

DNB Bank

A company in the DNB group

Third quarter report 2020

(Unaudited)



DNB

Financial highlights

Income statement

Amounts in NOK million	DNB Bank Group				
	3rd quarter 2020	3rd quarter 2019	January-September 2020	January-September 2019	Full year 2019
Net interest income	9 428	10 150	29 681	29 367	39 908
Net commissions and fees	1 548	1 536	4 597	4 799	6 618
Net gains on financial instruments at fair value	816	1 523	5 749	3 622	3 173
Other operating income	619	612	1 592	1 839	2 482
Net other operating income	2 983	3 672	11 938	10 260	12 272
Total income	12 411	13 822	41 619	39 627	52 181
Operating expenses	(5 487)	(5 318)	(16 218)	(16 108)	(21 952)
Restructuring costs and non-recurring effects	(13)	(134)	(40)	(177)	(326)
Pre-tax operating profit before impairment	6 911	8 370	25 361	23 343	29 903
Net gains on fixed and intangible assets	0	(40)	0	(43)	(33)
Impairment of financial instruments	(776)	(1 247)	(8 668)	(2 014)	(2 191)
Pre-tax operating profit	6 135	7 083	16 693	21 286	27 678
Tax expense	(1 227)	(1 417)	(3 339)	(4 257)	(4 825)
Profit from operations held for sale, after taxes	2	(36)	(71)	(117)	(49)
Profit for the period	4 910	5 631	13 284	16 912	22 805

Balance sheet

Amounts in NOK million	30 Sept. 2020	31 Dec. 2019	30 Sept. 2019
Total assets	2 711 632	2 470 640	2 576 850
Loans to customers	1 712 253	1 671 350	1 673 924
Deposits from customers	1 103 732	977 530	983 472
Total equity	233 765	229 619	215 989
Average total assets	2 910 754	2 564 525	2 543 839

Key figures and alternative performance measures

	3rd quarter 2020	3rd quarter 2019	January-September 2020	January-September 2019	Full year 2019
Return on equity, annualised (per cent) ¹⁾	8.8	10.8	7.9	11.1	11.1
Combined weighted total average spread for lending and deposits (per cent) ¹⁾	1.23	1.32	1.29	1.32	1.33
Average spread for ordinary lending to customers (per cent) ¹⁾	2.08	1.80	2.05	1.85	1.84
Average spread for deposits from customers (per cent) ¹⁾	(0.00)	0.55	0.13	0.47	0.51
Cost/income ratio (per cent) ¹⁾	44.3	39.4	39.1	41.1	42.7
Ratio of customer deposits to net loans to customers at end of period ¹⁾	66.0	58.2	66.0	58.2	57.9
Net loans at amortised cost and financial commitments in stage 2, per cent of net loans at amortised cost ^{1) 2)}	13.23	6.91	13.23	6.91	6.81
Net loans at amortised cost and financial commitments in stage 3, per cent of net loans at amortised cost ^{1) 2)}	1.81	1.33	1.81	1.33	1.12
Impairment relative to average net loans to customers at amortised cost, annualised (per cent) ^{1) 2)}	(0.18)	(0.30)	(0.68)	(0.16)	(0.13)
Common equity Tier 1 capital ratio at end of period (per cent)	18.6	18.9	18.6	18.9	18.3
Leverage ratio (per cent)	6.7	7.2	6.7	7.2	7.2
Number of full-time positions at end of period	8 576	8 562	8 576	8 562	8 617

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

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

Third quarter report 2020

Directors' report	4
--------------------------------	---

Accounts

Income statement DNB Bank ASA	11
Comprehensive income statement DNB Bank ASA	12
Balance sheet DNB Bank ASA	13
Income statement DNB Bank Group	14
Comprehensive income statement DNB Bank Group	15
Balance sheet DNB Bank Group	16
Statement of changes in equity	17
Cash flow statement.....	19
Note 1 Basis for preparation	21
Note 2 Segments	21
Note 3 Capital adequacy	22
Note 4 Measurement of expected credit loss	25
Note 5 Development in gross carrying amount and maximum exposure	27
Note 6 Development in accumulated impairment of financial instruments	30
Note 7 Loans and financial commitments to customers by industry segment.....	34
Note 8 Financial instruments at fair value	36
Note 9 Debt securities issued and subordinated loan capital	39
Note 10 Information on related parties	41
Note 11 Contingencies	41

Additional information

Information about the DNB Bank Group	42
--	----

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

Directors' report

Third quarter financial performance

The Norwegian economy continued to recover at a rapid pace in the quarter. However, there is a high level of uncertainty concerning how the COVID-19 pandemic will impact the global economy in the time ahead, and the pace of recovery is expected to decrease somewhat going forward.

DNB Bank Group's ¹⁾ activity level was less affected by the COVID-19 pandemic than expected in the third quarter, and operating income was strong with reduced impairment provisions compared with the previous quarter.

The profit in the quarter was NOK 4 910 million, a decrease of NOK 722 million from the year-earlier period. Compared with the previous quarter, profits increased by NOK 276 million.

The common equity Tier 1 (CET1) capital ratio was 18.6 per cent, down from 18.9 per cent a year earlier, and from 18.0 per cent in the second quarter of 2020.

The leverage ratio for the banking group was 6.7 per cent, down from 7.2 per cent in the third quarter of 2019, and up from 6.6 per cent in the second quarter of 2020.

Return on equity (ROE) was negatively impacted by lower interest rates, and ended at 8.8 per cent. The comparable figures were 10.8 per cent in the third quarter of 2019 and 8.4 per cent in the second quarter of 2020.

Net interest income was down NOK 722 million, or 7.1 per cent, from the third quarter of 2019. This was mainly due to reduced margins reflecting the full effect of repricing after Norges Bank's key policy rate cuts in the first half of 2020, as well as lower interest on equity. Compared with the second quarter, net interest income was down NOK 210 million, or 2.2 per cent, mainly due to currency effects.

Net other operating income amounted to NOK 2 983 million in the third quarter, down NOK 688 million from the same period in 2019. This was mainly due to negative exchange rate effects on additional Tier 1 (AT1) capital and basis swaps. Net commissions and fees increased by NOK 12 million, or 0.8 per cent, from the year-earlier period, due to strong results within real estate broking and investment banking services. Compared with the second quarter, net other operating income was down NOK 873 million, mainly due to lower valuation adjustments for derivatives (CVA/DVA/FVA) and other mark-to-market adjustments, including basis swaps.

Operating expenses were NOK 5 500 million in the third quarter, up NOK 48 million from the same period a year earlier. The third quarter saw an increase in salaries and other personnel expenses, driven by increased fixed salary and pension costs related to the increased return on the closed defined benefit pension scheme, where the hedging was presented as gain on financial instruments. Compared with the previous quarter, operating expenses were down NOK 60 million. The third quarter was affected by reduced activity due to COVID-19.

Impairment of financial instruments amounted to NOK 776 million in the third quarter. This is a decrease of NOK 471 million compared with the third quarter last year and of NOK 1 344 million compared with the second quarter of 2020. Impairment provisions of NOK 776 million in the quarter were to a large extent related to stage 3 customers in the corporate customers segment, especially within the oil, gas and offshore segment. However, the impairment provisions in the corporate

customers segment were to a certain extent curtailed by reversals in stages 1 and 2 spread across most industries. The personal customers industry segment experienced a substantial net reversal in stages 1 and 2 in the third quarter, particularly within the consumer finance portfolio, due to a significantly reduced impact from the macro outlook compared with the second quarter. The more negative development in the personal customers industry segment provisioned for in the first quarter of 2020 has not materialised. In general, there is still significant uncertainty due to the COVID-19 pandemic.

Important events in the third quarter

As a result of the COVID-19 pandemic, the Norwegian authorities have requested that Norwegian banks postpone the decision on the distribution of dividends and repurchase of own shares until the significant uncertainty surrounding economic developments has subsided. As a result, the Board of Directors' proposal on distribution of dividends for the accounting year 2019 was not considered at the Annual General Meeting. The decision was postponed until an extraordinary General Meeting later in 2020. At the extraordinary General Meeting, now scheduled to be held on 30 November, it will be proposed that the Board of Directors is given the authorisation to decide on the distribution of dividends in 2021 on the basis of the approved annual accounts for 2019. The proposed authorisation will be valid from 1 January 2021 until the Annual General Meeting in 2021, however, no longer than until 30 June 2021.

In the second quarter, a plan for the new legal structure of the DNB Group was announced, under which DNB Bank will be the parent company of the Group. The plan has now been approved by the Board of Directors and will be considered at the extraordinary General Meeting on 30 November 2020.

A year ago, DNB launched the #huninvesterer (#girlsinvest) campaign and helped reduce the financial gender gap. Now, the campaign is focusing on everything from everyday finances and pension savings to investing in mutual funds and equities.

In the third quarter, DNB NXT was launched digitally for the first time. DNB NXT builds bridges between entrepreneurs and investors, to facilitate capital being made available for realising ideas and dreams. This year, the goal was to reach as many entrepreneurs and investors as possible. After just one week, the event had over 6 000 participants, which is twice as many as in 2019.

DNB set a new standard for customer communication in connection with disruptions to business operations. A new website, dnbstatus.no, gives customers and the media an overview of the most important services in real time.

DNB was ranked Norway's most innovative company. The Norwegian innovation magazine *INNOMAG* is responsible for the award that ranks the country's 25 most innovative businesses each year, and that this year was presented for the seventh time.

M&M Global rewards the very best work in international media and marketing every year, across industries. DNB won an international team victory for the #huninvesterer (#girlsinvest) campaign, which in the third quarter was named the world's best campaign led by data. In addition, the campaign was 'highly commended' in the category best campaign led by cause.

DNB Markets was rated among the top five in the 2020 Nordic Equity ranking by Kantar Sifo Prospera, and in addition to being a clear number one in Norway, DNB was also rated number one as an analytical speaking partner.

DNB Markets achieved a joint first place ranking in the annual Prospera benchmarking for 2020 in the category Back Office FI, FX & Derivatives.

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

DNB has had seven good quarters in a row in RepTrak's quarterly reputation survey in Norway. In the third quarter, the score of 73.3 points showed that DNB was still a well-liked bank. Anything over 70 points indicates a good reputation.

Financial performance in the first three quarters

The banking group recorded profits of NOK 13 284 million in the first three quarters of 2020, down NOK 3 628 million from the same period last year. Return on equity was 7.9 per cent, compared with 11.1 per cent in the year-earlier period.

Net interest income increased by NOK 314 million from the same period last year, driven by higher volumes and positive currency effects. There was an average increase in the healthy loan portfolio of 3.8 per cent parallel to an 11.2 per cent increase in average deposit volumes from the first three quarters of 2019. The combined spreads narrowed by 4 basis points compared with the year-earlier period. Average lending spreads for the customer segments widened by 20 basis points, and deposit spreads narrowed by 33 basis points.

Net other operating income increased by NOK 1 678 million from the first three quarters of 2019, mainly due to positive exchange rate effects on AT1 capital and basis swaps. Net commissions and fees decreased by NOK 202 million, or 4.2 per cent, compared with the first three quarters of 2019. The reduction was due to lower income from money transfer and banking services caused by the COVID-19 situation.

Total operating expenses were up by NOK 27 million from the first three quarters of 2019.

