

**DNB Bank**

A company in the DNB group

# First quarter report 2020

(Unaudited)



DNB

# Financial highlights

## Income statement

Amounts in NOK million	DNB Bank Group		
	1st quarter 2020	1st quarter 2019	Full year 2019
Net interest income	10 615	9 471	39 908
Net commissions and fees	1 448	1 492	6 618
Net gains on financial instruments at fair value	3 266	748	3 173
Other operating income	385	678	2 482
Net other operating income	5 099	2 918	12 272
Total income	15 714	12 388	52 181
Operating expenses	(5 182)	(5 300)	(21 952)
Restructuring costs and non-recurring effects	(15)	(22)	(326)
Pre-tax operating profit before impairment	10 516	7 066	29 903
Net gains on fixed and intangible assets	(0)	(0)	(33)
Impairment of financial instruments	(5 771)	(316)	(2 191)
Pre-tax operating profit	4 745	6 750	27 678
Tax expense	(949)	(1 350)	(4 825)
Profit from operations held for sale, after taxes	(56)	(51)	(49)
Profit for the period	3 739	5 349	22 805

## Balance sheet

Amounts in NOK million	31 March 2020	31 Dec. 2019	31 March 2019
Total assets	2 888 110	2 470 640	2 470 993
Loans to customers	1 748 857	1 671 350	1 624 500
Deposits from customers	1 087 432	977 530	976 472
Total equity	226 915	229 619	211 880
Average total assets	2 755 901	2 564 525	2 536 425

## Key figures and alternative performance measures

	1st quarter 2020	1st quarter 2019	Full year 2019
Return on equity, annualised (per cent) <sup>1)</sup>	6.4	10.7	11.1
Combined weighted total average spread for lending and deposits (per cent) <sup>1)</sup>	1.38	1.32	1.33
Average spread for ordinary lending to customers (per cent) <sup>1)</sup>	1.94	1.90	1.84
Average spread for deposits from customers (per cent) <sup>1)</sup>	0.49	0.39	0.51
Cost/income ratio (per cent) <sup>1)</sup>	33.1	43.0	42.7
Ratio of customer deposits to net loans to customers at end of period <sup>1)</sup>	62.2	60.1	58.5
Net loans at amortised cost and financial commitments in stage 2, per cent of net loans at amortised cost <sup>1) 2)</sup>	12.14	6.71	6.81
Net loans at amortised cost and financial commitments in stage 3, per cent of net loans at amortised cost <sup>1) 2)</sup>	1.60	1.37	1.12
Impairment relative to average net loans to customers at amortised cost, annualised (per cent) <sup>1) 2)</sup>	(1.36)	(0.08)	(0.13)
Common equity Tier 1 capital ratio at end of period (per cent)	17.5	17.5	18.3
Leverage ratio (per cent)	6.3	7.0	7.2
Number of full-time positions at end of period	8 464	8 573	8 617

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

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

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

# Directors' report

## First quarter financial performance

DNB Bank Group<sup>1)</sup> entered 2020 better capitalised than ever, better financed than ever and with a higher credit rating than ever.

The outbreak of the COVID-19 pandemic towards the end of the quarter and the sharp drop in the oil price led to a significant increase in impairment losses. However, the banking group's pre-provision quarterly results were sound, the bank's balance sheet remained strong and the capital level was solid.

The profit in the quarter was NOK 3 739 million, a decrease of NOK 1 609 million from the year-earlier period. Compared with the previous quarter, profits decreased by NOK 2 153 million. The underlying operating performance was strong, with an increase in pre-tax operating profit before impairment of 48.8 per cent compared with the first quarter last year, and 60.3 per cent from the fourth quarter of 2019.

The common equity Tier 1 (CET1) capital ratio was 17.5 per cent, at the same level as a year earlier, and down from 18.3 per cent in the fourth quarter of 2019.

The leverage ratio for the banking group was 6.3 per cent, down from 7.0 per cent in the first quarter of 2019, and from 7.2 per cent in the fourth quarter. The reduction reflects increased liquid assets mainly consisting of deposits with central banks and redemption of additional Tier 1 (AT1) capital.

Return on equity was negatively impacted by high impairment provisions resulting from the COVID-19 outbreak and the drop in oil price, and ended at 6.4 per cent. The comparable figures were 10.7 per cent in the first quarter of 2019, and 11.0 per cent in the fourth quarter.

There was a strong increase in total income, with 26.8 per cent growth from the first quarter of 2019, and 25.2 per cent from the fourth quarter.

Net interest income was positively affected by repricing effects and increased volumes, which led to an increase of NOK 1 144 million, or 12.1 per cent, from the first quarter of 2019, and an increase of 0.7 per cent compared with the fourth quarter.

Net other operating income amounted to NOK 5 099 million in the first quarter, up NOK 2 181 million from the same period in 2019. Due to the weakening of the NOK, there was an increase from exchange rate effects on AT1 capital and mark-to-market adjustments, which was somewhat offset by increased credit spreads in the quarter. Net commissions and fees decreased by 3.0 per cent from the year-earlier period, mainly due to reduced income from money transfers. Compared with the fourth quarter, net other operating income was up NOK 3 086 million. Net commissions and fees decreased by 20.4 per cent, mainly due to a reduction in income from investment banking services, which reached a record-high level in the previous quarter.

Operating expenses were NOK 5 197 million, down NOK 125 million from the year-earlier period, mainly driven by reduced pension costs of NOK 276 million. Compared with the fourth quarter, operating expenses were down NOK 796 million. This was mainly due to lower pension costs and salary expenses.

Impairment losses on financial instruments amounted to NOK 5 771 million in the first quarter, an increase of NOK 5 455 million from the first quarter of 2019, and of NOK 5 594 million from the fourth quarter of 2019. The impairment losses were distributed between the two customer segments, with NOK 5 038 million in the corporate customers segment and NOK 734 million in the personal

customers segment. NOK 345 million of the increase in the personal customers segment was related to a specific customer within Private Banking in stage 3. For the banking group as a whole, the increase in impairment losses was caused by a combination of the COVID-19 outbreak and the fall in the oil price, which had a negative impact on the forecast for key macro variables, as well as on the overall credit quality of the impacted part of the portfolio. These two events also resulted in increased impairment losses for several individually assessed customers in stage 3 within different industries.

## Important events in the first quarter

In 2019, the banking group prevented losses of NOK 993 million for itself and its customers through its active efforts to combat fraud and scams.

Norges Bank reduced the key policy rate twice in March, to 0.25 per cent. DNB subsequently lowered its home mortgage rates, introducing a reduction equivalent to up to 0.85 per cent for its customers.

DNB was awarded a rating of A in the category 'climate change' by CDP (formerly the Carbon Disclosure Project), putting it at the top of this category for the third year running.

The new brokerage service 'Samsolgt' from DNB's real estate agency DNB Eiendom was awarded the DOGA Award for good service design. The DOGA Award is one of Norway's most prestigious prizes for design and architecture projects.

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

In RepTrack's reputation survey for the first quarter, DNB scored 74.5 points, the best result to date. DNB's goal is a result of over 70 points, which indicates 'a well-liked bank'. This is the fifth consecutive quarter in which DNB has scored over 70 points.

The Ministry of Finance reduced the Norwegian counter-cyclical buffer requirement from 250 basis points to 100 basis points as a result of Norges Bank's assessment of the risk of a marked setback in the Norwegian economy due to the COVID-19 outbreak.

## First quarter income statement – main items

### Net interest income

Amounts in NOK million	1Q20	4Q19	1Q19
Lending spreads, customer segments	7 587	7 050	7 026
Deposit spreads, customer segments	1 215	1 521	899
Amortisation effects and fees	842	889	797
Operational leasing	492	463	409
Contributions to the deposit guarantee and resolution funds	(334)	(391)	(274)
Other net interest income	812	1 009	613
Net interest income	10 615	10 541	9 471

Net interest income increased by NOK 1 144 million, or 12.1 per cent, from the first quarter of 2019, due to increased volumes from both lending and deposits, positive repricing effects and income on equity.

Spreads in the first quarter of 2020 were positively impacted by interest rate adjustments effective from November 2019.

There was an average increase of NOK 69.8 billion, or 4.6 per cent, in the healthy loan portfolio compared with the first quarter of 2019. Adjusted for exchange rate effects, volumes were up NOK 37.9 billion, or 2.5 per cent. During the same period, deposits were up NOK 66.8 billion, or 7.2 per cent. Adjusted for exchange rate effects, there was an increase of NOK 48.6 billion, or 5.2 per cent.

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

Average lending spreads widened by 4 basis points, and deposit spreads widened by 10 basis points compared with the first quarter of 2019. Volume-weighted spreads for the customer segments widened by 6 basis points compared with the same period in 2019.

Compared with the fourth quarter, net interest income increased by 0.7 per cent. There was a positive contribution from increased volumes and exchange rate effects, but this was partly offset by one less interest day and decreased income on equity compared with the previous quarter. There was an average increase of NOK 15.7 billion, or 1.0 per cent, in the healthy loan portfolio, and deposits were up NOK 19.7 billion, or 2.0 per cent. Volume-weighted spreads for the customer segments widened by 4 basis points compared with the fourth quarter.

### Net other operating income

Amounts in NOK million	1Q20	4Q19	1Q19
Net commissions and fees	1 448	1 819	1 492
Basis swaps	1 060	(361)	(187)
Exchange rate effects additional Tier 1 capital	4 097	(742)	(88)
Net gains on other financial instruments at fair value	(1 891)	654	1 022
Net profit from associated companies	(96)	5	155
Other operating income	481	639	523
Net other operating income	5 099	2 012	2 918

Net other operating income increased by NOK 2 181 million from the first quarter of 2019. There was a positive contribution from customer revenues in DNB Markets. In addition, positive exchange rate effects on AT1 capital and basis swaps totaling NOK 5 431 million impacted the income in the first quarter positively compared with the same quarter a year earlier. However, this was somewhat offset by negative valuation adjustments for derivatives (CVA/DVA/FVA) and bonds due to widening credit spreads, which were caused by the effect of the COVID-19 pandemic. Net commissions and fees decreased by 3.0 per cent from the year-earlier period, mainly due to reduced income from money transfers.

Compared with the fourth quarter of 2019, net other operating income increased by NOK 3 086 million. The increase mainly reflected positive exchange rate effects on AT1 capital and basis swaps. However, profits from associated companies were reduced due to development in the market conditions. Net commissions and fees decreased by NOK 371 million, or 20.4 per cent, from the fourth quarter, mainly due to a reduction in income from investment banking services, which reached a record-high level in the previous quarter.

### Operating expenses

Amounts in NOK million	1Q20	4Q19	1Q19
Salaries and other personnel expenses	(2 678)	(3 211)	(2 855)
Restructuring expenses	(14)	(53)	(8)
Other expenses	(1 676)	(1 860)	(1 754)
Depreciation of fixed and intangible assets	(828)	(778)	(705)
Impairment of fixed and intangible assets	(1)	(91)	(1)
Total operating expenses	(5 197)	(5 993)	(5 322)

Operating expenses decreased by NOK 125 million, or 2.4 per cent, from the first quarter of 2019. There was a decrease in salaries and other personnel expenses, mainly driven by lower pension costs of NOK 276 million.

Compared with the fourth quarter of 2019, there was a decrease in operating expenses of NOK 796 million, or 13.3 per cent. The main factors were reduced pension costs and variable payments. Lower expenses related to travelling, restructuring and IT activities also contributed to the reduction.

The cost/income ratio was 33.1 per cent in the first quarter.

