DNB Bank

A company in the DNB Group

Q1

First quarter report 2018
(Unaudited)

DNB

Financial highlights

Income statement — **DNB Bank Group**

Amounts in NOK million	1st quarter 2018	1st quarter 2017	Full year 2017
Net interest income	9 141	8 642	35 914
Net commissions and fees	*1 489*	*1 468*	*5 884*
Net gains on financial instruments at fair value	*172*	*811*	*4 513*
Other operating income	*539*	*427*	*2 029*
Net other operating income	2 199	2 705	12 425
Total income	11 340	11 347	48 339
Operating expenses	(4 955)	(5 058)	(20 800)
Restructuring costs and non-recurring effects	(24)	(189)	(1 128)
Pre-tax operating profit before impairment	6 360	6 100	26 410
Net gains on fixed and intangible assets	18	6	735
Impairment of financial instruments	330	(562)	(2 428)
Pre-tax operating profit	6 708	5 544	24 718
Tax expense	(1 342)	(1 275)	(4 903)
Profit from operations held for sale, after taxes		(17)	(1)
Profit for the period	5 366	4 252	19 813

Balance sheet

Amounts in NOK million	31 March 2018	31 Dec. 2017	31 March 2017
Total assets	2 347 013	2 359 860	2 548 923
Loans to customers	1 527 639	1 531 345	1 514 680
Deposits from customers	962 711	980 374	1 027 609
Total equity	205 481	203 685	194 103
Average total assets	2 497 096	2 537 681	2 555 275

Key figures and alternative performance measures

	1st quarter 2018	1st quarter 2017	Full year 2017
Return on equity, annualised (per cent) [1)]	11.1	9.3	10.5
Combined weighted total average spread for lending and deposits (per cent) [1)]	1.30	1.29	1.30
Average spread for ordinary lending to customers (per cent) [1)]	2.01	2.03	2.07
Average spread for deposits to customers (per cent) [1)]	0.20	0.20	0.17
Cost/income ratio (per cent) [1)]	43.9	46.2	45.4
Ratio of customer deposits to net loans to customers at end of period [1)]	63.0	67.8	64.0
Net loans and financial commitments in stage 2, per cent of net loans [1)]	6.59		
Net loans and financial commitments in stage 3, per cent of net loans [1)]	1.49	1.52	1.13
Impairment relative to average net loans to customers, annualised (per cent) [1)]	0.09	(0.15)	(0.16)
Common equity Tier 1 capital ratio, transitional rules, at end of period [2)] (per cent)	16.3	15.7	16.2
Leverage ratio, Basel III (per cent)	7.0	6.5	6.9
Number of full-time positions at end of period	8 519	10 316	8 544

1) Defined as alternative performance measure (APM). APMs are described on ir.dnb.no.
2) Including 50 per cent of profit for the period, except for the full year figures.

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

Directors' report

Implementation of IFRS 9

The new accounting rules for financial instruments (IFRS 9) are applicable as of 1 January 2018. The new standard introduces a business model-oriented approach for the classification of financial assets and an expected loss model for impairment which replaces the former incurred loss model. Explanatory comments to developments during the first quarter can be found below. Figures for previous periods have not been restated.

First quarter financial performance

The DNB Bank Group [1] delivered a strong performance in the first quarter of 2018, benefiting from positive developments in the Norwegian economy. Profits were NOK 5 366 million, an increase of NOK 1 115 million from the first quarter of 2017, driven by an increase in net interest income, lower operating expenses and lower impairment losses. Compared with the previous quarter, profits were reduced by NOK 258 million. Profits in the first quarter of 2018 were negatively affected by basis swaps and exchange rate effects from additional Tier 1 capital of NOK 899 million.

The common equity Tier 1 capital ratio was 16.3 per cent at end-March 2018, an increase from 15.7 per cent a year earlier, and up from 16.2 per cent at end-December 2017. The implementation of IFRS 9 had a negative impact of around 28 basis points as at 1 January 2018.

The leverage ratio for the banking group was 7.0 per cent, up from 6.5 per cent a year earlier and 6.9 per cent at end-December 2017.

Return on equity was 11.1 per cent, compared with 9.3 per cent in the year-earlier period and 11.6 per cent in the fourth quarter of 2017.

Net interest income was up NOK 499 million from the first quarter of 2017, reflecting higher lending volumes, excluding the Baltics, lower funding costs and reclassification effects related to the implementation of IFRS 9. There were rising lending volumes to personal customers and small and medium-sized enterprises and reduced volumes in the large corporates and international customers segment. Compared with the fourth quarter of 2017, net interest income increased by NOK 152 million. Two interest days less contributed negatively, while reclassification effects related to the implementation of IFRS 9 contributed positively.

Net other operating income was NOK 2 199 million, down NOK 506 million from the first quarter of 2017 and down NOK 1 425 million compared with the fourth quarter. The reductions mainly reflect negative exchange rate effects from additional Tier 1 capital and basis swaps.

Operating expenses were NOK 268 million lower than in the first quarter of 2017. The decrease was mainly due to lower restructuring costs and to the fact that operations in the Baltics were part of the banking group in the first quarter of 2017. Compared with the fourth quarter, operating expenses were down NOK 901
million, mainly due to impairment of goodwill in the fourth quarter of 2017.

Reversals of impairment of financial instruments totalled NOK 330 million in the first quarter. The reversals primarily related to the large corporates and international customers segment, and the main drivers were continued restructuring of selected large exposures in the quarter and a reduction in volumes. The reversals were somewhat curtailed by an increase in impairment in the small and medium-sized enterprises and personal customers segments. Overall, the most significant macroeconomic drivers and the credit quality of the portfolio were stable compared with the start of the year.

Important events in the first quarter

DNB is continuing its work to automate and digitise products and services to meet customer needs and expectations.

At the beginning of January, DNB and StartupLab, Norway's leading start-up community, entered into a cooperation agreement that will enable the bank to explore commercial partnerships in several areas of operation. In March, DNB and StartupLab invited, for the second time, start-up companies to DNB NXT Accelerator, a three-month accelerator programme under the auspices of StartupLab.

The app 'Enkel Bilhandel' (simple car purchase) was launched in mid-February. The app is for second-hand car purchases and handles the purchase contract, payment, any loan financing, insurance and re-registration.

For the second year in a row, DNB arranged Digital Challenge in March, where students competed to develop the best digital solution for DNB.

DNB Markets was ranked best brokerage house in the Norwegian bond market by Prospera during the first quarter. In addition, Morningstar named DNB best fixed-income fund house in Norway for the fourth consecutive year, while one of its funds was ranked best fixed-income fund.

In early March, DNB launched its own media house. The DNB Group's communication platform is called DNB Nyheter (DNB News). Through its own and social media channels, DNB provides news without using journalists as intermediaries, thus aiming to increase people's knowledge of financial and business matters. There has been a reduction in editorial articles about these topics in Norway, and customers no longer visit bank branches, but do their banking in digital channels. In consequence of this, DNB no longer issues press releases other than those it is required by law to issue to the stock exchange.

In early January, the banking group launched the project 'Ringvirkninger' (ripple effects) to illustrate how individual companies in Norway contribute to value creation throughout the country.

DNB's reputation score increased from 66.3 points in the fourth quarter of 2017, to 70.6 in the first quarter. In the same period, DNB's customer satisfaction index increased from 70.4 to 74.8 points.

At the end of March, S&P upgraded its credit rating of DNB Bank from A+ stable to A+ positive.

Also in March, the Ministry of Finance decided that the counter-cyclical buffer requirement for banks will be kept unchanged at 2 per cent.

In January, MiFID II, a set of regulations designed to ensure better customer protection, was introduced in the EU and in Norway. The regulations will mainly affect DNB Markets.

On 13 January, the new EU payment services directive PSD2 was introduced in the EU and is thus also effective for the bank's international offices. The directive will be implemented in Norwegian law during the course of 2018. DNB is preparing and positioning itself for this implementation in Norway.

At the Annual General Meeting in April 2018, Olaug Svarva took over as chair of DNB Bank Group's Board of Directors, succeeding Anne Carine Tanum, who held this position for ten years.

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

First quarter income statement – main items

Net interest income

Amounts in NOK million	1Q18	4Q17	1Q17
Lending spreads, customer segments	7 066	7 539	7 029
Deposit spreads, customer segments	462	320	492
Amortisation effects and fees	782	732	678
Operational leasing	374	403	381
Baltics			268
Other net interest income	455	(6)	(206)
Net interest income	9 141	8 989	8 642

Net interest income increased by NOK 499 million from the first quarter of 2017 and NOK 152 million from the fourth quarter. Compared with the fourth quarter of 2017, two interest days less contributed negatively, while reclassification of financial instruments in the banking book from fair value to amortised cost related to the implementation of IFRS 9 contributed positively. Reported interest spreads were negatively affected by the transfer of NOK 149 million representing instalment fees and operational leasing from spreads to other interest income in the first quarter of 2018.

In the customer segments, higher underlying volumes had a positive effect on net interest income in the first quarter of 2018 compared with the first quarter of 2017 when excluding the Baltic portfolio.

Average lending and deposit spreads contracted by 1 basis point compared with the first quarter of 2017, excluding the Baltic portfolio. Volume-weighted spreads for the customer segments widened by 1 basis point compared with the same period in 2017 and contracted by 1 basis point compared with the fourth quarter of 2017.

There was an average increase of NOK 16.7 billion or 1.2 per cent in the healthy loan portfolio compared with the first quarter of 2017. Adjusted for exchange rate effects, the increase was 1.5 per cent. During the same period, deposits were down NOK 27.5 billion or 2.9 per cent. Adjusted for exchange rate effects, the decrease was 2.0 per cent. Compared with the fourth quarter of 2017, there was an average reduction of NOK 12.2 billion or 0.8 per cent in the healthy loan portfolio, and deposits were down NOK 23.9 billion or 2.5 per cent.