There were impairment of financial instruments of NOK 8 688 million in the first three quarters of 2020, an increase of NOK 6 655 million from the same period in 2019. The increase was caused by the impact on the economy, both in Norway and globally, of the COVID-19 pandemic, combined with the effect of the oil price fall. Around 90 per cent of the impairment provisions occurred in the corporate customers segment. For this segment, well over half of the impairment provisions were in oil-related industries, while the remaining provisions were spread across different industries affected by the COVID-19 outbreak. For the personal customers industry segment, most of the increase in provisions compared with last year stemmed from customers in stage 3 within the private banking segment. The economic situation improved as the year progressed, as businesses started to reopen and more people returned to work.

Third quarter income statement – main items

Net interest income

Amounts in NOK million	3Q20	2Q20	3Q19
Lending spreads, customer segments	8 201	8 454	6 984
Deposit spreads, customer segments	(0)	(180)	1 321
Amortisation effects and fees	922	909	866
Operational leasing	510	510	445
Contributions to the deposit guarantee and resolution funds	(256)	(217)	(223)
Other net interest income	52	161	757
Net interest income	9 428	9 638	10 150

Net interest income decreased by NOK 722 million, or 7.1 per cent, from the third quarter of 2019. This was mainly due to reduced margins reflecting the full effect of repricing after Norges Bank's key policy rate cuts in the first half of 2020, and lower interest on equity. However, increased volumes and currency effects contributed positively. There was an average increase of NOK 35.3 billion, or 2.3 per cent, in the healthy loan portfolio compared with the third quarter of 2019. Adjusted for exchange rate effects, volumes were up NOK 15.9 billion, or 1.0 per cent. During the same period, deposits were up NOK 125.1 billion, or 13.1 per cent. Adjusted for exchange rate effects, there was an increase of NOK 115.1 billion, or 12.0 per cent. Average lending spreads widened by 27 basis points, and deposit spreads narrowed by 55 basis points compared

with the third quarter of 2019. Volume-weighted spreads for the customer segments narrowed by 9 basis points compared with the same period in 2019.

Compared with the second quarter, net interest income decreased by NOK 210 million, or 2.2 per cent, mainly due to lower interest on equity and currency effects. Furthermore, the third quarter had one more interest day compared with the previous quarter. There was an average decrease of NOK 20.3 billion, or 1.3 per cent, in the healthy loan portfolio, and deposits were up NOK 16.0 billion, or 1.5 per cent. Volume-weighted spreads for the customer segments narrowed by 2 basis points compared with the second quarter.

Net other operating income

Amounts in NOK million	3Q20	2Q20	3Q19
Net commissions and fees	1 548	1 601	1 536
Basis swaps	(363)	(19)	78
Exchange rate effects on additional Tier 1 capital	(391)	(1 343)	812
Net gains on other financial instruments at fair value	1 570	3 029	633
Net profit from associated companies	92	75	45
Other operating income	527	513	567
Net other operating income	2 983	3 856	3 672

Net other operating income decreased by NOK 688 million from the third quarter of 2019. The decrease was mainly due to negative exchange rate effects on AT1 capital and basis swaps. However, this was partly offset by a positive contribution from valuation adjustments for derivatives (CVA/DVA/FVA) and other mark-to-market adjustments. Net commissions and fees increased by 0.8 per cent from the year-earlier period, mainly driven by higher income from real estate broking and investment banking services. There was lower income from money transfer and banking services as a result of fewer international transactions following the COVID-19 outbreak.

Compared with the second quarter of 2020, net other operating income decreased by NOK 873 million. The decrease was mainly due to lower trading revenues, negative basis swap effects and valuation adjustments for derivatives (CVA/DVA/FVA). There was a positive contribution from associated companies. Net commissions and fees decreased by NOK 53 million, or 3.3 per cent, from the second quarter, mainly due to seasonally lower activity within investment banking services. However, money transfer and banking services contributed positively.

Operating expenses

Amounts in NOK million	3Q20	2Q20	3Q19
Salaries and other personnel expenses	(3 115)	(3 067)	(2 883)
Restructuring expenses	(2)	(12)	(6)
Other expenses	(1 521)	(1 634)	(1 698)
Depreciation of fixed and intangible assets	(851)	(848)	(749)
Impairment of fixed and intangible assets	(11)	(0)	(116)
Total operating expenses	(5 500)	(5 560)	(5 452)

Operating expenses were up NOK 48 million, or 0.9 per cent, compared with the third quarter of 2019. There was an increase in salaries and other personnel expenses, mainly driven by increased fixed salary and pension costs related to the increased return on the closed defined benefit pension scheme, where the hedging was presented as gain on financial instruments.

Compared with the second quarter of 2020, operating expenses were down NOK 60 million, or 1.1 per cent. The third quarter was affected by reduced activity due to the COVID-19 pandemic, and overall, there were small changes compared with the previous quarter. Variable salaries and other personnel expenses increased, but were partly offset by a reduction in operating expenses caused by the termination of the banking services agreement with Posten Norge (the Norwegian postal service).

The cost/income ratio was 44.3 per cent in the third quarter.

Impairment of financial instruments

Amounts in NOK million	3Q20	2Q20	3Q19
Personal customers	360	(43)	(97)
Commercial real estate	24	15	6
Shipping	32	(136)	(102)
Oil, gas and offshore	(1 037)	(1 863)	78
Other industry segments	(156)	(93)	(1 132)
Total impairment of financial instruments	(776)	(2 120)	(1 247)

Impairment of financial instruments amounted to NOK 776 million in the third quarter. This is a decrease of NOK 471 million compared with the third quarter last year and of NOK 1 344 million compared with the second quarter of 2020. The impairment provisions were a result of an increase within stage 3, curtailed by reversals in stages 1 and 2. Overall, the reversals in stages 1 and 2 reflect the fact that the economy is closer to the expected recovery in 2021 and 2022 and another quarter has passed since the initial outbreak of COVID-19.

The personal customers industry segment saw net reversals of NOK 360 million in the quarter. This was down NOK 457 million compared with the same quarter last year and NOK 403 million compared with the second quarter of 2020. The reversals can primarily be attributed to consumer finance in stages 1 and 2, caused by a significantly reduced impact from the macro outlook compared with the first and second quarters. There was also a small reversal in home mortgages in the quarter.

Impairment of financial instruments in commercial real estate decreased by NOK 18 million and NOK 10 million compared with the third quarter of 2019 and the second quarter of 2020, respectively. Commercial real estate experienced relatively stable macro forecasts and credit quality in the quarter. So far, there have been no indications of deteriorating credit quality within the commercial real estate portfolio. However, due to the uncertainty concerning the impact of the COVID-19 pandemic, this is being monitored closely.

There were net reversals of NOK 32 million within the shipping segment in the third quarter. This is a decrease of NOK 134 million compared with the third quarter last year and a decrease of NOK 168 million compared with the second quarter of 2020. The overall portfolio quality and the development in relevant macro drivers for the shipping portfolio were stable in the third quarter.

There were impairment provisions of NOK 1 037 million within the oil, gas and offshore segment in the quarter. This is an increase of NOK 1 115 million from the third quarter of 2019 and a decrease of NOK 826 million from the second quarter of 2020. The impairment provisions this quarter have been driven by a combination of customers migrating from stage 2 to stage 3 and increased impairment provisions compared with previous quarters relating to customers already in stage 3, due to deteriorating collateral value. The migration from stage 2 to stage 3 accounted for about half of the reversals within stage 2 in the quarter.

Impairment provisions amounted to NOK 156 million within other industry segments. This is a decrease of NOK 976 million compared with the third quarter of 2019 and an increase of NOK 63 million compared with the second quarter of 2020. The decrease compared with the same period last year can be ascribed to a significant impairment provision relating to one customer in the third quarter of 2019. The low impairment provisions for other industry segments this quarter were caused by the fact that increased impairment provisions for a limited number of customers migrating to stage 3 were curtailed by reversals in stages 1 and 2 for most industries. For the hotel and tourism industry, there was some negative migration of specific customers both within stage 2 and from stage 2 to stage 3, but the total impact is still limited, with impairment provisions of NOK 23 million this quarter.

Net stage 3 loans and financial commitments amounted to NOK 30 billion at end-September 2020, up from NOK 22 billion in the third quarter of 2019 and unchanged from the second quarter of 2020.

Taxes

The banking group's tax expense for the third quarter has been estimated at NOK 1 227 million, or 20.0 per cent of pre-tax operating profits.

Financial performance – segments

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

Personal customers

Income statement in NOK million	3Q20	2Q20	3Q19
Net interest income	3 184	3 389	3 422
Net other operating income	899	884	1 014
Total income	4 083	4 273	4 437
Operating expenses	(2 113)	(2 151)	(2 044)
Pre-tax operating profit before impairment	1 970	2 122	2 393
Impairment of financial instruments	167	(82)	(73)
Pre-tax operating profit	2 137	2 041	2 320
Tax expense	(534)	(510)	(580)
Profit for the period	1 602	1 530	1 740

Average balance sheet items in NOK billion

Net loans to customers	802.6	795.6	788.0
Deposits from customers	462.6	453.4	434.8

Key figures in per cent

Lending spread ¹⁾	1.70	1.81	1.32
Deposit spread ¹⁾	(0.03)	(0.22)	0.74
Return on allocated capital	13.2	12.8	14.8
Cost/income ratio	51.8	50.3	46.1
Ratio of deposits to loans	57.6	57.0	55.2

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

The third quarter was characterised by a high level of activity combined with falling revenues from payment services due to the COVID-19 situation. Pre-tax operating profit before impairment fell by 17.7 per cent from the corresponding quarter in 2019 and return on allocated capital fell by 1.6 percentage points compared with the year-earlier period, to 13.2 per cent.

The effect of the interest rate adjustments on loans and deposits combined with falling money market rates explain the development in net interest income. Combined spreads on loans and deposits narrowed by 1 basis point from the previous quarter and by 6 basis points from the third quarter of 2019.

Loans to customers increased by 1.4 per cent from end-June to end-September, and there was a strong development in savings with a growth in average deposits from customers of 6.4 per cent from the third quarter of 2019. The ratio of deposits to loans improved by 2.4 percentage points compared with the year-earlier period.

Net income from payment services contributed negatively compared with the same period in 2019, mainly due to falling revenues from cards and currency withdrawals due to the COVID-19 situation. The negative development was partly offset by the termination of the agreement with Posten Norge and a high level of activity in real estate broking.

In the third quarter, cost efficiency measures and lower IT activity in the quarter had a positive effect. Compared with the previous quarter, expenses were reduced, mainly due to lower IT activity and the termination of the agreement with Posten Norge. The positive development was partly offset by an increase in real estate broking activity in the third quarter.

The personal customers segment experienced net reversals on impairment provisions of NOK 167 million in the third quarter. The reversals were mainly related to the consumer finance portfolio in stages 1 and 2. In stage 3 there was an increase in impairment provisions, primarily related to the private banking segment.

DNB's market share of credit to households stood at 23.0 per cent at the end of August 2020, while the market share of total household savings was 30.2 per cent in the same period. DNB Eiendom had an average market share of 17.8 per cent this quarter.

DNB experienced an increased demand for home mortgages in the third quarter, and the sale of mutual funds, as well as assets under management, continued to increase. The #huninvest (#girlsinvest) campaign was relaunched and the #huninvest (#girlsinvest) pension campaign was introduced towards the end of the quarter. Both campaigns focus on the fact that the number of women investing in mutual funds and equities is low compared with the number of men.