### Impairment of financial instruments

Amounts in NOK million	1Q20	4Q19	1Q19
Personal customers	(522)	(81)	(108)
Commercial real estate	(143)	(70)	(39)
Shipping	(211)	171	32
Oil, gas and offshore	(2 605)	(360)	(46)
Other industry segments	(2 289)	163	(154)
Total impairment of financial instruments	(5 771)	(178)	(316)

Net impairment of financial instruments amounted to NOK 5 771 million in the first quarter of 2020. This is an increase of NOK 5 455 million from the first quarter of 2019, and NOK 5 594 million from the fourth quarter of 2019. The increase can be ascribed to a combination of the COVID-19 outbreak and the fall in the oil price, which had a negative impact on the forecasts for key macro drivers, including Norwegian GDP and unemployment rates, as well as global GDP, the future oil price and rates for shipping and offshore. Aside from the macroeconomic effects, the impact can be seen in increased credit risk for many customers in stage 1 and 2 within impacted industries, as well as increased impairment for several individually assessed customers in stage 3.

Personal customers experienced an increase in impairment of NOK 414 million and NOK 441 million, respectively, compared with the first and fourth quarter of 2019. Most of the increase was related to consumer finance and was to a large extent due to a significantly more negative economic outlook for the short-term Norwegian unemployment rate. The effects of the COVID-19 outbreak only had a minor impact on loan losses for retail mortgages in the first quarter.

Impairment of financial instruments in commercial real estate increased by NOK 104 million compared with the first quarter of 2019, to NOK 143 million. Compared with the fourth quarter of 2019, the increase was NOK 73 million. The increase was primarily related to a more negative macro forecast resulting from the COVID-19 situation. However, the impairments remained at a low level and the asset quality of the commercial real estate portfolio remained strong.

There were net impairment losses of NOK 211 million within the shipping segment in the first quarter. This was an increase of NOK 243 million and NOK 382 million, respectively, compared with the first and fourth quarter of 2019. The increase was primarily related to the sub-segments container and dry bulk.

There were net impairment losses of NOK 2 605 million for the oil, gas and offshore segment in the quarter. This was an increase of NOK 2 559 million from the first quarter of 2019, and NOK 2 245 million from the fourth quarter of 2019. The oil price fall, caused by a combination of reduced demand and increased supply, had a significant negative impact on the credit quality for the oil, gas and offshore portfolio, most prominent within offshore. The increase in impairment in the quarter was a result of several factors. Firstly, DNB had a more negative outlook for the macro parameters used for estimating impairment losses for this segment. Secondly, the level of credit risk for many customers in stage 1 and 2 developed negatively. And thirdly, estimated impairment losses for individually assessed customers in stage 3 increased due to revised input parameters.

Net impairment within other industry segments was up NOK 2 135 million compared with the first quarter of 2019, and NOK 2 452 million compared with the fourth quarter of 2019, to NOK 2 289 million. Increased impairment can be seen across many industries due to the impact of the COVID-19 outbreak on both the macroeconomic situation and individual customers. However, the effect was most prominent within the travel and tourism industries with an impairment of NOK 604 million, as well as within retail industries, services, manufacturing and portfolio management, with a total impairment of NOK 1 274 million.

## Taxes

The banking group's tax expense for the first quarter has been estimated at NOK 949 million, or 20.0 per cent of pre-tax operating profits.

## Financial performance – segments

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

The banking group's organisational structure, including the Group Management team, was changed on 23 September 2019. The banking group's segment reporting has been changed as per the first quarter to reflect this, and now consists of the segments personal customers and corporate customers. Figures for 2019 have been adjusted accordingly.

### Personal customers

Income statement in NOK million	1Q20	4Q19	1Q19
Net interest income	3 702	3 520	3 379
Net other operating income	920	869	863
Total income	4 622	4 389	4 241
Operating expenses	(2 194)	(2 163)	(2 019)
Pre-tax operating profit before impairment	2 428	2 226	2 222
Net gains on fixed and intangible assets			
Impairment of financial instruments	(734)	(103)	(101)
Pre-tax operating profit	1 695	2 123	2 122
Tax expense	(424)	(531)	(530)
Profit for the period	1 271	1 592	1 591

### Average balance sheet items in NOK billion

Net loans to customers	795.8	794.3	773.5
Deposits from customers	435.4	431.1	413.4

### Key figures in per cent

Lending spread <sup>1)</sup>	1.53	1.29	1.50
Deposit spread <sup>1)</sup>	0.68	0.87	0.50
Return on allocated capital	10.8	13.5	13.9
Cost/income ratio	47.5	49.3	47.6
Ratio of deposits to loans	54.7	54.3	53.4

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

The financial performance in the first quarter was affected by the COVID-19 situation. Pre-tax operating profit declined by 20.1 per cent from the previous quarter, and return on allocated capital was down 2.8 percentage points to 10.7 per cent.

The personal customers segment delivered solid growth in net interest income in the first quarter. Decreasing money market rates combined with the full effect of the interest rate adjustments in the fourth quarter of 2019 were the main factors behind the increase. Combined spreads on loans and deposits widened by 9 basis points from the previous quarter and by 8 basis points from the first quarter of 2019.

There was a moderate rise in average net loans of 2.9 per cent from the first quarter of 2019. The growth in the healthy home mortgage portfolio amounted to 3.3 per cent. Deposits from customers rose significantly by 5.3 per cent and the ratio of deposits to loans improved by 1.3 percentage points compared to the year-earlier period.

The COVID-19 situation affected net other operating income negatively, with falling revenues from card sales and currency withdrawals. Furthermore, income from real estate broking held a positive development.

Operating expenses remained relatively stable compared with the previous quarter, but increased by 8.7 per cent from the first quarter of 2019. The increase was mainly due to rising activity as well as increased costs in the real estate business. In addition, previously unallocated banking group costs are with effect from 2020 allocated to the business areas.

The personal customers segment experienced impairment of

financial instruments of NOK 734 million, equivalent to 0.4 per cent of net lending to customers. Stock market turmoil and negative changes in macro forecasts were underlying factors here. The increase in the first quarter is explained by impairments in stage 1 and 2 related to consumer finance, due to a significantly more negative outlook for the short-term Norwegian unemployment rate compared to the last quarter. Furthermore, there is an impairment of NOK 345 million in stage 3 related to private banking. The effects from COVID-19 only had a minor impact on loan losses for retail mortgages in the first quarter.

The banking group's market share of credit to households stood at 23.5 per cent at the end of December 2019, while the market share of total household savings was 30.2 per cent in the same period. DNB Eiendom had an average market share of 19.0 per cent this quarter.

The COVID-19 situation characterised the latter part of the quarter. The banking group's focused on providing its customers with relevant financial advice and keeping its digital services available to customers. During the last two weeks of March, the customer centres responded to nearly 140 000 chat and phone enquiries and received over 26 000 applications regarding deferral of mortgage payments.

### Corporate customers

Income statement in NOK million	1Q20	4Q19	1Q19
Net interest income	6 107	6 226	5 558
Net other operating income	1 382	1 856	1 557
Total income	7 489	8 082	7 116
Operating expenses	(2 865)	(2 856)	(2 672)
Pre-tax operating profit before impairment	4 624	5 226	4 444
Net gains on fixed and intangible assets	(0)	16	(0)
Impairment of financial instruments	(5 038)	(75)	(215)
Profit from repossessed operations	(80)	92	(82)
Pre-tax operating profit	(494)	5 259	4 146
Tax expense	124	(1 282)	(1 012)
Profit from operations held for sale, after taxes		(0)	2
Profit for the period	(371)	3 976	3 136

### Average balance sheet items in NOK billion

Net loans to customers	792.9	780.7	746.4
Deposits from customers	559.5	547.1	514.5

### Key figures in per cent

Lending spread <sup>1)</sup>	2.37	2.33	2.32
Deposit spread <sup>1)</sup>	0.35	0.42	0.30
Return on allocated capital	(1.5)	16.1	13.5
Cost/income ratio	38.3	35.3	37.6
Ratio of deposits to loans	70.6	70.1	68.9

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

An underlying, sound pre-tax operating profit was curtailed by large impairment losses caused by the COVID-19 pandemic and the oil price fall in March.

Average loan volumes were up 6.2 per cent compared with the first quarter of 2019, primarily driven by currency effects. Underlying growth was 1.9 per cent, mainly due to the activity in the financial services industry, as well as the seafood and commercial real estate sectors. Compared with the fourth quarter of 2019, average loan volumes increased by 1.6 per cent, mainly due to a weakening of the NOK. In addition to the underlying growth, the weakening of the NOK in the quarter also contributed positively to the deposit volumes. Average customer deposit volumes were up 8.8 per cent from the first quarter of 2019. Adjusted for currency effects, the underlying volume growth from the first quarter of 2019 was 5.5 per cent. The growth in currency-adjusted average volumes was 0.9 per cent from the previous quarter.

Both lending and deposit spreads improved compared with the first quarter of 2019, contributing to an increase in net interest income of 9.9 per cent. Compared with the fourth quarter of 2019,

lending spreads increased by 4 basis points, while deposit margins went down by 7 basis points, partly driven by reduced interest rates in the Small and Medium-sized customers division (SME).

Seasonally lower activity within investment banking affected the development in other operating income from the fourth quarter of 2019, while compared with the first quarter of 2019, the activity level was strong. Fixed income, Currencies and Commodities (FICC) showed considerable growth in the quarter, as the volatility in the markets in March contributed to high activity.

Operating expenses were up 7.2 per cent compared with the first quarter of 2019, primarily due to currency effects, an increase in depreciation from operating leases and increased internal allocated costs. Compared to the fourth quarter of 2019, costs were stable.

Impairment of financial instruments amounted to NOK 5 038 million in the first quarter of 2020, of which 49 per cent was related to specific loan agreements in stage 3. Due to the COVID-19 pandemic and the oil price drop, macro forecasts showed a decline, causing a weakening of the overall credit quality. Several industries were heavily affected by the unstable macroeconomic situation, especially within sectors such as oil and gas and the service industries including tourism and retail.

Net stage 3 loans and financial commitments amounted to NOK 23 billion, an increase of NOK 8 billion from the fourth quarter of 2019, and NOK 5 billion from the first quarter of 2019.

Going forward, the banking group will focus on completing profitable transactions across industries and working to maintain the level of activity, both through the management of government-guaranteed loans, and by use of the banking group's own balance sheet. It will still be important to increase the turnover in the portfolio, reduce final hold and make more active use of portfolio management tools.

## Other operations

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

<i>Income statement in NOK million</i>	1Q20	4Q19	1Q19
Net interest income	806	795	534
<b>Net other operating income</b>	<b>3 111</b>	<b>(472)</b>	<b>886</b>
Total income	3 917	323	1 419
<b>Operating expenses</b>	<b>(452)</b>	<b>(1 215)</b>	<b>(1 019)</b>
Pre-tax operating profit before impairment	3 464	(891)	400
Net gains on fixed and intangible assets	0	(7)	(0)
Impairment of financial instruments	(0)	0	(1)
<b>Profit from repossessed operations</b>	<b>80</b>	<b>(92)</b>	<b>82</b>
Pre-tax operating profit	3 544	(990)	482
Tax expense	(649)	1 246	193
<b>Profit from operations held for sale, after taxes</b>	<b>(56)</b>	<b>68</b>	<b>(53)</b>
<b>Profit for the period</b>	<b>2 839</b>	<b>324</b>	<b>621</b>
<b>Average balance sheet items in NOK billion</b>			
Net loans to customers	119.7	111.3	96.6
Deposits from customers	55.6	44.6	49.3

The profit for the other operations segment was NOK 2 839 million in the first quarter of 2020.

Due to the extreme market turmoil in the latter part of the quarter, revenues from DNB Markets' risk management activities were down NOK 1 209 million compared with the same quarter last year. In addition to the record-high volatility associated with fixed-income securities, currencies and the oil price, the widening credit spreads and increased counterparty risk (XVA) contributed to the negative result. Revenues from money market activities and trading in repurchase agreements (repo trading) increased compared to the year-earlier period.

The profit in the other operations segment is affected by several group items not allocated to the segments. Net other operating income in the first quarter was affected positively by exchange rate effects on additional Tier 1 capital, and mark-to-

market effects related to changes in basis swap spreads. These items vary from quarter to quarter.

The banking group's share of the profit in associated companies (most importantly Luminor and Vipps) is included in this segment. There was a reduction in profit from these companies due to the development in market conditions.