Net other operating income

Amounts in NOK million	1Q18	4Q17	1Q17
Net commissions and fees	1 489	1 373	1 468
Basis swaps	(372)	62	(620)
Exchange rate effects additional Tier 1 capital	(527)	330	(25)
Net gains on financial instruments at fair value, other	1 070	1 297	1 457
Other operating income	539	563	427
Net other operating income	2 199	3 624	2 705

Net other operating income was down NOK 506 million from the first quarter of 2017 and by NOK 1 425 million from the fourth quarter of 2017. The reduction in income was largely due to exchange rate effects from additional Tier 1 capital. Compared with the fourth quarter of 2017, there was also a negative effect from basis swaps. Income from the Baltic operation amounted to NOK 141 million in the first quarter of 2017.

In connection with the implementation of IFRS 9 in the first quarter of 2018, guarantee commissions of NOK 222 million were reclassified from net gains on financial instruments at fair value to net commissions and fees. Adjusted for this, there was a slight underlying decrease in commissions and fees stemming from seasonal effects, mainly related to investment banking services. Fees from money transfers contributed positively. Other operating income was up NOK 107 million from the year-earlier period, partly because the first quarter of 2017 was negatively affected by losses from the sale of loan portfolios.

Operating expenses

Amounts in NOK million	1Q18	4Q17	1Q17
Salaries and other personnel expenses	(2 753)	(2 869)	(2 889)
Other expenses	(1 745)	(2 005)	(1 862)
Depreciation and impairment of fixed and intangible assets	(481)	(1 007)	(496)
Total operating expenses	(4 979)	(5 880)	(5 247)

Operating expenses decreased by NOK 268 million compared with the first quarter of 2017 and by NOK 901 million compared with the fourth quarter of 2017. The reduction from the first quarter of 2017 was mainly due to a lower level of restructuring expenses and to the fact that operating expenses of NOK 228 million relating to the Baltics were included in the accounts for the first quarter of 2017. The reduction from the fourth quarter of 2017 was mainly due to seasonally lower IT expenses, lower restructuring expenses and internal training and travelling cost. The level of expenses was also affected by impairment of goodwill relating to Cresco of NOK 502 million in the fourth quarter of 2017.

The cost/income ratio was 43.9 per cent in the first quarter of 2018.

Impairment of financial instruments

Amounts in NOK million	1Q18
Personal customers	(61)
Commercial real estate	11
Shipping	48
Oil, gas and offshore	620
Other industry segments	(288)
Total impairment of financial instruments	330

Reversals of impairment of financial instruments totalled NOK 330 million in the first quarter.

The reversal of impairment of NOK 620 million for oil, gas and offshore primarily reflects continued restructuring of certain credit-impaired loans, as well as a reduction in volumes. The macroeconomic outlook for the segment is stable compared with year-end 2017. However, there are some positive developments indicating that oil-related industries could be moving in a positive direction.

The macroeconomic forecasts for the shipping industry were fairly stable compared with year-end 2017. However, a reduction in volumes and positive migration in credit risk led to a reversal of impairment of NOK 48 million in the first quarter.

The personal customer segment experienced only small changes in impairment in the quarter, primarily caused by an increase in volumes.

Due to stable macroeconomic forecasts, volumes and credit quality for commercial real estate in the quarter, there was a minor reversal of impairment.

Impairment losses of NOK 288 million in other industry segments primarily reflected negative credit risk migration for specific customers. Overall, the credit quality of and macro-economic forecasts for most of the banking group's portfolios were stable in the first quarter.

Net loans and financial commitments in stage 3 amounted to NOK 22.8 billion at end-March 2018, down from NOK 23.1 billion a year earlier.

Taxes

The banking group's tax expense for the first quarter of 2018 is estimated at NOK 1 342 million, or 20 per cent of pre-tax operating profits.

Financial performance, segments

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

Personal customers

Income statement in NOK million	1Q18	4Q17	1Q17
Net interest income	3 394	3 511	3 103
Net other operating income	894	811	872
Total income	4 288	4 321	3 975
Operating expenses	(1 860)	(1 853)	(1 956)
Pre-tax operating profit before impairment	2 428	2 468	2 019
Impairment of financial instruments	(53)	(137)	110
Pre-tax operating profit	2 375	2 331	2 129
Tax expense	(594)	(583)	(532)
Profit for the period	1 781	1 749	1 597
Average balance sheet items in NOK billion			
Net loans to customers	749.2	743.6	708.3
Deposits from customers	401.3	404.0	398.7
Key figures in per cent			
Lending spread [1)]	1.76	1.87	1.73
Deposit spread [1)]	0.19	0.13	0.34
Return on allocated capital	16.0	18.4	16.7
Cost/income ratio	43.4	42.9	49.2
Ratio of deposits to loans	53.6	54.3	56.3

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

Profit for the period was on a level with the fourth quarter of 2017 and increased by 10.4 per cent from the first quarter of 2017.

There was a moderate increase in average loans of NOK 5.6 billion or 0.8 per cent from the fourth quarter of 2017, while there was a healthy level of growth of 5.8 per cent from the first quarter of 2017. The home mortgage portfolio increased by 5.8 per cent during the same period. Deposits from customers were stable compared with the previous year.

As a result of a 4 basis point reduction in volume-weighted spreads, reflecting an increase in the 3-month money market rate, and combined with fewer interest days, there was a 3.3 per cent decline in net interest income from the fourth quarter of 2017. Volume weighted spreads were on a level with the first quarter of 2017, while net interest income was up 9.2 per cent.

The positive development in net other operating income from the fourth quarter of 2017 was primarily due to seasonal variations within real estate broking. There was a stable level of income compared with the first quarter of 2017. A rise in income from payment transfers was offset by lower income from the sale of insurance products and real estate broking during the quarter.

A higher level of activity from the fourth quarter of 2017 within real estate broking, reflecting normal seasonal variations, contributed to a moderate increase in costs. Strict cost control ensured a positive development from the first quarter of 2017, with a 4.9 per cent reduction in costs.

Close to 95 per cent of loans to personal customers represent well-secured home mortgages entailing low risk. The macro-economic forecasts affecting personal customers were stable during the first quarter of 2018, and there was a continued low level of impairment losses on loans and financial commitments. Impairment losses in the first quarter of 2017 reflected reversals related to a portfolio of non-performing consumer loans which was sold during the quarter. Impairment losses are expected to remain stable at a low level.

The market share of credit to households stood at 24.7 per cent at year-end 2017, while the market share of home mortgages was 27.8 per cent. The market share of total household savings was 30.9 per cent. DNB Eiendom had an average market share of 19.9 per cent in the first quarter of 2018.

DNB is continuing its work to automate and digitalise products and services to meet customer needs and expectations. During the first quarter of 2018, the bank launched digital pre-qualification letters on mobiles, which is a further step on the way to a fully automated home mortgage process. In addition, DNB introduced 'Enkel Bilhandel' (simple car purchase), an app that helps the customer with the whole process related to the purchase and sale of second-hand cars. Enkel Bilhandel handles the purchase contract, payment, financing and insurance. Identification with BankID and re-registration of the car with the Norwegian Public Roads Administration directly in the app makes the car purchase process both simple and secure for customers.

DNB Bank Group aspires to achieve continued profitable growth in the personal customer segment.

Small and medium-sized enterprises

Income statement in NOK million	1Q18	4Q17	1Q17
Net interest income	2 306	2 281	2 035
Net other operating income	399	406	417
Total income	2 704	2 688	2 452
Operating expenses	(992)	(1 044)	(1 091)
Pre-tax operating profit before impairment	1 712	1 644	1 362
Net gains on fixed and intangible assets	0	(1)	(0)
Impairment of financial instruments	(215)	(150)	10
Profit from repossessed operations	5	11	(10)
Pre-tax operating profit	1 502	1 505	1 362
Tax expense	(376)	(376)	(340)
Profit for the period	1 127	1 128	1 021
Average balance sheet items in NOK billion			
Net loans to customers	293.4	286.4	268.5
Deposits from customers	207.0	210.5	197.9
Key figures in per cent			
Lending spread [1)]	2.50	2.58	2.57
Deposit spread [1)]	0.41	0.30	0.42
Return on allocated capital	16.6	17.4	15.9
Cost/income ratio	36.7	38.8	44.5
Ratio of deposits to loans	70.5	73.5	73.7

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

Higher net interest income and a reduction in operating expenses contributed to a solid increase in profits compared with both the first and the fourth quarter of 2017.

There was a rise in average loans of 9.3 per cent from the first quarter of 2017, while average deposit volumes were up 4.6 per cent during the same period. The solid rise in both loan and deposit volumes in combination with relatively stable combined spreads ensured an increase in net interest income of 13.3 per cent compared with the first quarter of 2017.

The reduction in other operating income from the first quarter of 2017 was mainly due to decreased demand for interest rate hedging instruments. There was a positive underlying trend in activity levels for all other product areas.

The reduction in operating expenses from the first quarter of 2017 reflected lower restructuring costs.

Overall, relevant macroeconomic forecasts and the quality of the portfolio remained stable in the first quarter. The net impairment losses of NOK 215 million mainly related to a few individually assessed customers. Net non-performing loans and commitments ("stage 3") amounted to NOK 4.6 billion at end-March 2018, up from NOK 3.4 billion a year earlier. Annualised impairment losses on loans and commitments represented 0.30 per cent of average loans in the first quarter of 2018, compared with 0.21 per cent in the fourth quarter of 2017 and reversals of 0.02 per cent in the year-earlier period.

Developments in portfolio quality are closely monitored, and preventive measures are continually considered and implemented to retain the strong portfolio quality.

The banking group expects continued profitable lending growth to small and medium-sized corporate customers.

Large corporates and international customers

Income statement in NOK million	1Q18	4Q17	1Q17
Net interest income	2 851	3 042	3 100
Net other operating income	1 104	1 005	1 277
Total income	3 954	4 047	4 376
Operating expenses	(1 583)	(1 604)	(1 798)
Pre-tax operating profit before impairment	2 371	2 443	2 578
Net gains on fixed and intangible assets	0	0	6
Impairment of financial instruments	598	(99)	(697)
Profit from repossessed operations	2	(13)	(0)
Pre-tax operating profit	2 971	2 331	1 888
Tax expense	(683)	(653)	(529)
Profit for the period	2 288	1 678	1 359
Average balance sheet items in NOK billion			
Net loans to customers	402.6	422.7	497.0
Deposits from customers	317.9	337.8	393.2
Key figures in per cent			
Lending spread [1)]	2.11	2.11	2.18
Deposit spread [1)]	0.08	0.04	(0.04)
Return on allocated capital	13.3	9.1	6.7
Cost/income ratio	40.0	39.6	41.1
Ratio of deposits to loans	79.0	79.9	79.1

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

Reversals of impairment losses on loans contributed to the increase in pre-tax operating profits compared with both the first and the fourth quarter of 2017. The positive development reflected improved market conditions and continued restructuring of selected large exposures.