Corporate customers

Income statement in NOK million	3Q20	2Q20	3Q19
Net interest income	5 804	5 944	6 041
Net other operating income	1 452	1 523	1 384
Total income	7 255	7 467	7 424
Operating expenses	(2 759)	(2 939)	(2 514)
Pre-tax operating profit before impairment	4 496	4 528	4 910
Impairment of financial instruments	(947)	(2 030)	(1 174)
Profit from repossessed operations	(2)	(29)	(71)
Pre-tax operating profit	3 547	2 469	3 665
Tax expense	(887)	(617)	(900)
Profit from operations held for sale, after taxes			(2)
Profit for the period	2 660	1 852	2 762

Average balance sheet items in NOK billion

Net loans to customers	788.0	815.8	767.2
Deposits from customers	621.0	613.8	524.2

Key figures in per cent

Lending spread ¹⁾	2.47	2.46	2.31
Deposit spread ¹⁾	0.02	0.05	0.39
Return on allocated capital	10.3	7.0	11.3
Cost/income ratio	38.0	39.4	33.9
Ratio of deposits to loans	78.8	75.2	68.3

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

The effects of the COVID-19 pandemic and the oil price fall continued to have a negative impact on the corporate customers segment's financial performance in the third quarter. Pre-tax operating profit before impairment declined by 8.4 per cent from the third quarter of 2019, and 0.7 per cent from the second quarter of 2020.

Net interest income declined from the previous quarter and from the third quarter of 2019. Average loan volumes were down 3.4 per cent compared with the second quarter, and the underlying currency-adjusted growth rate was down 0.4 per cent.

Lending and deposit volumes for small and medium-sized enterprises (SME) grew by 1.8 per cent and 2.1 per cent, respectively, from end-June to end-September.

There was also continued underlying growth in deposit volumes in the third quarter, mainly from the SME and Future & Tech Industries segments. Deposit spreads were, however, negatively affected by decreasing money market rates and the full effect of interest rate adjustments.

Markets' income followed seasonal activity and was close to the same level as the corresponding quarter last year. Foreign exchange activities showed a strong increase from the previous quarter this year, of 10 per cent.

Operating expenses were up 9.7 per cent compared with the third quarter of 2019, primarily due to currency effects and depreciation of operating leases. Compared with the previous quarter, operating expenses were reduced by 6.1 per cent.

Impairment of financial instruments decreased from the second quarter and amounted to NOK 947 million in the third quarter of 2020. In the third quarter, the impairment provisions were primarily from customers in oil-related industries (mainly offshore) in stage 3.

Apart from some negative credit migration within the industries in a challenging situation, the credit quality has been relatively stable.

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

Other operations

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

Income statement in NOK million	3Q20	2Q20	3Q19
Net interest income	441	305	688
Net other operating income	1 325	1 528	1 618
Total income	1 766	1 833	2 305
Operating expenses	(1 320)	(549)	(1 238)
Pre-tax operating profit before impairment	446	1 284	1 067
Net gains on fixed and intangible assets		(0)	(40)
Impairment of financial instruments	4	(8)	(0)
Profit from repossessed operations	2	29	71
Pre-tax operating profit	451	1 304	1 099
Tax expense	194	(35)	64
Profit from operations held for sale, after taxes	2	(17)	(33)
Profit for the period	648	1 252	1 129

Average balance sheet items in NOK billion

Net loans to customers	103.7	110.7	102.2
Deposits from customers	58.0	73.4	29.6

The profit for the other operations segment was NOK 648 million in the third quarter of 2020.

Risk management income increased to NOK 334 million in the third quarter, up NOK 148 million from a year earlier. A continued normalisation of the markets produced positive effects relating to counterparty risk (XVA) and credit spreads. Strong results from money market activities and repurchase agreements (repo trading) also contributed to the increased income.

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

The banking group's share of the profit in associated companies (most importantly Luminor and Vipps) is included in this segment with a total income of NOK 181 million. There was an increase in profit from these companies of NOK 46 million compared with the third quarter of 2019, and NOK 17 million compared with the second quarter of 2020.

Funding, liquidity and balance sheet

The market for short-term funding has continued to pick up during the third quarter, and the market conditions are favourable. The central banks have expressed clear expectations that interest rates should remain low in the time ahead, and the supply of liquidity in the market has been generous. The banking group thus still has good access to the desired volumes of funding at attractive levels.

The markets for long-term funding have continued to improve in the third quarter, and prices have now stabilised at pre-pandemic levels. Since the summer, there has been an increase in activity in the markets for both senior bonds and covered bonds, as well as in the markets for subordinated loans. Moreover, there has been a great deal of activity in the market for subordinated senior bonds, or 'senior non-preferred' bonds. The banking group successfully issued its first senior non-preferred bond in September, a 6-year, USD 1 billion bond. The banking group has ample access to long-term funding in all markets.

The nominal value of long-term debt securities issued by the banking group was NOK 672 billion at end-September 2020,

compared with NOK 627 billion a year earlier. The average remaining term to maturity for these long-term debt securities was 3.4 years at end-September 2020, compared with 3.8 years a year-earlier.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the quarter and stood at 145 per cent at the end of the third quarter.

Total assets in the banking group were NOK 2 712 billion at the end of the third quarter, and NOK 2 577 billion a year earlier.

Loans to customers increased by NOK 38.3 billion, or 2.3 per cent in the third quarter, compared with the third quarter of 2019. Customer deposits were up NOK 120.3 billion, or 12.2 per cent, during the same period. The ratio of customer deposits to net loans to customers, measured in per cent, was 66.0 per cent at end-September, up from 58.2 per cent a year earlier.

Risk management and capital position

The banking group's capital position remained strong in the quarter and was well above the regulatory requirements. More than six months into the COVID-19 pandemic, the markets have normalised somewhat, but there is still significant uncertainty attached to future developments.

At the end of September 2020, the CET1 capital ratio was 18.6 per cent, down from 18.9 per cent a year-earlier, and up from 18.0 per cent at end-June. The figures include 50 per cent of interim profits.

Risk-weighted assets decreased by NOK 28 billion from end-June to NOK 944 billion at end-September 2020. The retained profit, positive credit migration and reduced counterparty risk were the main factors behind the decrease in risk-weighted assets and the higher CET1 capital from end-June.

The non-risk based leverage ratio was 6.7 per cent end-September, down from 7.2 per cent from the year earlier period, and up from 6.6 per cent at end-June.

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

Capital adequacy

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

Capital and risk

	3Q20	2Q20	3Q19
CET1 capital ratio, per cent	18.6	18.0	18.9
Tier 1 capital ratio, per cent	20.5	19.9	20.7
Capital ratio, per cent	24.1	23.3	24.0
Risk-weighted assets, NOK billion	944	972	964
Leverage ratio, per cent	6.7	6.6	7.2

New regulatory framework

Ordinary flexibility quotas as set out in the Home Mortgage Regulations to be reintroduced as of the fourth quarter

The Home Mortgage Regulations contain requirements regarding loan-to-value ratio, instalment payments, debt-servicing capacity and loan-to-income ratio. Under the Home Mortgage Regulations, banks are allowed to deviate from these requirements for up to 10 per cent of their lending volume each quarter (8 per cent in Oslo).

On 23 March, the Ministry of Finance decided to increase these quotas to 20 per cent throughout the country. This increased flexibility and helped strengthen the banks' ability to assist their customers during the demanding period caused by the COVID-19 pandemic. On 11 September, the Ministry of Finance decided that the temporarily increased flexibility quotas will be discontinued after the third quarter of 2020.

Regulation of banks' lending practices

Banks' lending practices towards households are currently regulated by the Home Mortgage Regulations and the Consumer Loan Regulations. On 28 September, Finanstilsynet issued advice to the Norwegian Ministry of Finance on how banks' lending practices should be regulated, in light of the fact that these regulations will cease to apply on 31 December 2020.

Finanstilsynet has proposed that the regulations should be continued indefinitely, but with certain amendments. It is proposed that the requirements for banks' lending practices should be set out in a single set of regulations, and that the scope should be expanded to include loans secured by assets other than housing properties. It is further proposed that the limit for debt in relation to income (maximum loan-to-income ratio) should be reduced from 5 to 4.5 times the borrowers' gross annual income.

Finanstilsynet has also proposed that the banks' flexibility quota for home mortgages, that is to say the right to provide loans that do not meet one or more of the conditions set out in the regulations, should be set at 5 per cent throughout the country. As mentioned, in the current Home Mortgage Regulations, this quota is set at 10 per cent for loans outside Oslo, and 8 per cent for loans in Oslo.

Finanstilsynet's proposal has been circulated for public consultation, and the deadline for comments is 10 November. The Ministry of Finance has not yet taken a stance on the specific elements of the proposal but will consider them together with the input from the various consultative bodies. The Norwegian central bank, Norges Bank has stated that current developments do not indicate any need, at the present time, for any changes to the requirements for lending practices for mortgages and consumer loans.

Countercyclical capital buffer requirement remains unchanged at 1 per cent

On the advice of Norges Bank, the Ministry of Finance decided on 13 March to reduce the requirement for a countercyclical capital buffer from 2.5 to 1 per cent. The reduction was made in connection with the COVID-19 pandemic and the infection control measures that led to a sharp decline in activity in the Norwegian economy. Lower buffer requirements reduce the risk of banks adopting stricter lending practices that could exacerbate the decline. On 24 September, the Ministry of Finance decided to keep the requirement unchanged at 1 per cent. This decision was again based on advice from Norges Bank, which pointed out, among other things, that although the banks' profitability has now increased as a result of lower loan losses, there is still uncertainty attached to loss development in the time ahead. In its advice, Norges Bank emphasised that Norwegian banks are well equipped for withstanding increased losses while maintaining their current credit offering. Norges Bank does not anticipate issuing advice on whether or not to increase the buffer requirement again until the first quarter of 2021, at the earliest. Any decision to increase the requirement will normally enter into force no earlier than 12 months after the decision has been made.

Norwegian implementation of the EU Banking Package

In the spring of 2019, the EU adopted a number of amendments to the EU's capital requirements legislation, the Capital Requirements Regulation/Capital Requirements Directive (CRR/CRD IV) and the Bank Recovery and Resolution Directive (BRRD), based on recommendations from the Basel Committee. The adopted legislative acts are collectively referred to as 'the Banking Package'

and include CRR II, CRD V and BRRD II. The legislative acts are EEA relevant, but have not yet been incorporated into the EEA Agreement.

The rules of the Banking Package are due to take effect in the EU from the spring of 2021. However, some elements of the Banking Package were already introduced in the EU in the summer of 2020 (as 'quick fix' amendments) to give banks greater flexibility to provide loans during the demanding period caused by the COVID-19 pandemic.

A working group led by Finanstilsynet has examined Norway's implementation of the Banking Package, and submitted its recommendations to the Ministry of Finance on 9 October 2020. The working group considers it disproportionately resource intensive to introduce the quick fix amendments in Norway before they are incorporated into the EEA agreement, and recommends that they are introduced at the same time as CRR II and BRRD II. The working group points out that CRR II will probably not enter into force in the EEA until 1 July 2021, at the earliest. The recommendations are currently subject to public consultation until 6 January 2021.

The EU's Digital Finance Strategy

The European Commission has presented a package of strategies and legislative proposals related to digital financial services. The purpose is, among other things, to give consumers increased access to cross-border financial services, facilitate pan-European payment solutions and establish a framework for the use of digital identities across EU countries, among other things through interoperability between existing solutions. The Commission aims to strengthen the competitiveness and innovative power of the European financial sector, as well as the autonomy of the European payments market. The strategy is expected to have a major impact on the framework conditions for digital financial services in Norway as well.

