

DNB Bank

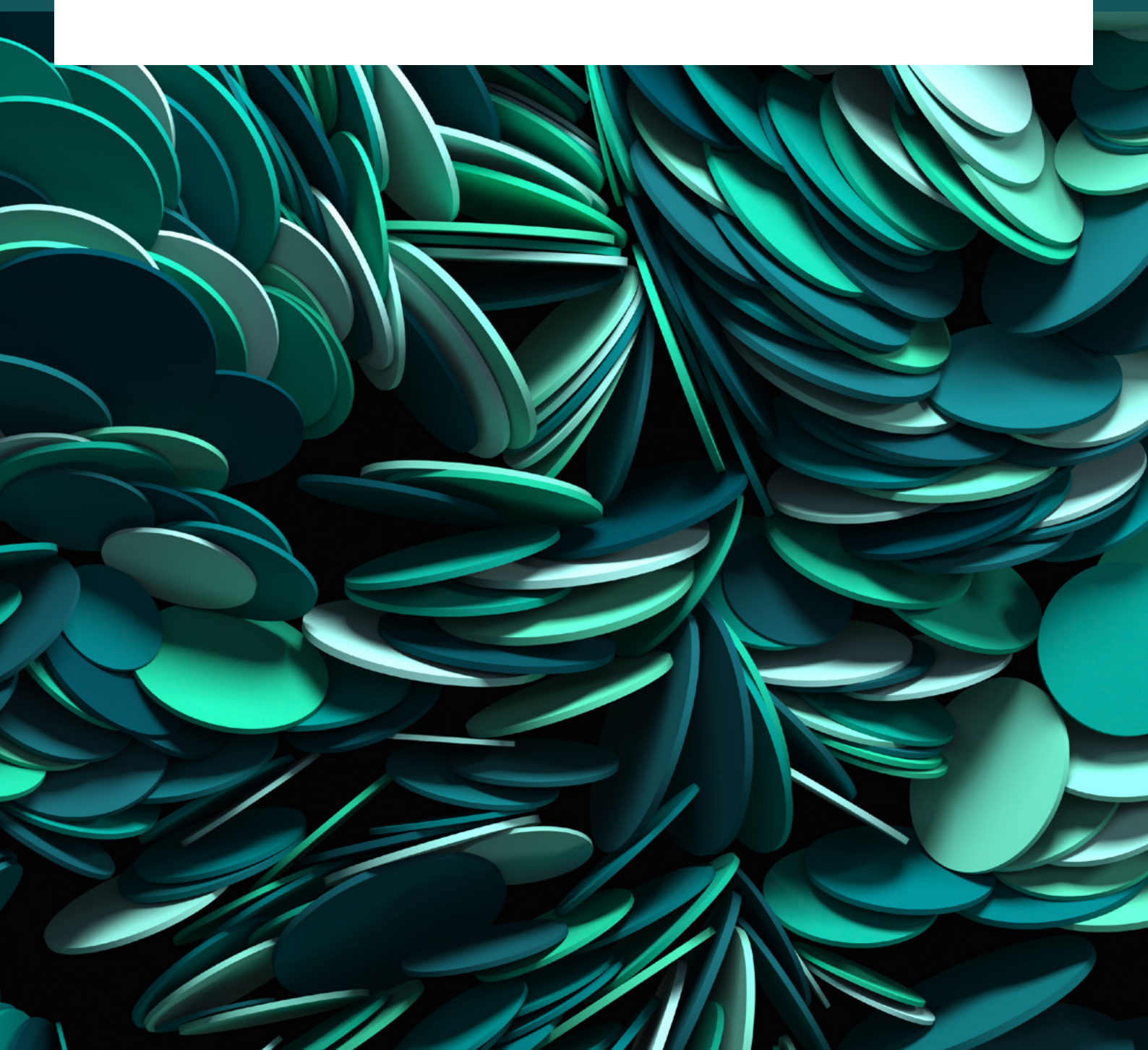
A company in the DNB Group

First quarter report 2021

(Unaudited)

DNB

Q1



Financial highlights

Income statement

	DNB Bank Group		
	1st quarter 2021	1st quarter 2020	Full year 2020
<i>Amounts in NOK million</i>			
Net interest income	9 365	10 615	39 285
Net commissions and fees	1 792	1 448	6 266
Net gains on financial instruments at fair value	794	3 266	5 938
Other operating income	588	385	2 374
Net other operating income	3 174	5 099	14 578
Total income	12 539	15 714	53 862
Operating expenses	(5 552)	(5 182)	(22 103)
Restructuring costs and non-recurring effects	(112)	(15)	(474)
Pre-tax operating profit before impairment	6 875	10 516	31 286
Net gains on fixed and intangible assets	(2)	(0)	(1)
Impairment of financial instruments	110	(5 771)	(9 918)
Pre-tax operating profit	6 983	4 745	21 366
Tax expense	(1 536)	(949)	(3 926)
Profit from operations held for sale, after taxes	(71)	(56)	221
Profit for the period	5 376	3 739	17 661

Balance sheet

	31 March 2021	31 Dec. 2020	31 March 2020
<i>Amounts in NOK million</i>			
Total assets	2 638 896	2 582 304	2 888 110
Loans to customers	1 696 303	1 703 524	1 748 857
Deposits from customers	1 176 249	1 112 058	1 087 432
Total equity	227 804	236 161	226 915
Average total assets	2 900 864	2 905 570	2 755 901

Key figures and alternative performance measures

	1st quarter 2021	1st quarter 2020	Full year 2020
Return on equity, annualised (per cent) ¹⁾	9.8	6.4	7.8
Combined weighted total average spread for lending and deposits (per cent) ¹⁾	1.19	1.38	1.27
Average spread for ordinary lending to customers (per cent) ¹⁾	1.95	1.94	2.04
Average spread for deposits from customers (per cent) ¹⁾	0.13	0.49	0.12
Cost/income ratio (per cent) ¹⁾	45.2	33.1	41.9
Ratio of customer deposits to net loans to customers at end of period ¹⁾	70.9	62.2	67.3
Net loans at amortised cost and financial commitments in stage 2, per cent of net loans at amortised cost ¹⁾	9.55	12.14	10.39
Net loans at amortised cost and financial commitments in stage 3, per cent of net loans at amortised cost ¹⁾	1.62	1.60	1.53
Impairment relative to average net loans to customers at amortised cost, annualised (per cent) ¹⁾	0.03	(1.40)	(0.60)
Common equity Tier 1 capital ratio at end of period (per cent)	20.1	17.5	19.6
Leverage ratio (per cent)	7.1	6.3	7.3
Number of full-time positions at end of period	8 694	8 464	8 643

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

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

Directors' report

The Norwegian economy continued to recover at a rapid pace in the first quarter, backed by a key policy rate of zero per cent that led to a strong boost in liquidity for most households. DNB Bank Group ¹⁾ has proven to be resilient and robust during the pandemic, and the strong earnings and capital ratio is a statement of the banking group's solid position. The possible acquisition of Sbanken is expected to strengthen the banking group's position within retail banking in the home market.

First quarter financial performance

The profit in the quarter was NOK 5 376 million, an increase of NOK 1 636 million from the year-earlier period. Compared with the previous quarter, profits increased by NOK 999 million.

The common equity Tier 1 (CET1) capital ratio was 20.1 per cent, up from 17.5 per cent a year earlier, and from 19.6 per cent in the fourth quarter of 2020.

The leverage ratio for the banking group was 7.1 per cent, up from 6.3 per cent in the first quarter of 2020, and down from 7.3 per cent in the fourth quarter of 2020.

Return on equity (ROE) was positively impacted by net reversals of impairment of financial instruments and strong results from net commissions and fees, and ended at 9.8 per cent. The comparable figures were 6.4 per cent in the first quarter of 2020 and 7.7 per cent in the fourth quarter of 2020.

Net interest income was down NOK 1 250 million from the first quarter of 2020, mainly due to negative exchange rate effects, lower interest on equity and reduced margins. Compared with the fourth quarter of 2020, net interest income was down NOK 239 million, mainly due to two less interest days and negative exchange rate effects.

Net other operating income amounted to NOK 3 174 million in the first quarter, down NOK 1 925 million from the corresponding period in 2020, heavily affected by exchange rate effects on additional Tier 1 (AT1) capital and other mark-to-market adjustments due to the weakening of the NOK currency. Net commissions and fees increased by NOK 344 million, or 23.8 per cent, from the year-earlier period. Compared with the fourth quarter of 2020, net other operating income was up NOK 535 million, of which NOK 124 million was due to higher net commissions and fees.

Operating expenses amounted to NOK 5 664 million in the first quarter, up NOK 466 million from the same period a year earlier. This was mainly due to higher salaries and other personnel expenses, driven by pension costs, and non-recurring restructuring expenses relating to the withdrawal from Poland. Compared with the previous quarter, operating expenses were down NOK 655 million.

Impairment of financial instruments showed net reversals of NOK 110 million in the first quarter. This is an improvement compared with both the previous quarter and the first quarter of last year, which saw net impairment provisions of NOK 1 250 million and NOK 5 771 million, respectively. The net reversals of NOK 110 million in the quarter are mainly due to reversals in the corporate customers industry segments, especially within the shipping segment and the oil, gas and offshore segment. The personal customers industry segment had a small impairment in the quarter.

Important events in the first quarter

On 15 April, it was announced that DNB had reached an agreement with Sbanken ASA to offer to acquire 100 per cent of the shares of Sbanken, and the Board of Directors of Sbanken had recommended accepting the offer. DNB's offer to acquire Sbanken's shares will be followed by an acceptance period that will last until 24 May, during which the shareholders of Sbanken can decide whether to sell their shares to DNB. The transaction is subject to the approval of both the Norwegian Competition Authority and the Ministry of Finance, which is expected during the third quarter of 2021. DNB currently owns approximately 9.8 per cent of the shares of Sbanken.

In the first quarter, DNB announced that it intends to withdraw from Poland, by gradually reducing activity. This process is expected to take several years.

The Samherji case against DNB was dropped in the first quarter. The prosecuting authority has concluded its investigation into DNB in the Samherji case, commenting that the investigation has not given grounds for imposing any penalty on individuals or the company.

In RepTrak's reputation survey for the first quarter, DNB scored 74.4 points. The goal is a result of over 70 points, which indicates that DNB is 'a well-liked bank'. This is the tenth consecutive quarter in which DNB has scored over 70 points.

Kapital, Norway's leading financial magazine, carried out its annual rating of investment banks in the first quarter, and DNB was ranked first for best analysts regardless of sector, as well as being ranked first for best analysts within the fishing and offshore sectors. Overall, DNB was given the top ranking as the best investment bank.

In the first quarter, DNB was rated among the top five in the area of marketing communication and management. In a new industry analysis from the communication agency Teft, a survey among over a thousand employees and managers in the field of communication showed that DNB is on a par with the best.

In March 2021, DNB was ranked the best company in the world in terms of equality, in a global survey conducted by Equileap, which assesses nearly 4 000 companies.