Average loan volumes were down 4.8 per cent compared with the fourth quarter of 2017. Adjusted for exchange rate effects, the reduction was 2.8 per cent. A dedicated unit, the Portfolio Rebalancing and Restructuring Division, established at the end of 2017 ensured a further reduction in selected shipping and oil-related exposures. This process will continue, thus giving room for expanding business with profitable customers. Customer deposits were down 5.9 per cent compared with the fourth quarter of 2017. Adjusted for exchange rate effects, the reduction was 4.5 per cent.

There were stable lending spreads and increased deposit spreads in the first quarter of 2018, but the positive effect of widening combined spreads was more than offset by lower volumes. Net interest income was reduced by 6.3 per cent from the fourth quarter of 2017. Adjusted for the deconsolidation of the Baltic operation, net interest income was stable from the first quarter of 2017, despite a reduction in both loans and deposits of 11.0 per cent.

Other operating income was up 9.8 per cent from the fourth quarter of 2017. Reduced costs related to the sale of loans compensated for the seasonally lower level of activity within investment banking. Other operating income was reduced by 2.8 per cent from the first quarter of 2017 when adjusting for the Baltic operation.

Operating expenses were down 1.3 per cent from the fourth quarter of 2017, while there was an increase of 3.2 per cent from the first quarter of 2017 after adjusting for expenses in the Baltic operation. Strong focus on the work on compliance and anti-money laundering and several ongoing digitalisation initiatives contributed to the increase. The number of full-time positions was reduced by 1 817 from end-March 2017, of which the deconsolidation of the Baltic operation accounted for 1 769. The remaining reduction of 48 positions related to both Norwegian and international operations.

The reversals on impairment losses of NOK 598 million in the first quarter of 2018 were a consequence of a combination of factors, including reduced volumes and a continued rebalancing of the portfolio. In addition, the reduction in impairment reflected further restructuring of selected large exposures. Overall, the macroeconomic forecasts affecting the customers in the segment were stable throughout the quarter compared with the beginning of the year, though there were some indications that oil-related industries could be moving in a positive direction. Net non-performing loans and commitments (stage 3) amounted to NOK 15.3 billion at end-March 2018, down from NOK 17.5 billion a year earlier. On an annualised basis, there were net reversals on previous impairment losses of 0.60 per cent of average loans in the first quarter of 2018, compared with net impairment losses of 0.09 per cent in the fourth quarter of 2017 and 0.57 per cent in the year-earlier period.

Due to stricter capital requirements over the past few years, more efficient use of capital is necessary. Redirecting exposure from capital-intensive and cyclical industries to less capital-intensive industries with a higher portfolio turnover, reducing final hold and making more active use of portfolio management tools will contribute to increased profitability.

Other operations

With effect from the first quarter of 2018, the banking group has changed the reporting segments, as risk management, previously reported as trading has been combined with Other operations.

Income statement in NOK million	1Q18	4Q17	1Q17
Net interest income	590	155	404
Net other operating income	358	2 010	492
Total income	948	2 165	897
Operating expenses	(1 099)	(1 987)	(755)
Pre-tax operating profit before impairment	(151)	178	141
Net gains on fixed and intangible assets	17	(38)	0
Impairment of financial instruments	0	(16)	15
Profit from repossessed operations	(7)	2	10
Pre-tax operating profit	(140)	126	166
Tax expense	311	946	126
Profit from operations held for sale, after taxes		(3)	(17)
Profit for the period	171	1 069	275
Average balance sheet items in NOK billion			
Net loans to customers	78.3	79.9	25.7
Deposits from customers	81.6	112.8	45.7

Pre-tax profits within risk management totalled NOK 640 million in the first quarter of 2018, up from NOK 621 million in the year-earlier period. There was a high level of income from bonds and other interest rate instruments during the quarter. In addition, CVA/DVA/FVA provisions on derivatives were reduced as a result of lower counterparty risk exposure.

The profit in the unit is affected by several group items not allocated to the segments. Net other operating income in the first quarter of 2018 was affected negatively by mark-to-market effects related to changes in basis swaps spreads and the exchange rate effects from additional Tier 1 capital. These items vary highly from quarter to quarter. There was a negative effect on income of NOK 899 million in the first quarter of 2018, compared with a negative effect of NOK 646 million in the first quarter of 2017 and a positive effect of NOK 392 million in the fourth quarter of 2017.

Funding, liquidity and balance sheet

There were some adjustments in the short-term funding markets during the first quarter, along with some unrest caused by various factors. This was partly due to market adjustments in the wake of the previously implemented US money market reform. Parallel to this, tax changes affected investment patterns. In addition, LIBOR has risen faster than other short-term interest rates due to expectations of more frequent interest rate increases implemented by the Federal Reserve, FED. Nevertheless, DNB still has ample access to short-term funding.

There was a high level of activity in the long-term funding markets in the first quarter. This reflected, among other things, the fear of rising prices during the first half of the year, whereby a large number of issuers chose to secure what they perceived to be favourable funding terms during the first quarter. The covered bonds market was still dominated by the asset purchase programme of the European Central Bank, ECB, in the first part of the quarter, but towards the end of the quarter, there was a significant reduction in such purchases. This gave slightly higher funding costs for this type of bonds, though funding costs have generally remained favourable. The banking group had good access to long-term funding throughout the quarter.

The nominal value of long-term debt securities issued by the banking group was NOK 570 billion at end-March 2018, compared with NOK 600 billion a year earlier. The average remaining term to maturity for these debt securities was 4.3 years at end-March, up from 4.0 years a year earlier.

The short-term liquidity requirement, Liquidity Coverage Ratio, LCR, remained stable at above 100 per cent throughout the quarter and was 110 per cent at end-March.

Total assets in the banking group's balance sheet were NOK 2 347 billion end-March 2018 and NOK 2 549 billion a year earlier.

The ratio of customer deposits to net loans to customers was 63.0 per cent at end-March 2018, down from 67.8 per cent a year earlier and above the ambition of minimum 60 per cent.

Risk and capital adequacy

The banking group quantifies risk by measuring economic capital. During the first quarter there was a positive development in the risk situation. Economic capital was down NOK 1.5 billion from year-end 2017, to NOK 50.8 billion at end-March 2018.

Economic capital for the banking group

Amounts in NOK billion	31 March 2018	31 Dec. 2017	30 Sept. 2017	31 March 2017
Credit risk	38.6	40.2	42.4	44.0
Market risk	7.5	7.6	4.8	4.9
Operational risk	6.9	6.6	6.8	6.8
Business risk	6.3	5.6	5.8	5.8
Gross economic capital	59.2	60.0	59.7	61.5
Diversification effect [1)]	(8.4)	(7.7)	(7.4)	(7.5)
Net economic capital	50.8	52.3	52.4	54.0
Diversification effect in per cent of gross economic capital [1)]	14.2	12.8	12.4	12.1

1) *The diversification effect refers to the risk-mitigating effect achieved by the banking group by having operations which are affected by different types of risk where unexpected losses are unlikely to occur at the same time.*

Economic capital for credit risk declined by NOK 1.6 billion during the quarter, reflecting a number of factors. The portfolio of Large Corporates and International was further reduced by NOK 23 billion in terms of EAD during the quarter. More than half of this reduction was due to the strengthening of the Norwegian krone. Parallel to this, there are signs of a positive development in the industries that have been hit the hardest by the effects of low oil prices and reduced activity in the North Sea. DNB's high-risk portfolio has thus been reduced. There was healthy growth in home mortgages and loans to small and medium-sized businesses in Norway during the quarter, with low default and loss figures.

Economic capital for operational and business risk is updated annually, and the increase from 2017 reflects a higher level of income. There is strong focus on operational risk within the banking group. There is a high pace of change, and increasing digitalisation places particularly stringent demands on both IT systems and the processes to ensure high quality at all levels. The risks related to potential computer fraud and cyber threats are closely monitored. There were no severe incidents and low operational losses during the quarter.

Compliance risk also receives high attention. Processes and systems for anti-money laundering are now well integrated in the organisation.

Calculated according to transitional rules, risk-weighted assets were NOK 1 013 billion, down from NOK 1 052 billion at end-March 2017, mainly due to a reduction in capital-intensive exposures as a result of the planned rebalancing of the portfolio. The common equity Tier 1 capital ratio was 16.3 per cent, while the capital adequacy ratio was 21.6 per cent.

New regulatory framework

Home mortgage lending regulation under consideration

After several years of strong growth in housing prices and household debt, the Norwegian Ministry of Finance adopted a temporary home mortgage lending regulation in the summer of 2015. The regulation was aimed at contributing to a more sustainable development in the home mortgage market, and was tightened and continued on 1 January 2017.

The current regulation will remain in force until 30 June 2018. At the request of the Ministry of Finance, Finanstilsynet has considered the effects of the regulation and whether it should be continued or discontinued.

Finanstilsynet proposes to continue the regulation of banks' lending practices, but recommends, among other things, that the special requirements for Oslo are removed, and that the limit for granting loans that do not meet all the requirements in the regulation, is set to 8 per cent of total approved loans all over Norway. Finanstilsynet proposes that the regulation should remain in force indefinitely.

The Ministry of Finance will make its conclusion after a short consultation round.

New Act on deposit guarantees and crisis management for banks

On 16 March 2018, the Norwegian government approved the Act on deposit guarantees and crisis management for banks. The Act will enter into force on 1 January 2019. The Act will implement the EU's Bank Recovery and Resolution Directive, BRRD. Among other things, new rules will be introduced on emergency preparedness and crisis plans, the possibility of writing down or converting loan capital into equity ("bail-in"), and the establishment of a new, national resolution fund in addition to the deposit guarantee fund. The Ministry of Finance has asked Finanstilsynet to work out a proposal for supplementary provisions.