## Funding, liquidity and balance sheet

At the start of 2020, there was a normal level of transactions in the international short-term funding markets, with good funding opportunities in all maturities. With limited funding needs and good liquidity, DNB was somewhat less active than normal in the first half of the quarter.

Throughout the second half of the quarter, the COVID-19 effect became more and more evident, and when the US Federal Reserve cut rates aggressively, the difference between USD LIBOR and overnight interest rates increased dramatically. In addition, funding of all maturities longer than one month became more or less non-existent for all banks. With support from central banks all over the world, short-term market funding improved towards the end of the quarter. Longer maturity transactions did not really take off before the end of the quarter, but still remained at significantly higher levels than the central bank rates.

The market for long-term funding also had a good start to 2020, and in early February, one could see several transactions at record-low cost levels. Then it all changed with the COVID-19 pandemic, and the market experienced a period with a generally low level of new issues. The covered bond market slowly started to pick up again in the middle of March, followed by the senior unsecured bond market, but both with clearly elevated spread levels.

The banking group's liquidity position is strong. In the fourth quarter of 2019, large volumes of long-term funding totalling almost NOK 60 billion in senior bonds were prefunded, as these were grandfathered as minimum requirement for own funds and eligible liabilities (MREL) eligible debt. The banking group entered the first quarter of 2020 with more solid financing than ever, and with no long-term funding requirements for the first half of 2020.

The nominal value of long-term debt securities issued by the banking group was NOK 727 billion at the end of the quarter, compared with NOK 612 billion a year earlier. The average remaining term to maturity for these debt securities was 3.6 years at end-March, compared with 4.1 years one year earlier.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the quarter and was 128 per cent at end-March.

Total assets in the banking group were NOK 2 888 billion at the end of the first quarter, and NOK 2 471 billion a year earlier.

Loans to customers increased by NOK 124.4 billion, or 7.7 per cent, from end-March 2019. Customer deposits were up NOK 111.0 billion, or 11.4 per cent, during the same period. The ratio of customer deposits to net loans to customers was 62.2 per cent at end-March 2020, up from 58.5 per cent at end-December 2019.

## Risk management and capital position

The severe setback in the Norwegian economy due to the COVID-19 pandemic led to the enforcement of financial and regulatory measures from the Government in the quarter. The Norwegian Minister of Finance expressed that banks now are a part of the solution to the situation, with their ability to work with their customers in their time of need, and to provide them with credit to support the financial activity where appropriate. This is in contrast to the situation in 2008, when banks were considered a cause of the crisis.

In parallel to this, Norway was rated the world's most resilient country in 2019, being number one on a list of countries that are best equipped to recover from the COVID-19 pandemic. The resilience index, published by commercial property insurer FM Global, ranks 130 countries and territories according to their

resilience to disruptive events. It ranks countries by economic productivity, political stability, control of corruption and corporate governance.

The banking group's high degree of digitalisation, with few branch offices and customer service through call centres, the mobile bank app and other digital platforms, was an advantage after the COVID-19 outbreak with the subsequent lock-down of many functions in society.

Furthermore, The banking group was able to maintain close to normal operations in this situation, with the use of alternative sites, remote working policies, virtual meetings, dispersed key operating functions across the bank and suspension of travel.

One of the measures to mitigate the negative economic effects of the pandemic was the reduction of the counter-cyclical capital buffer requirement for banks. In order to help counteract a tightening of the banks' lending practices, the Ministry of Finance reduced the rate from 2.5 per cent to 1 per cent on 13 March, with immediate effect. The effective reduction for the banking group is 138 basis points, giving a common equity Tier 1 (CET1) capital requirement of 15.6 per cent.

At the end of March 2020, the common equity Tier 1 (CET1) capital ratio was 17.5 per cent, at the same level as a year-earlier, and down from 18.3 per cent at end-December.

Risk-weighted assets increased by NOK 68 billion from end-December 2019 to NOK 993 billion at end-March 2020. The weakening of the NOK and negative migration related to the oil price fall and the COVID-19 pandemic were the main factors behind the increase in risk-weighted assets and the reduction in CET1 capital from end-December 2019.

The non-risk based leverage ratio was 6.3 per cent at end-March 2020, down from 7.2 per cent at end-December 2019 and from 7.0 per cent at the year-earlier period. The reduction reflects increased liquid assets mainly consisting of deposits with central banks and redemption of additional Tier 1 (AT1) capital.

### Capital requirements

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

### Capital and risk

	1Q20	4Q19	1Q19
CET1 capital ratio, per cent	17.5	18.3	17.5
Tier 1 capital ratio, per cent	19.3	21.1	19.1
Capital ratio, per cent	22.9	24.4	22.1
Risk-weighted assets, NOK billion	993	925	1 000
Leverage ratio, per cent	6.3	7.2	7.0

### New regulatory framework

#### Norwegian implementation of the EU Banking Package

In the spring of 2019, the EU adopted a number of changes to the EU's capital requirements legislation for banks (CRR/CRD IV) and the Bank Recovery and Resolution Directive (BRRD), based on recommendations from the Basel Committee. The adopted legislative acts are collectively referred to as 'the Banking Package' and include CRR II, CRD V and BRRD II. The rules set out in the Banking Package will enter into force in the EU two years after being adopted, i.e. from the spring of 2021.

In February 2020, the Ministry of Finance asked Finanstilsynet (the Financial Supervisory Authority of Norway) to establish and lead a working group tasked with reviewing Norway's implementation of the EU's Banking Package. The deadline for the working group's review is 1 October 2020. The working group's mandate also includes possible improvements in light of experiences from the application of the Financial Institutions Act,

which entered into force in 2016. Furthermore, the working group shall consider the relationship between Norwegian law and the CRR/CRD IV legislation.

### Financial and regulatory measures related to the coronavirus outbreak (COVID-19)

The COVID-19 outbreak has caused a severe setback for the Norwegian economy, with a sharp decline in value creation and a significant increase in the number of lay-offs and businesses experiencing a fall in turnover, wholly or partly due to various measures introduced to reduce the spread of infection. In order to help households and businesses, the Norwegian Government and parliament (Stortinget) acted quickly in the first quarter of 2020, implementing a number of effective measures to mitigate the financial consequences of the virus outbreak. Some of the most important measures are listed below.

#### Significantly reduced key policy rate

At two extraordinary board meetings on 12 March and 19 March, Norges Bank lowered the key policy rate by a total of 1.25 percentage points to 0.25 per cent. Norges Bank points out that a lower key policy rate could soften the impact on the Norwegian economy and reduce the risk of long-term consequences for production and employment. Norges Bank also emphasises that Norway has sufficient scope of action in its economic policy options, good welfare schemes and solid banks. In principle, this means that Norway is well-equipped to deal with the current crisis. Norges Bank does not rule out the possibility of further reducing the interest rate.

#### Extraordinary 'F-loans' to the banks

In order to ensure that the key policy rate has an effect on the money market rates during the COVID-19 pandemic, Norges Bank is offering so-called 'F-loans' in Norwegian kroner with terms of up to twelve months. The loans will be offered until the end of May 2020, or longer if necessary. The F-loans are fully allotted, at an interest rate corresponding to the current key policy rate. Norges Bank also offers banks F-loans in US dollars with a term of three months. The background for the US dollar loan is an agreement on a temporary liquidity arrangement (swap lines), which Norges Bank and other central banks have entered into with the Federal Reserve.

#### Reduced counter-cyclical capital buffer requirement

On 13 March, the Ministry of Finance decided to reduce the counter-cyclical capital buffer requirement for banks from 2.5 per cent to 1 per cent with immediate effect, in line with Norges Bank's recommendation. This measure is intended to help counteract a tightening of the banks' lending practices. In its recommendation, Norges Bank underlines that Norwegian banks are profitable and solid, and have enough capital to withstand losses in the event of a strong downturn.

#### New requirements for IRB models have been shelved

Finanstilsynet has been working on a circular on requirements for IRB models. However, in a news item on 13 March, Finanstilsynet stated that it will not make it a priority to finalise the circular at this moment in time, due to the turmoil caused by COVID-19. A new circular will therefore not be available for some time.

#### Government loan guarantee programme for businesses

The authorities have established a Government loan guarantee programme, which will provide viable Norwegian companies with bank financing during a period of operational losses due to the virus outbreak and infection control measures. The programme means that the Government guarantees for 90 per cent of a company's loan value. The maximum loan amount for small and medium-sized enterprises is NOK 50 million, while larger companies can borrow up to NOK 150 million. The term of the loan



is maximum three years, and this applies only to new loans and until 1 June 2020.

The loan guarantee programme is mainly administered by the banks by, among other things, checking that the conditions stipulated in laws and regulations are met before granting guaranteed loans. Initially, the scheme has a total guarantee facility limit of NOK 50 billion, distributed among the banks based on market shares. The Government has signalled that this limit will be extended if necessary.

### **Measures to increase liquidity and access to capital in the bond market**

The COVID-19 pandemic has led to low liquidity and high-risk premiums in the bond market. Several large companies, regardless of industry, need a well-functioning and efficient market for corporate bonds to be able to refinance loans or secure new funding. To help large companies obtain the necessary liquidity, the Norwegian authorities have reinstated the Government Bond Fund, an instrument that was established in March 2009, during the financial crisis. The fund has now been restored based on the previously used model, but has been adapted to the problems caused by the COVID-19 pandemic.

The mandate of the Government Bond Fund includes purchasing corporate bonds, which will increase liquidity and access to capital in the bond market. The aim is for the fund to encourage other investors to participate in the market, and investments will therefore be made in cooperation with other investors and on market terms, in both primary and secondary markets. The Government Bond Fund may invest in issuers from all sectors and industries registered in Norway, including the high-yield segment. The fund has an investment limit of NOK 50 billion and is managed by Folketrygdfondet (manager of the Government Pension Fund Norway). The Ministry of Finance will evaluate the scheme's framework and mandate after the fund has been in operation for a while.

### **Compensation scheme for companies severely affected by the virus outbreak**

The authorities have introduced a compensation scheme whereby the state assumes part of the costs inflicted on Norwegian companies by the COVID-19 outbreak and the infection control measures. The main objective is to prevent unnecessary bankruptcies and preserve jobs. The size of the compensation will depend, among other things, on how much the company's turnover has fallen, the size of the company's unavoidable fixed costs and whether the company has been ordered to close by the authorities.

The scheme will initially apply in March, April and May, and disbursements will be made in arrears based on the actual turnover in the months in question. The scheme will have a scope of NOK 10-20 billion per month, depending on the number of companies using it. Companies can apply for support through a digital portal. The processing of applications is largely automated and based on data available from business registers, so it will not take long from the application is submitted to the money is deposited in the company's account.

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

On 23 March, the Ministry of Finance decided to increase the flexibility quota in the Home Mortgage Regulations to 20 per cent. The change will apply in the second quarter of 2020, with the possibility of an extension. The Ministry also specifies that banks may grant deferred payment of interest and instalments for up to six months. The purpose of this measure is to boost the banks' ability to help mortgage customers through a difficult time. This may be people who are laid off or face a period of reduced income, or self-employed individuals who have provided their home as collateral for loans and are now in need of capital.

### **Other financial measures**

The Government and Stortinget have also implemented a number of other targeted measures to secure income for employees and liquidity for companies, and to prevent mass redundancies and bankruptcies. The measures include changes in lay-off regulations, amended rules for sick pay, deferral and relief in value-added tax and employer's national insurance contributions, deferred payment of companies' withholding tax, a stimulus package for Norwegian aviation, increased grants to entrepreneurs and growth companies, road project investments, initiatives directed at the fisheries industry and investments in carbon capture and storage. The Government has also decided that the GIEK - the Norwegian Guarantee Institute for Export Credits may, temporarily, offer short-term export credit insurance to several countries.

In addition to these measures, the Government has announced that it will consider more measures in the coming months, to boost activity in the Norwegian economy as the virus outbreak subsides and infection control measures are downgraded.