Macroeconomic developments

The measures to contain the spread of the coronavirus sent the world economy into an exceptionally abrupt, deep and synchronised recession. After reaching the lowest point in April and despite the strong recovery as a result of the easing of the infection control measures, value creation is currently well below the pre-pandemic level.

There is still considerable uncertainty concerning economic developments, both in the short and long term. The major central banks have signalled that the interest rates will remain at the current low level for a long time.

So far, it seems that the Norwegian economy has performed better than many other advanced economies. On 27 August, DNB Markets estimated a decrease in mainland GDP of 3.9 per cent in 2020, while Norges Bank in September estimated a decline of 3.6

per cent. Mainland GDP fell by 2.2 per cent in the first quarter, while the decrease in the second quarter was 6.4 per cent. In May, however, there was an increase of 2.4 per cent month on month, which increased to 3.7 per cent month on month in June. In July, the growth rate slowed to 1.1 per cent. The unemployment rate rose rapidly to a peak of 10.4 per cent of the workforce in April but had declined to 3.7 per cent at the start of October. Increased infection rates and continued infection control measures are likely to put a damper on activity growth in the near future, and some industries, particularly service industries, may experience a new decline. Inflation in Norway has also been low, with a CPI growth of well below 2 per cent so far this year. This can mainly be ascribed to falling electricity prices. Core inflation has risen and ended at 3.7 per cent in August, driven by the weak Norwegian krone. Low wage growth and the prospect of a slightly stronger krone indicate that the rise in core inflation is temporary.

Norges Bank lowered the key policy rate to 0.00 per cent in May and signalled that the rate would remain unchanged until the end of 2023. In June, however, projections for the economy were revised upwards, and Norges Bank warned of a potential rise in the key policy rate in the second half of 2022, followed by two additional potential rate hikes in 2023. This was to a large extent repeated at the monetary policy meeting in September. In the housing market, inflation has remained at an average of 1 per cent per month since April. In September, there was a near record-high level of activity in the market for the sale of existing homes. On 7 October, the Government presented the national budget for 2021. The structural non-oil deficit covered by allocations from the Government Pension Fund Global, was expected to decline from 3.9 per cent of the fund in 2020 to 3.0 per cent in 2021. The fiscal impulse for 2021 is estimated to be contractionary at minus 2.9 per cent in contrast to an estimated expansionary impulse in 2020 at 4.5 per cent.

Future prospects

DNB's financial ambitions, including the overriding financial target of a return on equity above 12 per cent, remain unchanged. However, due to the COVID-19 pandemic and the subsequent developments in the macroeconomic environment, the ROE target and the ambition of a cost/income ratio of less than 40 per cent are unlikely to be achieved in 2020.

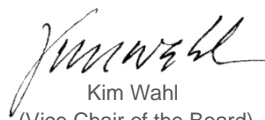
In the period 2020 to 2022, the annual increase in lending and deposit volumes is expected to be around 3 to 4 per cent.

The negative effects on net interest income from the reduction in interest rates on customer loans and deposits following Norges Bank's 150 basis point reduction in the key policy rate were reflected in the results from the second quarter onwards. Alongside this, net commissions and fees are still expected to be affected by lower income from money transfer and banking services due to lower levels of international business and travel activity.

Oslo, 21 October 2020
The Board of Directors of DNB Bank ASA



Olaug Svarva
(Chair of the Board)



Kim Wahl
(Vice Chair of the Board)



Julie Galbo



Eli Solhaug



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

Income statement

DNB Bank ASA

<i>Amounts in NOK million</i>	3rd quarter 2020	3rd quarter 2019	January-September 2020	January-September 2019	Full year 2019
Interest income, amortised cost	7 434	11 250	27 971	32 412	44 084
Other interest income	818	962	3 298	3 150	4 257
Interest expenses, amortised cost	(1 528)	(6 203)	(9 767)	(18 129)	(23 799)
Other interest expenses	(57)	1 617	657	4 586	5 638
Net interest income	6 666	7 626	22 159	22 019	30 180
Commission and fee income	1 901	2 037	5 718	6 065	8 343
Commission and expenses	(766)	(811)	(2 316)	(2 338)	(3 168)
Net gains on financial instruments at fair value	632	1 504	5 313	2 925	2 688
Net gains on investment properties					97
Other income	1 549	1 940	3 644	7 967	15 299
Net other operating income	3 315	4 670	12 358	14 620	23 260
Total income	9 981	12 297	34 517	36 639	53 440
Salaries and other personnel expenses	(2 673)	(2 479)	(7 631)	(7 525)	(10 360)
Other expenses	(1 333)	(1 490)	(4 290)	(4 747)	(6 477)
Depreciation and impairment of fixed and intangible assets	(835)	(843)	(2 461)	(2 374)	(3 203)
Total operating expenses	(4 841)	(4 812)	(14 382)	(14 646)	(20 039)
Pre-tax operating profit before impairment	5 140	7 484	20 135	21 992	33 401
Net gains on fixed and intangible assets	0	(40)	0	(56)	(34)
Impairment of financial instruments	(369)	(1 164)	(7 302)	(2 108)	(2 484)
Pre-tax operating profit	4 771	6 281	12 832	19 829	30 883
Tax expense	(954)	(1 131)	(2 567)	(3 569)	(4 122)
Profit for the period	3 816	5 150	10 266	16 259	26 761
Portion attributable to shareholders of DNB Bank ASA	3 566	4 843	9 324	15 463	25 638
Portion attributable to additional Tier 1 capital holders	251	307	941	796	1 123
Profit for the period	3 816	5 150	10 266	16 259	26 761

Comprehensive income statement

<i>Amounts in NOK million</i>	DNB Bank ASA				
	3rd quarter 2020	3rd quarter 2019	January-September 2020 2019		Full year 2019
Profit for the period	3 816	5 150	10 266	16 259	26 761
Actuarial gains and losses		(142)	(278)	(142)	(11)
Financial liabilities designated at FVTPL, changes in credit risk	(5)	(13)	28	(49)	9
Tax	1	39	63	48	(5)
Items that will not be reclassified to the income statement	(4)	(116)	(188)	(144)	(7)
Currency translation of foreign operations	(2)	(9)	159	(46)	(44)
Financial assets at fair value through OCI	214	(8)	(27)	(26)	59
Tax	(53)	2	7	7	(15)
Items that may subsequently be reclassified to the income statement	158	(16)	139	(66)	0
Other comprehensive income for the period	154	(132)	(49)	(210)	(7)
Comprehensive income for the period	3 970	5 018	10 217	16 050	26 754

Balance sheet

		DNB Bank ASA		
<i>Amounts in NOK million</i>	Note	30 Sept. 2020	31 Dec. 2019	30 Sept. 2019
Assets				
Cash and deposits with central banks		365 567	301 246	397 903
Due from credit institutions		404 516	394 237	397 025
Loans to customers	5, 6, 7, 8	875 662	880 203	876 194
Commercial paper and bonds	8	328 987	231 910	220 864
Shareholdings	8	4 377	6 008	5 358
Financial derivatives	8	201 270	136 255	152 016
Investment properties			144	
Investments in associated companies		2 575	2 575	2 581
Investments in subsidiaries		109 082	113 810	114 074
Intangible assets		3 409	3 392	3 349
Deferred tax assets		6 308	6 205	2 694
Fixed assets		15 252	14 557	14 757
Other assets		14 269	11 897	13 536
Total assets		2 331 273	2 102 439	2 200 352
Liabilities and equity				
Due to credit institutions		321 149	277 188	327 079
Deposits from customers	8	1 081 174	956 655	962 624
Financial derivatives	8	225 250	168 349	186 608
Debt securities issued	8, 9	418 316	416 565	454 317
Payable taxes		8 666	7 495	3 653
Deferred taxes		99	88	86
Other liabilities		49 774	52 215	34 605
Provisions		1 898	1 341	1 972
Pension commitments		3 871	3 454	3 513
Subordinated loan capital	8, 9	34 011	31 095	31 415
Total liabilities		2 144 208	1 914 446	2 005 871
Additional Tier 1 capital		18 581	26 729	18 715
Share capital		18 242	18 256	18 256
Share premium		19 895	19 895	19 895
Other equity		130 346	123 113	137 614
Total equity		187 064	187 993	194 481
Total liabilities and equity		2 331 273	2 102 439	2 200 352

Income statement

	DNB Bank Group				
<i>Amounts in NOK million</i>	3rd quarter 2020	3rd quarter 2019	January-September 2020	January-September 2019	Full year 2019
Interest income, amortised cost	10 995	15 600	40 206	44 856	61 067
Other interest income	997	1 172	3 634	3 800	5 123
Interest expenses, amortised cost	(1 540)	(6 130)	(10 200)	(18 058)	(23 796)
Other interest expenses	(1 025)	(492)	(3 959)	(1 232)	(2 486)
Net interest income	9 428	10 150	29 681	29 367	39 908
Commission and fee income	2 299	2 341	6 881	7 115	9 758
Commission and fee expenses	(750)	(805)	(2 283)	(2 316)	(3 141)
Net gains on financial instruments at fair value	816	1 523	5 749	3 622	3 173
Profit from investments accounted for by the equity method	92	45	70	298	302
Net gains on investment properties	(20)	7	(52)	(0)	92
Other income	547	561	1 574	1 541	2 088
Net other operating income	2 983	3 672	11 938	10 260	12 272
Total income	12 411	13 822	41 619	39 627	52 181
Salaries and other personnel expenses	(3 117)	(2 888)	(8 888)	(8 726)	(11 989)
Other expenses	(1 521)	(1 698)	(4 831)	(5 270)	(7 131)
Depreciation and impairment of fixed and intangible assets	(862)	(865)	(2 539)	(2 288)	(3 157)
Total operating expenses	(5 500)	(5 452)	(16 258)	(16 284)	(22 278)
Pre-tax operating profit before impairment	6 911	8 370	25 361	23 343	29 903
Net gains on fixed and intangible assets	0	(40)	0	(43)	(33)
Impairment of financial instruments	(776)	(1 247)	(8 668)	(2 014)	(2 191)
Pre-tax operating profit	6 135	7 083	16 693	21 286	27 678
Tax expense	(1 227)	(1 417)	(3 339)	(4 257)	(4 825)
Profit from operations held for sale, after taxes	2	(36)	(71)	(117)	(49)
Profit for the period	4 910	5 631	13 284	16 912	22 805
Portion attributable to shareholders of DNB Bank ASA	4 657	5 326	12 347	16 119	21 686
Portion attributable to non-controlling interests	2	(2)	(4)	(4)	(5)
Portion attributable to additional Tier 1 capital holders	251	307	941	796	1 123
Profit for the period	4 910	5 631	13 284	16 912	22 805

Comprehensive income statement

	DNB Bank Group				
<i>Amounts in NOK million</i>	3rd quarter 2020	3rd quarter 2019	January-September 2020	January-September 2019	Full year 2019
Profit for the period	4 910	5 631	13 284	16 912	22 805
Actuarial gains and losses		(142)	(278)	(142)	(7)
Financial liabilities designated at FVTPL, changes in credit risk	(143)	(23)	73	(117)	232
Tax	36	41	51	65	(62)
Items that will not be reclassified to the income statement	(107)	(124)	(154)	(194)	163
Currency translation of foreign operations	59	2 576	8 120	642	463
Hedging of net investment	(135)	(2 362)	(7 145)	(668)	(459)
Financial assets at fair value through OCI	214	(8)	(27)	(26)	59
Tax	(20)	593	1 793	174	(208)
Items that may subsequently be reclassified to the income statement	118	798	2 742	122	(146)
Other comprehensive income for the period	11	674	2 588	(72)	17
Comprehensive income for the period	4 921	6 305	15 872	16 840	22 821