Implementation of the EU's General Data Protection Regulation in Norway delayed

The EU's General Data Protection Regulation (GDPR) will have direct applicability in the 28 EU Member States as of 25 May 2018. The purpose of the GDPR is to strengthen and harmonise privacy protection when processing personal data. In addition, the free flow of digital services in the European market will be facilitated, and information processing will generally be more transparent and predictable for consumers. The new Act implies major changes for almost everyone engaged in business operations. DNB is well prepared, as the bank has long experience in safeguarding large amounts of information about its customers.

Before the GDPR can be implemented in Norwegian law, it must be incorporated in the EEA Agreement and implemented by a national legislative enactment. The Ministry of Justice and Public Security presented a proposition about a new Personal Data Act in March 2018. However, the Act cannot enter into force before the GDPR is formally incorporated in the EEA Agreement. There are indications that this will take place around 1 July 2018, which will thus be the earliest date that the Act can enter into force.

Macroeconomic developments

Global GDP growth rose to 3.5 per cent in 2017, reflecting higher growth in both industrialised countries and emerging economies. Persistent strong growth in demand from China and widespread optimism have contributed to a synchronous boost in growth across countries and sectors. Global growth is expected to increase to 3.7

per cent in 2018, primarily due to a higher level of growth in emerging economies.

US GDP growth is estimated to rise from 2.3 per cent in 2017 to 2.5 per cent in 2018. An expansionary fiscal policy in the form of tax cuts and increased public spending is expected to help boost growth this year and next year. There has been a prolonged recovery in the US, and unemployment has declined to a low level. The Federal Reserve has raised its benchmark rate by a total of 1.5 percentage points from its lowest level. The most recent rate hike was in March this year, and the Federal Reserve is expected to further raise its interest rate three times in 2018 and four times in 2019, although price pressures remain modest.

GDP growth in the euro area is estimated at 2.4 per cent in 2018, which is well above the normal level for this area. The recovery is broad-based across countries and sectors, with strong growth in large member countries such as Germany and Spain. The high growth is expected to result in lower unemployment, and price inflation is also assumed to increase somewhat in step with less slack in the economy. In consequence of this, the European Central Bank will begin to gradually depart from its expansionary policy by finalising its asset purchases in September and gradually increasing interest rates from the second quarter of 2019.

The British 'No' to further EU membership had fewer negative consequences than expected in the short term. Growth stood at 1.8 per cent in 2017, but is expected to decline in consequence of lower consumption and investment due to the uncertainty surrounding Brexit. The Bank of England is nevertheless expected to raise its benchmark rate in May this year as a result of temporarily high inflation, reflecting the weakening of the pound in 2016. Uncertainty regarding the process around Brexit and the results thereof makes future prospects more unpredictable than normal.

The growth in the Norwegian mainland economy picked up last year as a result of higher growth in consumption and exports, a sharp rise in housing investment and a less negative effect from oil investments. Growth ended at 1.8 per cent, close to what is considered normal for the Norwegian economy. Housing investment peaked last year and is expected to slow down in the coming years. Oil investment, on the other hand, has bottomed out and will, along with corporate investment, once again make a positively contribution to growth in the 2018-2020 period. There will be continued brisk growth in consumption and exports, while public sector demand will have a neutral effect on the economy. Growth is estimated to total just over 2 per cent in 2018-2020.

Higher manufacturing growth has been reflected in lower unemployment and higher employment growth. The unemployment rate is expected to further decline somewhat and to reach a normal level towards the end of the year. Wage growth is expected to pick up, but moderate wage growth among trading partners will contribute to curbing wage growth in Norway. Wage growth is estimated at 2.7 per cent this year, rising to 3.2 per cent in 2020. Core inflation is expected to remain at approximately 1.5 per cent, slightly lower than Norges Bank's new inflation target of 2.0 per cent. Norges Bank is nevertheless expected to increase its key policy rate in September, which it signalled through its most recent interest rate path, and to further raise the rate twice in both 2019 and 2020.

Housing prices in the secondary market have fallen (seasonally adjusted) from a peak in March 2017, following hefty price growth in 2016. In March 2018, annual growth rates were -2.2 per cent in Norway and -6.6 per cent in Oslo. During the last few months of this period housing prices showed signs of stabilising while sales increased and the number of unsold secondary market properties dropped significantly.

Future prospects

The DNB Group's overriding financial target is a return on equity above 12 per cent towards the end of 2019. Several factors will contribute to reaching the return on equity target, including strong growth in capital-light products, increasing lending volumes, greater cost efficiency through the automation of internal processes, and optimal use of capital.

Volume-weighted spreads are expected to be stable, while the annual increase in lending volumes is anticipated to be 3 to 4 per cent in 2018 and 2019. During this period, higher growth in lending volumes is expected for personal customers and small and medium-sized enterprises, while the DNB Group will continue to actively reduce its lending volumes to large corporates and international customers in cyclical industries. DNB's ambition is to have a cost/income ratio below 40 per cent towards 2019. DNB will no longer provide a guiding on loan losses

The DNB Group has set a target for its common equity Tier 1 capital ratio (CET 1) of 16.1 per cent, and the CET 1 ratio for DNB achieved at end-March 2018 was 16.6 per cent. DNB is well-positioned for new regulatory requirements, including Basel 4, which is expected to have minimal effects for DNB.

Oslo, 25 April 2018
The Board of Directors of DNB Bank ASA

Olaug Svarva
(chair of the board)

Gro Bakstad
(vice chair of the board)

Lillian Hattrem

Kim Wahl

Rune Bjerke
(group chief executive)

Income statement

Amounts in NOK million	DNB Bank ASA 1st quarter 2018	1st quarter 2017	Full year 2017
Interest income, amortised cost	8 856	7 742	30 763
Other interest income	974	1 427	6 363
Interest expenses, amortised cost	(4 223)	(2 539)	(9 604)
Other interest expenses	892	(655)	(3 105)
Net interest income	**6 500**	**5 975**	**24 416**
Commission and fee income	1 946	1 767	7 340
Commission and expenses	(818)	(804)	(3 296)
Net gains on financial instruments at fair value	762	1 760	5 942
Other income	875	600	6 325
Net other operating income	**2 766**	**3 323**	**16 312**
Total income	**9 265**	**9 298**	**40 728**
Salaries and other personnel expenses	(2 360)	(2 394)	(9 639)
Other expenses	(1 567)	(1 630)	(6 904)
Depreciation and impairment of fixed and intangible assets	(477)	(455)	(2 318)
Total operating expenses	**(4 404)**	**(4 480)**	**(18 860)**
Pre-tax operating profit before impairment	**4 861**	**4 818**	**21 867**
Net gains on fixed and intangible assets	18	0	2 047
Impairment of financial instruments	(62)	9	(1 937)
Pre-tax operating profit	**4 817**	**4 828**	**21 978**
Tax expense	(963)	(1 110)	(3 068)
Profit for the period	**3 853**	**3 717**	**18 910**
Portion attributable to shareholders of DNB Bank ASA	3 632	3 478	17 972
Portion attributable to additional Tier 1 capital holders	221	240	938
Profit for the period	**3 853**	**3 717**	**18 910**

Comprehensive income statement

Amounts in NOK million	DNB Bank ASA 1st quarter 2018	1st quarter 2017	Full year 2017
Profit for the period	**3 853**	**3 717**	**18 910**
Actuarial gains and losses			(115)
Financial liabilities designated at FVTPL, changes in credit risk	(5)		
Tax	1		(4)
Items that will not be reclassified to the income statement	(4)		(120)
Currency translation of foreign operations	(37)	4	53
Items that may subsequently be reclassified to the income statement	(37)	4	53
Other comprehensive income for the period	**(40)**	**4**	**(67)**
Comprehensive income for the period	**3 813**	**3 722**	**18 843**

Balance sheet

Amounts in NOK million	Note	DNB Bank ASA 31 March 2018	31 Dec. 2017	31 March 2017
Assets				
Cash and deposits with central banks		274 946	151 147	368 104
Due from credit institutions		511 166	580 973	558 072
Loans to customers	4, 5, 6, 7	737 037	730 782	704 361
Commercial paper and bonds	7	211 246	271 607	239 608
Shareholdings	7	5 033	6 310	6 391
Financial derivatives	7	127 785	146 953	155 834
Investments in associated companies		8 598	9 007	1 041
Investments in subsidiaries		112 756	115 142	121 570
Intangible assets		3 448	3 515	3 577
Deferred tax assets		8 440	8 415	1 875
Fixed assets		7 830	7 842	7 215
Other assets		24 630	22 092	18 060
Total assets		**2 032 916**	**2 053 787**	**2 185 706**
Liabilities and equity				
Due to credit institutions		341 670	332 798	407 776
Deposits from customers	7	940 125	956 525	1 000 337
Financial derivatives	7	155 007	179 534	165 769
Debt securities issued	7, 8	327 022	326 171	376 523
Payable taxes		3 750	3 765	585
Deferred taxes		73	74	57
Other liabilities		50 245	51 103	30 347
Provisions		2 063	1 652	1 742
Pension commitments		2 999	2 906	2 540
Subordinated loan capital	7, 8	38 208	29 538	28 795
Total liabilities		**1 861 162**	**1 884 067**	**2 014 472**
Share capital		18 256	18 256	18 314
Share premium		19 895	19 895	19 895
Additional Tier 1 capital		15 594	16 159	15 594
Other equity		118 010	115 411	117 430
Total equity		**171 754**	**169 720**	**171 234**
Total liabilities and equity		**2 032 916**	**2 053 787**	**2 185 706**