### **Macroeconomic developments**

There was a marked change in the macroeconomic situation in the first quarter, as a result of the measures against the spread of the COVID-19 situation.

Three factors have had an impact on the Norwegian economy. Firstly, the downturn in the international economy led to lower demand for Norwegian goods and services. In addition, the strict measures imposed internationally led to disrupted value chains and supply lines, which affected Norwegian production capacity. Secondly, the decline in international activity led to lower oil prices. The drop in oil prices was also exacerbated by the fact that OPEC and Russia failed to reach agreement on production cuts, resulting in a price war. The oil price peaked in early January this year at USD 68.9 per barrel, but plummeted to a low of USD 22.74 per barrel at the end of the first quarter. Since then, OPEC and Russia, along with several others, have agreed to implement production cuts, causing a slight rise in oil prices. The reduced oil price led to oil companies on the Norwegian continental shelf making considerable cutbacks in their investment plans. This in turn affected the demand for goods and services from the Norwegian supplier industry. In addition, this industry is facing lower demand from the oil and gas sector in other countries. Thirdly, the stringent measures implemented by the Norwegian authorities directly reduced the level of activity in the Norwegian economy.

From the end of 2016 until the middle of 2019, the Norwegian economy experienced a moderate upswing. This recovery came after an economic downturn that was not serious in historical terms. Developments during 2019 indicated that the upturn was over even before the outbreak of coronavirus in Norway. In the fourth quarter of 2019, mainland GDP growth was 0.7 per cent, measured as an annual rate, and the slowdown in activity was relatively broad-based. Growth in the latter half of 2019 was thus clearly lower than projected trend growth. The coronavirus outbreak caused growth prospects to deteriorate during February and March. From 12 March to 19 March, Norges Bank reduced its key policy rate by a total of 1.25 percentage points. On 27 March, the Ministry of Finance estimated a decline in mainland GDP growth of about 2 per cent this year. This was a downward adjustment of one percentage point compared with the estimate published a week earlier. The downward adjustment reflected the spread of the coronavirus, the escalation of national and international infection control measures, and lower oil prices.

Measures in Norway and abroad to prevent the spread of the coronavirus have led to a dramatic fall in the demand for labour. According to figures from the Norwegian Labour and Welfare Administration (NAV), the number of registered unemployed persons increased from 65 000 on 11 March to 291 000 on 7 April. On top of this, 13 000 people were participating in labour market measures. The housing market saw a marked slowdown in both the number of homes put up for sale and the number of homes sold in

March. Both were about 14.5 per cent lower than in March last year. Housing prices for existing homes fell by 1.4 per cent from February to March, but were up 2.7 per cent year-over-year in the first quarter. There is reason to expect lower sales in the time ahead, but a limited impact on prices.

### Future prospects

DNB's financial ambitions including the overriding financial target of a return on equity (ROE) above 12 per cent, remain unchanged. However, due to the recent developments in the macroeconomic environment, these will unlikely be achieved in 2020.

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

The reduction in interest rates on customer loans of up to 85 basis points from 5 April will have an effect on the interest income from the second quarter. The reduced rates on deposits will not take effect until late May. Alongside this, net commissions and fees will be impacted by lower revenues from money transfers and banking services due to lower business and travel activity. We also expect a reduction in fees from real estate broking.

Oslo, 29 April 2020  
The Board of Directors of DNB Bank ASA



Olaug Svarva  
(Chair of the Board)



Kim Wahl  
(Vice Chair of the Board)



Lillian Hattrem



Jens Petter Olsen



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

# Income statement

	<b>DNB Bank ASA</b>		
<i>Amounts in NOK million</i>	1st quarter 2020	1st quarter 2019	Full year 2019
Interest income, amortised cost	11 498	10 452	44 084
Other interest income	1 257	1 106	4 257
Interest expenses, amortised cost	(5 445)	(6 014)	(23 799)
Other interest expenses	801	1 539	5 638
<b>Net interest income</b>	<b>8 111</b>	<b>7 084</b>	<b>30 180</b>
Commission and fee income	1 896	1 938	8 343
Commission and expenses	(757)	(751)	(3 168)
Net gains on financial instruments at fair value	3 632	1 069	2 688
Net gains on investment properties			97
Other income	720	736	15 299
<b>Net other operating income</b>	<b>5 491</b>	<b>2 992</b>	<b>23 260</b>
<b>Total income</b>	<b>13 602</b>	<b>10 076</b>	<b>53 440</b>
Salaries and other personnel expenses	(2 307)	(2 485)	(10 360)
Other expenses	(1 499)	(1 616)	(6 477)
Depreciation and impairment of fixed and intangible assets	(800)	(836)	(3 203)
<b>Total operating expenses</b>	<b>(4 605)</b>	<b>(4 937)</b>	<b>(20 039)</b>
<b>Pre-tax operating profit before impairment</b>	<b>8 997</b>	<b>5 139</b>	<b>33 401</b>
Net gains on fixed and intangible assets	(0)	(0)	(34)
Impairment of financial instruments	(4 449)	(373)	(2 484)
<b>Pre-tax operating profit</b>	<b>4 547</b>	<b>4 766</b>	<b>30 883</b>
Tax expense	(909)	(953)	(4 122)
<b>Profit for the period</b>	<b>3 638</b>	<b>3 813</b>	<b>26 761</b>
Portion attributable to shareholders of DNB Bank ASA	3 205	3 569	25 638
Portion attributable to additional Tier 1 capital holders	433	243	1 123
<b>Profit for the period</b>	<b>3 638</b>	<b>3 813</b>	<b>26 761</b>

# Comprehensive income statement

<i>Amounts in NOK million</i>	<b>DNB Bank ASA</b>		
	1st quarter 2020	1st quarter 2019	Full year 2019
<b>Profit for the period</b>	<b>3 638</b>	<b>3 813</b>	<b>26 761</b>
Actuarial gains and losses <sup>1)</sup>	(278)		(11)
Financial liabilities designated at FVTPL, changes in credit risk	174	(39)	9
Tax	26	10	(5)
Items that will not be reclassified to the income statement	(78)	(29)	(7)
Currency translation of foreign operations	152	(21)	(44)
Financial assets at fair value through OCI	(354)	5	59
Tax	88	(1)	(15)
Items that may subsequently be reclassified to the income statement	(114)	(18)	0
<b>Other comprehensive income for the period</b>	<b>(192)</b>	<b>(47)</b>	<b>(7)</b>
<b>Comprehensive income for the period</b>	<b>3 446</b>	<b>3 766</b>	<b>26 754</b>

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

# Balance sheet

		DNB Bank ASA		
<i>Amounts in NOK million</i>	Note	31 March 2020	31 Dec. 2019	31 March 2019
<b>Assets</b>				
Cash and deposits with central banks		413 033	301 246	352 652
Due from credit institutions		433 229	394 237	361 022
Loans to customers	5, 6, 7, 8	900 985	880 203	829 120
Commercial paper and bonds	8	325 125	231 910	238 871
Shareholdings	8	3 829	6 008	5 991
Financial derivatives	8	253 874	136 255	121 502
Investment properties		144	144	
Investments in associated companies		2 575	2 575	9 354
Investments in subsidiaries		117 927	113 810	94 359
Intangible assets		3 373	3 392	3 367
Deferred tax assets		6 332	6 205	2 656
Fixed assets		15 617	14 557	14 132
Other assets		18 359	11 897	28 594
<b>Total assets</b>		<b>2 494 403</b>	<b>2 102 439</b>	<b>2 061 619</b>
<b>Liabilities and equity</b>				
Due to credit institutions		447 237	277 188	316 371
Deposits from customers	8	1 064 138	956 655	952 355
Financial derivatives	8	285 346	168 349	142 836
Debt securities issued	8, 9	408 278	416 565	397 197
Payable taxes		7 889	7 495	1 284
Deferred taxes		103	88	84
Other liabilities		59 135	52 215	36 550
Provisions		2 468	1 341	1 684
Pension commitments		3 578	3 454	3 252
Subordinated loan capital	8, 9	35 749	31 095	30 347
<b>Total liabilities</b>		<b>2 313 922</b>	<b>1 914 446</b>	<b>1 881 961</b>
Additional Tier 1 capital		18 174	26 729	15 595
Share capital		18 256	18 256	18 256
Share premium		19 895	19 895	19 895
Other equity		124 157	123 113	125 912
<b>Total equity</b>		<b>180 481</b>	<b>187 993</b>	<b>179 658</b>
<b>Total liabilities and equity</b>		<b>2 494 403</b>	<b>2 102 439</b>	<b>2 061 619</b>

# Income statement

<i>Amounts in NOK million</i>	DNB Bank Group		
	1st quarter 2020	1st quarter 2019	Full year 2019
Interest income, amortised cost	16 228	14 424	61 067
Other interest income	1 406	1 330	5 123
Interest expenses, amortised cost	(5 735)	(6 042)	(23 796)
Other interest expenses	(1 284)	(241)	(2 486)
<b>Net interest income</b>	<b>10 615</b>	<b>9 471</b>	<b>39 908</b>
Commission and fee income	2 195	2 244	9 758
Commission and fee expenses	(747)	(752)	(3 141)
Net gains on financial instruments at fair value	3 266	748	3 173
Profit from investments accounted for by the equity method	(96)	155	302
Net gains on investment properties	(26)	5	92
Other income	507	518	2 088
<b>Net other operating income</b>	<b>5 099</b>	<b>2 918</b>	<b>12 272</b>
<b>Total income</b>	<b>15 714</b>	<b>12 388</b>	<b>52 181</b>
Salaries and other personnel expenses	(2 692)	(2 863)	(11 989)
Other expenses	(1 676)	(1 754)	(7 131)
Depreciation and impairment of fixed and intangible assets	(829)	(706)	(3 157)
<b>Total operating expenses</b>	<b>(5 197)</b>	<b>(5 322)</b>	<b>(22 278)</b>
<b>Pre-tax operating profit before impairment</b>	<b>10 516</b>	<b>7 066</b>	<b>29 903</b>
Net gains on fixed and intangible assets	(0)	(0)	(33)
Impairment of financial instruments	(5 771)	(316)	(2 191)
<b>Pre-tax operating profit</b>	<b>4 745</b>	<b>6 750</b>	<b>27 678</b>
Tax expense	(949)	(1 350)	(4 825)
Profit from operations held for sale, after taxes	(56)	(51)	(49)
<b>Profit for the period</b>	<b>3 739</b>	<b>5 349</b>	<b>22 805</b>
Portion attributable to shareholders of DNB Bank ASA	3 309	5 105	21 686
Portion attributable to non-controlling interests	(2)		(5)
Portion attributable to additional Tier 1 capital holders	433	243	1 123
<b>Profit for the period</b>	<b>3 739</b>	<b>5 349</b>	<b>22 805</b>

# Comprehensive income statement

	DNB Bank Group		
<i>Amounts in NOK million</i>	1st quarter 2020	1st quarter 2019	Full year 2019
<b>Profit for the period</b>	<b>3 739</b>	<b>5 349</b>	<b>22 805</b>
Actuarial gains and losses <sup>1)</sup>	(278)		(7)
Financial liabilities designated at FVTPL, changes in credit risk	615	(147)	232
Tax	(84)	37	(62)
Items that will not be reclassified to the income statement	253	(110)	163
Currency translation of foreign operations	13 336	(1 149)	463
Currency translation reserve reclassified to the income statement			
Hedging of net investment	(11 745)	915	(459)
Hedging reserve reclassified to the income statement			
Financial assets at fair value through OCI	(354)	5	59
Tax	3 025	(230)	(208)
Items that may subsequently be reclassified to the income statement	4 262	(459)	(146)
<b>Other comprehensive income for the period</b>	<b>4 515</b>	<b>(569)</b>	<b>17</b>
<b>Comprehensive income for the period</b>	<b>8 254</b>	<b>4 780</b>	<b>22 821</b>

