNB Boligkreditt and DNB Livsforsikring. The reports are available on [ir.dnb.no](http://ir.dnb.no). Annual and quarterly reports can be ordered by sending an e-mail to Investor Relations.

*The quarterly report has been produced by Group Financial Reporting in DNB.  
Cover design: HyperRedink*

# We are here. So you can stay ahead.

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