Balance sheet

<i>Amounts in NOK million</i>	Note	DNB Bank Group		
		30 Sept. 2020	31 Dec. 2019	30 Sept. 2019
Assets				
Cash and deposits with central banks		367 307	304 746	398 587
Due from credit institutions		114 067	101 165	103 355
Loans to customers	5, 6, 7, 8	1 712 253	1 671 350	1 673 924
Commercial paper and bonds	8	275 693	222 368	211 136
Shareholdings	8	5 932	7 479	6 786
Financial derivatives	8	189 698	125 364	139 588
Investment properties		701	741	582
Investments accounted for by the equity method		7 908	7 467	7 508
Intangible assets		3 769	3 744	3 671
Deferred tax assets		2 007	1 959	889
Fixed assets		15 571	14 882	15 000
Assets held for sale		1 185	1 274	1 209
Other assets		15 543	8 103	14 615
Total assets		2 711 632	2 470 640	2 576 850
Liabilities and equity				
Due to credit institutions		232 528	202 177	232 972
Deposits from customers	8	1 103 732	977 530	983 472
Financial derivatives	8	161 925	115 871	123 188
Debt securities issued	8, 9	903 012	871 632	939 484
Payable taxes		9 026	9 810	4 735
Deferred taxes		68	60	3 355
Other liabilities		27 042	27 129	35 833
Liabilities held for sale		393	423	258
Provisions		2 128	1 726	2 525
Pension commitments		4 002	3 568	3 625
Subordinated loan capital	8, 9	34 011	31 095	31 415
Total liabilities		2 477 867	2 241 022	2 360 861
Additional Tier 1 capital		18 581	26 729	18 715
Non-controlling interests		46	45	46
Share capital		18 242	18 256	18 256
Share premium		20 611	20 611	20 611
Other equity		176 285	163 978	158 361
Total equity		233 765	229 619	215 989
Total liabilities and equity		2 711 632	2 470 640	2 576 850

Statement of changes in equity

DNB Bank ASA

<i>Amounts in NOK million</i>	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 December 2018	18 256	19 895	16 194	536	(63)	121 745	176 562
Profit for the period			796			15 463	16 259
Actuarial gains and losses						(107)	(107)
Financial assets at fair value through OCI						(26)	(26)
Financial liabilities designated at FVTPL, changes in credit risk					(49)		(49)
Currency translation of foreign operations				(46)			(46)
Tax on other comprehensive income					12	7	19
Comprehensive income for the period			796	(46)	(37)	15 337	16 050
Merger DNB Næringskreditt						163	163
Additional Tier 1 capital issued			2 700				2 700
Interest payments additional Tier 1 capital			(965)				(965)
Currency movements taken to income			(10)			10	
Transfer of loan portfolio to subsidiary						(29)	(29)
Balance sheet as at 30 Sept. 2019	18 256	19 895	18 715	490	(100)	137 225	194 481
Balance sheet as at 31 December 2019	18 256	19 895	26 729	492	(57)	122 678	187 993
Profit for the period			941			9 324	10 266
Actuarial gains and losses						(278)	(278)
Financial assets at fair value through OCI						(27)	(27)
Financial liabilities designated at FVTPL, changes in credit risk						28	28
Currency translation of foreign operations				159			159
Tax on other comprehensive income					(7)	76	69
Comprehensive income for the period			941	159	21	9 096	10 217
Interest payments additional Tier 1 capital			(1 156)				(1 156)
Additional Tier 1 capital redeemed ¹⁾			(10 024)				(10 024)
Currency movements interest payments and redemption additional Tier 1 capital			2 091			(1 971)	120
Demerger Tollbugata 12	(14)					(73)	(87)
Balance sheet as at 30 Sept. 2020	18 242	19 895	18 581	651	(35)	129 731	187 064

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

Statement of changes in equity (continued)

Amounts in NOK million	DNB Bank Group							
	Non-controlling interests	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 December 2018		18 256	20 611	16 194	5 029	(176)	148 019	207 933
Profit for the period	(4)			796			16 119	16 912
Actuarial gains and losses							(107)	(107)
Financial assets at fair value through OCI							(26)	(26)
Financial liabilities designated at FVTPL, changes in credit risk						(117)		(117)
Currency translation of foreign operations					642			642
Hedging of net investment					(668)			(668)
Tax on other comprehensive income					167	29	7	203
Comprehensive income for the period	(3)			796	141	(88)	15 993	16 840
Additional Tier 1 capital issued				2 700				2 700
Interest payments additional Tier 1 capital				(965)				(965)
Currency movements taken to income				(10)			10	
Non-controlling interests DNB Auto Finance OY	49							49
Group contribution to DNB ASA for 2018							(10 568)	(10 568)
Balance sheet as at 30 Sept. 2019	46	18 256	20 611	18 715	5 171	(264)	153 454	215 989
Balance sheet as at 31 December 2019	45	18 256	20 611	26 729	4 840	(2)	159 141	229 619
Profit for the period	(4)			941			12 347	13 284
Actuarial gains and losses							(278)	(278)
Financial assets at fair value through OCI							(27)	(27)
Financial liabilities designated at FVTPL, changes in credit risk						73		73
Currency translation of foreign operations	5				8 115			8 120
Hedging of net investment					(7 145)			(7 145)
Tax on other comprehensive income					1 786	(18)	76	1 844
Comprehensive income for the period	1			941	2 756	55	12 119	15 872
Interest payments additional Tier 1 capital				(1 156)				(1 156)
Additional Tier 1 capital redeemed ¹⁾				(10 024)				(10 024)
Currency movements interest payments and redemption additional Tier 1 capital				2 091			(1 971)	120
Demerger Tollbugata 12		(14)					(81)	(94)
Group contribution to DNB ASA for 2019							(573)	(573)
Balance sheet as at 30 Sept. 2020	46	18 242	20 611	18 581	7 596	53	168 636	233 765

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

Cash flow statement

DNB Bank ASA

<i>Amounts in NOK million</i>	January-September 2020	2019	Full year 2019
Operating activities			
Net payments on loans to customers	20 379	(89 488)	(92 995)
Interest received from customers	27 788	31 299	42 475
Net receipts on deposits from customers	104 095	47 294	44 455
Interest paid to customers	(2 930)	(4 952)	(10 892)
Net receipts on loans to credit institutions	68 007	85 729	38 538
Interest received from credit institutions	1 948	5 814	7 686
Interest paid to credit institutions	(1 854)	(4 404)	(5 549)
Net receipts/(payments) on the sale of financial assets for investment or trading	(166 627)	63 158	(43 319)
Interest received on bonds and commercial paper	3 314	4 059	5 002
Net receipts on commissions and fees	4 017	3 743	4 910
Payments to operations	(13 180)	(12 211)	(16 279)
Taxes paid	(1 130)	(936)	(1 058)
Other net receipts/payments	7 028	25 077	24 100
Net cash flow from operating activities	50 855	154 182	(2 926)
Investing activities			
Net payments on the acquisition of fixed assets	(2 962)	(2 960)	(4 067)
Net payment for investment properties			(144)
Net disposal/(investment) in long-term shares	12 154	(268)	(218)
Dividends received on long-term investments in shares	1 600	5 835	8 153
Net cash flow from investment activities	10 792	2 606	3 723
Financing activities			
Receipts on issued bonds and commercial paper	978 793	817 393	1 068 424
Payments on redeemed bonds and commercial paper	(967 719)	(710 110)	(909 130)
Interest payments on issued bonds and commercial paper	(4 980)	(7 557)	(9 302)
Receipts on the raising of subordinated loan capital	4 056	9	9
Redemptions of subordinated loan capital	(4 207)	(9)	(9)
Interest payments on subordinated loan capital	(430)	(443)	(410)
Net receipts/(payments) on issue or redemption of additional Tier 1 capital	(10 024)	2 700	10 436
Interest payments on additional Tier 1 capital	(1 156)	(965)	(1 052)
Lease payments	(558)	(421)	(557)
Group contribution payments		(10 568)	(10 568)
Net cash flow from funding activities	(6 225)	90 030	147 840
Effects of exchange rate changes on cash and cash equivalents	6 208	(1 566)	(50)
Net cash flow	61 630	245 253	148 588
Cash as at 1 January	306 446	157 858	157 858
Net receipts of cash	61 630	245 253	148 588
Cash at end of period ¹⁾	368 076	403 111	306 446
<i>*) Of which: Cash and deposits with central banks</i>	<i>365 567</i>	<i>397 903</i>	<i>301 246</i>
<i>Deposits with credit institutions with no agreed period of notice ¹⁾</i>	<i>2 509</i>	<i>5 208</i>	<i>5 200</i>

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

Cash flow statement (continued)

<i>Amounts in NOK million</i>	DNB Bank Group		
	January-September 2020	2019	Full year 2019
Operating activities			
Net payments on loans to customers	(25 408)	(82 922)	(80 135)
Interest received from customers	38 368	46 454	58 082
Net receipts on deposits from customers	105 847	44 319	41 519
Interest paid to customers	(3 100)	(5 155)	(11 289)
Net receipts on loans to credit institutions	35 745	71 966	41 700
Interest received from credit institutions	473	2 899	3 639
Interest paid to credit institutions	(1 345)	(3 441)	(4 287)
Net receipts/(payments) on the sale of financial assets for investment or trading	(55 895)	86 139	(13 684)
Interest received on bonds and commercial paper	2 847	3 907	4 882
Net receipts on commissions and fees	5 227	4 773	6 294
Payments to operations	(14 896)	(13 879)	(18 412)
Taxes paid	(1 713)	(1 297)	(1 878)
Other net receipts/payments	1 443	3 126	(778)
Net cash flow from operating activities	87 593	156 888	25 653
Investing activities			
Net payments on the acquisition of fixed assets	(3 096)	(2 846)	(3 966)
Net receipts/(payments) on investment properties	24	42	(116)
Net disposal in long-term shares		3 260	3 260
Dividends received on long-term investments in shares	62	942	942
Net cash flow from investment activities	(3 009)	1 398	120
Financing activities			
Receipts on issued bonds and commercial paper	982 738	849 467	1 097 101
Payments on redeemed bonds and commercial paper	(988 688)	(738 813)	(955 115)
Interest payments on issued bonds and commercial paper	(10 414)	(13 288)	(16 922)
Receipts on the raising of subordinated loan capital	4 056	9	9
Redemptions of subordinated loan capital	(4 207)	(9)	(9)
Interest payments on subordinated loan capital	(432)	(450)	(413)
Net receipts/(payments) on issue or redemption of additional Tier 1 capital	(10 024)	2 700	10 436
Interest payments on additional Tier 1 capital	(1 156)	(965)	(1 052)
Lease payments	(474)	(437)	(615)
Group contributions payments	(573)	(10 568)	(10 568)
Net cash flow from funding activities	(29 175)	87 646	122 850
Effects of exchange rate changes on cash and cash equivalents	7 055	(1 513)	(174)
Net cash flow	62 464	244 420	148 449
Cash as at 1 January	307 623	159 173	159 173
Net receipts of cash	62 464	244 420	148 449
Cash at end of period ¹⁾	370 087	403 593	307 623

*) *Of which: Cash and deposits with central banks* 367 307 398 587 304 746
Deposits with credit institutions with no agreed period of notice ¹⁾ 2 780 5 006 2 877