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

# Balance sheet

<i>Amounts in NOK million</i>	Note	DNB Bank Group		
		31 March 2020	31 Dec. 2019	31 March 2019
<b>Assets</b>				
Cash and deposits with central banks		415 565	304 746	353 045
Due from credit institutions		167 004	101 165	97 017
Loans to customers	5, 6, 7, 8	1 748 857	1 671 350	1 624 500
Commercial paper and bonds	8	264 891	222 368	232 779
Shareholdings	8	5 398	7 479	7 361
Financial derivatives	8	239 734	125 364	109 185
Investment properties		733	741	613
Investments accounted for by the equity method		8 142	7 467	11 739
Intangible assets		3 741	3 744	3 683
Deferred tax assets		2 089	1 959	1 038
Fixed assets		15 858	14 882	14 260
Assets held for sale		1 239	1 274	1 138
Other assets		14 860	8 103	14 634
<b>Total assets</b>		<b>2 888 110</b>	<b>2 470 640</b>	<b>2 470 993</b>
<b>Liabilities and equity</b>				
Due to credit institutions		364 091	202 177	234 446
Deposits from customers	8	1 087 432	977 530	976 472
Financial derivatives	8	200 507	115 871	98 740
Debt securities issued	8, 9	924 508	871 632	879 759
Payable taxes		7 275	9 810	2 915
Deferred taxes		65	60	3 544
Other liabilities		34 258	27 129	26 943
Liabilities held for sale		223	423	224
Provisions		3 396	1 726	2 374
Pension commitments		3 692	3 568	3 350
Subordinated loan capital	8, 9	35 749	31 095	30 347
<b>Total liabilities</b>		<b>2 661 195</b>	<b>2 241 022</b>	<b>2 259 113</b>
Additional Tier 1 capital		18 174	26 729	15 595
Non-controlling interests		50	45	
Share capital		18 256	18 256	18 256
Share premium		20 611	20 611	20 611
Other equity		169 824	163 978	157 418
<b>Total equity</b>		<b>226 915</b>	<b>229 619</b>	<b>211 880</b>
<b>Total liabilities and equity</b>		<b>2 888 110</b>	<b>2 470 640</b>	<b>2 470 993</b>



# Statement of changes in equity

DNB Bank ASA

<i>Amounts in NOK million</i>	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
<b>Balance sheet as at 31 December 2018</b>	<b>18 256</b>	<b>19 895</b>	<b>16 194</b>	<b>536</b>	<b>(63)</b>	<b>121 745</b>	<b>176 562</b>
Profit for the period			243			3 569	3 813
Actuarial gains and losses						5	5
Financial liabilities designated at FVTPL, changes in credit risk					(39)		(39)
Currency translation of foreign operations				(21)			(21)
Tax on other comprehensive income					10	(1)	8
Comprehensive income for the period			243	(21)	(29)	3 573	3 766
Merger DNB Næringskreditt						163	163
Interest payments additional Tier 1 capital			(832)				(832)
Currency movements taken to income			(10)			10	
<b>Balance sheet as at 31 March 2019</b>	<b>18 256</b>	<b>19 895</b>	<b>15 595</b>	<b>515</b>	<b>(92)</b>	<b>125 490</b>	<b>179 658</b>
<b>Balance sheet as at 31 December 2019</b>	<b>18 256</b>	<b>19 895</b>	<b>26 729</b>	<b>492</b>	<b>(57)</b>	<b>122 678</b>	<b>187 993</b>
Profit for the period			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 <sup>1)</sup>			(10 024)				(10 024)
Currency movements interest payments and redemption additional Tier 1 capital			2 091			(1 971)	120
<b>Balance sheet as at 31 March 2020</b>	<b>18 256</b>	<b>19 895</b>	<b>18 174</b>	<b>644</b>	<b>74</b>	<b>123 439</b>	<b>180 481</b>

1) Two additional Tier 1 capital instruments of NOK 2 700 million and USD 750 million, issued in 2015, were redeemed in the first quarter of 2020.

## Statement of changes in equity (continued)

<i>Amounts in NOK million</i>	DNB Bank Group							
	Non-controlling interests	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
<b>Balance sheet as at 31 December 2018</b>		<b>18 256</b>	<b>20 611</b>	<b>16 194</b>	<b>5 029</b>	<b>(176)</b>	<b>148 019</b>	<b>207 933</b>
Profit for the period				243			5 105	5 349
Actuarial gains and losses							5	5
Financial liabilities designated at FVTPL, changes in credit risk						(147)		(147)
Currency translation of foreign operations					(1 149)			(1 149)
Hedging of net investment					915			915
Tax on other comprehensive income					(229)	37	(1)	(193)
Comprehensive income for the period				243	(462)	(110)	5 109	4 780
Interest payments additional Tier 1 capital				(832)				(832)
Currency movements taken to income				(10)			10	
<b>Balance sheet as at 31 March 2019</b>		<b>18 256</b>	<b>20 611</b>	<b>15 595</b>	<b>4 567</b>	<b>(287)</b>	<b>153 137</b>	<b>211 880</b>
<b>Balance sheet as at 31 December 2019</b>	<b>45</b>	<b>18 256</b>	<b>20 611</b>	<b>26 729</b>	<b>4 840</b>	<b>(2)</b>	<b>159 141</b>	<b>229 619</b>
Profit for the period	(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 <sup>1)</sup>				(10 024)				(10 024)
Currency movements interest payments and redemption additional Tier 1 capital				2 091			(1 971)	120
<b>Balance sheet as at 31 March 2020</b>	<b>50</b>	<b>18 256</b>	<b>20 611</b>	<b>18 174</b>	<b>9 360</b>	<b>459</b>	<b>160 006</b>	<b>226 915</b>

1) Two additional Tier 1 capital instruments of NOK 2 700 million and USD 750 million, issued by the DNB Bank Group's Parent company DNB Bank ASA in 2015, were redeemed in the first quarter of 2020.

# Cash flow statement

DNB Bank ASA

<i>Amounts in NOK million</i>	2020	January-March 2019	Full year 2019
<b>Operating activities</b>			
Net payments on loans to customers	15 527	(40 767)	(92 995)
Interest received from customers	10 758	9 841	42 475
Net receipts on deposits from customers	70 520	39 760	44 455
Interest paid to customers	(1 557)	(1 597)	(10 892)
Net receipts on loans to credit institutions	194 448	104 738	38 538
Interest received from credit institutions	1 636	2 027	7 686
Interest paid to credit institutions	(1 212)	(1 592)	(5 549)
Net receipts/(payments) on the sale of financial assets for investment or trading	(107 618)	34 252	(43 319)
Interest received on bonds and commercial paper	962	1 210	5 002
Net receipts on commissions and fees	2 181	1 700	4 910
Payments to operations	(5 172)	(4 963)	(16 279)
Taxes paid	(438)	(900)	(1 058)
Other net receipts/payments	3 232	(363)	24 100
<b>Net cash flow from operating activities</b>	<b>183 268</b>	<b>143 346</b>	<b>(2 926)</b>
<b>Investing activities</b>			
Net payments on the acquisition of fixed assets	(1 582)	(631)	(4 067)
Net payment for investment properties			(144)
Net disposal/(investment) in long-term shares	7 909		(218)
Dividends received on long-term investments in shares	49		8 153
<b>Net cash flow from investment activities</b>	<b>6 376</b>	<b>(631)</b>	<b>3 723</b>
<b>Financing activities</b>			
Receipts on issued bonds and commercial paper	336 441	343 503	1 068 424
Payments on redeemed bonds and commercial paper	(395 101)	(282 625)	(909 130)
Interest payments on issued bonds and commercial paper	(2 792)	(3 468)	(9 302)
Receipts on the raising of subordinated loan capital			9
Redemptions of subordinated loan capital			(9)
Interest payments on subordinated loan capital	(240)	(273)	(410)
Net receipts/(payments) on issue or redemption of additional Tier 1 capital	(10 024)		10 436
Interest payments on additional Tier 1 capital	(1 055)	(832)	(1 052)
Lease payments	(166)	(155)	(557)
Group contribution payments			(10 568)
<b>Net cash flow from funding activities</b>	<b>(72 936)</b>	<b>56 150</b>	<b>147 840</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>1 344</b>	<b>559</b>	<b>(50)</b>
<b>Net cash flow</b>	<b>118 051</b>	<b>199 423</b>	<b>148 588</b>
Cash as at 1 January	306 446	157 858	157 858
Net receipts of cash	118 051	199 423	148 588
Cash at end of period <sup>1)</sup>	424 497	357 281	306 446
*) Of which: Cash and deposits with central banks	413 033	352 652	301 246
Deposits with credit institutions with no agreed period of notice <sup>1)</sup>	11 464	4 629	5 200

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

## Cash flow statement (continued)

<i>Amounts in NOK million</i>	<b>DNB Bank Group</b>		
	2020	January-March 2019	Full year 2019
<b>Operating activities</b>			
Net payments on loans to customers	(41 564)	(33 316)	(80 135)
Interest received from customers	14 636	14 668	58 082
Net receipts on deposits from customers	72 928	38 344	41 519
Interest paid to customers	(1 676)	(1 656)	(11 289)
Net receipts on loans to credit institutions	129 168	79 539	41 700
Interest received from credit institutions	692	1 178	3 639
Interest paid to credit institutions	(1 000)	(1 330)	(4 287)
Net receipts/(payments) on the sale of financial assets for investment or trading	26 602	33 151	(13 684)
Interest received on bonds and commercial paper	867	1 143	4 882
Net receipts on commissions and fees	2 488	2 008	6 294
Payments to operations	(5 915)	(5 533)	(18 412)
Taxes paid	(549)	(1 080)	(1 878)
Other net receipts/payments	3 355	(862)	(778)
<b>Net cash flow from operating activities</b>	<b>200 031</b>	<b>126 254</b>	<b>25 653</b>
<b>Investing activities</b>			
Net payments on the acquisition of fixed assets	(1 670)	(495)	(3 966)
Net receipts/(payments) on investment properties	24	16	(116)
Net disposal/(investment) in long-term shares			3 260
Dividends received on long-term investments in shares	49		942
<b>Net cash flow from investment activities</b>	<b>(1 597)</b>	<b>(479)</b>	<b>120</b>
<b>Financing activities</b>			
Receipts on issued bonds and commercial paper	334 710	373 533	1 097 101
Payments on redeemed bonds and commercial paper	(400 960)	(292 981)	(955 115)
Interest payments on issued bonds and commercial paper	(4 636)	(5 493)	(16 922)
Receipts on the raising of subordinated loan capital			9
Redemptions of subordinated loan capital			(9)
Interest payments on subordinated loan capital	(241)	(274)	(413)
Net receipts/(payments) on issue or redemption of additional Tier 1 capital	(10 024)		10 436
Interest payments on additional Tier 1 capital	(1 055)	(832)	(1 052)
Lease payments	(119)	(158)	(615)
Group contributions payments			(10 568)
<b>Net cash flow from funding activities</b>	<b>(82 324)</b>	<b>73 794</b>	<b>122 850</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>3 816</b>	<b>(1 002)</b>	<b>(174)</b>
<b>Net cash flow</b>	<b>119 926</b>	<b>198 568</b>	<b>148 449</b>
Cash as at 1 January	307 623	159 173	159 173
Net receipts of cash	119 926	198 568	148 449
Cash at end of period <sup>1)</sup>	427 548	357 741	307 623

\*) *Of which: Cash and deposits with central banks* 415 565 353 045 304 746  
*Deposits with credit institutions with no agreed period of notice <sup>1)</sup>* 11 983 4 696 2 877