Income statement

Amounts in NOK million	DNB Bank Group 1st quarter 2018	1st quarter 2017	Full year 2017
Interest income, amortised cost	12 501	11 837	47 883
Other interest income	1 217	1 521	6 516
Interest expenses, amortised cost	(5 469)	(3 906)	(15 515)
Other interest expenses	892	(811)	(2 970)
Net interest income	**9 141**	**8 642**	**35 914**
Commission and fee income	2 293	2 286	9 228
Commission and fee expenses	(804)	(819)	(3 344)
Net gains on financial instruments at fair value	172	811	4 513
Net gains on derecognition of financial instruments at amortised cost	(5)		
Profit from investments accounted for by the equity method	(37)	(45)	(112)
Net gains on investment properties	42	14	143
Other income	538	457	1 997
Net other operating income	**2 199**	**2 705**	**12 425**
Total income	**11 340**	**11 347**	**48 339**
Salaries and other personnel expenses	(2 753)	(2 889)	(11 561)
Other expenses	(1 745)	(1 862)	(7 899)
Depreciation and impairment of fixed and intangible assets	(481)	(496)	(2 469)
Total operating expenses	**(4 979)**	**(5 247)**	**(21 928)**
Pre-tax operating profit before impairment	**6 360**	**6 100**	**26 410**
Net gains on fixed and intangible assets	18	6	735
Impairment of financial instruments	330	(562)	(2 428)
Pre-tax operating profit	**6 708**	**5 544**	**24 718**
Tax expense	(1 342)	(1 275)	(4 903)
Profit from operations held for sale, after taxes		(17)	(1)
Profit for the period	**5 366**	**4 252**	**19 813**
Portion attributable to shareholders of DNB Bank ASA	5 145	4 012	18 876
Portion attributable to additional Tier 1 capital holders	221	240	938
Profit for the period	**5 366**	**4 252**	**19 813**

Comprehensive income statement

Amounts in NOK million	DNB Bank Group 1st quarter 2018	1st quarter 2017	Full year 2017
Profit for the period	**5 366**	**4 252**	**19 813**
Actuarial gains and losses			(97)
Financial liabilities designated at FVTPL, changes in credit risk	(128)		
Tax	32		(9)
Items that will not be reclassified to the income statement	(96)		(107)
Currency translation of foreign operations	(2 733)	530	1 182
Currency translation reserve reclassified to the income statement			(1 303)
Hedging of net investment	2 386	(336)	(687)
Hedging reserve reclassified to the income statement			1 224
Investments according to the equity method		87	160
Tax	(596)	84	172
Tax reclassified to the income statement			(338)
Items that may subsequently be reclassified to the income statement	(943)	365	410
Other comprehensive income for the period	**(1 039)**	**365**	**303**
Comprehensive income for the period	**4 328**	**4 617**	**20 117**

Balance sheet

				DNB Bank Group
Amounts in NOK million	Note	31 March 2018	31 Dec. 2017	31 March 2017
Assets				
Cash and deposits with central banks		275 298	151 595	368 518
Due from credit institutions		179 291	237 849	198 726
Loans to customers	4, 5, 6, 7	1 527 639	1 531 345	1 514 680
Commercial paper and bonds	7	209 698	266 642	234 661
Shareholdings	7	6 003	7 303	7 161
Financial derivatives	7	114 239	132 649	141 411
Investment properties		928	990	1 119
Investments accounted for by the equity method		10 719	11 176	3 658
Intangible assets		3 703	3 756	3 953
Deferred tax assets		1 148	757	1 394
Fixed assets		7 896	7 911	7 294
Assets held for sale				53 365
Other assets		10 450	7 888	12 984
Total assets		**2 347 013**	**2 359 860**	**2 548 923**
Liabilities and equity				
Due to credit institutions		251 535	222 501	272 274
Deposits from customers	7	962 711	980 374	1 027 609
Financial derivatives	7	96 402	112 020	112 100
Debt securities issued	7, 8	761 510	782 127	834 425
Payable taxes		5 703	4 702	9 193
Deferred taxes		779	847	2 371
Other liabilities		18 641	19 304	21 928
Liabilities held for sale				41 671
Provisions		2 943	1 766	1 840
Pension commitments		3 099	2 995	2 613
Subordinated loan capital	7, 8	38 208	29 538	28 795
Total liabilities		**2 141 532**	**2 156 175**	**2 354 819**
Share capital		18 256	18 256	18 314
Share premium		20 611	20 611	20 611
Additional Tier 1 capital		15 594	16 159	15 594
Other equity		151 020	148 660	139 583
Total equity		**205 481**	**203 685**	**194 103**
Total liabilities and equity		**2 347 013**	**2 359 860**	**2 548 923**

Statement of changes in equity

DNB Bank ASA

Amounts in NOK million	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 Dec. 2016	**18 314**	**19 895**	**15 952**	**517**		**113 425**	**168 104**
Profit for the period			240			3 478	3 717
Currency translation of foreign operations				4			4
Comprehensive income for the period			240	4		3 478	3 722
Interest payments additional Tier 1 capital			(591)				(591)
Currency movements taken to income			(7)			7	
Balance sheet as at 31 March 2017	**18 314**	**19 895**	**15 594**	**521**		**116 910**	**171 234**
Balance sheet as at 31 Dec. 2017	**18 256**	**19 895**	**16 159**	**570**		**114 841**	**169 720**
Implementation of IFRS 9					(127)	(899)	(1 026)
Balance sheet as at 1 Jan. 2018	**18 256**	**19 895**	**16 159**	**570**	**(127)**	**113 942**	**168 694**
Profit for the period			221			3 632	3 853
Financial liabilities designated at FVTPL, changes in credit risk					(5)		(5)
Currency translation of foreign operations				(37)			(37)
Tax on other comprehensive income					1		1
Comprehensive income for the period			221	(37)	(4)	3 632	3 813
Interest payments additional Tier 1 capital			(754)				(754)
Currency movements taken to income			(32)			32	
Balance sheet as at 31 March 2018	**18 256**	**19 895**	**15 594**	**533**	**(131)**	**117 607**	**171 754**

DNB Bank Group

Amounts in NOK million	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 Dec. 2016	**18 314**	**20 611**	**15 952**	**4 266**		**130 934**	**190 078**
Profit for the period			240			4 012	4 252
Currency translation of foreign operations				530			530
Hedging of net investment				(336)			(336)
Investments according to the equity method						87	87
Tax on other comprehensive income				84			84
Comprehensive income for the period			240	278		4 099	4 617
Interest payments additional Tier 1 capital			(591)				(591)
Currency movements taken to income			(7)			7	
Balance sheet as at 31 March 2017	**18 314**	**20 611**	**15 594**	**4 544**		**135 039**	**194 103**
Balance sheet as at 31 Dec. 2017	**18 256**	**20 611**	**16 159**	**4 516**		**144 144**	**203 685**
Implementation of IFRS 9					(342)	(1 437)	(1 779)
Balance sheet as at 1 Jan. 2018	**18 256**	**20 611**	**16 159**	**4 516**	**(342)**	**142 707**	**201 907**
Profit for the period			221			5 145	5 366
Financial liabilities designated at FVTPL, changes in credit risk					(128)		(128)
Currency translation of foreign operations				(2 733)			(2 733)
Hedging of net investment				2 386			2 386
Tax on other comprehensive income				(596)	32		(565)
Comprehensive income for the period			221	(943)	(96)	5 145	4 328
Interest payments additional Tier 1 capital			(754)				(754)
Currency movements taken to income			(32)			32	
Balance sheet as at 31 March 2018	**18 256**	**20 611**	**15 594**	**3 573**	**(438)**	**147 885**	**205 481**

Cash flow statement

	DNB Bank ASA		
	January-March		Full year
Amounts in NOK million	2018	2017	2017
Operating activities			
Net payments on loans to customers	(14 054)	(13 057)	(39 831)
Interest received from customers	8 574	6 821	27 604
Net receipts/payments on deposits from customers	(7 939)	80 736	36 940
Interest paid to customers	(1 605)	(672)	(5 346)
Net receipts/payments on loans to credit institutions	88 049	63 128	(28 516)
Interest received from credit institutions	1 738	1 181	5 074
Interest paid to credit institutions	(969)	(655)	(3 058)
Net receipts/payments on the sale of financial assets for investment or trading	46 603	(169)	(21 783)
Interest received on bonds and commercial paper	714	778	4 521
Net receipts on commissions and fees	1 071	665	3 920
Payments to operations	(4 501)	(3 607)	(16 322)
Taxes paid	(675)	(776)	(1 897)
Other net receipts	582	922	5 289
Net cash flow from operating activities	**117 588**	**135 295**	**(33 406)**
Investing activities			
Net payments on the acquisition of fixed assets	(410)	(643)	(1 010)
Receipts on the sale of long-term investments in shares	1		1 210
Payments on the acquisition of long-term investments in shares		(3 045)	(3 728)
Dividends received on long-term investments in shares		0	347
Net cash flow from investment activities	**(409)**	**(3 688)**	**(3 181)**
Financing activities			
Receipts on issued bonds and commercial paper	425 258	1 987 374	1 788 376
Payments on redeemed bonds and commercial paper	(412 876)	(1 949 560)	(1 804 568)
Interest payments on issued bonds and commercial paper	(2 785)	(2 693)	(5 926)
Receipts on the raising of subordinated loan capital	9 419	10 106	10 106
Redemptions of subordinated loan capital		(10 544)	(10 544)
Interest payments on subordinated loan capital	(168)	(417)	(780)
Interest payments on additional Tier 1 capital	(754)	(591)	(724)
Group contribution payments			(4 018)
Net cash flow from funding activities	**18 094**	**33 674**	**(28 080)**
Effects of exchange rate changes on cash and cash equivalents	**(886)**	**(3 750)**	**6 082**
Net cash flow	**134 387**	**161 531**	**(58 584)**
Cash as at 1 January	153 184	211 768	211 768
Net receipts/payments of cash	134 387	161 531	(58 584)
Cash at end of period *)	287 571	373 298	153 184
**) Of which: Cash and deposits with central banks*	*274 946*	*368 104*	*151 147*
Deposits with credit institutions with no agreed period of notice 1)	*12 625*	*5 195*	*2 036*

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

Cash flow statement (continued)