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

Note 1 Basis for preparation

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

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

Note 2 Segments

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

Income statement, third quarter

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Bank Group	
	3rd quarter		3rd quarter		3rd quarter		3rd quarter		DNB Bank Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<i>Amounts in NOK million</i>										
Net interest income	3 184	3 422	5 804	6 041	441	688			9 428	10 150
Net other operating income	899	1 014	1 452	1 384	1 325	1 618	(693)	(344)	2 983	3 672
Total income	4 083	4 437	7 255	7 424	1 766	2 305	(693)	(344)	12 411	13 822
Operating expenses	(2 113)	(2 044)	(2 759)	(2 514)	(1 320)	(1 238)	693	344	(5 500)	(5 452)
Pre-tax operating profit before impairment	1 970	2 393	4 496	4 910	446	1 067			6 911	8 370
Net gains on fixed and intangible assets		(0)	0	(0)		(40)			0	(40)
Impairment of financial instruments	167	(73)	(947)	(1 174)	4	(0)			(776)	(1 247)
Profit from repossessed operations			(2)	(71)	2	71				
Pre-tax operating profit	2 137	2 320	3 547	3 665	451	1 099			6 135	7 083
Tax expense	(534)	(580)	(887)	(900)	194	64			(1 227)	(1 417)
Profit from operations held for sale, after taxes				(2)	2	(33)			2	(36)
Profit for the period	1 602	1 740	2 660	2 762	648	1 129			4 910	5 631

Income statement, January-September

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Bank Group	
	Jan.-Sept.		Jan.-Sept.		Jan.-Sept.		Jan.-Sept.		DNB Bank Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<i>Amounts in NOK million</i>										
Net interest income	10 275	10 173	17 854	17 406	1 551	1 788			29 681	29 367
Net other operating income	2 703	2 897	4 357	4 630	5 964	3 856	(1 086)	(1 122)	11 938	10 260
Total income	12 978	13 070	22 211	22 036	7 516	5 644	(1 086)	(1 122)	41 619	39 627
Operating expenses	(6 458)	(6 106)	(8 564)	(7 898)	(2 322)	(3 402)	1 086	1 122	(16 258)	(16 284)
Pre-tax operating profit before impairment	6 520	6 963	13 648	14 137	5 194	2 242			25 361	23 343
Net gains on fixed and intangible assets		(0)	0	(1)	(0)	(42)			0	(43)
Impairment of financial instruments	(648)	(250)	(8 015)	(1 760)	(5)	(4)			(8 668)	(2 014)
Profit from repossessed operations			(110)	(201)	110	201				
Pre-tax operating profit	5 872	6 714	5 522	12 176	5 300	2 396			16 693	21 286
Taxes	(1 468)	(1 678)	(1 380)	(2 977)	(490)	398			(3 339)	(4 257)
Profit from operations held for sale, after taxes				(0)	(71)	(117)			(71)	(117)
Profit for the period	4 404	5 035	4 141	9 199	4 739	2 678			13 284	16 912

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

Note 3 Capital adequacy

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

DNB Bank ASA		Primary capital	DNB Bank Group	
31 Dec. 2019	30 Sept. 2020		30 Sept. 2020	31 Dec. 2019
		<i>Amounts in NOK million</i>		
187 993	177 740	Total equity	221 418	229 619
		Effect from regulatory consolidation	(191)	(198)
(26 048)	(17 995)	Additional Tier 1 capital instruments included in total equity	(17 995)	(26 048)
(510)	(439)	Net accrued interest on additional Tier 1 capital instruments	(439)	(510)
161 434	159 306	Common equity Tier 1 capital instruments	202 792	202 862
		Deductions		
(2 376)	(2 430)	Goodwill	(3 005)	(2 946)
(457)	(457)	Deferred tax assets that are not due to temporary differences	(963)	(868)
(1 016)	(979)	Other intangible assets	(1 520)	(1 626)
		Group contribution, payable	(25 000)	(25 000)
(1 633)	(660)	Expected losses exceeding actual losses, IRB portfolios	(1 498)	(2 502)
(532)	(757)	Value adjustment due to the requirements for prudent valuation (AVA)	(916)	(810)
57	35	Adjustments for unrealised losses/(gains) on debt measured at fair value	(53)	2
(460)	(747)	Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(120)	(96)
155 017	153 310	Common equity Tier 1 capital	169 717	169 016
155 017	157 973	- including 50 per cent of profit for the period	175 941	169 016
26 048	17 995	Additional Tier 1 capital instruments	17 995	26 048
181 065	171 305	Tier 1 capital	187 712	195 064
181 065	175 967	- including 50 per cent of profit for the period	193 936	195 064
5 774	6 241	Perpetual subordinated loan capital	6 241	5 774
24 943	27 426	Term subordinated loan capital	27 426	24 943
30 717	33 667	Additional Tier 2 capital instruments	33 667	30 717
211 783	204 972	Total eligible capital	221 379	225 781
211 783	209 634	- including 50 per cent of profit for the period	227 603	225 781
804 721	807 388	Risk-weighted assets	943 984	924 869
64 378	64 591	Minimum capital requirement	75 519	73 990
		Capital ratios incl. 50 per cent of profit for the period (%):		
19.3	19.6	Common equity Tier 1 capital ratio	18.6	18.3
22.5	21.8	Tier 1 capital ratio	20.5	21.1
26.3	26.0	Capital ratio	24.1	24.4
		Capital ratios excl. 50 per cent of profit for the period (%):		
	19.0	Common equity Tier 1 capital ratio	18.0	
	21.2	Tier 1 capital ratio	19.9	
	25.4	Capital ratio	23.5	

Note 3 Capital adequacy (continued)

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

Specification of risk-weighted assets and capital requirements

<i>Amounts in NOK million</i>	DNB Bank ASA					
	Nominal exposure	EAD ¹⁾	Average risk weights	Risk-weighted assets	Capital requirements	Capital requirements
	30 Sept. 2020	30 Sept. 2020	in per cent 30 Sept. 2020	30 Sept. 2020	30 Sept. 2020	31 Dec. 2019
IRB approach						
Corporate	820 547	672 269	46.2	310 622	24 850	23 886
Specialised lending (SL)	11 853	11 265	51.6	5 809	465	442
Retail	96 594	80 319	23.2	18 652	1 492	1 653
Secured by mortgages on immovable property	112 959	112 959	23.9	26 960	2 157	2 476
Securitisation						
Total credit risk, IRB approach	1 041 953	876 813	41.3	362 043	28 963	28 457
Standardised approach						
Central government	382 145	381 161	0.0	80	6	3
Institutions	712 612	595 940	16.9	100 916	8 073	8 510
Corporate	121 510	107 031	65.6	70 199	5 616	6 025
Retail	165 253	54 887	74.7	41 013	3 281	2 560
Secured by mortgages on immovable property	13 091	12 497	37.3	4 660	373	362
Equity positions	115 096	115 096	100.2	115 291	9 223	9 540
Other assets	20 617	20 220	126.4	25 549	2 044	1 853
Total credit risk, standardised approach	1 530 325	1 286 833	27.8	357 709	28 617	28 852
Total credit risk	2 572 278	2 163 646	33.3	719 751	57 580	57 309
Market risk						
Position risk, debt instruments				8 420	674	827
Position risk, equity instruments				1 119	90	30
Currency risk				15	1	1
Commodity risk				0	0	0
Total market risk				9 555	764	858
Credit value adjustment risk (CVA)				4 391	351	316
Operational risk				73 691	5 895	5 895
Total risk-weighted assets and capital requirements				807 388	64 591	64 378

1) EAD, exposure at default.

Note 3 Capital adequacy (continued)

Specification of risk-weighted assets and capital requirements

	Nominal exposure		Average risk weights in per cent	Risk-weighted assets	DNB Bank Group	
	30 Sept. 2020	EAD ¹⁾ 30 Sept. 2020			30 Sept. 2020	Capital requirements 30 Sept. 2020
<i>Amounts in NOK million</i>						
IRB approach						
Corporate	1 024 694	838 875	47.0	394 063	31 525	30 537
Specialised Lending (SL)	12 931	12 330	52.1	6 426	514	503
Retail	96 594	80 319	23.2	18 652	1 492	1 653
Secured by mortgages on immovable property	826 664	826 664	21.5	177 326	14 186	13 893
Securitisation						
Total credit risk, IRB approach	1 960 883	1 758 189	33.9	596 466	47 717	46 586
Standardised approach						
Central government	400 749	400 323	0.1	368	29	6
Institutions	245 010	204 483	14.0	28 646	2 292	2 667
Corporate	190 134	165 715	69.1	114 453	9 156	9 320
Retail	172 707	59 906	74.1	44 364	3 549	2 812
Secured by mortgages on immovable property	65 110	61 345	48.0	29 444	2 355	2 245
Equity positions	10 318	10 268	91.7	9 416	753	764
Other assets	21 215	20 343	82.4	16 768	1 341	1 241
Total credit risk, standardised approach	1 105 243	922 383	26.4	243 459	19 477	19 054
Total credit risk	3 066 126	2 680 572	31.3	839 925	67 194	65 641
Market risk						
Position risk, debt instruments				9 079	726	842
Position risk, equity instruments				1 119	90	30
Currency risk				15	1	1
Commodity risk				1	0	0
Total market risk				10 214	817	873
Credit value adjustment risk (CVA)				4 820	386	354
Operational risk				89 025	7 122	7 122
Total risk-weighted assets and capital requirements				943 984	75 519	73 990

1) EAD, exposure at default.

Note 4 Measurement of expected credit loss (ECL)

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

Forbearance

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

The banking group has a policy that payment waivers directly related to COVID-19 combined with an otherwise healthy financial situation for the customer are not to result in forbearance classification. However, when payment waivers are combined with high credit risk and an expectation that the forbearance measures are not temporary, reclassification to the forbearance category should still be performed. The gross carrying amount of loans and financial commitments classified in the forbearance category was NOK 45 006 million as at 30 September 2020, compared with NOK 34 469 million as at 31 December 2019.

Segmentation, macro scenarios and credit cycle index

The assessment of significant increases in credit risk and the calculation of ECL incorporate past, present and forward-looking information. The level of uncertainty in assessing forward-looking information has increased considerably, due to the massive lockdown and gradual reopening of the economy following the COVID-19 outbreak, combined with the related oil market imbalances. The high level of uncertainty reflects the magnitude and duration of the business-related and financial impacts, as well as the effects of the various financial support and relief measures being implemented by the Government.

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

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

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

Sensitivity

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

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

The banking group has simulated an alternative adverse scenario for relevant macro forecasts. The scenario represents a possible downside compared with the scenario used for calculating the ECL recognised in the financial statements. Each macroeconomic variable is given alternative weaker expectations for each period in the forecast period. In the simulated alternative scenario, the ECL in stages 1 and 2 would increase by approximately 120 per cent compared with the ECL in stages 1 and 2 that is recognised in the financial statements at 30 September 2020.