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

## Note 1 Basis for preparation

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

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

## Note 2 Segments

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

### Income statement, first quarter

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Bank Group	
	1st quarter		1st quarter		1st quarter		1st quarter		1st quarter	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<i>Amounts in NOK million</i>										
Net interest income	3 702	3 379	6 107	5 558	806	534			10 615	9 471
Net other operating income	920	863	1 382	1 557	3 111	886	(314)	(388)	5 099	2 918
Total income	4 622	4 241	7 489	7 116	3 917	1 419	(314)	(388)	15 714	12 388
Operating expenses	(2 194)	(2 019)	(2 865)	(2 672)	(452)	(1 019)	314	388	(5 197)	(5 322)
Pre-tax operating profit before impairment	2 428	2 222	4 624	4 444	3 464	400			10 516	7 066
Net gains on fixed and intangible assets			(0)	(0)	0	(0)			(0)	(0)
Impairment of financial instruments	(734)	(101)	(5 038)	(215)	(0)	(1)			(5 771)	(316)
Profit from repossessed operations			(80)	(82)	80	82				
Pre-tax operating profit	1 695	2 122	(494)	4 146	3 544	482			4 745	6 750
Tax expense	(424)	(530)	124	(1 012)	(649)	193			(949)	(1 350)
Profit from operations held for sale, after taxes				2	(56)	(53)			(56)	(51)
Profit for the period	1 271	1 591	(371)	3 136	2 839	621			3 739	5 349

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		Primary capital	DNB Bank Group	
31 Dec. 2019	31 March 2020	<i>Amounts in NOK million</i>	31 March 2020	31 Dec. 2019
187 993	177 276	Total equity	223 606	229 619
		Effect from regulatory consolidation	(199)	(198)
(26 048)	(17 995)	Additional Tier 1 capital instruments included in total equity	(17 995)	(26 048)
(510)	(134)	Net accrued interest on additional Tier 1 capital instruments	(134)	(510)
161 434	159 147	Common equity Tier 1 capital instruments	205 278	202 862
		Deductions		
(2 376)	(2 431)	Goodwill	(3 006)	(2 946)
(457)	(457)	Deferred tax assets that are not due to temporary differences	(896)	(868)
(1 016)	(942)	Other intangible assets	(1 569)	(1 626)
		Group contribution, payable	(25 000)	(25 000)
(1 633)	(439)	Expected losses exceeding actual losses, IRB portfolios	(1 191)	(2 502)
(532)	(825)	Value adjustment due to the requirements for prudent valuation (AVA)	(1 283)	(810)
57	(74)	Adjustments for unrealised losses/(gains) on debt measured at fair value	(459)	2
(460)	(983)	Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(170)	(96)
155 017	152 996	Common equity Tier 1 capital	171 703	169 016
155 017	154 916	Common equity Tier 1 capital incl. 50 per cent of profit for the period	173 729	169 016
26 048	17 995	Additional Tier 1 capital instruments	17 995	26 048
181 065	170 990	Tier 1 capital	189 698	195 064
181 065	172 911	Tier 1 capital including 50 per cent of profit for the period (%)	191 724	195 064
5 774	6 933	Perpetual subordinated loan capital	6 933	5 774
24 943	28 539	Term subordinated loan capital	28 539	24 943
30 717	35 472	Additional Tier 2 capital instruments	35 472	30 717
211 783	206 462	Total eligible capital	225 170	225 781
211 783	208 383	Total eligible capital incl. 50 per cent of profit for the period	227 196	225 781
804 721	850 580	Risk-weighted assets	993 154	924 869
64 378	68 046	Minimum capital requirement	79 452	73 990
19.3	18.2	Common equity Tier 1 capital ratio (%)	17.5	18.3
22.5	20.3	Tier 1 capital ratio (%)	19.3	21.1
26.3	24.5	Capital ratio (%)	22.9	24.4
	18.0	Common equity Tier 1 capital excluding 50 per cent of profit for the period (%)	17.3	
	20.1	Tier 1 capital excluding 50 per cent of profit for the period (%)	19.1	
	24.3	Capital ratio excluding 50 per cent of profit for the period (%)	22.7	

## Note 3 Capital adequacy (continued)

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

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

	DNB Bank ASA					
	Nominal exposure 31 March 2020	EAD <sup>1)</sup> 31 March 2020	Average risk weights in per cent 31 March 2020	Risk-weighted assets 31 March 2020	Capital requirements 31 March 2020	Capital requirements 31 Dec. 2019
<i>Amounts in NOK million</i>						
<b>IRB approach</b>						
Corporate	831 426	689 004	48.1	331 401	26 512	23 886
Specialised lending (SL)	12 408	11 939	56.3	6 720	538	442
Retail - mortgages	116 981	116 981	23.8	27 845	2 228	2 476
Retail - other exposures	96 627	80 958	25.4	20 558	1 645	1 653
Securitisation						
<b>Total credit risk, IRB approach</b>	<b>1 057 442</b>	<b>898 882</b>	<b>43.0</b>	<b>386 523</b>	<b>30 922</b>	<b>28 457</b>
<b>Standardised approach</b>						
Central government	419 721	435 965	0.0	76	6	3
Institutions	734 071	628 514	17.9	112 780	9 022	8 510
Corporate	124 225	99 755	72.7	72 485	5 799	6 025
Retail - mortgages	12 748	12 117	37.7	4 574	366	362
Retail - other exposures	138 694	49 127	74.6	36 642	2 931	2 560
Equity positions	123 833	123 833	100.2	124 034	9 923	9 540
Other assets	21 412	21 143	120.4	25 461	2 037	1 853
<b>Total credit risk, standardised approach</b>	<b>1 574 704</b>	<b>1 370 455</b>	<b>27.4</b>	<b>376 051</b>	<b>30 084</b>	<b>28 852</b>
<b>Total credit risk</b>	<b>2 632 146</b>	<b>2 269 336</b>	<b>33.6</b>	<b>762 574</b>	<b>61 006</b>	<b>57 309</b>
<b>Market risk</b>						
Position risk, debt instruments				9 413	753	827
Position risk, equity instruments				557	45	30
Currency risk				127	10	1
Commodity risk				14	1	0
Credit value adjustment risk (CVA)				4 203	336	316
<b>Total market risk</b>				<b>14 315</b>	<b>1 145</b>	<b>1 173</b>
<b>Operational risk</b>				<b>73 691</b>	<b>5 895</b>	<b>5 895</b>
<b>Total risk-weighted assets and capital requirements</b>				<b>850 580</b>	<b>68 046</b>	<b>64 378</b>

1) EAD, exposure at default.

## Note 3 Capital adequacy (continued)

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

	Nominal exposure		Average risk weights in per cent	Risk-weighted assets	DNB Bank Group	
	31 March 2020	EAD <sup>1)</sup> 31 March 2020			31 March 2020	Capital requirements 31 March 2020
<i>Amounts in NOK million</i>						
<b>IRB approach</b>						
Corporate	1 061 876	884 941	48.6	430 494	34 440	30 537
Specialised Lending (SL)	13 842	13 372	56.7	7 578	606	503
Retail - mortgages	803 916	803 916	21.8	175 034	14 003	13 893
Retail - other exposures	96 627	80 958	25.4	20 558	1 645	1 653
Securitisation						
<b>Total credit risk, IRB approach</b>	<b>1 976 261</b>	<b>1 783 187</b>	<b>35.5</b>	<b>633 663</b>	<b>50 693</b>	<b>46 586</b>
<b>Standardised approach</b>						
Central government	436 397	453 350	0.1	361	29	6
Institutions	259 597	201 820	17.0	34 246	2 740	2 667
Corporate	199 574	165 144	74.2	122 596	9 808	9 320
Retail - mortgages	65 958	62 345	49.0	30 577	2 446	2 245
Retail - other exposures	146 476	54 638	73.9	40 379	3 230	2 812
Equity positions	10 749	10 711	90.8	9 728	778	764
Other assets	22 185	21 392	80.7	17 254	1 380	1 241
<b>Total credit risk, standardised approach</b>	<b>1 140 935</b>	<b>969 400</b>	<b>26.3</b>	<b>255 141</b>	<b>20 411</b>	<b>19 054</b>
<b>Total credit risk</b>	<b>3 117 196</b>	<b>2 752 588</b>	<b>32.3</b>	<b>888 804</b>	<b>71 104</b>	<b>65 641</b>
<b>Market risk</b>						
Position risk, debt instruments				9 837	787	842
Position risk, equity instruments				557	45	30
Currency risk				127	10	1
Commodity risk				14	1	0
Credit value adjustment risk (CVA)				4 789	383	354
<b>Total market risk</b>				<b>15 325</b>	<b>1 226</b>	<b>1 227</b>
<b>Operational risk</b>				<b>89 025</b>	<b>7 122</b>	<b>7 122</b>
<b>Total risk-weighted assets and capital requirements</b>				<b>993 154</b>	<b>79 452</b>	<b>73 990</b>

1) EAD, exposure at default.



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

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

### Forbearance

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

The Group has a policy that payment waivers directly related to COVID-19 combined with an otherwise healthy financial situation for the customer shall not result in forbearance. However, when payment waivers are combined with high credit risk and an expectation that the forbearance measures are not temporary, reclassification to the forbearance category should still be performed. The gross carrying amount of loans and financial commitments classified in the forbearance category was NOK 36 528 million as at 31 March 2020, compared with NOK 34 469 million as at 31 December 2019.

### Segmentation, macro scenarios and credit cycle index

The assessment of significant increases in credit risk and the calculation of ECL incorporate past, present and forward-looking information. Following the COVID-19 outbreak, the level of uncertainty in assessing forward-looking information has increased substantially. Simultaneously, the oil price has declined sharply, and the unresolved state of the OPEC coordination has added further complexity to the process of establishing forward-looking information. The uncertainty encompasses the magnitude and duration of the business-related and financial impacts as well as the impact of the various financial support and relief measures being implemented by the Government.

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

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

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

### Sensitivity

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

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

DNB has simulated an alternative low scenario for relevant macro forecasts. The scenario represents a possible downside compared with the base scenario. Each macroeconomic variable is given alternative weaker expectations for each period in the forecast period. The table below shows the average change in the macro variables in the alternative scenario compared with the base scenario in the forecast period, in per cent. In the simulated alternative scenario, as presented in the table below, the ECL in stages 1 and 2 would increase by approximately 75 per cent compared with the ECL in stages 1 and 2 at 31 March 2020.

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

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

### Selected macro variables used in base scenario and alternative scenario

	DNB Bank Group
<i>Per cent</i>	Average change from base to alternative scenario
Global GDP, year-to-year growth	(46)
Emerging countries' GDP, year-to-year growth	(32)
Oil price, USD per barrel	(14)
Norwegian mainland GDP, year-to-year growth	(198)
Norwegian consumer price index, year-to-year growth	(5)
Norwegian house price index, year-to-year growth	(312)
Norwegian registered unemployment rate, per cent	36
NIBOR 3-month interest rate, per cent	13
Swedish GDP, year-to-year growth	(213)
Norwegian commercial real estate rental price, NOK per sqm	(10)
Salmon price, NOK per kg	(9)
Floater spot rate, USD per day	(10)
Utilisation rate rig	(10)
Very large crude carriers spot rate, USD per day	(25)
Capesize spot rate, USD per day	(21)
Very large gas carrier spot rate, USD per day	(35)

One of the most significant exposures in stages 1 and 2 is lending to personal customers. This lending includes mortgage lending, credit card lending and consumer financing. In addition to specific customer attributes, the portfolio's ECL is forecasted based on the Norwegian house price index, the Norwegian interest rate, the household debt level and the unemployment rate. In the simulated alternative scenario, where all of these input parameters are given more adverse projections, the ECL in stages 1 and 2 would increase by approximately 178 per cent for the personal customer portfolio compared with the ECL measured at 31 March 2020 for the same portfolio and stages.

DNB has furthermore investigated the effect of non-linearity in the ECL for stages 1 and stage 2. If the base scenario alone is used to calculate expected credit losses, thereby excluding the fan that represents the range of alternative scenarios, the ECL at 31 March 2020 would decrease by 17 per cent.

### Significant increase in credit risk (staging)

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

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

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

The banking group has carefully considered the need to update the expected credit loss estimate on credit-impaired financial instruments as of 31 March 2020. When necessary, significant exposures have been re-calculated following the updated economic situation. The business-related and financial impacts on the exposure, as well as the assessed relief expected to be provided through established Government programmes, are incorporated into the net present value of the discounted estimated future cash flows.