First quarter income statement – main items

Net interest income

Amounts in NOK million	1Q21	4Q20	1Q20
Lending spreads, customer segments	7 572	8 084	7 587
Deposit spreads, customer segments	353	232	1 215
Amortisation effects and fees	941	949	842
Operational leasing	529	529	492
Contributions to the deposit guarantee and resolution funds	(280)	(256)	(334)
Other net interest income	251	66	812
Net interest income	9 365	9 604	10 615

Net interest income decreased by NOK 1 250 million, or 11.8 per cent, from the first quarter of 2020. This was mainly due to negative exchange rate effects, lower interest on equity and reduced margins. However, increased volumes contributed positively. There was an average increase of NOK 3.7 billion, or 0.2 per cent, in the healthy loan portfolio compared with the first quarter of 2020. Adjusted for exchange rate effects, volumes were up NOK 25.7 billion, or 1.6 per cent. During the same period, deposits were up NOK 144.1 billion, or 14.5 per cent. Adjusted for exchange rate effects, there was an increase of NOK 161.8 billion, or 16.3 per cent. Average lending spreads widened by 1 basis point, and deposit spreads narrowed by 37 basis points compared with the first quarter of 2020. Volume-weighted spreads for the customer

¹⁾ DNB Bank ASA is a subsidiary of DNB ASA and part of the DNB Group. The DNB Bank Group, hereinafter called "the banking group", comprises the bank and the bank's subsidiaries. Other companies owned by DNB ASA, including DNB Livsforsikring 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.

segments narrowed by 20 basis points compared with the same period in 2020.

Compared with the fourth quarter, net interest income decreased by NOK 239 million, or 2.5 per cent, mainly due to two less interest days and negative exchange rate effects. There was an average decrease of NOK 18.1 billion, or 1.1 per cent, in the healthy loan portfolio, and deposits were up NOK 30.5 billion, or 2.8 per cent. Volume-weighted spreads for the customer segments narrowed by 4 basis points compared with the previous quarter. The spreads were negatively affected by portfolio mix effects; partly by the high growth in deposits compared to loans, and partly by loans to personal customers growing more than loans to corporate customers. The higher growth in deposits than in loans led to an increased deposit-to-loan ratio and a reduction of 2 basis points in volume-weighted spreads. Spreads were also impacted by a 7-basis-points average increase in the NOK money market rates, which was partly offset by higher interest on equity.

Net other operating income

Amounts in NOK million	1Q21	4Q20	1Q20
Net commissions and fees	1 792	1 669	1 448
Basis swaps	(345)	(152)	1 060
Exchange rate effects on additional Tier 1 capital	29	(1 508)	4 097
Net gains on other financial instruments at fair value	1 110	1 849	(1 891)
Net profit from associated companies	(17)	158	(96)
Other operating income	605	624	481
Net other operating income	3 174	2 639	5 099

Net other operating income decreased by NOK 1 925 million from the first quarter of 2020, which was heavily affected by exchange rate effects on AT1 capital and other mark-to-market adjustments due to the weakening of the NOK currency. Net commissions and fees increased by NOK 344 million, or 23.8 per cent, from the year-earlier period, driven by higher income from real estate broking and investment banking services.

Compared with the previous quarter, net other operating income increased by NOK 535 million. Net commissions and fees showed a positive development and increased by NOK 124 million, or 7.4 per cent, from the fourth quarter of 2020, mainly driven by higher income from investment banking services.

Operating expenses

Amounts in NOK million	1Q21	4Q20	1Q20
Salaries and other personnel expenses	(3 093)	(3 297)	(2 678)
Restructuring expenses	(83)	(52)	(14)
Other expenses	(1 634)	(2 071)	(1 676)
Depreciation of fixed and intangible assets	(854)	(917)	(828)
Impairment of fixed and intangible assets		18	(1)
Total operating expenses	(5 664)	(6 319)	(5 197)

Operating expenses were up NOK 466 million, or 9.0 per cent, compared with the first quarter of 2020. This increase was largely due to extraordinarily low pension costs in the corresponding period last year due to low return on the defined-benefit pension scheme. In addition, non-recurring restructuring expenses relating to the withdrawal from Poland contributed to the increase.

Compared with the fourth quarter of 2020, operating expenses were down NOK 655 million, or 10.4 per cent. Operating expenses in the quarter were positively impacted by lower activity as a result of the pandemic, as well as the fact that the previous quarter included a provision for a possible administrative fine from Finansstilsynet of NOK 400 million.

The cost/income ratio was 45.2 per cent in the first quarter.

Impairment of financial instruments by industry segment

Amounts in NOK million	1Q21	4Q20	1Q20
Personal customers	(24)	139	(522)
Commercial real estate	46	(41)	(143)
Shipping	155	(36)	(211)
Oil, gas and offshore	127	(1 340)	(2 605)
Other industry segments	(193)	28	(2 289)
Total impairment of financial instruments	110	(1 250)	(5 771)

There were net reversals on impairment of financial instruments of NOK 110 million in the first quarter. This is a decrease in impairment provisions of NOK 5 882 million and NOK 1 360 million compared with the first and fourth quarter of 2020, respectively. The decrease from the same quarter last year is due to the severe impact of the outbreak of the pandemic. Overall, the macro forecasts have gradually improved since the first quarter of last year.

The personal customers industry segment had impairment provisions of NOK 24 million in the quarter, compared with impairment provisions of NOK 522 million in the same quarter in 2020, and net reversals of NOK 139 million in the fourth quarter of 2020. The low level of impairment is due to a stable macro outlook and sound credit quality.

The commercial real estate industry segment was affected by somewhat better macro forecasts in the quarter, and impairment of financial instruments showed net reversals of NOK 46 million. The first quarter of 2020 saw impairment provisions in the segment of NOK 143 million, and the fourth quarter of 2020 saw impairment provisions of NOK 41 million.

There were net reversals across all three stages in the shipping segment, amounting to a total of NOK 155 million in the first quarter. This is an improvement of NOK 366 million compared with the first quarter of 2020, and of NOK 190 million compared with the fourth quarter of 2020. The reversals can to a large extent be ascribed to customers in stages 1 and 2 in the container segment.

The oil, gas and offshore industry segment showed net reversals of NOK 127 million in the quarter, compared with impairment provisions of NOK 2 605 million and NOK 1 340 million in the first and fourth quarters of 2020, respectively. The reversals were primarily driven by the restructuring of two customers within oil and gas, but were to a certain extent offset by increased impairment provisions for some customers in stage 3 within offshore. The offshore segment had an increase in impairment provisions in stage 3 of NOK 188 million.

Other industry segments experienced increased impairment provisions amounting to NOK 193 million in the quarter. This is a large decrease compared with the first quarter of 2020, but an increase of NOK 220 million compared with the fourth quarter of 2020, which showed net reversals of NOK 28 million. The impairment provisions in the quarter can mainly be attributed to customers in stages 2 and 3.

Net stage 3 loans and financial commitments amounted to NOK 27 billion at end-March 2021, which is at the same level as last year, and up NOK 1 billion from the fourth quarter of 2020. The increase this quarter can primarily be explained by the introduction of a new definition of default and customers in probation after default.

Taxes

The banking group's tax expense for the first quarter has been estimated at NOK 1 536 million, or 22.0 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

<i>Income statement in NOK million</i>	1Q21	4Q20	1Q20
Net interest income	2 982	3 116	3 702
Net other operating income	922	844	920
Total income	3 904	3 961	4 622
Operating expenses	(2 175)	(2 186)	(2 194)
Pre-tax operating profit before impairment	1 729	1 775	2 428
Impairment of financial instruments	23	175	(734)
Pre-tax operating profit	1 753	1 950	1 695
Tax expense	(438)	(487)	(424)
Profit for the period	1 314	1 462	1 271

Average balance sheet items in NOK billion

Loans to customers	819.2	815.0	795.8
Deposits from customers	464.1	462.7	435.4

Key figures in per cent

Lending spread ¹⁾	1.50	1.58	1.53
Deposit spread ¹⁾	0.15	0.10	0.68
Return on allocated capital	11.5	12.3	10.8
Cost/income ratio	55.7	55.2	47.5
Ratio of deposits to loans	56.7	56.8	54.7

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

The personal customers segment had a stable pre-tax operating profit before impairment this quarter, compared with the previous quarter. The negative development from the corresponding period last year can mainly be explained by the increase in NOK money market rates.

Combined spreads on loans and deposits narrowed by 22 basis points from the corresponding quarter of 2020. Compared with the previous quarter, combined spreads narrowed by 3 basis points, mainly due to rising money market rates.

Average net loans grew by 2.9 per cent from the first quarter of 2020. The healthy home mortgage portfolio grew by 3.5 per cent in the same period. Deposits from customers showed a solid average growth of 6.6 per cent from the corresponding quarter in 2020, and the ratio of deposits to loans improved by 2.0 percentage points compared with the year-earlier period.

Net other operating income was stable compared with the first quarter of 2020. Increased income from real estate broking and securities were partly offset by falling revenues from payment services.

Operating expenses were stable in the period. Since the first quarter of 2020, the termination of the agreement with Posten Norge AS (the Norwegian postal service) has had a positive effect.

Net reversals on impairment provisions amounted to NOK 23 million in the first quarter. The reversals were primarily related to the private banking segment.

DNB's market share of credit to households stood at 22.9 per cent at end-February 2021, while the market share of total household savings was 30.5 per cent at the same period. DNB Eiendom had an average market share of 17.5 per cent in the first quarter.

Corporate customers

<i>Income statement in NOK million</i>	1Q21	4Q20	1Q20
Net interest income	5 778	6 023	6 107
Net other operating income	1 768	2 143	1 382
Total income	7 546	8 166	7 489
Operating expenses	(3 043)	(2 918)	(2 865)
Pre-tax operating profit before impairment	4 503	5 248	4 624
Net gains on fixed and intangible assets	(0)	(1)	(0)
Impairment of financial instruments	94	(1 422)	(5 038)
Profit from repossessed operations	(39)	351	(80)
Pre-tax operating profit	4 558	4 176	(494)
Tax expense	(1 139)	(1 044)	124
Profit for the period	3 418	3 132	(371)

Average balance sheet items in NOK billion

Loans to customers	773.4	796.4	792.9
Deposits from customers	674.0	647.4	559.5

Key figures in per cent

Lending spread ¹⁾	2.44	2.48	2.37
Deposit spread ¹⁾	0.11	0.07	0.35
Return on allocated capital	14.0	12.2	(1.5)
Cost/income ratio	40.3	35.7	38.3
Ratio of deposits to loans	87.2	81.3	70.6

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

The corporate customers segment saw a strong improvement in the profit for the period and the return on allocated capital in the first quarter, driven by a net reversal of impairment of financial instruments and high income within investment banking services.

Net interest income decreased from the previous quarter and from the first quarter of 2020. Average loan volumes were reduced by 2.9 per cent compared with the fourth quarter of 2020. However, adjusted for exchange rate effects, volumes were down 0.6 per cent. Loans to small and medium-sized enterprises (SMEs) grew by 2.3 per cent currency adjusted from end-December 2020 to end-March 2021.