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

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

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

	Base case financial statements			Base case alternative scenario		
	2020	2021	2022	2020	2021	2022
Global GDP, year-to-year growth	(3.9)	5.0	3.7	(5.9)	(0.3)	3.7
Emerging countries' GDP, year-to-year growth	(2.6)	6.1	4.5	(4.0)	0.0	4.5
Swedish GDP, year-to-year growth	(4.8)	2.8	2.5	(7.0)	(1.5)	2.5
Oil price, USD per barrel	42	53	65	35	30	42
Norwegian house price index, year-to-year growth	4.1	6.0	3.0	1.3	(19.6)	3.0
Norwegian registered unemployment rate	5.1	3.7	3.3	6.5	7.8	4.5
NIBOR 3-month interest rate	0.7	0.4	0.6	0.8	0.5	0.6

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

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

	Change
Global GDP (percentage points)	(1.8)
Emerging countries' GDP (percentage points)	(1.9)
Oil price (per cent)	(33.0)
Norwegian mainland GDP (percentage points)	(2.0)
Norwegian consumer price index (percentage points)	(0.2)
Norwegian house price index (percentage points)	(7.1)
Norwegian registered unemployment rate (percentage points)	1.7
NIBOR 3-month interest rate (percentage points)	0.1
Swedish GDP (percentage points)	(1.6)
Norwegian commercial real estate rental price (per cent)	(1.6)
Salmon price (per cent)	(36.1)
Floater spot rate (per cent)	(10.6)
Rig utilisation rate (per cent)	0.0
Very large crude carriers spot rate (per cent)	(39.6)
Capesize spot rate (per cent)	(43.8)
Very large gas carrier spot rate (per cent)	(3.4)

One of the most significant exposures in stages 1 and 2 is lending to personal customers. This lending includes mortgage lending, credit card lending and consumer financing. In addition to specific customer attributes, the portfolio's ECL is forecasted based on the Norwegian house price index, the Norwegian interest rate, the household debt level and the unemployment rate. In the simulated alternative scenario, where all of these input parameters are given more adverse projections, the ECL in stages 1 and 2 would increase by approximately 223 per cent for the personal customer portfolio compared with the ECL measured at 30 September 2020 for the same portfolio and stages.

The banking group has furthermore investigated the effect of non-linearity in the ECL for stages 1 and 2. If the base case scenario alone is used to calculate expected credit losses, thereby excluding the fan that represents the range of alternative scenarios, the ECL at 30 September 2020 would decrease by 9 per cent.

Significant increase in credit risk (staging)

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

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

Measurement of expected credit loss for credit-impaired financial instruments

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

Sensitivity

If the value of collaterals on all stage 3 exposures were reduced by 10 per cent, the stage 3 ECL at 30 September 2020 in the banking group would increase by approximately NOK 2.0 billion.

Note 5 Development in gross carrying amount and maximum exposure

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

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

Loans to customers at amortised cost (quarterly figures) ¹⁾

<i>Amounts in NOK million</i>	3rd quarter 2020				3rd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 30 June	627 518	115 503	29 101	772 123	655 524	44 730	22 227	722 481
Transfer to stage 1	22 340	(22 228)	(112)		6 714	(6 790)	76	
Transfer to stage 2	(46 564)	47 153	(590)		(18 016)	18 353	(337)	
Transfer to stage 3	(381)	(3 453)	3 834		(58)	(541)	599	
Originated and purchased	61 098	5 671		66 769	69 993	1 660		71 653
Derecognition	(57 816)	(8 891)	(1 950)	(68 657)	(38 667)	(2 488)	435	(40 720)
Exchange rate movements	502	131	5	639	426	33	46	505
Gross carrying amount as at 30 Sept.	606 698	133 887	30 289	770 874	675 917	54 956	23 046	753 919

Loans to customers at amortised cost (year-to-date figures) ¹⁾

<i>Amounts in NOK million</i>	Jan.-Sept. 2020				Jan.-Sept. 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 Dec.	678 866	53 733	21 251	753 849	607 258	49 259	23 195	679 712
Transfer to stage 1	48 107	(47 508)	(599)		22 932	(22 771)	(161)	
Transfer to stage 2	(145 496)	146 893	(1 397)		(35 493)	37 064	(1 570)	
Transfer to stage 3	(3 167)	(12 196)	15 363		(1 298)	(2 068)	3 366	
Originated and purchased	174 726	17 894		192 621	206 206	3 221		209 427
Derecognition	(151 465)	(25 476)	(4 596)	(181 537)	(137 177)	(9 690)	(1 777)	(148 644)
Exchange rate movements	5 126	547	268	5 941	(1 719)	(134)	(7)	(1 860)
Other ²⁾					15 208	76		15 284
Gross carrying amount as at 30 Sept.	606 698	133 887	30 289	770 874	675 917	54 956	23 046	753 919

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

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

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

Loans to customers at amortised cost (quarterly figures)

DNB Bank Group

<i>Amounts in NOK million</i>	3rd quarter 2020				3rd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 30 June	1 483 737	156 949	35 864	1 676 550	1 502 387	77 042	25 058	1 604 487
Transfer to stage 1	34 603	(34 430)	(173)		16 101	(16 039)	(62)	
Transfer to stage 2	(60 118)	61 263	(1 145)		(30 484)	31 109	(624)	
Transfer to stage 3	(469)	(3 775)	4 245		(250)	(2 128)	2 377	
Originated and purchased	109 544	6 406		115 951	129 904	3 516		133 421
Derecognition	(98 554)	(13 172)	(1 882)	(113 608)	(102 377)	(6 031)	(80)	(108 487)
Exchange rate movements	793	205	(3)	995	4 545	355	139	5 039
Other	0			0	(63)			(63)
Gross carrying amount as at 30 Sept.	1 469 536	173 447	36 904	1 679 887	1 519 763	87 824	26 808	1 634 396

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

DNB Bank Group

<i>Amounts in NOK million</i>	Jan.-Sept. 2020				Jan.-Sept. 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 Dec.	1 519 017	88 291	24 297	1 631 605	1 449 032	82 255	27 832	1 559 120
Transfer to stage 1	82 875	(81 730)	(1 145)		52 089	(51 601)	(488)	
Transfer to stage 2	(195 438)	198 370	(2 932)		(71 227)	74 101	(2 874)	
Transfer to stage 3	(3 985)	(16 207)	20 192		(1 804)	(4 129)	5 933	
Originated and purchased	325 706	16 982		342 687	371 404	3 896		375 300
Derecognition	(275 883)	(33 626)	(3 731)	(313 239)	(278 281)	(16 694)	(3 633)	(298 608)
Exchange rate movements	17 243	1 367	224	18 834	(1 637)	(4)	38	(1 603)
Other	0			0	187		0	187
Gross carrying amount as at 30 Sept.	1 469 536	173 447	36 904	1 679 887	1 519 763	87 824	26 808	1 634 396

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

Financial commitments (quarterly figures)

<i>Amounts in NOK million</i>	3rd quarter 2020				3rd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 30 June	448 869	40 985	5 205	495 059	480 148	12 784	4 187	497 119
Transfer to stage 1	8 925	(8 876)	(49)		3 312	(3 210)	(102)	
Transfer to stage 2	(13 826)	14 020	(194)		(8 013)	8 037	(24)	
Transfer to stage 3	(22)	(2 117)	2 139		(77)	(72)	149	
Originated and purchased	103 253	1 128		104 382	86 277			86 277
Derecognition	(85 894)	(3 359)	(292)	(89 545)	(108 043)	(1 767)	(145)	(109 954)
Exchange rate movements	44	19	1	64	1 728	17	21	1 765
Maximum exposure as at 30 Sept.	461 348	41 799	6 810	509 957	455 332	15 789	4 085	475 206

DNB Bank ASA

Financial commitments (year-to-date figures)

<i>Amounts in NOK million</i>	Jan.-Sept. 2020				Jan.-Sept. 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 31 Dec.	442 766	13 537	3 245	459 547	457 594	18 722	3 922	480 237
Transfer to stage 1	18 218	(18 028)	(190)		13 817	(13 599)	(218)	
Transfer to stage 2	(58 557)	59 135	(578)		(15 154)	15 316	(162)	
Transfer to stage 3	(1 161)	(3 949)	5 110		(912)	(639)	1 551	
Originated and purchased	289 941	1 128		291 069	285 989			285 989
Derecognition	(234 141)	(10 115)	(800)	(245 056)	(286 054)	(4 002)	(985)	(291 041)
Exchange rate movements	4 282	91	24	4 397	53	(9)	(22)	21
Maximum exposure as at 30 Sept.	461 348	41 799	6 810	509 957	455 332	15 789	4 085	475 206

DNB Bank ASA

Financial commitments (quarterly figures)

<i>Amounts in NOK million</i>	3rd quarter 2020				3rd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 30 June	628 830	51 130	7 931	687 891	651 338	22 707	4 216	678 261
Transfer to stage 1	13 525	(13 476)	(49)		4 461	(4 355)	(106)	
Transfer to stage 2	(15 821)	16 017	(196)		(9 972)	9 996	(24)	
Transfer to stage 3	(17)	(2 031)	2 048		(87)	(384)	471	
Originated and purchased	112 718	1 483		114 202	97 265			97 265
Derecognition	(91 313)	(4 052)	(1 780)	(97 145)	(117 464)	(1 921)	(297)	(119 682)
Exchange rate movements	(204)	(36)	8	(232)	5 064	461	22	5 547
Maximum exposure as at 30 Sept.	647 719	49 035	7 963	704 717	630 605	26 504	4 282	661 390

DNB Bank Group

Financial commitments (year-to-date figures)

<i>Amounts in NOK million</i>	Jan.-Sept. 2020				Jan.-Sept. 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 31 Dec.	617 345	23 794	3 343	644 482	620 917	29 462	4 152	654 531
Transfer to stage 1	26 802	(26 607)	(195)		17 137	(16 914)	(223)	
Transfer to stage 2	(70 237)	70 818	(580)		(19 896)	20 185	(289)	
Transfer to stage 3	(1 526)	(8 150)	9 677		(924)	(953)	1 877	
Originated and purchased	314 692	2 667		317 359	315 593	6		315 599
Derecognition	(252 227)	(14 223)	(4 303)	(270 753)	(302 628)	(5 575)	(1 215)	(309 417)
Exchange rate movements	12 869	737	22	13 628	406	292	(21)	677
Maximum exposure as at 30 Sept.	647 719	49 035	7 963	704 717	630 605	26 504	4 282	661 390

DNB Bank Group

Note 6 Development in accumulated impairment of financial instruments

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

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

Loans to customers at amortised cost (quarterly figures)

Amounts in NOK million	3rd quarter 2020				3rd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 June	(655)	(1 419)	(11 685)	(13 758)	(177)	(709)	(7 182)	(8 068)
Transfer to stage 1	(152)	152	0		(81)	68	13	
Transfer to stage 2	56	(131)	75		16	(40)	24	
Transfer to stage 3	0	97	(97)		0	4	(4)	
Originated and purchased	(16)	(33)		(49)	(20)	(21)		(41)
Increased expected credit loss ¹⁾	(131)	(336)	(2 079)	(2 546)	(65)	(425)	(1 291)	(1 781)
Decreased (reversed) expected credit loss ¹⁾	317	469	1 030	1 816	111	82	473	666
Write-offs			554	554	0	0	193	193
Derecognition (including repayments)		0	19	19	16	110	0	126
Exchange rate movements	(1)	(2)	(1)	(3)	(0)	(0)	(14)	(14)
Accumulated impairment as at 30 Sept.	(580)	(1 203)	(12 184)	(13 967)	(200)	(932)	(7 788)	(8 920)

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

Amounts in NOK million	Jan.-Sept. 2020				Jan.-Sept. 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 Dec.	(168)	(777)	(8 252)	(9 197)	(154)	(850)	(7 416)	(8 420)
Transfer to stage 1	(365)	344	21		(168)	153	15	
Transfer to stage 2	123	(239)	116		27	(80)	53	
Transfer to stage 3	1	308	(309)		3	30	(33)	
Originated and purchased	(154)	(187)		(341)	(79)	(36)		(115)
Increased expected credit loss ¹⁾	(711)	(1 688)	(8 030)	(10 429)	(165)	(804)	(3 527)	(4 497)
Decreased (reversed) expected credit loss ¹⁾	655	830	2 824	4 309	319	403	2 213	2 935
Write-offs			1 433	1 433	0	0	908	908
Derecognition (including repayments)	43	210	65	318	17	251	0	268
Exchange rate movements	(4)	(5)	(51)	(61)	1	1	(1)	1
Accumulated impairment as at 30 Sept.	(580)	(1 203)	(12 184)	(13 967)	(200)	(932)	(7 788)	(8 920)

1) DNB has performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans in the second quarter of 2019. The net effect of the recalibration is an increase in expected credit loss of approximately NOK 70 million. As the recalibration resulted in both increases and decreases on a financial instrument level, the effect is included in the flows 'increased expected credit loss' and 'decreased (reversed) expected credit loss'.