### Sensitivity

If the value of collaterals on all stage 3 exposures were reduced by 10 per cent, the stage 3 ECL at 31 March 2020 would increase by approximately NOK 2.1 billion.

## Note 5 Development in gross carrying amount and maximum exposure

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

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

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

<i>Amounts in NOK million</i>	1st quarter 2020				1st quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 31 Dec.</b>	<b>678 866</b>	<b>53 733</b>	<b>21 251</b>	<b>753 849</b>	<b>607 258</b>	<b>49 259</b>	<b>23 195</b>	<b>679 712</b>
Transfer to stage 1	3 654	(3 468)	(185)		8 852	(8 647)	(205)	
Transfer to stage 2	(58 715)	59 104	(389)		(6 966)	7 835	(869)	
Transfer to stage 3	(2 427)	(5 225)	7 652		(298)	(798)	1 096	
Originated and purchased	71 726	9 494	0	81 221	64 766	1 098		65 864
Derecognition	(45 830)	(4 732)	(0)	(50 562)	(42 081)	(4 072)	(261)	(46 414)
Exchange rate movements	5 579	567	322	6 468	(1 656)	(132)	(23)	(1 811)
Other <sup>2)</sup>					15 208	76		15 284
<b>Gross carrying amount as at 31 March</b>	<b>652 852</b>	<b>109 473</b>	<b>28 650</b>	<b>790 975</b>	<b>645 085</b>	<b>44 619</b>	<b>22 932</b>	<b>712 636</b>

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

<i>Amounts in NOK million</i>	1st quarter 2020				1st quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 31 Dec.</b>	<b>1 519 017</b>	<b>88 291</b>	<b>24 297</b>	<b>1 631 605</b>	<b>1 449 032</b>	<b>82 255</b>	<b>27 832</b>	<b>1 559 120</b>
Transfer to stage 1	11 434	(10 850)	(584)		17 288	(16 972)	(316)	
Transfer to stage 2	(80 262)	80 788	(526)		(19 457)	20 436	(980)	
Transfer to stage 3	(2 919)	(7 121)	10 040		(438)	(966)	1 405	
Originated and purchased	127 045	9 936		136 981	116 061	1 021	252	117 334
Derecognition	(79 718)	(5 783)	(359)	(85 860)	(79 681)	(5 329)	(1 044)	(86 054)
Exchange rate movements	27 069	2 985	690	30 746	(4 055)	(173)	(35)	(4 263)
Other					252			252
<b>Gross carrying amount as at 31 March</b>	<b>1 521 667</b>	<b>158 246</b>	<b>33 558</b>	<b>1 713 470</b>	<b>1 479 003</b>	<b>80 272</b>	<b>27 115</b>	<b>1 586 389</b>

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

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

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

### Financial commitments (quarterly figures)

DNB Bank ASA

<i>Amounts in NOK million</i>	1st quarter 2020				1st quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Maximum exposure as at 31 Dec.</b>	<b>442 766</b>	<b>13 537</b>	<b>3 245</b>	<b>459 547</b>	<b>457 594</b>	<b>18 722</b>	<b>3 922</b>	<b>480 237</b>
Transfer to stage 1	1 560	(1 435)	(124)		3 896	(3 793)	(103)	
Transfer to stage 2	(31 087)	31 135	(48)		(3 608)	3 713	(105)	
Transfer to stage 3	(725)	(1 384)	2 109		(52)	(92)	144	
Originated and purchased	87 838	0	0	87 839	96 608	252	(0)	96 859
Derecognition	(68 203)	(3 736)	(214)	(72 153)	(83 456)	(1 312)	(745)	(85 513)
Exchange rate movements	7 209	197	39	7 444	(886)	(13)	(22)	(920)
<b>Maximum exposure as at 31 March</b>	<b>439 359</b>	<b>38 313</b>	<b>5 006</b>	<b>482 677</b>	<b>470 095</b>	<b>17 478</b>	<b>3 091</b>	<b>490 664</b>

### Financial commitments (quarterly figures)

DNB Bank Group

<i>Amounts in NOK million</i>	1st quarter 2020				1st quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Maximum exposure as at 31 Dec.</b>	<b>617 345</b>	<b>23 794</b>	<b>3 343</b>	<b>644 482</b>	<b>620 917</b>	<b>29 462</b>	<b>4 152</b>	<b>654 531</b>
Transfer to stage 1	3 533	(3 408)	(124)		4 826	(4 723)	(103)	
Transfer to stage 2	(38 393)	38 442	(49)		(4 883)	4 989	(106)	
Transfer to stage 3	(785)	(1 720)	2 505		(53)	(92)	145	
Originated and purchased	88 943	0		88 944	108 876	252	0	109 128
Derecognition	(80 059)	(6 905)	(246)	(87 210)	(82 234)	(2 206)	(822)	(85 263)
Exchange rate movements	20 824	1 711	88	22 623	(2 553)	(76)	(20)	(2 649)
<b>Maximum exposure as at 31 March</b>	<b>611 409</b>	<b>51 914</b>	<b>5 516</b>	<b>668 839</b>	<b>644 896</b>	<b>27 604</b>	<b>3 247</b>	<b>675 747</b>

## Note 6 Development in accumulated impairment of financial instruments

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

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

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

DNB Bank ASA

<i>Amounts in NOK million</i>	1st quarter 2020				1st quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Accumulated impairment as at 31 Dec.</b>	<b>(168)</b>	<b>(777)</b>	<b>(8 252)</b>	<b>(9 197)</b>	<b>(154)</b>	<b>(850)</b>	<b>(7 416)</b>	<b>(8 420)</b>
Transfer to stage 1	(67)	55	12		(44)	42	2	
Transfer to stage 2	21	(34)	13		4	(13)	9	
Transfer to stage 3	0	53	(53)		0	24	(24)	
Originated and purchased	(64)	(122)		(186)	(19)	(5)		(24)
Increased expected credit loss	(414)	(867)	(3 252)	(4 533)	(50)	(150)	(1 384)	(1 584)
Decreased/(reversed) expected credit loss	67	144	783	994	81	148	1 174	1 402
Write-offs			770	770			212	212
Derecognition (including repayments)	12	70	10	92	0	101		101
Exchange rate movements	(6)	(5)	(81)	(92)	1	1	8	10
Other								
<b>Accumulated impairment as at 31 March</b>	<b>(619)</b>	<b>(1 482)</b>	<b>(10 051)</b>	<b>(12 152)</b>	<b>(180)</b>	<b>(702)</b>	<b>(7 420)</b>	<b>(8 302)</b>

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

DNB Bank Group

<i>Amounts in NOK million</i>	1st quarter 2020				1st quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Accumulated impairment as at 31 Dec.</b>	<b>(305)</b>	<b>(1 042)</b>	<b>(8 904)</b>	<b>(10 251)</b>	<b>(351)</b>	<b>(1 224)</b>	<b>(8 321)</b>	<b>(9 897)</b>
Transfer to stage 1	(77)	62	15	(0)	(65)	58	6	
Transfer to stage 2	38	(59)	21		8	(27)	19	
Transfer to stage 3	0	58	(58)		0	24	(25)	
Originated and purchased	(97)	(124)		(221)	(46)	(6)		(52)
Increased expected credit loss	(555)	(1 363)	(3 573)	(5 490)	(80)	(194)	(1 694)	(1 967)
Decreased/(reversed) expected credit loss	90	165	867	1 122	135	219	1 520	1 874
Write-offs			1 033	1 033			213	213
Derecognition (including repayments)	17	86	10	114	2	106	0	109
Exchange rate movements	(34)	(90)	(188)	(312)	3	3	16	22
Other					(1)	(0)	0	(1)
<b>Accumulated impairment as at 31 March</b>	<b>(922)</b>	<b>(2 306)</b>	<b>(10 777)</b>	<b>(14 005)</b>	<b>(392)</b>	<b>(1 040)</b>	<b>(8 265)</b>	<b>(9 698)</b>

## Note 6 Development in accumulated impairment of financial instruments (continued)

### Financial commitments (quarterly figures)

DNB Bank ASA

<i>Amounts in NOK million</i>	1st quarter 2020				1st quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Accumulated impairment as at 31 Dec.</b>	<b>(111)</b>	<b>(358)</b>	<b>(546)</b>	<b>(1 016)</b>	<b>(117)</b>	<b>(436)</b>	<b>(569)</b>	<b>(1 122)</b>
Transfer to stage 1	(23)	20	3		(29)	29	0	
Transfer to stage 2	26	(27)	1		4	(5)	1	
Transfer to stage 3	0	63	(63)		0	0	(0)	
Originated and purchased	(49)	(7)		(56)	(36)	(3)		(39)
Increased expected credit loss	(183)	(508)	(785)	(1 476)	(20)	(124)	(111)	(254)
Decreased/(reversed) expected credit loss	29	28	279	336	45	42	138	226
Derecognition	0	25		25	0	28	1	29
Exchange rate movements	(4)	(2)	(1)	(7)	1	1	0	2
<b>Accumulated impairment as at 31 March</b>	<b>(315)</b>	<b>(767)</b>	<b>(1 112)</b>	<b>(2 194)</b>	<b>(152)</b>	<b>(466)</b>	<b>(540)</b>	<b>(1 159)</b>

### Financial commitments (quarterly figures)

DNB Bank Group

<i>Amounts in NOK million</i>	1st quarter 2020				1st quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Accumulated impairment as at 31 Dec.</b>	<b>(146)</b>	<b>(667)</b>	<b>(543)</b>	<b>(1 357)</b>	<b>(149)</b>	<b>(1 001)</b>	<b>(569)</b>	<b>(1 719)</b>
Transfer to stage 1	(32)	29	3		(30)	30	0	
Transfer to stage 2	29	(30)	1		5	(5)	1	
Transfer to stage 3	0	64	(64)		0	0	(0)	
Originated and purchased	(54)	(7)		(61)	(45)	(3)		(47)
Increased expected credit loss	(218)	(926)	(785)	(1 928)	(22)	(159)	(111)	(291)
Decreased/(reversed) expected credit loss	47	34	279	359	52	89	138	279
Derecognition	0	27		28	0	29	1	30
Exchange rate movements	(11)	(107)	(1)	(119)	1	4	0	6
<b>Accumulated impairment as at 31 March</b>	<b>(386)</b>	<b>(1 583)</b>	<b>(1 110)</b>	<b>(3 079)</b>	<b>(187)</b>	<b>(1 016)</b>	<b>(541)</b>	<b>(1 743)</b>

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

Loans to customers as at 31 March 2020	Gross carrying amount	Accumulated impairment			DNB Bank Group	
		Stage 1	Stage 2	Stage 3	Loans at fair value	Total
<i>Amounts in NOK million</i>						
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
<b>Total <sup>1)</sup></b>	<b>1 713 470</b>	<b>(922)</b>	<b>(2 306)</b>	<b>(10 777)</b>	<b>49 391</b>	<b>1 748 857</b>

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

Loans to customers as at 31 March 2019	Gross carrying amount	Accumulated impairment			DNB Bank Group	
		Stage 1	Stage 2	Stage 3	Loans at fair value	Total
<i>Amounts in NOK million</i>						
Bank, insurance and portfolio management	108 075	(10)	(3)	(57)		108 004
Commercial real estate	164 235	(13)	(41)	(300)	176	164 056
Shipping	51 861	(62)	(84)	(394)		51 321
Oil, gas and offshore	60 553	(65)	(489)	(4 431)		55 569
Power and renewables	30 021	(8)	(12)	(97)		29 903
Healthcare	23 195	(8)	(10)			23 177
Public sector	11 527	(0)	(0)	(0)		11 526
Fishing, fish farming and farming	35 909	(4)	(10)	(66)	162	35 991
Retail industries	43 320	(17)	(8)	(691)	59	42 663
Manufacturing	45 313	(17)	(15)	(320)	21	44 982
Technology, media and telecom	26 676	(29)	(3)	(32)	17	26 630
Services	65 917	(27)	(15)	(522)	206	65 559
Residential property	94 810	(9)	(7)	(230)	380	94 944
Personal customers	764 686	(105)	(285)	(656)	46 708	810 347
Other corporate customers	60 292	(18)	(56)	(469)	79	59 828
<b>Total <sup>1)</sup></b>	<b>1 586 389</b>	<b>(392)</b>	<b>(1 040)</b>	<b>(8 265)</b>	<b>47 808</b>	<b>1 624 500</b>

1) Of which NOK 46 562 million in repo trading volumes.