There was continued growth in deposit volumes in the first quarter, mainly from the Future & Tech Industries segments, but also from the other segments. The strong increase in deposit volumes resulted in a record high deposits to loans ratio of 87.2 per cent. Deposit spreads were positively affected by increasing NOK money market rates.

Net other operating income was up 27.9 per cent compared with the corresponding quarter last year, and down 17.5 per cent from the previous quarter. Income from Markets was strong, driven by high activity within investment banking services. The income from Markets activities was up 16.4 per cent from the first quarter of 2020, and at the same level as the previous quarter.

Net gains on financial instruments at fair value were reduced by NOK 277 million after significantly high effects in the fourth quarter on mark-to-market adjustments.

Operating expenses were up 4.3 per cent compared with the fourth quarter of 2020, mainly due to restructuring expenses and other non-recurring provisions relating to the announcement of DNB's intention to withdraw from Poland.

Impairment of financial instruments decreased from the fourth quarter of 2020 and amounted to a net reversal of NOK 94 million in the first quarter, primarily driven by an improved economic outlook and several successful restructurings made easier by the increase in oil prices. The credit quality of the portfolio remained stable during the quarter.

In the time ahead, the banking group will focus on capital optimisation within the large corporates portfolio and on ensuring continued profitable growth within the SME segment. The banking group will also improve sustainable and green product offerings and continue to enhance compliance. A number of customers are still in an uncertain situation due to the pandemic, and the banking group will continue to support and advise its customers during this challenging period.

Other operations

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

<i>Income statement in NOK million</i>	1Q21	4Q20	1Q20
Net interest income	605	465	806
Net other operating income	1 038	268	3 111
Total income	1 643	733	3 917
Operating expenses	(999)	(1 832)	(452)
Pre-tax operating profit before impairment	644	(1 099)	3 464
Net gains on fixed and intangible assets	(2)		0
Impairment of financial instruments	(7)	(3)	(0)
Profit from repossessed operations	39	(351)	80
Pre-tax operating profit	673	(1 453)	3 544
Tax expense	41	944	(649)
Profit from operations held for sale, after taxes	(71)	292	(56)
Profit for the period	643	(217)	2 839

<i>Average balance sheet items in NOK billion</i>	1Q21	4Q20	1Q20
Loans to customers	114.1	108.1	119.7
Deposits from customers	94.3	70.1	55.6

The profit for the other operations segment was NOK 643 million in the first quarter of 2021.

Risk management income was strong compared with the first quarter of 2020, when the pandemic first hit the business activities. Income in the quarter reached NOK 241 million compared with a negative contribution of NOK 846 million in the first quarter of 2020, and ended at a satisfactory level for interest rates as well as bonds. The value adjustments of derivatives (XVA factors) contributed positively this quarter.

The banking group's share of the profit in associated companies (most importantly Luminor and Vipps) is included in this segment with a negative contribution of NOK 16 million. Compared with the corresponding quarter last year there was an increase of NOK 80 million, and compared with the previous quarter there was a decrease of NOK 174 million.

Funding, liquidity and balance sheet

The short-term funding markets were strong throughout the first quarter, with low interest rates. USD is still the currency that appears most attractive in the short-term funding markets, with favourable levels and great flexibility as far as maturity and volumes are concerned. The banking group is experiencing good access to liquidity at attractive prices.

The markets for long-term funding have generally been strong in the first quarter. There has been a high level of activity in all markets. The cost of long-term funding has remained at stable levels in most markets, but has varied somewhat more in the markets for senior non-preferred bonds, where credit risk premiums increased during February. In the first quarter, the banking group successfully issued both a green covered bond and a senior non-preferred bond in the euro market. The banking group still 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 585 billion at end-March, compared with NOK 727 billion a year earlier. Average remaining term to maturity for long-term debt securities issued was 3.7 years at end-March, compared with 3.8 years a year earlier.

The short-term liquidity requirement, the Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the quarter and stood at 159 per cent at end-March.

Total assets in the banking group were NOK 2 639 billion at end-March, and NOK 2 888 billion a year earlier.

Loans to customers were reduced by NOK 52.6 billion, or 3.0 per cent, in the first quarter, compared with the first quarter of 2020. Customer deposits were up NOK 88.8 billion, or 8.2 per cent, during the same period. The ratio of customer deposits to net loans to customers was 70.9 per cent at the end of the quarter, up from 62.2 per cent a year earlier.

Capital position

The banking group's capital position remained strong in the quarter and was well above the regulatory requirements.

The CET1 capital ratio was 20.1 per cent at the end of the quarter, up from 17.5 per cent a year earlier, and from 19.6 per cent at end-December 2020.

The risk exposure amount decreased by NOK 13 billion from end-December 2020 to NOK 917 billion at end-March 2021. Exchange rate effects and lower counterparty risk were the main reasons for the decrease in risk exposure amount from end-December 2020.

The non-risk based leverage ratio was 7.1 per cent at end-March, up from 6.3 per cent from the year-earlier period, and down from 7.3 per cent at end-December 2020, reflecting higher deposits with central banks.

Capital adequacy

The capital adequacy regulations specify a minimum for own funds based on risk exposure amount 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).

Capital and risk

	1Q21	4Q20	1Q20
CET1 capital ratio, per cent	20.1	19.6	17.5
Tier 1 capital ratio, per cent	22.0	21.5	19.3
Capital ratio, per cent	25.4	25.0	22.9
Risk exposure amount, NOK billion	917	930	993

Leverage ratio, per cent	7.1	7.3	6.3
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New regulatory framework

Norwegian implementation of the EU Banking Package

On 9 April 2021, the Norwegian Ministry of Finance presented draft legislation on the implementation of the EU Banking Package. The package was adopted in the EU in 2019 and consists of amendments to the Capital Requirements Regulation (CRR II), to the Capital Requirements Directive (CRD V) and to the Bank Recovery and Resolution Directive (BRRD II). As a result of the COVID-19 pandemic, the EU in June 2020 decided to accelerate the implementation of some of the provisions of the CRR II that involve less stringent requirements (the CRR 'quick fix').

The CRR II will enter into force in the EU on 28 June 2021. The Ministry of Finance has announced that the CRR II will not take effect in Norway from the same date. The entry into force will be dependent on the incorporation of the Regulation into the EEA Agreement, and the Ministry of Finance is working to ensure that this is done soon as possible.

Implementing the CRR II will in particular involve making significant amendments to the banking rules and legislation. Among other things, there will be a requirement concerning a net stable funding ratio (NSFR), new calculation methods for counterparty risk, a tightening of the rules on consolidation and large exposures, and new rules on reporting and the disclosure of information. The CRR II also involves an extension of the current reduction of banks' capital requirements for lending to small and medium-sized enterprises (the SME supporting factor). In addition, a new reduction of the capital requirements for lending to certain infrastructure projects will be introduced. Moreover, changes will be made to the banks' minimum leverage ratio requirement. Most of the rules in the Banking Package will be laid down in a set of regulations.

Minimum Requirement for Own funds and Eligible Liabilities

In line with the Bank Recovery and Resolution Directive (BRRD II), banks are subject to a minimum requirement for own funds and eligible liabilities (MREL). The BRRD II introduces a maximum limit for how much non-preferred senior debt a bank must issue, i.e., how much of the MREL must be covered by own funds or non-preferred senior debt. This provision will have major implications for the costs associated with fulfilling the MREL. However, there are different interpretations of how the provision should be understood. The Ministry of Finance will address this in a set of regulations at a later date.

Circular about IRB models

Finanstilsynet (the Financial Supervisory Authority of Norway) is working on a circular that is intended to guide banks on the Authority's practice for the approval and supervision of IRB models. Due to the COVID-19 situation, the work on the circular was put on hold during the winter of 2020. On 15 March 2021, Finanstilsynet announced that the work has now been resumed, and that a draft has been submitted to Finance Norway for comment. If the circular becomes applicable in its current form, it may entail a tightening of the capital requirements for IRB banks that are subject to Norwegian rules and legislation.

Counter-cyclical capital buffer currently unchanged

On 18 March 2021, the Ministry of Finance decided to keep the counter-cyclical capital buffer requirement unchanged at 1 per cent. The decision was based on the advice of the Norwegian central bank, Norges Bank. Norges Bank's current assessment of economic developments, projected losses and banks' expected lending capacity indicates that advice will be given on stepping up the buffer requirement in the course of 2021. In a somewhat longer perspective, Norges Bank envisages that the buffer requirement will once again be back at the 2.5 per cent level. Decisions to increase the requirement normally take effect 12 months after they have been made.

New rules on securitisation

On 23 March 2021, the Storting (Norwegian parliament) adopted new statutory provisions on securitisation. These provisions implement the EU's securitisation regulation and are, among other things, intended to give banks more flexibility in their risk management and financing of lending activities. The regulation has been effective in the EU since 1 January 2019, but has not yet been incorporated into the EEA Agreement. The Ministry of Finance will ask the Storting to approve the incorporation of the regulation into the EEA Agreement. This is expected to happen sometime during the spring, after which it will be possible to implement the regulation in Norway.

New rules on market abuse

The Market Abuse Regulation (MAR) was introduced in the EU in 2016 and contains key rules on market behaviour in the securities market. This includes, among other things, prohibitions on insider dealing and market manipulation as well as rules on the management of inside information. The main purpose of the MAR is to contribute to ensuring well-functioning and safe markets with a higher level of investor protection. The Regulation was incorporated into the EEA Agreement in the autumn of 2019, and entered into force in Norway on 1 March 2021. The implementation in Norway is based on the proposals in Official Norwegian Report 2017:14 from the Securities Law Committee (Verdipapirlovutvalget).

New Norwegian Financial Contracts Act likely to be in force from 2022

The new Financial Contracts Act was adopted by the Storting in December 2020. The Act is expected to enter into force on 1 January 2022. The new Act is based on the current one, with comprehensive amendments. Due to the scope and complexity of the Act, DNB had already established a fast-working Group project in the summer of 2020, to identify the need for adjustments to systems, products and services.

Macroeconomic developments

Continued stringent infection control measures has led to lower activity levels in many industries, a downturn in the economy and higher rates of unemployment. In mid-April, the number of registered fully unemployed corresponded to 4.2 per cent of the workforce, which is on a level with the average so far this year.

In addition to strict infection control measures, a marked decline in oil prices also contributed to the weakening of the Norwegian economy last year, and, to a large extent, of the Norwegian krone last spring. This weakening was in turn an important reason for a marked rise in core inflation, which peaked at 3.7 per cent in August last year. Since then, oil prices have risen, the Norwegian krone has strengthened and inflation has fallen. In March, core inflation was 2.7 per cent.

The housing market is an area of the economy where activity has been high. Average monthly housing price growth was 1.2 per cent in the first quarter, and housing prices were 12.5 per cent higher in March this year than a year earlier. There has also been a record turnover of existing homes, and the number of unsold homes has fallen to a very low level. The upturn in the housing market has resulted in a moderate increase in household credit growth.