		DNB Bank Group	
	January-March		Full year
Amounts in NOK million	2018	2017	2017
Operating activities			
Net payments on loans to customers	(8 708)	(21 146)	(36 193)
Interest received from customers	13 171	11 662	47 789
Net receipts/payments on deposits from customers	(9 173)	85 406	34 723
Interest paid to customers	(1 325)	(540)	(4 425)
Net receipts/payments on loans to credit institutions	96 747	39 990	(40 214)
Interest received from credit institutions	1 011	516	2 449
Interest paid to credit institutions	(759)	(471)	(2 428)
Net receipts/payments on the sale of financial assets for investment or trading	45 572	(2 702)	(20 381)
Interest received on bonds and commercial paper	688	744	4 394
Net receipts on commissions and fees	1 433	1 138	6 035
Payments to operations	(5 059)	(4 447)	(19 505)
Taxes paid	(735)	(839)	(10 004)
Other net receipts	193	139	6 282
Net cash flow from operating activities	**133 055**	**109 450**	**(31 478)**
Investing activities			
Net payments on the acquisition of fixed assets	(422)	(649)	(2 274)
Net receipt from investment properties	104	71	382
Receipts on the sale of long-term investments in shares			90
Acquisition of long-term investments in shares			(675)
Dividends received on long-term investments in shares			7
Net cash flow from investment activities	**(319)**	**(578)**	**(2 470)**
Financing activities			
Receipts on issued bonds and commercial paper	445 588	2 026 703	1 849 030
Payments on redeemed bonds and commercial paper	(447 293)	(1 963 162)	(1 856 373)
Interest payments on issued bonds and commercial paper	(4 835)	(4 941)	(13 853)
Receipts on the raising of subordinated loan capital	9 419	10 106	10 106
Redemptions of subordinated loan capital		(10 544)	(10 544)
Interest payments on subordinated loan capital	(169)	(418)	(784)
Interest payments on additional Tier 1 capital	(754)	(591)	(724)
Group contributions payments			(5 318)
Net cash flow from funding activities	**1 956**	**57 152**	**(28 459)**
Effects of exchange rate changes on cash and cash equivalents	**(601)**	**(3 990)**	**5 436**
Net cash flow	**134 091**	**162 034**	**(56 971)**
Cash as at 1 January	154 051	214 790	211 022
Net receipts/payments of cash	134 091	162 034	(56 971)
Cash at end of period *)	288 142	376 824	154 051

**) Of which: Cash and deposits with central banks*	*275 298*	*372 510*	*151 595*
Deposits with credit institutions with no agreed period of notice [1)]	*12 844*	*4 315*	*2 456*

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, 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 and 49 Transition to IFRS 9 in the annual report for 2017.

With effect from the first quarter of 2018, DNB Bank group has changed the composition of reportable segments, as the Risk management, previously reported as Trading segment, has been combined with Other operations. In addition, eliminations have been separated from Other operations/eliminations and are presented in a separate column. For further information, see note 2 Segments.

New accounting standards that entered into force during the first quarter of 2018 are described below. The DNB Bank Group applied the standards as of 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 is the new standard for financial instruments that replaces IAS 39. Comparative information has not been restated. For additional information on IFRS 9 adoption, see note 49 Transition to IFRS 9 in the annual report for 2017. Disclosures related to the line item Loans to customers in the balance sheet and the line item Impairment of loans and guarantees in the income statement for the first quarter of 2017 can be found in note 9 Impairment of loans and guarantees, note 10 Loans to customers and note 11 Net impaired loans and guarantees for principal customer groups in the report for the first quarter of 2017.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a five-step model that applies to revenue arising from contracts with customers. The new rules have no material impact on the banking group's financial statements.

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, Small and medium-sized enterprises, Large corporates and international customers and Risk management, previously reported as Trading. With effect from the first quarter of 2018, DNB Bank has changed the composition of reportable segments, as the Risk management segment has been combined with Other operations. In addition, eliminations have been separated from the Other operations/eliminations and presented in a separate column. Figures for 2017 have been adjusted correspondingly.

Income statement, first quarter

DNB Bank Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Bank Group	
	1st quarter		1st quarter		1st quarter		1st quarter		1st quarter		1st quarter	
Amounts in NOK million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net interest income	3 394	3 103	2 306	2 035	2 851	3 100	590	404			9 141	8 642
Net other operating income	894	872	399	417	1 104	1 277	358	492	(555)	(353)	2 199	2 705
Total income	4 288	3 975	2 704	2 452	3 954	4 376	948	897	(555)	(353)	11 340	11 347
Operating expenses	(1 860)	(1 956)	(992)	(1 091)	(1 583)	(1 798)	(1 099)	(755)	555	353	(4 979)	(5 247)
Pre-tax operating profit before impairment	2 428	2 019	1 712	1 362	2 371	2 578	(151)	141			6 360	6 100
Net gains on fixed and intangible assets			0	(0)	0	6	17	0			18	6
Impairment of financial instruments	(53)	110	(215)	10	598	(697)	0	15			330	(562)
Profit from repossessed operations			5	(10)	2	(0)	(7)	10				
Pre-tax operating profit	2 375	2 129	1 502	1 362	2 971	1 888	(140)	166			6 708	5 544
Tax expense	(594)	(532)	(376)	(340)	(683)	(529)	311	126			(1 342)	(1 275)
Profit from operations held for sale, after taxes						(0)		(17)				(17)
Profit for the period	1 781	1 597	1 127	1 021	2 288	1 359	171	275			5 366	4 252

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

Note 3 Capital adequacy

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

DNB Bank ASA		Primary capital	DNB Bank Group	
31 Dec. 2017	31 March 2018	*Amounts in NOK million*	31 March 2018	31 Dec. 2017
169 720	168 122	Total equity	200 336	203 685
		Effect from regulatory consolidation	15	183
(15 574)	(15 574)	Additional Tier 1 capital instruments included in total equity	(15 574)	(15 574)
(439)	(15)	Net accrued interest on additional Tier 1 capital instruments	(15)	(439)
153 708	152 533	Common equity Tier 1 capital instruments	184 762	187 856
		Deductions		
	(3)	Pension funds above pension commitments	(3)	
(2 404)	(2 375)	Goodwill	(2 527)	(2 559)
(584)	(574)	Deferred tax assets that are not due to temporary differences	(441)	(454)
(1 110)	(1 074)	Other intangible assets	(1 878)	(1 984)
		Group contribution, payable	(15 804)	(15 804)
(951)	(512)	Expected losses exceeding actual losses, IRB portfolios	(889)	(1 915)
(449)	(416)	Value adjustment due to the requirements for prudent valuation (AVA)	(775)	(720)
123	131	Adjustments for unrealised losses/(gains) on debt recorded at fair value	438	123
(481)	(535)	Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(126)	(113)
147 851	147 175	Common equity Tier 1 capital	162 755	164 431
	148 991	Common equity Tier 1 capital incl. 50 per cent of profit for the period	165 354	
15 574	15 574	Additional Tier 1 capital instruments	15 574	15 574
163 425	162 749	Tier 1 capital	178 329	180 005
	164 565	Tier 1 capital incl. 50 per cent of profit for the period	180 928	
5 361	5 172	Perpetual subordinated loan capital	5 172	5 361
23 897	32 808	Term subordinated loan capital	32 808	23 897
29 258	37 981	Tier 2 capital	37 981	29 258
192 683	200 730	Total eligible capital	216 310	209 263
	202 546	Total eligible capital incl. 50 per cent of profit for the period	218 909	
835 986	837 481	Risk-weighted volume, transitional rules	1 012 706	1 014 683
66 879	66 998	Minimum capital requirement, transitional rules	81 016	81 175
17.7	17.8	Common equity Tier 1 capital ratio, transitional rules (%)	16.3	16.2
19.5	19.6	Tier 1 capital ratio, transitional rules (%)	17.9	17.7
23.0	24.2	Capital ratio, transitional rules (%)	21.6	20.6
	17.6	Common equity Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	16.1	
	19.4	Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	17.6	
	24.0	Capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	21.4	

Note 3 Capital adequacy (continued)

Basel III

The majority of the credit portfolios are reported according to the IRB approach. However, one portfolio, banks and financial institutions (DNB Bank) is still subject to final IRB approval from Finanstilsynet.

Specification of risk-weighted volume and capital requirements

DNB Bank ASA

Amounts in NOK million	Nominal exposure 31 March 2018	EAD [1] 31 March 2018	Average risk weights in per cent 31 March 2018	Risk-weighted volume 31 March 2018	Capital require-ments 31 March 2018	Capital require-ments 31 Dec. 2017
IRB approach						
Corporate	697 277	565 131	54.2	306 305	24 504	25 542
Specialised lending (SL)	10 581	9 804	48.4	4 750	380	396
Retail - mortgages	107 154	107 154	24.4	26 126	2 090	1 974
Retail - other exposures	103 003	87 939	25.5	22 383	1 791	1 745
Securitisation	1 663	1 663	105.4	1 752	140	626
Total credit risk, IRB approach	919 677	771 691	46.8	361 317	28 905	30 283
Standardised approach						
Central government	362 069	318 936	0.0	48	4	6
Institutions	811 226	598 043	21.3	127 411	10 193	7 570
Corporate	127 165	81 538	91.7	74 769	5 981	6 059
Retail - mortgages	8 406	7 895	39.4	3 110	249	240
Retail - other exposures	107 426	36 062	74.5	26 852	2 148	2 104
Equity positions	122 130	122 130	100.2	122 337	9 787	10 018
Other assets	14 184	14 184	154.8	21 961	1 757	1 898
Total credit risk, standardised approach	1 552 606	1 178 788	31.9	376 486	30 119	27 895
Total credit risk	2 472 284	1 950 478	37.8	737 804	59 024	58 178
Market risk						
Position risk, debt instruments				10 703	856	1 620
Position risk, equity instruments				267	21	21
Currency risk						
Commodity risk				17	1	2
Credit value adjustment risk (CVA)				11 569	926	888
Total market risk				22 556	1 804	2 531
Operational risk				77 122	6 170	6 170
Total risk-weighted volume and capital requirements before transitional rules				837 481	66 998	66 879
Additional capital requirements according to transitional rules						
Total risk-weighted volume and capital requirements				837 481	66 998	66 879

1) *EAD, exposure at default.*

Note 3 Capital adequacy (continued)