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

### Financial commitments as at 31 March 2020

<i>Amounts in NOK million</i>	Maximum exposure	Accumulated impairment			DNB Bank Group Total
		Stage 1	Stage 2	Stage 3	
Bank, insurance and portfolio management	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)	(64)	26 722
Residential property	38 130	(15)	(10)	(2)	38 102
Personal customers	255 972	(83)	(89)	(0)	255 800
Other corporate customers	39 414	(25)	(117)	(512)	38 760
<b>Total</b>	<b>668 839</b>	<b>(386)</b>	<b>(1 583)</b>	<b>(1 110)</b>	<b>665 761</b>

### Financial commitments as at 31 March 2019

<i>Amounts in NOK million</i>	Maximum exposure	Accumulated impairment			DNB Bank Group Total
		Stage 1	Stage 2	Stage 3	
Bank, insurance and portfolio management	30 565	(7)	(5)	(0)	30 554
Commercial real estate	25 972	(3)	(1)	(3)	25 964
Shipping	12 330	(20)	(20)		12 291
Oil, gas and offshore	77 933	(58)	(779)	(353)	76 742
Power and renewables	28 487	(5)	(42)		28 440
Healthcare	22 932	(6)	(0)		22 926
Public sector	9 881	(0)	(0)		9 881
Fishing, fish farming and farming	15 197	(3)	(1)	(2)	15 191
Retail industries	26 218	(9)	(31)	(34)	26 145
Manufacturing	52 360	(18)	(33)	(5)	52 305
Technology, media and telecom	18 645	(9)	(4)	(2)	18 630
Services	26 264	(12)	(18)	(17)	26 217
Residential property	34 538	(4)	(5)	(3)	34 525
Personal customers	258 311	(22)	(58)	(0)	258 232
Other corporate customers	36 113	(11)	(20)	(121)	35 961
<b>Total</b>	<b>675 747</b>	<b>(187)</b>	<b>(1 016)</b>	<b>(541)</b>	<b>674 004</b>



## Note 8 Financial instruments at fair value

DNB Bank ASA				
<i>Amounts in NOK million</i>	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
<b>Assets as at 31 March 2020</b>				
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
<b>Liabilities as at 31 March 2020</b>				
Deposits from customers		22 903		22 903
Debt securities issued <sup>1)</sup>		7 428		7 428
Subordinated loan capital <sup>1)</sup>		169		169
Financial derivatives	947	281 889	2 510	285 346
Other financial liabilities <sup>2)</sup>	8 316			8 316

DNB Bank ASA				
<i>Amounts in NOK million</i>	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
<b>Assets as at 31 March 2019</b>				
Loans to customers		117 348	7 440	124 787
Commercial paper and bonds	42 907	195 866	99	238 871
Shareholdings	5 143	255	593	5 991
Financial derivatives	137	119 612	1 753	121 502
<b>Liabilities as at 31 March 2019</b>				
Deposits from customers		16 444		16 444
Debt securities issued		7 621		7 621
Subordinated loan capital		2 500		2 500
Financial derivatives	130	141 277	1 429	142 836
Other financial liabilities <sup>2)</sup>	3 296		0	3 296

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

2) Short positions, trading activities.

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

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

<i>Amounts in NOK million</i>	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
<b>Assets as at 31 March 2020</b>				
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
<b>Liabilities as at 31 March 2020</b>				
Deposits from customers		22 903		22 903
Debt securities issued <sup>1)</sup>		21 515		21 515
Subordinated loan capital <sup>1)</sup>		169		169
Financial derivatives	947	197 050	2 510	200 507
Other financial liabilities <sup>2)</sup>	8 316			8 316

<i>Amounts in NOK million</i>	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
<b>Assets as at 31 March 2019</b>				
Loans to customers			47 808	47 808
Commercial paper and bonds	42 907	183 949	99	226 954
Shareholdings	6 352	265	744	7 361
Financial derivatives	137	107 295	1 753	109 185
<b>Liabilities as at 31 March 2019</b>				
Deposits from customers		16 444		16 444
Debt securities issued		87 716		87 716
Subordinated loan capital		2 500		2 500
Financial derivatives	130	97 181	1 429	98 740
Other financial liabilities <sup>2)</sup>	3 296		0	3 296

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

2) Short positions, trading activities.

For a further description of the instruments and valuation techniques, see the annual report for 2019.

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

### Financial instruments at fair value, level 3

DNB Bank ASA

<i>Amounts in NOK million</i>	Financial assets				Financial liabilities
	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
<b>Carrying amount as at 31 December 2018</b>	<b>7 509</b>	<b>319</b>	<b>583</b>	<b>2 036</b>	<b>1 654</b>
Net gains recognised in the income statement	25	(150)	21	(229)	(176)
Additions/purchases	246	46	5	37	35
Sales	(18)	(107)	(16)		
Settled	(322)			(88)	(86)
Transferred from level 1 or level 2		16			
Transferred to level 1 or level 2		(41)			
Other		16		(4)	1
<b>Carrying amount as at 31 March 2019</b>	<b>7 440</b>	<b>99</b>	<b>593</b>	<b>1 753</b>	<b>1 429</b>
<b>Carrying amount as at 31 December 2019</b>	<b>8 495</b>	<b>356</b>	<b>633</b>	<b>1 868</b>	<b>1 536</b>
Net gains recognised in the income statement	(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
<b>Carrying amount as at 31 March 2020</b>	<b>7 466</b>	<b>284</b>	<b>622</b>	<b>3 214</b>	<b>2 510</b>

### 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
<b>Carrying amount as at 31 December 2018</b>	<b>48 794</b>	<b>319</b>	<b>741</b>	<b>2 036</b>	<b>1 654</b>
Net gains recognised in the income statement	26	(150)	14	(229)	(176)
Additions/purchases	1 185	46	5	37	35
Sales		(107)	(16)		
Settled	(2 197)			(88)	(86)
Transferred from level 1 or level 2		16			
Transferred to level 1 or level 2		(41)			
Other		16	(0)	(4)	1
<b>Carrying amount as at 31 March 2019</b>	<b>47 808</b>	<b>99</b>	<b>744</b>	<b>1 753</b>	<b>1 429</b>
<b>Carrying amount as at 31 December 2019</b>	<b>49 995</b>	<b>356</b>	<b>795</b>	<b>1 868</b>	<b>1 536</b>
Net gains recognised in the income statement	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
<b>Carrying amount as at 31 March 2020</b>	<b>49 391</b>	<b>284</b>	<b>770</b>	<b>3 214</b>	<b>2 510</b>

### Sensitivity analysis, level 3

An increase in the discount rate on fixed-rate loans by 10 basis points will decrease the fair value by NOK 29 million in DNB Bank ASA and 151 million in DNB Bank Group. The effects on other Level 3 financial instruments are insignificant.

## Note 9 Debt securities issued and subordinated loan capital

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

### Debt securities issued 2020

	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 paper 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
<b>Total debt securities issued</b>	<b>408 278</b>	<b>336 441</b>	<b>(395 101)</b>	<b>49 813</b>	<b>561</b>	<b>416 565</b>

### Debt securities issued 2019

	DNB Bank ASA					
	Balance sheet 31 March 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	242 027	325 976	(263 448)	4 767		174 732
Bond debt, nominal amount	149 748	17 527	(19 177)	(2 659)		154 057
Value adjustments	5 423				(1 105)	6 528
<b>Total debt securities issued</b>	<b>397 197</b>	<b>343 503</b>	<b>(282 625)</b>	<b>2 108</b>	<b>(1 105)</b>	<b>335 317</b>

### 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 paper issued, nominal amount	162 137	334 166	(376 579)	16 429		188 120
Bond debt, nominal amount <sup>1)</sup>	726 824	543	(24 381)	95 207		655 455
Value adjustments	35 547				7 490	28 057
<b>Total debt securities issued</b>	<b>924 508</b>	<b>334 710</b>	<b>(400 960)</b>	<b>111 636</b>	<b>7 490</b>	<b>871 632</b>

### Debt securities issued 2019

	DNB Bank Group					
	Balance sheet 31 March 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
<i>Amounts in NOK million</i>						
Commercial paper issued, nominal amount	242 027	325 976	(263 448)	4 767		174 732
Bond debt, nominal amount <sup>1)</sup>	612 279	47 557	(29 533)	(11 697)		605 952
Value adjustments	25 453				2 342	23 112
<b>Total debt securities issued</b>	<b>879 759</b>	<b>373 533</b>	<b>(292 981)</b>	<b>(6 930)</b>	<b>2 342</b>	<b>803 796</b>

1) Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 420.7 billion as at 31 March 2020. The market value of the cover pool represented NOK 653.1 billion.

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

	Subordinated loan capital and perpetual subordinated loan capital securities 2020				DNB Bank ASA	
	Balance sheet 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
<b>Total subordinated loan capital and perpetual subordinated loan capital securities</b>	<b>35 749</b>			<b>4 754</b>	<b>(101)</b>	<b>31 095</b>

	Subordinated loan capital and perpetual subordinated loan capital securities 2019				DNB Bank ASA	
	Balance sheet 31 March 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	24 462			(649)		25 110
Perpetual subordinated loan capital, nominal amount	5 648			(45)		5 693
Value adjustments	237				(41)	278
<b>Total subordinated loan capital and perpetual subordinated loan capital securities</b>	<b>30 347</b>			<b>(693)</b>	<b>(41)</b>	<b>31 082</b>

	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
<b>Total subordinated loan capital and perpetual subordinated loan capital securities</b>	<b>35 749</b>			<b>4 754</b>	<b>(101)</b>	<b>31 095</b>

	Subordinated loan capital and perpetual subordinated loan capital securities 2019				DNB Bank Group	
	Balance sheet 31 March 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	24 462			(649)		25 110
Perpetual subordinated loan capital, nominal amount	5 648			(45)		5 693
Value adjustments	237				(41)	278
<b>Total subordinated loan capital and perpetual subordinated loan capital securities</b>	<b>30 347</b>			<b>(693)</b>	<b>(41)</b>	<b>31 082</b>

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

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### **DNB Boligkreditt AS**

In the first quarter of 2020, loan portfolios representing NOK 21.1 billion (NOK 1.0 billion in 2019) were transferred from the bank to DNB Boligkreditt in accordance with the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS".

At end-March 2020, the bank had invested NOK 67.7 billion in covered bonds issued by DNB Boligkreditt.

The management fee paid to the bank for purchased services amounted to NOK 164 million in the first quarter of 2020 (NOK 195 million at end-March 2019).

In the first quarter of 2020, DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 6.0 billion at end-March 2020.

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 130 billion.

### **DNB Livsforsikring AS**

At end-March 2020 DNB Livsforsikring's holding of DNB Boligkreditt bonds was valued at NOK 1.5 billion.

## **Note 11      Contingencies**

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

# Information about the DNB Bank Group

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## DNB Bank ASA

Organisation number Register of Business Enterprises NO 984 851 006 MVA

## Board of Directors in DNB Bank ASA

Olaug Svarva, Chair of the Board  
Kim Wahl, Vice Chair of the Board  
Lillian Hattrem  
Jens Petter Olsen

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## Financial calendar 2020

13 July	Q2 2020
22 October	Q3 2020

## Financial calendar 2021

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

## Other sources of information

### Annual and quarterly reports

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

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So you can stay ahead.**

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