Going forward, developments in activity in the Norwegian economy will largely depend on changes in the infection control measures. In April, the Government presented a plan for a gradual reopening of society based on developments in infection rates and vaccination rates. In its March Monetary Policy Report, Norges Bank assumed that the strict infection control measures would be largely continued in April. Further, it was assumed that some industries would be without restrictions from August, whereas others would still be subject to restrictions, albeit at a low level, as the end of the year approaches. Such a scenario could provide the basis for a new economic recovery during the summer and a clear decline in unemployment. In March, Norges Bank signalled that the key policy rate may be raised during the second half of this year.

Future prospects

The target of a return on equity (ROE) above 12 per cent remains unchanged for the period 2021 to 2023. Due to the COVID-19 pandemic and the subsequent developments in the macroeconomic environment, the ROE target is, however, unlikely to be achieved in 2021. This said, the following factors will help the banking group to reach the ROE target in the course of the target period: increased net interest income as a result of increasing NOK interest rates and growth in loans and deposits; growth in commissions and fees from capital-light products; and reduced impairment provisions combined with cost control measures and greater capital efficiency, taking into account the payment of the 2019 and 2020 dividends and the effect of the potential acquisition of Sbanken.

In the period 2021 to 2023, the annual increase in lending volumes is expected to be between 3 and 4 per cent while maintaining a sound deposit-to-loan ratio. According to Norges Bank's own forecasts, the key policy rate is expected to increase from 0.0 per cent in the second half of this year to 0.75 per cent next year, and to above 1.0 per cent in 2023.

During the same period, DNB has an ambition to increase net commissions and fees by 4 to 5 per cent annually and to achieve a cost/income ratio below 40 per cent.

Oslo, 28 April 2021
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		
	1st quarter 2021	1st quarter 2020	Full year 2020
<i>Amounts in NOK million</i>			
Interest income, amortised cost	7 456	11 495	35 587
Other interest income	716	1 257	4 103
Interest expenses, amortised cost	(1 361)	(5 441)	(11 233)
Other interest expenses	124	801	526
Net interest income	6 936	8 111	28 984
Commission and fee income	2 217	1 896	7 828
Commission and expenses	(850)	(757)	(3 168)
Net gains on financial instruments at fair value	1 556	3 632	5 184
Other income	1 492	720	12 971
Net other operating income	4 416	5 491	22 815
Total income	11 351	13 602	51 799
Salaries and other personnel expenses	(2 683)	(2 307)	(10 566)
Other expenses	(1 439)	(1 499)	(6 190)
Depreciation and impairment of fixed and intangible assets	(805)	(800)	(3 362)
Total operating expenses	(4 927)	(4 605)	(20 118)
Pre-tax operating profit before impairment	6 425	8 997	31 681
Net gains on fixed and intangible assets	16	(0)	(1)
Impairment of financial instruments	(8)	(4 449)	(8 085)
Pre-tax operating profit	6 432	4 547	23 595
Tax expense	(1 415)	(909)	(2 542)
Profit for the period	5 017	3 638	21 053
Portion attributable to shareholders of DNB Bank ASA	4 777	3 205	19 909
Portion attributable to additional Tier 1 capital holders	240	433	1 143
Profit for the period	5 017	3 638	21 053

Comprehensive income statement

	DNB Bank ASA		
	1st quarter 2021	1st quarter 2020	Full year 2020
<i>Amounts in NOK million</i>			
Profit for the period	5 017	3 638	21 053
Actuarial gains and losses	(151)	(278)	(308)
Financial liabilities designated at FVTPL, changes in credit risk	0	174	36
Tax	38	26	67
Items that will not be reclassified to the income statement	(113)	(78)	(204)
Currency translation of foreign operations	(71)	152	137
Financial assets at fair value through OCI	105	(354)	108
Tax	(26)	88	(27)
Items that may subsequently be reclassified to the income statement	8	(114)	218
Other comprehensive income for the period	(105)	(192)	13
Comprehensive income for the period	4 912	3 446	21 066

Balance sheet

		DNB Bank ASA		
Amounts in NOK million	Note	31 March 2021	31 Dec. 2020	31 March 2020
Assets				
Cash and deposits with central banks		421 357	281 956	413 033
Due from credit institutions		337 980	360 174	433 229
Loans to customers	4, 5, 6, 7	871 808	883 722	900 985
Commercial paper and bonds	7	320 799	327 983	325 125
Shareholdings	7	5 328	5 428	3 829
Financial derivatives	7	146 173	198 009	253 874
Investment properties				144
Investments in associated companies		2 585	2 568	2 575
Investments in subsidiaries		104 594	105 265	117 927
Intangible assets		3 295	3 441	3 373
Deferred tax assets		5 182	5 150	6 332
Fixed assets		15 273	15 219	15 617
Other assets		21 209	13 395	18 359
Total assets		2 255 582	2 202 311	2 494 403
Liabilities and equity				
Due to credit institutions		294 306	296 349	447 237
Deposits from customers	7	1 151 651	1 086 618	1 064 138
Financial derivatives	7	144 376	212 505	285 346
Debt securities issued	7, 8	365 135	318 252	408 278
Payable taxes		2 004	1 457	7 889
Deferred taxes		80	92	103
Other liabilities		29 353	31 444	59 135
Provisions		1 828	1 879	2 468
Pension commitments		4 214	3 967	3 578
Senior non-preferred bonds	8	18 284	8 523	
Subordinated loan capital	7, 8	31 009	32 319	35 749
Total liabilities		2 042 240	1 993 406	2 313 922
Additional Tier 1 capital		18 139	18 362	18 174
Share capital		19 380	19 380	18 256
Share premium		19 895	19 895	19 895
Other equity		155 928	151 268	124 157
Total equity		213 342	208 905	180 481
Total liabilities and equity		2 255 582	2 202 311	2 494 403

Income statement

	DNB Bank Group		
	1st quarter 2021	1st quarter 2020	Full year 2020
<i>Amounts in NOK million</i>			
Interest income, amortised cost	10 794	16 225	51 383
Other interest income	880	1 406	4 636
Interest expenses, amortised cost	(1 278)	(5 732)	(11 573)
Other interest expenses	(1 031)	(1 284)	(5 161)
Net interest income	9 365	10 615	39 285
Commission and fee income	2 637	2 195	9 387
Commission and fee expenses	(845)	(747)	(3 121)
Net gains on financial instruments at fair value	794	3 266	5 938
Profit from investments accounted for by the equity method	(17)	(96)	228
Net gains on investment properties	31	(26)	(61)
Other income	574	507	2 207
Net other operating income	3 174	5 099	14 578
Total income	12 539	15 714	53 862
Salaries and other personnel expenses	(3 177)	(2 692)	(12 238)
Other expenses	(1 634)	(1 676)	(6 901)
Depreciation and impairment of fixed and intangible assets	(854)	(829)	(3 437)
Total operating expenses	(5 664)	(5 197)	(22 576)
Pre-tax operating profit before impairment	6 875	10 516	31 286
Net gains on fixed and intangible assets	(2)	(0)	(1)
Impairment of financial instruments	110	(5 771)	(9 918)
Pre-tax operating profit	6 983	4 745	21 366
Tax expense	(1 536)	(949)	(3 926)
Profit from operations held for sale, after taxes	(71)	(56)	221
Profit for the period	5 376	3 739	17 661
Portion attributable to shareholders of DNB Bank ASA	5 156	3 309	16 534
Portion attributable to non-controlling interests	(20)	(2)	(15)
Portion attributable to additional Tier 1 capital holders	240	433	1 143
Profit for the period	5 376	3 739	17 661

Comprehensive income statement

	DNB Bank Group		
	1st quarter 2021	1st quarter 2020	Full year 2020
<i>Amounts in NOK million</i>			
Profit for the period	5 376	3 739	17 661
Actuarial gains and losses	(151)	(278)	(323)
Financial liabilities designated at FVTPL, changes in credit risk	(31)	615	33
Tax	45	(84)	72
Items that will not be reclassified to the income statement	(136)	253	(217)
Currency translation of foreign operations	(1 812)	13 336	3 517
Currency translation reserve reclassified to the income statement	(6)		
Hedging of net investment	1 392	(11 745)	(3 246)
Financial assets at fair value through OCI	100	(354)	103
Tax	(373)	3 025	786
Items that may subsequently be reclassified to the income statement	(699)	4 262	1 159
Other comprehensive income for the period	(835)	4 515	942
Comprehensive income for the period	4 541	8 254	18 603

Balance sheet

		DNB Bank Group		
		31 March	31 Dec.	31 March
<i>Amounts in NOK million</i>		2021	2020	2020
Note				
Assets				
Cash and deposits with central banks		423 444	283 526	415 565
Due from credit institutions		54 884	77 289	167 004
Loans to customers	4, 5, 6, 7	1 696 303	1 703 524	1 748 857
Commercial paper and bonds	7	270 377	279 732	264 891
Shareholdings	7	6 614	6 876	5 398
Financial derivatives	7	135 874	187 534	239 734
Investment properties		640	672	733
Investments accounted for by the equity method		7 150	7 450	8 142
Intangible assets		3 636	3 792	3 741
Deferred tax assets		5 119	5 106	2 089
Fixed assets		15 602	15 522	15 858
Assets held for sale		2 399	2 402	1 239
Other assets		16 855	8 879	14 860
Total assets		2 638 896	2 582 304	2 888 110
Liabilities and equity				
Due to credit institutions		212 000	206 995	364 091
Deposits from customers	7	1 176 249	1 112 058	1 087 432
Financial derivatives	7	127 783	174 170	200 507
Debt securities issued	7, 8	801 955	779 290	924 508
Payable taxes		6 224	6 370	7 275
Deferred taxes		50	62	65
Other liabilities		30 187	19 145	34 258
Liabilities held for sale		859	1 016	223
Provisions		2 136	2 096	3 396
Pension commitments		4 357	4 099	3 692
Senior non-preferred bonds	8	18 284	8 523	
Subordinated loan capital	7, 8	31 009	32 319	35 749
Total liabilities		2 411 092	2 346 143	2 661 195
Additional Tier 1 capital		18 139	18 362	18 174
Non-controlling interests		155	119	50
Share capital		19 380	19 380	18 256
Share premium		20 611	20 611	20 611
Other equity		169 519	177 689	169 824
Total equity		227 804	236 161	226 915
Total liabilities and equity		2 638 896	2 582 304	2 888 110