Specification of risk-weighted volume and capital requirements

DNB Bank Group

Amounts in NOK million	Nominal exposure 31 March 2018	EAD [1] 31 March 2018	Average risk weights in per cent 31 March 2018	Risk-weighted volume 31 March 2018	Capital require-ments 31 March 2018	Capital require-ments 31 Dec. 2017
IRB approach						
Corporate	926 633	759 387	54.3	412 303	32 984	35 197
Specialised Lending (SL)	11 549	10 772	51.2	5 511	441	454
Retail - mortgages	755 320	755 320	22.2	167 682	13 415	13 220
Retail - other exposures	103 003	87 939	25.5	22 383	1 791	1 745
Securitisation	1 663	1 663	105.4	1 752	140	626
Total credit risk, IRB approach	1 798 168	1 615 081	37.7	609 631	48 770	51 241
Standardised approach						
Central government	381 244	339 425	0.0	102	8	6
Institutions	337 721	167 818	27.5	46 120	3 690	3 312
Corporate	199 793	140 432	86.1	120 895	9 672	9 816
Retail - mortgages	59 806	56 786	48.6	27 600	2 208	2 207
Retail - other exposures	122 225	47 478	76.8	36 453	2 916	2 941
Equity positions	8 714	8 712	95.4	8 310	665	662
Other assets	9 380	9 380	59.7	5 602	448	513
Total credit risk, standardised approach	1 118 883	770 031	31.8	245 082	19 607	19 458
Total credit risk	2 917 052	2 385 112	35.8	854 714	68 377	70 699
Market risk						
Position risk, debt instruments				10 957	877	1 120
Position risk, equity instruments				267	21	21
Currency risk						
Commodity risk				17	1	2
Credit value adjustment risk (CVA)				5 881	470	469
Total market risk				17 122	1 370	1 612
Operational risk				89 234	7 139	7 139
Total risk-weighted volume and capital requirements before transitional rules				961 069	76 886	79 450
Additional capital requirements according to transitional rules [2]				51 636	4 131	1 725
Total risk-weighted volume and capital requirements				1 012 706	81 016	81 175

1) *EAD, exposure at default.*
2) *Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.*

Note 4 Development in accumulated impairment of financial instruments

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

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

Loans to customers at amortised cost

DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(196)**	**(2 138)**	**(6 562)**	**(8 896)**
Transfer to stage 1	(55)	47	8	
Transfer to stage 2	3	(9)	6	
Transfer to stage 3	0	669	(669)	
Assets originated or purchased during the period	(17)	(6)	(2)	(25)
Increased expected credit loss	(25)	(192)	(1 267)	(1 484)
Decreased (reversed) expected credit loss	131	153	365	649
Write-offs	0	0	582	582
Derecognition (including repayments)	0	0	391	391
Other	1	45	47	93
Exchange rate movements	1	1	44	45
Accumulated impairment as at 31 March 2018	**(157)**	**(1 430)**	**(7 059)**	**(8 646)**

Loans to customers at amortised cost

DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(380)**	**(3 081)**	**(8 709)**	**(12 171)**
Transfer to stage 1	(198)	184	13	
Transfer to stage 2	5	(19)	14	
Transfer to stage 3	0	670	(670)	
Assets originated or purchased during the period	(193)	(17)	(6)	(216)
Increased expected credit loss	(52)	(235)	(1 342)	(1 628)
Decreased (reversed) expected credit loss	444	242	218	904
Write-offs	0	0	506	506
Derecognition (including repayments)	2	1	507	509
Disposals				
Other	6	198	56	259
Exchange rate movements	5	32	105	142
Accumulated impairment as at 31 March 2018	**(360)**	**(2 026)**	**(9 307)**	**(11 694)**

Note 4 Development in accumulated impairment of financial instruments (continued)

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

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

Financial commitments

DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(137)**	**(1 164)**	**(508)**	**(1 809)**
Transfer to stage 1	(36)	36		
Transfer to stage 2	5	(5)	0	
Transfer to stage 3	0	147	(147)	
Originated or purchased during the period	(26)	(4)	(12)	(42)
Increased expected credit loss	(2)	(122)	(4)	(128)
Decreased (reversed) expected credit loss	85	127	273	485
Write-offs	0	0		0
Derecognition (including repayments)		0	9	10
Other	0	20	35	55
Exchange rate movements	0	1	1	3
Accumulated impairment as at 31 March 2018	**(111)**	**(964)**	**(352)**	**(1 427)**

DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(171)**	**(2 128)**	**(511)**	**(2 810)**
Transfer to stage 1	(45)	45		
Transfer to stage 2	5	(5)	0	
Transfer to stage 3	0	147	(147)	0
Originated or purchased during the period	(31)	(5)	(12)	(47)
Increased expected credit loss	(3)	(318)	(4)	(325)
Decreased (reversed) expected credit loss	100	205	273	578
Write-offs	0	0		0
Derecognition (including repayments)	0	0	9	10
Other	0	277	35	312
Exchange rate movements	1	41	1	44
Accumulated impairment as at 31 March 2018	**(143)**	**(1 741)**	**(355)**	**(2 239)**

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. Reconciling items include the following:

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

Loans to customers at amortised cost — DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**664 024**	**57 732**	**19 949**	**741 705**
Transfer to stage 1	9 034	(8 933)	(102)	
Transfer to stage 2	(5 682)	5 933	(252)	
Transfer to stage 3	(427)	(3 580)	4 007	
Assets originated or purchased during the period	93 373	1 337	48	94 758
Derecognition	(89 275)	(2 000)	(1 169)	(92 445)
Disposals	(3)	(250)	(70)	(323)
Other	(60)	(1 552)	(369)	(1 981)
Exchange rate movements	(2 238)	(147)	(98)	(2 483)
Gross carrying amount as at 31 March 2018	**668 747**	**48 540**	**21 944**	**739 231**

Loans to customers at amortised cost — DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**1 389 207**	**90 102**	**25 843**	**1 505 152**
Transfer to stage 1	17 967	(17 803)	(164)	
Transfer to stage 2	(14 972)	15 304	(332)	
Transfer to stage 3	(711)	(4 111)	4 822	0
Assets originated or purchased during the period	121 971	1 682	137	123 790
Derecognition	(120 193)	(2 831)	(1 496)	(124 520)
Disposals	(6)	(250)	(70)	(326)
Other	(9)	(2 614)	(433)	(3 057)
Exchange rate movements	(6 767)	(539)	(201)	(7 507)
Gross carrying amount as at 31 March 2018	**1 386 487**	**78 939**	**28 106**	**1 493 532**

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

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. Reconciling items include the following:

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

Financial commitments

DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 1 January 2018	**564 001**	**9 805**	**3 039**	**576 846**
Transfer to stage 1	3 662	(3 642)	(20)	
Transfer to stage 2	(4 537)	4 561	(24)	
Transfer to stage 3	(1 101)	(147)	1 248	
Originated or purchased during the period	17 306	8	408	17 722
Assets that have been derecognised during the period	(27 960)	(1 453)	(208)	(29 621)
Other	14 978	(577)	(242)	14 160
Exchange rate movements	(1 876)	(13)	(26)	(1 915)
Maximum exposure as at 31 March 2018	**564 473**	**8 543**	**4 176**	**577 192**

Financial commitments

DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 1 January 2018	**649 570**	**28 358**	**3 208**	**681 136**
Transfer to stage 1	5 179	(5 157)	(22)	
Transfer to stage 2	(5 749)	5 775	(27)	
Transfer to stage 3	(1 104)	(147)	1 252	
Originated or purchased during the period	29 225	1 281	405	30 911
Derecognition	(24 651)	(1 718)	(260)	(26 629)
Other	1 028	(3 666)	(242)	(2 880)
Exchange rate movements	(5 789)	(702)	(28)	(6 519)
Maximum exposure as at 31 March 2018	**647 710**	**24 023**	**4 286**	**676 020**

Note 6 Loans to customers and financial commitments by industry segment

Loans to customers

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Accumulated impairment Stage 2	Accumulated impairment Stage 3	Loans at fair value	DNB Bank Group Total
Bank, insurance and portfolio management	43 300	(4)	(2)	(67)	47	43 274
Commercial real estate	161 102	(12)	(65)	(386)	157	160 797
Power and renewables	23 537	(5)	(9)	(492)		23 031
Fishing, fish farming and farming	31 543	(4)	(9)	(79)	140	31 591
Healthcare	20 994	(7)	(4)	(0)		20 982
Manufacturing	49 900	(18)	(8)	(589)	4	49 289
Oil, gas and offshore	61 373	(30)	(1 314)	(4 189)		55 839
Public, state and municipality	24 709	(3)	(2)	(219)	32	24 517
Residential property	80 778	(4)	(8)	(214)	418	80 970
Services	49 671	(9)	(10)	(376)	186	49 462
Shipping	63 386	(119)	(276)	(621)		62 370
Technology, media and telecom	24 204	(26)	(17)	(82)	13	24 093
Trade	43 669	(16)	(29)	(821)	80	42 883
Personal customers	735 655	(87)	(244)	(733)	44 622	779 214
Other	79 712	(16)	(30)	(439)	101	79 329
Total as at 31 March 2018	**1 493 532**	**(360)**	**(2 026)**	**(9 307)**	**45 801**	**1 527 639**

Financial commitments

Amounts in NOK million	Maximum exposure	Accumulated impairment Stage 1	Accumulated impairment Stage 2	Accumulated impairment Stage 3	DNB Bank Group Total
Bank, insurance and portfolio management	79 567	(10)	(0)	(0)	79 557
Commercial real estate	21 219	(2)	(1)	(5)	21 211
Power and renewables	23 816	(3)	(28)	0	23 785
Fishing, fish farming and farming	10 137	(2)	(1)		10 134
Healthcare	16 195	(5)	(10)		16 180
Manufacturing	49 179	(13)	(4)	(83)	49 080
Oil, gas and offshore	68 086	(54)	(1 499)	(82)	66 452
Public, state and municipality	12 963	(1)	(0)	(1)	12 961
Residential property	31 703	(2)	(1)	(4)	31 695
Services	20 681	(5)	(5)	(15)	20 656
Shipping	11 445	(14)	(47)	(5)	11 379
Technology, media and telecom	30 437	(8)	(4)	(2)	30 422
Trade	28 054	(4)	(78)	(38)	27 934
Personal customers	238 531	(14)	(54)	(0)	238 464
Other	34 005	(6)	(10)	(118)	33 872
Total as at 31 March 2018	**676 020**	**(143)**	**(1 741)**	**(355)**	**673 781**

Note 7 Financial instruments at fair value

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	DNB Bank ASA Total
Assets as at 31 March 2018				
Loans to customers		103 355	6 582	109 937
Commercial paper and bonds	49 364	161 739	143	211 246
Shareholdings	4 299	240	494	5 033
Financial derivatives	228	125 650	1 906	127 785
Liabilities as at 31 March 2018				
Deposits from customers		14 624		14 624
Debt securities issued		7 168		7 168
Subordinated loan capital		3 690		3 690
Financial derivatives	174	153 209	1 624	155 007
Other financial liabilities [1)]	3 012	1	0	3 013

1) Short positions, trading activities.