Statement of changes in equity

DNB Bank ASA

<i>Amounts in NOK million</i>	Share capital	Share premium	Additional Tier 1 capital	Net currency translation reserve	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 December 2019	18 256	19 895	26 729	492	(57)	122 678	187 993
Profit for the period			433			3 205	3 638
Actuarial gains and losses						(278)	(278)
Financial assets at fair value through OCI						(354)	(354)
Financial liabilities designated at FVTPL, changes in credit risk					174		174
Currency translation of foreign operations				152			152
Tax on other comprehensive income					(43)	158	115
Comprehensive income for the period			433	152	130	2 731	3 446
Interest payments additional Tier 1 capital			(1 055)				(1 055)
Additional Tier 1 capital redeemed			(10 024)				(10 024)
Currency movements interest payments and redemption additional Tier 1 capital			2 091			(1 971)	120
Balance sheet as at 31 March 2020	18 256	19 895	18 174	644	74	123 439	180 481
Balance sheet as at 31 December 2020	19 380	19 895	18 362	629	(29)	150 669	208 905
Profit for the period			240			4 777	5 017
Actuarial gains and losses						(151)	(151)
Financial assets at fair value through OCI						105	105
Financial liabilities designated at FVTPL, changes in credit risk					0		0
Currency translation of foreign operations				(71)			(71)
Tax on other comprehensive income					(0)	12	11
Comprehensive income for the period			240	(71)	0	4 743	4 912
Interest payments additional Tier 1 capital			(467)				(467)
Currency movements interest payments additional Tier 1 capital			4			(11)	(8)
Balance sheet as at 31 March 2021	19 380	19 895	18 139	558	(29)	155 400	213 342

Statement of changes in equity (continued)

DNB Bank Group

<i>Amounts in NOK million</i>	Non-controlling interests	Share capital	Share premium	Additional Tier 1 capital	Net currency translation reserve	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 December 2019	45	18 256	20 611	26 729	4 840	(2)	159 141	229 619
Profit for the period	(2)			433			3 309	3 739
Actuarial gains and losses							(278)	(278)
Financial assets at fair value through OCI							(354)	(354)
Financial liabilities designated at FVTPL, changes in credit risk						615		615
Currency translation of foreign operations	7				13 329			13 336
Hedging of net investment					(11 745)			(11 745)
Tax on other comprehensive income					2 936	(154)	158	2 941
Comprehensive income for the period	5			433	4 520	461	2 835	8 254
Interest payments additional Tier 1 capital				(1 055)				(1 055)
Additional Tier 1 capital redeemed				(10 024)				(10 024)
Currency movements interest payments and redemption additional Tier 1 capital				2 091			(1 971)	120
Balance sheet as at 31 March 2020	50	18 256	20 611	18 174	9 360	459	160 006	226 915
Balance sheet as at 31 December 2020	119	19 380	20 611	18 362	5 918	23	171 748	236 161
Profit for the period	(20)			240			5 156	5 376
Actuarial gains and losses							(151)	(151)
Financial assets at fair value through OCI							100	100
Financial liabilities designated at FVTPL, changes in credit risk						(31)		(31)
Currency translation of foreign operations	(2)				(1 816)			(1 818)
Hedging of net investment					1 392			1 392
Tax on other comprehensive income					(348)	8	13	(328)
Comprehensive income for the period	(22)			240	(772)	(23)	5 117	4 541
Interest payments additional Tier 1 capital				(467)				(467)
Currency movements interest payments additional Tier 1 capital				4			(11)	(8)
Non-controlling interests Skandinaviske Handelsparker AS	3						(3)	
Non-controlling interests Yellow Holding AS	55							55
Group contribution to DNB ASA for 2019							(12 478)	(12 478)
Balance sheet as at 31 March 2021	155	19 380	20 611	18 139	5 147	(1)	164 373	227 804

Cash flow statement

	DNB Bank ASA		
	January-March 2021	2020	Full year 2020
<i>Amounts in NOK million</i>			
Operating activities			
Net receipts/(payments) on loans to customers	2 142	15 527	(3 679)
Interest received from customers	7 675	10 758	35 619
Net receipts on deposits from customers	72 295	70 520	127 133
Interest paid to customers	(517)	(1 557)	(6 459)
Net receipts/(payments) on loans to credit institutions	(2 649)	194 448	58 068
Net interest received from/(paid) to credit institutions	(106)	1 636	1 847
Interest paid to credit institutions	(55)	(1 212)	(1 916)
Net receipts/(payments) on financial assets for investment or trading	6 199	(107 618)	(168 453)
Interest received on bonds and commercial paper	889	962	3 880
Net receipts on commissions and fees	1 905	2 181	4 628
Payments to operations	(4 765)	(5 172)	(16 666)
Taxes paid	(927)	(438)	(7 278)
Other net receipts	2 982	3 232	11 849
Net cash flow from operating activities	85 069	183 268	38 574
Investing activities			
Net payments on the acquisition of fixed assets	(674)	(1 582)	(3 917)
Net payment for investment properties			
Net disposal/(investment) in long-term shares	(17)	7 909	12 154
Dividends received on long-term investments in shares	18	49	4 774
Net cash flow from investment activities	(674)	6 376	13 011
Financing activities			
Receipts on issued bonds and commercial paper	296 256	336 441	1 126 072
Payments on redeemed bonds and commercial paper	(217 685)	(395 101)	(1 181 672)
Interest payments on issued bonds and commercial paper	(2 028)	(2 792)	(6 105)
Receipts on the raising of subordinated loan capital			4 056
Redemptions of subordinated loan capital			(4 207)
Interest payments on subordinated loan capital	(255)	(240)	(501)
Net payments on redemption of additional Tier 1 capital		(10 024)	(10 024)
Interest payments on additional Tier 1 capital	(467)	(1 055)	(1 578)
Lease payments	(177)	(166)	(717)
Group contribution payments	(12 478)		
Net cash flow from funding activities	63 167	(72 936)	(74 677)
Effects of exchange rate changes on cash and cash equivalents	(9 430)	1 344	3 044
Net cash flow	138 132	118 051	(20 047)
Cash as at 1 January	286 398	306 446	306 446
Net receipts of cash	138 132	118 051	(20 047)
Cash at end of period ¹⁾	424 530	424 497	286 398
*) Of which: Cash and deposits with central banks			
	421 357	413 033	281 956
Deposits with credit institutions with no agreed period of notice ¹⁾	3 173	11 464	4 442

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

Cash flow statement (continued)

DNB Bank Group

Amounts in NOK million	2021	January-March 2020	Full year 2020
Operating activities			
Net receipts/(payments) on loans to customers	15 148	(41 564)	(33 643)
Interest received from customers	10 445	14 636	49 329
Net receipts on deposits from customers	60 841	72 928	131 774
Interest paid to customers	(517)	(1 676)	(6 624)
Net receipts on loans to credit institutions	1 211	129 168	32 306
Net interest received from/(paid) to credit institutions	(269)	692	226
Interest paid to credit institutions	(41)	(1 000)	(1 380)
Net receipts/(payments) on financial assets for investment or trading	7 935	26 602	(74 267)
Interest received on bonds and commercial paper	758	867	3 352
Net receipts on commissions and fees	2 309	2 488	6 344
Payments to operations	(5 623)	(5 915)	(19 425)
Taxes paid	(2 091)	(549)	(8 996)
Other net receipts	2 659	3 355	2 206
Net cash flow from operating activities	92 765	200 031	81 200
Investing activities			
Net payments on the acquisition of fixed assets	(788)	(1 670)	(3 967)
Net receipts on investment properties	47	24	35
Net investment in long-term shares	(17)		
Dividends received on long-term investments in shares		49	428
Net cash flow from investment activities	(758)	(1 597)	(3 504)
Financing activities			
Receipts on issued bonds and commercial paper	312 229	334 710	1 152 054
Payments on redeemed bonds and commercial paper	(237 236)	(400 960)	(1 225 085)
Interest payments on issued bonds and commercial paper	(4 138)	(4 636)	(13 193)
Receipts on the raising of subordinated loan capital			4 056
Redemptions of subordinated loan capital			(4 207)
Interest payments on subordinated loan capital	(256)	(241)	(504)
Net payments on redemption of additional Tier 1 capital		(10 024)	(10 024)
Interest payments on additional Tier 1 capital	(467)	(1 055)	(1 578)
Lease payments	(123)	(119)	(730)
Group contributions payments	(12 478)		(573)
Net cash flow from funding activities	57 531	(82 324)	(99 785)
Effects of exchange rate changes on cash and cash equivalents	(11 889)	3 816	3 428
Net cash flow	137 648	119 926	(18 661)
Cash as at 1 January	288 961	307 623	307 623
Net receipts of cash	137 648	119 926	(18 661)
Cash at end of period ¹⁾	426 610	427 548	288 961

*) Of which: Cash and deposits with central banks 423 444 415 565 283 526
 Deposits with credit institutions with no agreed period of notice ¹⁾ 3 166 11 983 5 435

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. 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 2020.

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. The 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.

Income statement, first quarter

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Bank Group	
	1st quarter		1st quarter		1st quarter		1st quarter		1st quarter	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<i>Amounts in NOK million</i>										
Net interest income	2 982	3 702	5 778	6 107	605	806			9 365	10 615
Net other operating income	922	920	1 768	1 382	1 038	3 111	(554)	(314)	3 174	5 099
Total income	3 904	4 622	7 546	7 489	1 643	3 917	(554)	(314)	12 539	15 714
Operating expenses	(2 175)	(2 194)	(3 043)	(2 865)	(999)	(452)	554	314	(5 664)	(5 197)
Pre-tax operating profit before impairment	1 729	2 428	4 503	4 624	644	3 464			6 875	10 516
Net gains on fixed and intangible assets	0		(0)	(0)	(2)	0			(2)	(0)
Impairment of financial instruments	23	(734)	94	(5 038)	(7)	(0)			110	(5 771)
Profit from repossessed operations			(39)	(80)	39	80				
Pre-tax operating profit	1 753	1 695	4 558	(494)	673	3 544			6 983	4 745
Tax expense	(438)	(424)	(1 139)	124	41	(649)			(1 536)	(949)
Profit from operations held for sale, after taxes					(71)	(56)			(71)	(56)
Profit for the period	1 314	1 271	3 418	(371)	643	2 839			5 376	3 739

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.

DNB Bank ASA		Own funds	DNB Bank Group	
31 Dec. 2020	31 March 2021	Amounts in NOK million	31 March 2021	31 Dec. 2020
208 905	213 342	Total equity	227 804	236 161
	(2 389)	Adjustment to retained earnings for foreseeable dividends	(2 607)	
		Effect from regulatory consolidation	(211)	(250)
(17 995)	(17 995)	Additional Tier 1 capital instruments included in total equity	(17 995)	(17 995)
(276)	(108)	Net accrued interest on additional Tier 1 capital instruments	(108)	(276)
190 635	192 850	Common equity Tier 1 capital instruments	206 883	217 641
		Regulatory adjustments		
(2 427)	(2 393)	Goodwill	(2 956)	(2 992)
(453)	(453)	Deferred tax assets that rely of future profitability, excluding temporary differences	(976)	(970)
(1 014)	(902)	Other intangible assets	(1 457)	(1 583)
(13 953)	(13 953)	Proposed dividends and group contributions ¹⁾	(14 498)	(26 949)
(788)	(899)	IRB provisions shortfall (-)	(1 837)	(1 781)
(683)	(709)	Additional value adjustments (AVA)	(853)	(855)
29	29	(Gains) or losses on liabilities at fair value resulting from own credit risk	1	(23)
(527)	(386)	(Gains) or losses on derivative liabilities resulting from own credit risk (DVA)	(102)	(94)
170 819	173 184	Common equity Tier 1 capital	184 205	182 393
17 995	17 995	Additional Tier 1 capital instruments	17 995	17 995
188 814	191 178	Tier 1 capital	202 200	200 388
5 640	5 595	Perpetual subordinated loan capital	5 595	5 640
26 320	25 237	Term subordinated loan capital	25 237	26 320
31 960	30 831	Additional Tier 2 capital instruments	30 831	31 960
220 774	222 010	Own funds	233 031	232 348
801 447	790 969	Total risk exposure amount	917 407	930 384
64 116	63 278	Minimum capital requirement	73 393	74 431
		Capital ratios:		
21.3	21.9	Common equity Tier 1 capital ratio	20.1	19.6
23.6	24.2	Tier 1 capital ratio	22.0	21.5
27.5	28.1	Total capital ratio	25.4	25.0
Own funds and capital ratios excluding interim profit				
	175 572	Common equity Tier 1 capital	186 812	
	193 567	Tier 1 capital	204 807	
	224 398	Own funds	235 638	
	22.2	Common equity Tier 1 capital ratio	20.4	
	24.5	Tier 1 capital ratio	22.3	
	28.4	Total capital ratio	25.7	

1) The Board of Directors in DNB Bank ASA has been given an authorisation from the Annual General Meeting on 27 April 2021 to pay a dividend of up to NOK 9.00 per share for 2020, for distribution after September 2021.

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 exposures

	DNB Bank ASA					
	Original exposure	Exposure at default EAD ¹⁾	Average risk weights in per cent	Risk amount REA	Capital requirements	Capital requirements
	31 March 2021	31 March 2021	31 March 2021	31 March 2021	31 March 2021	31 Dec. 2020
<i>Amounts in NOK million</i>						
IRB approach						
Corporate exposures	797 728	644 794	45.0	290 169	23 214	24 433
<i>of which specialised lending (SL)</i>	12 997	12 296	43.9	5 394	432	474
<i>of which small and medium-sized entities (SME)</i>	209 660	184 823	46.3	85 519	6 842	6 927
<i>of which other corporate</i>	575 072	447 675	44.5	199 256	15 941	17 033
Retail exposures	206 253	190 146	25.6	48 682	3 895	3 940
<i>of which other retail</i>	80 584	64 476	28.4	18 334	1 467	1 440
<i>of which secured by mortgages on immovable property</i>	125 670	125 670	24.1	30 348	2 428	2 500
Total credit risk, IRB approach	1 003 982	834 940	40.6	338 851	27 108	28 374
Standardised approach						
Central government and central banks	415 938	414 890	0.0	1		6
Regional governments or local authorities	41 299	37 492	1.3	499	40	40
Public sector entities	68	66	17.1	11	1	1
Multilateral development banks	29 622	29 620				
International organisations	5 126	5 126				
Institutions	600 691	488 584	19.5	95 356	7 629	7 471
Corporate	123 844	107 030	65.4	70 020	5 602	5 497
Retail	184 141	63 827	74.9	47 784	3 823	3 343
Secured by mortgages on immovable property	3 028	2 882	36.5	1 051	84	80
Exposures in default	2 592	1 909	126.3	2 412	193	150
Items associated with particular high risk	5 679	4 261	150.0	6 391	511	609
Covered bonds	99 577	99 577	10.0	9 958	797	812
Collective investments undertakings	379	379	100.0	379	30	24
Equity positions	110 774	110 774	100.0	110 774	8 862	8 852
Other assets	14 719	14 719	119.3	17 554	1 404	1 500
Total credit risk, standardised approach	1 637 477	1 381 136	26.2	362 191	28 975	28 384
Total credit risk	2 641 459	2 216 076	31.6	701 042	56 083	56 758
Market risk						
Position and general risk, debt instruments				8 494	680	752
Position and general risk, equity instruments				728	58	52
Currency risk				49	4	4
Commodity risk				0	0	0
Total market risk				9 271	742	808
Credit value adjustment risk (CVA)				3 997	320	417
Operational risk				76 658	6 133	6 133
Total risk exposure amount				790 969	63 278	64 116

1) EAD, exposure at default.

Note 3 Capital adequacy (continued)

Specification of exposures

	DNB Bank Group					
	Original exposure 31 March 2021	Exposure at default EAD ¹⁾ 31 March 2021	Average risk weights in per cent 31 March 2021	Risk amount REA 31 March 2021	Capital requirements 31 March 2021	Capital requirements 31 Dec. 2020
<i>Amounts in NOK million</i>						
IRB approach						
Corporate exposures	975 030	788 827	45.6	359 472	28 758	30 405
<i>of which specialised lending (SL)</i>	13 493	12 792	44.4	5 681	454	516
<i>of which small and medium-sized entities (SME)</i>	209 979	185 143	46.2	85 618	6 849	6 931
<i>of which other corporate</i>	751 558	590 892	45.4	268 173	21 454	22 958
Retail exposures	959 167	943 059	22.2	209 264	16 741	16 371
<i>of which other retail</i>	80 584	64 476	28.4	18 334	1 467	1 440
<i>of which secured by mortgages on immovable property</i>	878 583	878 583	21.7	190 930	15 274	14 931
Total credit risk, IRB approach	1 934 197	1 731 886	32.8	568 736	45 499	46 776
Standardised approach						
Central government and central banks	435 673	435 029	0.1	263	21	19
Regional governments or local authorities	47 963	42 445	2.5	1 065	85	88
Public sector entities	1 269	719	47.0	338	27	31
Multilateral development banks	29 643	29 640				
International organisations	5 126	5 126				
Institutions	152 088	124 384	18.5	22 981	1 839	1 847
Corporate	180 150	157 141	67.1	105 399	8 432	8 403
Retail	190 327	67 884	74.4	50 496	4 040	3 580
Secured by mortgages on immovable property	27 973	26 703	60.1	16 036	1 283	1 366
Exposures in default	4 563	3 523	130.7	4 603	368	233
Items associated with particular high risk	5 975	4 529	150.0	6 793	543	641
Covered bonds	41 800	41 800	10.0	4 180	334	348
Collective investment undertakings	934	934	40.6	379	30	24
Equity positions	10 376	10 375	100.0	10 375	830	746
Other assets	17 941	17 940	100.6	18 046	1 444	1 549
Total credit risk, standardised approach	1 151 799	968 173	24.9	240 953	19 276	18 875
Total credit risk	3 085 996	2 700 058	30.0	809 690	64 775	65 652
Market risk						
Position and general risk, debt instruments				8 512	681	748
Position and general risk, equity instruments				728	58	52
Currency risk				49	4	4
Commodity risk				0	0	0
Total market risk				9 289	743	803
Credit value adjustment risk (CVA)				4 477	358	459
Operational risk				93 951	7 516	7 516
Total risk exposure amount				917 407	73 393	74 431

1) EAD, exposure at default.

Note 4 Development in gross carrying amount and maximum exposure

The following tables reconcile the opening and closing balances for gross carrying amount and the maximum exposure for loans to customers at amortised cost and financial commitments. Maximum exposure is the gross carrying amount of loans to customers plus off-balance exposure, which mainly includes guarantees, unutilised credit lines and loan offers. Reconciling items include the following:

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

Loans to customers at amortised cost (quarterly figures)

DNB Bank ASA

Amounts in NOK million	1st quarter 2021				1st quarter 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 Dec.	639 323	104 177	26 189	769 690	678 866	53 733	21 251	753 849
Transfer to stage 1	30 169	(30 140)	(29)		3 654	(3 468)	(185)	
Transfer to stage 2	(22 521)	22 680	(159)		(58 715)	59 104	(389)	
Transfer to stage 3	(396)	(1 747)	2 143		(2 427)	(5 225)	7 652	
Originated and purchased	44 312	1 960	844	47 116	71 726	9 494	0	81 221
Derecognition	(41 440)	(6 219)	(1 923)	(49 582)	(45 830)	(4 732)	(0)	(50 562)
Exchange rate movements	(3 211)	(393)	(9)	(3 614)	5 579	567	322	6 468
Gross carrying amount as at 31 March ¹⁾	646 236	90 320	27 055	763 611	652 852	109 473	28 650	790 975

Loans to customers at amortised cost (quarterly figures)

DNB Bank Group

Amounts in NOK million	1st quarter 2021				1st quarter 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 Dec.	1 500 223	137 333	32 006	1 669 563	1 519 017	88 291	24 297	1 631 605
Transfer to stage 1	40 441	(40 390)	(51)		11 434	(10 850)	(584)	
Transfer to stage 2	(36 258)	36 465	(207)		(80 262)	80 788	(526)	
Transfer to stage 3	(1 523)	(2 188)	3 711		(2 919)	(7 121)	10 040	
Originated and purchased	87 745	2 137	1 183	91 065	127 045	9 936		136 981
Derecognition	(77 813)	(8 622)	(3 373)	(89 809)	(79 718)	(5 783)	(359)	(85 860)
Exchange rate movements	(6 589)	(584)	(55)	(7 228)	27 069	2 985	690	30 746
Other								
Gross carrying amount as at 31 March ²⁾	1 506 227	124 150	33 214	1 663 591	1 521 667	158 246	33 558	1 713 470

1) As of 1 January 2021, DNB introduced a new definition of default. According to the new definition, the gross carrying amount for stage 3 customers in probation after default was NOK 2 876 million as at 31 March 2021.

2) As of 1 January 2021, DNB introduced a new definition of default. According to the new definition, the gross carrying amount for stage 3 customers in probation after default was NOK 3 070 million as at 31 March 2021.

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

Financial commitments (quarterly figures)

DNB Bank ASA

Amounts in NOK million	1st quarter 2021				1st quarter 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 31 Dec.	471 269	29 652	5 107	506 028	442 766	13 537	3 245	459 547
Transfer to stage 1	7 332	(7 326)	(6)		1 560	(1 435)	(124)	
Transfer to stage 2	(5 514)	5 521	(7)		(31 087)	31 135	(48)	
Transfer to stage 3	(63)	(232)	295		(725)	(1 384)	2 109	
Originated and purchased	99 963	583	95	100 640	87 838	0		87 839
Derecognition	(90 857)	(2 421)	(1 069)	(94 346)	(68 203)	(3 736)	(214)	(72 153)
Exchange rate movements	(1 491)	(78)	(4)	(1 574)	7 209	197	39	7 444
Maximum exposure as at 31 March ¹⁾	480 639	25 699	4 410	510 748	439 359	38 313	5 006	482 677

Financial commitments (quarterly figures)

DNB Bank Group

Amounts in NOK million	1st quarter 2021				1st quarter 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 31 Dec.	647 981	36 478	6 024	690 484	617 345	23 794	3 343	644 482
Transfer to stage 1	8 512	(8 506)	(6)		3 533	(3 408)	(124)	
Transfer to stage 2	(7 842)	7 849	(7)		(38 393)	38 442	(49)	
Transfer to stage 3	(69)	(235)	304		(785)	(1 720)	2 505	
Originated and purchased	106 929	1 774	98	108 801	88 943	0		88 944
Derecognition	(98 968)	(2 025)	(270)	(101 263)	(80 059)	(6 905)	(246)	(87 210)
Exchange rate movements	(4 008)	(125)	(1)	(4 135)	20 824	1 711	88	22 623
Maximum exposure as at 31 March ²⁾	652 536	35 210	6 142	693 888	611 409	51 914	5 516	668 839

- 1) As of 1 January 2021, DNB introduced a new definition of default. According to the new definition, the maximum exposure relating to stage 3 customers in probation after default was NOK 164 million as at 31 March 2021.
- 2) As of 1 January 2021, DNB introduced a new definition of default. According to the new definition, the maximum exposure relating to stage 3 customers in probation after default was NOK 1 304 million as at 31 March 2021.