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

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	DNB Bank ASA Total
Assets as at 31 March 2017				
Deposits with central banks		360 439		360 439
Due from credit institutions		370 985		370 985
Loans to customers		47 427	14 734	62 161
Commercial paper and bonds	57 892	169 455	321	227 668
Shareholdings	5 396	238	758	6 391
Financial derivatives		154 587	1 247	155 834
Liabilities as at 31 March 2017				
Due to credit institutions		355 993		355 993
Deposits from customers		68 414		68 414
Debt securities issued		218 487		218 487
Subordinated loan capital		2 860		2 860
Financial derivatives		164 766	1 002	165 769
Other financial liabilities [1)]	3 914	739		4 653

1) Short positions, trading activities.

Note 7 Financial instruments at fair value (continued)

				DNB Bank Group
Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 31 March 2018				
Loans to customers			45 801	45 801
Commercial paper and bonds	49 364	153 971	143	203 478
Shareholdings	5 167	247	589	6 003
Financial derivatives	228	112 105	1 906	114 239
Liabilities as at 31 March 2018				
Deposits from customers		14 624		14 624
Debt securities issued		81 079		81 079
Subordinated loan capital		3 690		3 690
Financial derivatives	174	94 605	1 624	96 402
Other financial liabilities [1)]	3 012	1	0	3 013

				DNB Bank Group
Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 31 March 2017				
Deposits with central banks		360 439		360 439
Due from credit institutions		183 399		183 399
Loans to customers		47 427	64 698	112 125
Commercial paper and bonds	62 238	160 163	321	222 721
Shareholdings	6 007	243	912	7 161
Financial derivatives		140 164	1 247	141 411
Liabilities as at 31 March 2017				
Due to credit institutions		226 525		226 525
Deposits from customers		68 414		68 414
Debt securities issued		296 569		296 569
Subordinated loan capital		2 860		2 860
Financial derivatives		111 098	1 002	112 100
Other financial liabilities [1)]	3 914	739		4 653

1) *Short positions, trading activities.*

For a further description of the instruments and valuation techniques, see the annual report for 2017.

Note 7 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Bank ASA

	Financial assets				Financial liabilities
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2017	**12 322**	**328**	**527**	**2 069**	**1 749**
Implementation impact from IFRS 9 at 1 January 2018	(6 063)				
Net gains recognised in the income statement	(49)	(206)	(9)	(154)	(114)
Additions/purchases	808	46	3	52	49
Sales	1	(5)	(27)		
Settled	(437)			(61)	(60)
Transferred from level 1 or level 2		2			
Transferred to level 1 or level 2		(14)			
Other		(8)		(0)	(0)
Carrying amount as at 31 March 2018	**6 582**	**143**	**494**	**1 906**	**1 624**

Financial instruments at fair value, level 3

DNB Bank Group

	Financial assets				Financial liabilities
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2017	**55 373**	**328**	**621**	**2 069**	**1 749**
Implementation impact from IFRS 9 at 1 January 2018	(8 778)				
Net gains recognised in the income statement	(317)	(206)	(9)	(154)	(114)
Additions/purchases	4 284	46	3	52	49
Sales		(5)	(27)		
Settled	(4 762)			(61)	(60)
Transferred from level 1 or level 2		2			
Transferred to level 1 or level 2		(14)			
Other		(8)		(0)	(0)
Carrying amount as at 31 March 2018	**45 801**	**143**	**589**	**1 906**	**1 624**

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 24 million in DNB Bank ASA and 130 million in DNB Bank Group. The effects on other Level 3 financial instruments are insignificant.

Note 8 Debt securities issued and subordinated loan capital

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

Debt securities issued — DNB Bank ASA

Amounts in NOK million	Balance sheet 31 March 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Commercial paper issued, nominal amount	170 486	423 941	(405 728)	(6 402)		158 675
Bond debt, nominal amount	150 625	1 317	(7 148)	(3 080)		159 536
Value adjustments	5 911				(2 049)	7 961
Total debt securities issued	**327 022**	**425 258**	**(412 876)**	**(9 482)**	**(2 049)**	**326 171**

Debt securities issued — DNB Bank ASA

Amounts in NOK million	Balance sheet 31 March 2017	Issued 2017	Matured/ redeemed 2017	Exchange rate movements 2017	Other changes 2017	Balance sheet 31 Dec. 2016
Commercial paper issued, nominal amount	205 989	1 987 335	(1 936 987)	2 225		153 415
Bond debt, nominal amount	162 308	39	(12 574)	1 475		173 368
Value adjustments	8 226				(1 932)	10 158
Total debt securities issued	**376 523**	**1 987 374**	**(1 949 560)**	**3 701**	**(1 932)**	**336 941**

Debt securities issued — DNB Bank Group

Amounts in NOK million	Balance sheet 31 March 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Commercial paper issued, nominal amount	170 486	423 941	(405 728)	(6 402)		158 675
Bond debt, nominal amount [1)]	569 749	21 647	(41 565)	(8 536)		598 202
Value adjustments	21 276				(3 974)	25 250
Total debt securities issued	**761 510**	**445 588**	**(447 293)**	**(14 938)**	**(3 974)**	**782 127**

Debt securities issued — DNB Bank Group

Amounts in NOK million	Balance sheet 31 March 2017	Issued 2017	Matured/ redeemed 2017	Exchange rate movements 2017	Other changes 2017	Balance sheet 31 Dec. 2016
Commercial paper issued, nominal amount	205 989	1 987 335	(1 936 987)	2 225		153 415
Bond debt, nominal amount	599 822	39 368	(26 175)	5 183		581 447
Value adjustments	28 613				(4 275)	32 888
Total debt securities issued	**834 425**	**2 026 703**	**(1 963 162)**	**7 409**	**(4 275)**	**767 750**

1) Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 426.6 billion as at 31 March 2018. The market value of the cover pool represented NOK 615.8 billion.

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

Subordinated loan capital and perpetual subordinated loan capital securities — DNB Bank ASA

Amounts in NOK million	Balance sheet 31 March 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Term subordinated loan capital, nominal amount	32 808	9 419		(508)		23 897
Perpetual subordinated loan capital, nominal amount	5 172			(188)		5 361
Perpetual subordinated loan capital securities, nominal amount						
Value adjustments	227				(53)	280
Total subordinated loan capital and perpetual subordinated loan capital securities	**38 208**	**9 419**		**(696)**	**(53)**	**29 538**

Subordinated loan capital and perpetual subordinated loan capital securities — DNB Bank ASA

Amounts in NOK million	Balance sheet 31 March 2017	Issued 2017	Matured/ redeemed 2017	Exchange rate movements 2017	Other changes 2017	Balance sheet 31 Dec. 2016
Term subordinated loan capital, nominal amount	22 860	10 106	(6 812)	151		19 415
Perpetual subordinated loan capital, nominal amount	5 624			22		5 602
Perpetual subordinated loan capital securities, nominal amount			(3 732)			3 732
Value adjustments	311				(288)	599
Total subordinated loan capital and perpetual subordinated loan capital securities	**28 795**	**10 106**	**(10 544)**	**174**	**(288)**	**29 347**

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

Amounts in NOK million	Balance sheet 31 March 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Term subordinated loan capital, nominal amount	32 808	9 419		(508)		23 897
Perpetual subordinated loan capital, nominal amount	5 172			(188)		5 361
Perpetual subordinated loan capital securities, nominal amount						
Value adjustments	227				(53)	280
Total subordinated loan capital and perpetual subordinated loan capital securities	**38 208**	**9 419**		**(696)**	**(53)**	**29 538**

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

Amounts in NOK million	Balance sheet 31 March 2017	Issued 2017	Matured/ redeemed 2017	Exchange rate movements 2017	Other changes 2017	Balance sheet 31 Dec. 2016
Term subordinated loan capital, nominal amount	22 860	10 106	(6 812)	151		19 415
Perpetual subordinated loan capital, nominal amount	5 624			22		5 602
Perpetual subordinated loan capital securities, nominal amount			(3 732)			3 732
Value adjustments	311				(288)	599
Total subordinated loan capital and perpetual subordinated loan capital securities	**28 795**	**10 106**	**(10 544)**	**174**	**(288)**	**29 347**

Note 9 Information on related parties

DNB Boligkreditt AS

In the first quarter of 2018, loan portfolios representing NOK 0.8 billion 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 2018 the bank had invested NOK 7.8 billion in covered bonds issued by DNB Boligkreditt.

The management fee paid to the bank for purchased services amounted to NOK 340 million in the first quarter of 2018 (NOK 49 million in the first quarter of 2017).

In the first quarter of 2018 DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 8 billion at end-March 2018.

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 220 billion.

DNB Næringskreditt AS

The management fee paid to the bank for purchased services amounted to NOK 13 million in the first quarter of 2018 (NOK 25 million in the first quarter of 2017).

In the first quarter of 2018 DNB Næringskreditt entered into reverse repurchase agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 49 million at end-March 2018.

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 30 billion.

DNB Livsforsikring AS

At end-March 2018 DNB Livsforsikring's holding of DNB Boligkreditt bonds was valued at NOK 1.9 billion.

In the first quarter of 2018, portfolios of commercial mortgages amounting to approximately NOK 11.2 billion were sold from DNB Bank ASA to DNB Livsforsikring AS.

Note 10 Contingencies

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

The DNB banking group is subject to a number of complaints and disputes relating to structured products and other investment products.

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
Gro Bakstad, vice chair of the board
Lilliam Hattrem
Kim Wahl

Investor Relations

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Financial calendar

2018

12 July	Q2 2018
25 October	Q3 2018

2019

7 February	Q4 2018
7 March	Annual report 2018
30 April	Annual general meeting
1 May	Ex-dividend date
3 May	Q1 2019
11 July	Q2 2019
24 October	Q3 2019
20 November	Capital markets day

Other sources of information

Annual and quarterly reports

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

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So you can stay ahead.

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