Note 5 Development in accumulated impairment of financial instruments

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

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

Loans to customers at amortised cost (quarterly figures)

DNB Bank ASA

Amounts in NOK million	1st quarter 2021				1st quarter 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 Dec.	(555)	(987)	(10 506)	(12 048)	(168)	(777)	(8 252)	(9 197)
Transfer to stage 1	(113)	113			(67)	55	12	
Transfer to stage 2	64	(64)			21	(34)	13	
Transfer to stage 3	1	16	(17)		0	53	(53)	
Originated and purchased	(64)	(29)		(93)	(64)	(122)		(186)
Increased expected credit loss	(121)	(373)	(1 172)	(1 667)	(414)	(867)	(3 252)	(4 533)
Decreased (reversed) expected credit loss	326	331	944	1 601	67	144	783	994
Write-offs			108	108			770	770
Derecognition (including repayments)	16	91	15	122	12	70	10	92
Exchange rate movements	2	4	1	7	(6)	(5)	(81)	(92)
Accumulated impairment as at 31 March ¹⁾	(444)	(899)	(10 628)	(11 971)	(619)	(1 482)	(10 051)	(12 152)

Loans to customers at amortised cost (quarterly figures)

DNB Bank Group

Amounts in NOK million	1st quarter 2021				1st quarter 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 Dec.	(761)	(1 213)	(12 039)	(14 013)	(305)	(1 042)	(8 904)	(10 251)
Transfer to stage 1	(122)	121	1		(77)	62	15	
Transfer to stage 2	103	(113)	11		38	(59)	21	
Transfer to stage 3	1	17	(18)		0	58	(58)	
Originated and purchased	(81)	(84)		(165)	(97)	(124)		(221)
Increased expected credit loss	(133)	(521)	(1 218)	(1 871)	(555)	(1 363)	(3 573)	(5 490)
Decreased (reversed) expected credit loss	381	391	1 180	1 951	90	165	867	1 122
Write-offs			109	109			1 033	1 033
Derecognition (including repayments)	23	118	17	158	17	86	10	114
Exchange rate movements	6	5	10	21	(34)	(90)	(188)	(312)
Other								
Accumulated impairment as at 31 March ¹⁾	(583)	(1 280)	(11 947)	(13 810)	(922)	(2 306)	(10 777)	(14 005)

1) On 1 January 2021, DNB introduced a new definition of default. According to the new definition for customers in probation after default, the effect on expected credit loss was not significant as at 31 March 2021.

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

Financial commitments (quarterly figures)

DNB Bank ASA

Amounts in NOK million	1st quarter 2021				1st quarter 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 Dec.	(231)	(438)	(601)	(1 270)	(111)	(358)	(546)	(1 016)
Transfer to stage 1	(44)	44			(23)	20	3	
Transfer to stage 2	25	(25)			26	(27)	1	
Transfer to stage 3		6	(6)		0	63	(63)	
Originated and purchased	(26)	(10)		(36)	(49)	(7)		(56)
Increased expected credit loss	(22)	(107)	(209)	(339)	(183)	(508)	(785)	(1 476)
Decreased (reversed) expected credit loss	117	72	129	318	29	28	279	336
Derecognition	2	63		66	0	25		25
Exchange rate movements	1	1		1	(4)	(2)	(1)	(7)
Other								
Accumulated impairment as at 31 March ¹⁾	(178)	(394)	(687)	(1 260)	(315)	(767)	(1 112)	(2 194)

Financial commitments (quarterly figures)

DNB Bank Group

Amounts in NOK million	1st quarter 2021				1st quarter 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 Dec.	(284)	(566)	(601)	(1 451)	(146)	(667)	(543)	(1 357)
Transfer to stage 1	(45)	45			(32)	29	3	
Transfer to stage 2	29	(29)			29	(30)	1	
Transfer to stage 3	0	6	(6)		0	64	(64)	
Originated and purchased	(33)	(12)		(45)	(54)	(7)		(61)
Increased expected credit loss	(27)	(109)	(213)	(349)	(218)	(926)	(785)	(1 928)
Decreased (reversed) expected credit loss	133	77	130	340	47	34	279	359
Derecognition	3	67		69	0	27		28
Exchange rate movements	2	1		3	(11)	(107)	(1)	(119)
Other								
Accumulated impairment as at 31 March ¹⁾	(222)	(520)	(690)	(1 432)	(386)	(1 583)	(1 110)	(3 079)

- 1) On 1 January 2021, DNB introduced a new definition of default. According to the new definition for customers in probation after default, the effect on expected credit loss was not significant as at 31 March 2021.

Note 6 Loans and financial commitments to customers by industry segment

Loans to customers as at 31 March 2021

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	99 247	(18)	(27)	(266)		98 936
Commercial real estate	191 190	(84)	(62)	(372)	90	190 763
Shipping	41 037	(41)	(143)	(289)		40 565
Oil, gas and offshore	53 875	(70)	(334)	(7 225)		46 246
Power and renewables	33 407	(26)	(5)	(237)		33 138
Healthcare	14 610	(4)	(0)			14 605
Public sector	10 215	(15)	(0)	(0)		10 199
Fishing, fish farming and farming	52 270	(44)	(54)	(159)	109	52 122
Retail industries	36 858	(32)	(51)	(428)	8	36 355
Manufacturing	34 946	(31)	(61)	(82)		34 772
Technology, media and telecom	21 048	(16)	(11)	(20)		21 001
Services	80 390	(53)	(99)	(1 070)	20	79 188
Residential property	101 859	(30)	(24)	(163)	252	101 893
Personal customers	827 557	(80)	(175)	(439)	46 032	872 894
Other corporate customers	65 084	(39)	(234)	(1 197)	11	63 625
Total ¹⁾	1 663 591	(583)	(1 280)	(11 947)	46 522	1 696 303

1) Of which NOK 53 930 million in repo trading volumes.

Loans to customers as at 31 March 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	125 907	(29)	(15)	(382)		125 480
Commercial real estate	175 594	(117)	(91)	(368)	143	175 161
Shipping	55 384	(78)	(172)	(288)		54 846
Oil, gas and offshore	75 623	(76)	(913)	(6 421)		68 212
Power and renewables	33 865	(27)	(6)	(44)		33 787
Healthcare	28 885	(50)	(8)			28 828
Public sector	14 818	(7)	(0)	(0)		14 811
Fishing, fish farming and farming	50 402	(26)	(39)	(148)	158	50 347
Retail industries	44 043	(30)	(82)	(562)	55	43 425
Manufacturing	45 035	(46)	(73)	(278)	19	44 658
Technology, media and telecom	29 200	(68)	(19)	(31)	24	29 106
Services	77 151	(71)	(138)	(707)	179	76 415
Residential property	91 762	(41)	(45)	(99)	374	91 951
Personal customers	792 064	(200)	(502)	(689)	48 366	839 040
Other corporate customers	73 738	(56)	(203)	(761)	71	72 790
Total ¹⁾	1 713 470	(922)	(2 306)	(10 777)	49 391	1 748 857

1) Of which NOK 60 227 million in repo trading volumes.

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

Financial commitments as at 31 March 2021		Accumulated impairment			DNB Bank Group
<i>Amounts in NOK million</i>	Maximum exposure	Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	30 034	(10)	(3)	(0)	30 021
Commercial real estate	29 718	(12)	(2)	(3)	29 702
Shipping	7 339	(8)	(5)		7 327
Oil, gas and offshore	45 886	(48)	(282)	(226)	45 330
Power and renewables	34 233	(23)	(5)		34 205
Healthcare	25 453	(5)	(0)		25 447
Public sector	9 385	(0)	(0)		9 385
Fishing, fish farming and farming	14 350	(10)	(8)	(2)	14 330
Retail industries	33 072	(16)	(15)	(14)	33 028
Manufacturing	49 548	(18)	(40)	(2)	49 489
Technology, media and telecom	19 819	(9)	(7)	(0)	19 804
Services	28 295	(19)	(16)	(14)	28 246
Residential property	37 524	(16)	(2)	(7)	37 499
Personal customers	293 934	(13)	(37)	(75)	293 809
Other corporate customers	35 299	(15)	(100)	(349)	34 835
Total	693 888	(222)	(520)	(690)	692 456

Financial commitments as at 31 March 2020		Accumulated impairment			DNB Bank Group
<i>Amounts in NOK million</i>	Maximum exposure	Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	29 488	(21)	(4)	(0)	29 463
Commercial real estate	22 397	(15)	(6)	(3)	22 372
Shipping	8 809	(10)	(50)	(2)	8 747
Oil, gas and offshore	60 464	(69)	(1 093)	(478)	58 825
Power and renewables	32 221	(9)	(22)		32 190
Healthcare	25 204	(25)	(0)		25 178
Public sector	10 727	(0)	(0)		10 726
Fishing, fish farming and farming	16 780	(8)	(2)	(7)	16 764
Retail industries	28 260	(15)	(47)	(35)	28 164
Manufacturing	53 791	(30)	(87)	(7)	53 668
Technology, media and telecom	20 320	(32)	(8)		20 279
Services	26 863	(28)	(48)	(65)	26 722
Residential property	38 130	(15)	(10)	(2)	38 102
Personal customers	255 972	(83)	(89)	1	255 801
Other corporate customers	39 414	(25)	(117)	(512)	38 760
Total	668 839	(386)	(1 583)	(1 110)	665 761

Note 7 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>				
Assets as at 31 March 2021				
Loans to customers		113 588	6 580	120 168
Commercial paper and bonds	41 244	279 177	333	320 754
Shareholdings	3 739	865	724	5 328
Financial derivatives	744	143 849	1 580	146 173
Liabilities as at 31 March 2021				
Deposits from customers		11 905		11 905
Debt securities issued		6 664		6 664
Subordinated loan capital		174		174
Financial derivatives	894	142 196	1 285	144 376
Other financial liabilities ¹⁾	4 104		0	4 104

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>				
Assets as at 31 March 2020				
Loans to customers		114 696	7 466	122 162
Commercial paper and bonds	29 964	294 655	284	324 902
Shareholdings	2 632	575	622	3 829
Financial derivatives	1 326	249 334	3 214	253 874
Liabilities as at 31 March 2020				
Deposits from customers		22 903		22 903
Debt securities issued		7 428		7 428
Subordinated loan capital		169		169
Financial derivatives	947	281 889	2 510	285 346
Other financial liabilities ¹⁾	8 316			8 316

1) Short positions, trading activities.

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

Note 7 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>				
Assets as at 31 March 2021				
Loans to customers			46 522	46 522
Commercial paper and bonds	49 345	220 366	333	270 044
Shareholdings	4 699	912	1 004	6 614
Financial derivatives	744	133 550	1 580	135 874
Liabilities as at 31 March 2021				
Deposits from customers		11 905		11 905
Debt securities issued		22 663		22 663
Subordinated loan capital		174		174
Financial derivatives	894	125 603	1 285	127 783
Other financial liabilities ¹⁾	4 104		0	4 104

	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>				
Assets as at 31 March 2020				
Loans to customers			49 391	49 391
Commercial paper and bonds	29 964	226 994	284	257 241
Shareholdings	4 040	587	770	5 398
Financial derivatives	1 326	235 194	3 214	239 734
Liabilities as at 31 March 2020				
Deposits from customers		22 903		22 903
Debt securities issued		21 515		21 515
Subordinated loan capital		169		169
Financial derivatives	947	197 050	2 510	200 507
Other financial liabilities ¹⁾	8 316			8 316

¹⁾ Short positions, trading activities.

For a further description of the instruments and valuation techniques, see the annual report for 2020.

Note 7 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Bank ASA

<i>Amounts in NOK million</i>	Financial assets				Financial liabilities
	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2019	8 495	356	633	1 868	1 536
Net gains recognised in the income statement	(24)	(67)	(10)	1 166	809
Additions/purchases	1 726	309	1	197	192
Sales	(1 146)	(214)	(2)		
Settled	(1 585)			(45)	(47)
Transferred from level 1 or level 2		68			
Transferred to level 1 or level 2		(238)	(0)		
Other		70		28	22
Carrying amount as at 31 March 2020	7 466	284	622	3 214	2 510
Carrying amount as at 31 December 2020	7 030	283	699	1 877	1 513
Net gains recognised in the income statement	(113)		32	(298)	(223)
Additions/purchases	1 000	253	1	132	120
Sales	(533)	(161)	(5)		
Settled	(804)			(131)	(125)
Transferred from level 1 or level 2		53			
Transferred to level 1 or level 2		(113)	(3)		
Other		19			
Carrying amount as at 31 March 2021	6 580	333	724	1 580	1 285

Financial instruments at fair value, level 3

DNB Bank Group

<i>Amounts in NOK million</i>	Financial assets				Financial liabilities
	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2019	49 995	356	795	1 868	1 536
Net gains recognised in the income statement	731	(67)	(20)	1 166	809
Additions/purchases	3 618	309	4	197	192
Sales		(214)	(6)		
Settled	(4 953)			(45)	(47)
Transferred from level 1 or level 2		68			
Transferred to level 1 or level 2		(238)	(2)		
Other		70	0	28	22
Carrying amount as at 31 March 2020	49 391	284	770	3 214	2 510
Carrying amount as at 31 December 2020	47 975	283	941	1 877	1 513
Net gains recognised in the income statement	(615)		78	(298)	(223)
Additions/purchases	2 604	253	1	132	120
Sales		(161)	(14)		
Settled	(3 444)			(131)	(125)
Transferred from level 1 or level 2		53			
Transferred to level 1 or level 2		(113)	(3)		
Other		19	(0)		
Carrying amount as at 31 March 2021	46 522	333	1 004	1 580	1 285

Sensitivity analysis, level 3

An increase in the discount rate on fixed-rate loans by 10 basis points will decrease the fair value by NOK 27 million in DNB Bank ASA and 146 million in DNB Bank Group. The effects on other Level 3 financial instruments are insignificant.

Note 8 Debt securities issued, senior non-preferred bonds and subordinated loan capital

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

Debt securities issued 2021

	DNB Bank ASA					
	Balance sheet 31 March 2021	Issued 2021	Matured/ redeemed 2021	Exchange rate movements 2021	Other changes 2021	Balance sheet 31 Dec. 2020
<i>Amounts in NOK million</i>						
Commercial papers issued, nominal amount	212 890	285 844	(195 135)	(15 750)		137 931
Bond debt, nominal amount	148 998	393	(22 550)	(3 960)		175 115
Value adjustments	3 247				(1 960)	5 206
Debt securities issued	365 135	286 237	(217 685)	(19 710)	(1 960)	318 252

Debt securities issued 2020

	DNB Bank ASA					
	Balance sheet 31 March 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 papers issued, nominal amount	162 137	334 166	(376 579)	16 429		188 120
Bond debt, nominal amount	239 686	2 275	(18 523)	33 384		222 550
Value adjustments	6 456				561	5 895
Debt securities issued	408 278	336 441	(395 101)	49 813	561	416 565

Debt securities issued 2021

	DNB Bank Group					
	Balance sheet 31 March 2021	Issued 2021	Matured/ redeemed 2021	Exchange rate movements 2021	Other changes 2021	Balance sheet 31 Dec. 2020
<i>Amounts in NOK million</i>						
Commercial papers issued, nominal amount	212 890	285 844	(195 135)	(15 750)		137 931
Bond debt, nominal amount ¹⁾	148 998	393	(22 550)	(3 960)		175 115
Covered bonds, nominal amount ¹⁾	417 776	15 973	(19 551)	(14 124)		435 479
Value adjustments	22 291				(8 474)	30 765
Debt securities issued	801 955	302 210	(237 236)	(33 834)	(8 474)	779 290

1) Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 364.8 billion as at 31 December 2020. The market value of the cover pool represented NOK 673.5 billion.

Debt securities issued 2020

	DNB Bank Group					
	Balance sheet 31 March 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 papers issued, nominal amount	162 137	334 166	(376 579)	16 429		188 120
Bond debt, nominal amount ¹⁾	239 686	2 275	(18 523)	33 384		222 550
Covered bonds, nominal amount ¹⁾	487 139	(1 731)	(5 859)	61 823		432 905
Value adjustments	35 547				7 490	28 057
Debt securities issued	924 508	334 710	(400 960)	111 636	7 490	871 632

1) Minus own bonds.

Senior non-preferred bonds 2021

	DNB Bank ASA					
	Balance sheet 31 March 2021	Issued 2021	Matured/ redeemed 2021	Exchange rate movements 2021	Other changes 2021	Balance sheet 31 Dec. 2020
<i>Amounts in NOK million</i>						
Senior non-preferred bonds, nominal amount	18 556	10 019		18		8 519
Value adjustments	(273)				(277)	4
Senior non-preferred bonds	18 284	10 019		18	(277)	8 523

Note 8 Debt securities issued, senior non-preferred bonds and subordinated loan capital (continued)

Senior non-preferred bonds 2021

DNB Bank Group

	Balance sheet 31 March 2021	Issued 2021	Matured/ redeemed 2021	Exchange rate movements 2021	Other changes 2021	Balance sheet 31 Dec. 2020
<i>Amounts in NOK million</i>						
Senior non-preferred bonds, nominal amount	18 556	10 019		18		8 519
Value adjustments	(273)				(277)	4
Senior non-preferred bonds	18 284	10 019		18	(277)	8 523

Subordinated loan capital and perpetual subordinated loan capital securities 2021

DNB Bank ASA

	Balance sheet 31 March 2021	Issued 2021	Matured/ redeemed 2021	Exchange rate movements 2021	Other changes 2021	Balance sheet 31 Dec. 2020
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	25 237			(1 083)		26 320
Perpetual subordinated loan capital, nominal amount	5 595			(45)		5 640
Value adjustments	177				(182)	359
Total subordinated loan capital and perpetual subordinated loan capital securities	31 009			(1 129)	(182)	32 319

Subordinated loan capital and perpetual subordinated loan capital securities 2020

DNB Bank ASA

	Balance sheet 31 March 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	28 539			3 596		24 943
Perpetual subordinated loan capital, nominal amount	6 933			1 158		5 774
Value adjustments	277				(101)	378
Total subordinated loan capital and perpetual subordinated loan capital securities	35 749			4 754	(101)	31 095

Subordinated loan capital and perpetual subordinated loan capital securities 2021

DNB Bank Group

	Balance sheet 31 March 2021	Issued 2021	Matured/ redeemed 2021	Exchange rate movements 2021	Other changes 2021	Balance sheet 31 Dec. 2020
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	25 237			(1 083)		26 320
Perpetual subordinated loan capital, nominal amount	5 595			(45)		5 640
Value adjustments	177				(182)	359
Total subordinated loan capital and perpetual subordinated loan capital securities	31 009			(1 129)	(182)	32 319

Subordinated loan capital and perpetual subordinated loan capital securities 2020

DNB Bank Group

	Balance sheet 31 March 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	28 539			3 596		24 943
Perpetual subordinated loan capital, nominal amount	6 933			1 158		5 774
Value adjustments	277				(101)	378
Total subordinated loan capital and perpetual subordinated loan capital securities	35 749			4 754	(101)	31 095

Note 9 Information on related parties

DNB Boligkreditt AS

In the first quarter of 2021, loan portfolios representing NOK 15.5 billion (NOK 21.1 billion in 2020) 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-March 2021, the bank had invested NOK 59.0 billion in covered bonds issued by DNB Boligkreditt.

The management fee paid to the bank for purchased services amounted to NOK 387 million in the first quarter of 2021 (NOK 164 million in the first quarter in 2020).

In the first quarter of 2021, DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 18.9 billion at end-March 2021.

DNB Boligkreditt AS has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 180 billion.

DNB Livsforsikring AS

At end-March 2021 DNB Livsforsikring's holding of DNB Boligkreditt bonds was valued at NOK 1.5 billion.

Note 10 Contingencies

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.

In December 2020, DNB received a preliminary report from Finanstilsynet following an ordinary AML inspection in February 2020. According to the report, DNB had not been complicit in money laundering, but Finanstilsynet criticised the bank for inadequate compliance with the Norwegian Anti-Money Laundering Act. On the basis of this criticism, Finanstilsynet wrote in a preliminary report that it is considering imposing an administrative fine of NOK 400 million on the bank. This constitutes about 7 per cent of the maximum amount Finanstilsynet is at liberty to impose, and 0.7 per cent of DNB's annual turnover. The maximum administrative fine it is possible to impose corresponds to 10 per cent of a company's annual turnover. A provision of NOK 400 million was booked in the fourth quarter of 2020.

Information about the DNB Bank Group

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DNB Bank ASA

Organisation number	Register of Business Enterprises NO 984 851 006 MVA
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Kim Wahl, Vice Chair of the Board
Julie Galbo
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Financial calendar 2021

13 July	Q2 2021
21 October	Q3 2021

Financial calendar 2022

10 February	Q4 2021
10 March	Annual report 2021
28 April	Q1 2022
12 July	Q2 2022
20 October	Q3 2022

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. Annual and quarterly reports can be ordered by sending an e-mail to Investor Relations.

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