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

Loans to customers at amortised cost (quarterly figures)

DNB Bank Group

Amounts in NOK million	3rd quarter 2020				3rd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 June	(978)	(1 971)	(12 660)	(15 609)	(319)	(1 015)	(7 792)	(9 126)
Transfer to stage 1	(212)	209	3		(152)	136	17	
Transfer to stage 2	66	(147)	81		24	(51)	28	
Transfer to stage 3	0	101	(102)		0	52	(52)	
Originated and purchased	(39)	(79)		(119)	(33)	(21)	(0)	(54)
Increased expected credit loss ¹⁾	(125)	(365)	(2 776)	(3 265)	(90)	(525)	(1 528)	(2 142)
Decreased (reversed) expected credit loss ¹⁾	482	536	1 101	2 120	212	92	697	1 001
Write-offs			561	561	0	0	194	195
Derecognition (including repayments)	0	43	19	62	18	125	0	144
Exchange rate movements	(2)	(9)	(2)	(12)	(4)	(11)	(32)	(47)
Other		(0)	0	0			(3)	(3)
Accumulated impairment as at 30 Sept.	(807)	(1 680)	(13 774)	(16 262)	(343)	(1 217)	(8 472)	(10 032)

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

DNB Bank Group

Amounts in NOK million	Jan.-Sept. 2020				Jan.-Sept. 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 Dec.	(305)	(1 041)	(8 904)	(10 251)	(351)	(1 224)	(8 321)	(9 897)
Transfer to stage 1	(493)	460	33		(289)	264	25	
Transfer to stage 2	173	(323)	150		48	(121)	73	
Transfer to stage 3	1	318	(319)		3	80	(83)	
Originated and purchased	(237)	(236)		(474)	(143)	(39)		(182)
Increased expected credit loss ¹⁾	(946)	(2 235)	(9 744)	(12 925)	(232)	(1 016)	(4 202)	(5 451)
Decreased (reversed) expected credit loss ¹⁾	959	971	3 309	5 240	596	558	2 838	3 992
Write-offs			1 728	1 728	0	0	1 184	1 184
Derecognition (including repayments)	55	429	66	550	26	286	20	332
Exchange rate movements	(14)	(23)	(93)	(130)	1	(5)	(7)	(10)
Other		(0)	0	0	(0)		0	(0)
Accumulated impairment as at 30 Sept.	(807)	(1 680)	(13 774)	(16 262)	(343)	(1 217)	(8 472)	(10 032)

1) DNB has performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans in the second quarter of 2019. The net effect of the recalibration is a decrease in expected credit loss of NOK 5 million. As the recalibration resulted in both increases and decreases on a financial instrument level, the effect is included in the flows 'increased expected credit loss' and 'decreased (reversed) expected credit loss'.

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

Financial commitments (quarterly figures)

DNB Bank ASA

Amounts in NOK million	3rd quarter 2020				3rd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 June	(459)	(770)	(1 070)	(2 299)	(148)	(425)	(703)	(1 276)
Transfer to stage 1	(88)	88	1		(67)	37	30	
Transfer to stage 2	14	(18)	4		29	(30)	1	
Transfer to stage 3		43	(43)		0	0	(0)	
Originated and purchased	(42)	(20)		(62)	(7)	(8)		(15)
Increased expected credit loss ¹⁾	(31)	(77)	(113)	(221)	(25)	(166)	(732)	(923)
Decreased (reversed) expected credit loss ¹⁾	359	198	281	839	95	77	353	525
Derecognition	0	72	1	73	3	31		34
Exchange rate movements	(0)	(1)	(0)	(1)	(1)	(1)	(5)	(6)
Other					0	0	0	0
Accumulated impairment as at 30 Sept.	(246)	(485)	(939)	(1 670)	(119)	(485)	(1 057)	(1 660)

Financial commitments (year-to-date figures)

DNB Bank ASA

Amounts in NOK million	Jan.-Sept. 2020				Jan.-Sept. 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 Dec.	(111)	(358)	(546)	(1 016)	(117)	(436)	(569)	(1 122)
Transfer to stage 1	(163)	159	4		(146)	116	30	
Transfer to stage 2	61	(68)	7		37	(40)	2	
Transfer to stage 3	1	150	(150)		0	5	(6)	
Originated and purchased	(229)	(50)		(278)	(110)	(14)		(124)
Increased expected credit loss ¹⁾	(309)	(789)	(1 098)	(2 196)	(53)	(418)	(1 110)	(1 581)
Decreased (reversed) expected credit loss ¹⁾	504	329	845	1 677	266	222	581	1 069
Derecognition	2	144		146	4	79		83
Exchange rate movements	(2)	(1)	(1)	(3)	0	(0)	0	0
Other	0	0	1	1	0	0	14	14
Accumulated impairment as at 30 Sept.	(246)	(485)	(939)	(1 670)	(119)	(485)	(1 057)	(1 660)

1) DNB has performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 financial commitments in the second quarter of 2019. The net effect of the recalibration is an increase in expected credit loss of approximately NOK 70 million. As the recalibration resulted in both increases and decreases on a financial instrument level, the effect is included in the flows 'increased expected credit loss' and 'decreased (reversed) expected credit loss'.

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

Financial commitments (quarterly figures)

Amounts in NOK million	3rd quarter 2020				3rd quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 June	(545)	(922)	(1 067)	(2 535)	(176)	(900)	(700)	(1 776)
Transfer to stage 1	(106)	105	1		(68)	38	30	
Transfer to stage 2	16	(20)	4		30	(31)	1	
Transfer to stage 3		40	(40)		0	4	(4)	
Originated and purchased	(53)	(26)		(79)	(15)	(8)		(23)
Increased expected credit loss ¹⁾	(35)	(78)	(113)	(226)	(29)	(181)	(732)	(942)
Decreased (reversed) expected credit loss ¹⁾	405	208	278	890	102	167	355	624
Derecognition	2	70	0	72	5	35	0	39
Exchange rate movements	(1)	6	(0)	6	(1)	(27)	(5)	(34)
Other					0	0	0	0
Accumulated impairment as at 30 Sept.	(318)	(616)	(937)	(1 870)	(152)	(904)	(1 054)	(2 110)

Financial commitments (year-to-date figures)

Amounts in NOK million	Jan.-Sept. 2020				Jan.-Sept. 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 Dec.	(146)	(667)	(543)	(1 357)	(149)	(1 001)	(569)	(1 719)
Transfer to stage 1	(193)	190	4		(150)	120	30	
Transfer to stage 2	68	(75)	7		39	(41)	2	
Transfer to stage 3	1	289	(290)		0	8	(9)	
Originated and purchased	(272)	(56)		(328)	(135)	(14)		(149)
Increased expected credit loss ¹⁾	(369)	(1 483)	(1 506)	(3 358)	(60)	(520)	(1 104)	(1 684)
Decreased (reversed) expected credit loss ¹⁾	595	947	1 392	2 934	296	478	581	1 356
Derecognition	4	266	0	270	6	84	0	90
Exchange rate movements	(5)	(27)	(1)	(32)	0	(18)	0	(18)
Other	0	0	1	1	0	0	14	14
Accumulated impairment as at 30 Sept.	(318)	(616)	(937)	(1 870)	(152)	(904)	(1 054)	(2 110)

1) DNB has performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 financial commitments in the second quarter of 2019. The net effect of the recalibration is a decrease in expected credit loss of NOK 5 million. As the recalibration resulted in both increases and decreases on a financial instrument level, the effect is included in the flows 'increased expected credit loss' and 'decreased (reversed) expected credit loss'.

Note 7 Loans and financial commitments to customers by industry segment

Loans to customers as at 30 September 2020

<i>Amounts in NOK million</i>	Gross carrying amount	Accumulated impairment			DNB Bank Group	
		Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	100 629	(37)	(34)	(502)		100 056
Commercial real estate	180 756	(80)	(87)	(356)	130	180 363
Shipping	46 834	(53)	(222)	(315)		46 245
Oil, gas and offshore	68 421	(92)	(382)	(9 252)		58 695
Power and renewables	35 897	(39)	(9)	(150)		35 698
Healthcare	20 320	(10)	(1)			20 310
Public sector	14 473	(10)	(0)	(0)		14 463
Fishing, fish farming and farming	49 741	(45)	(69)	(146)	114	49 595
Retail industries	36 676	(30)	(93)	(368)	14	36 198
Manufacturing	42 022	(48)	(94)	(157)		41 723
Technology, media and telecom	26 353	(33)	(16)	(32)	3	26 275
Services	78 862	(71)	(99)	(660)	21	78 053
Residential property	103 930	(36)	(29)	(144)	344	104 065
Personal customers	812 101	(170)	(253)	(612)	47 987	859 052
Other corporate customers	62 871	(53)	(293)	(1 080)	16	61 462
Total ¹⁾	1 679 887	(807)	(1 680)	(13 774)	48 627	1 712 253

1) Of which NOK 44 277 million in repo trading volumes.

Loans to customers as at 30 September 2019

<i>Amounts in NOK million</i>	Gross carrying amount	Accumulated impairment			DNB Bank Group	
		Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	123 505	(10)	(10)	(11)		123 474
Commercial real estate	168 008	(11)	(55)	(305)	171	167 808
Shipping	51 142	(59)	(183)	(438)		50 462
Oil, gas and offshore	64 529	(59)	(418)	(4 126)		59 926
Power and renewables	30 681	(5)	(4)	(55)		30 617
Healthcare	24 408	(7)	(4)			24 397
Public sector	15 451	(4)	(0)	(0)		15 446
Fishing, fish farming and farming	39 752	(7)	(33)	(105)	164	39 770
Retail industries	42 697	(12)	(36)	(683)	59	42 026
Manufacturing	44 369	(22)	(26)	(334)	19	44 006
Technology, media and telecom	25 120	(21)	(12)	(32)	25	25 081
Services	67 206	(30)	(41)	(626)	194	66 704
Residential property	92 433	(6)	(17)	(108)	379	92 680
Personal customers	779 073	(71)	(317)	(645)	48 481	826 521
Other corporate customers	66 023	(18)	(62)	(1 004)	68	65 007
Total ¹⁾	1 634 396	(343)	(1 217)	(8 472)	49 561	1 673 924

1) Of which NOK 58 252 million in repo trading volumes.

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

Financial commitments as at 30 September 2020	Maximum exposure	Accumulated impairment			DNB Bank Group
		Stage 1	Stage 2	Stage 3	
<i>Amounts in NOK million</i>					Total
Bank, insurance and portfolio management	31 912	(20)	(4)	(0)	31 888
Commercial real estate	22 099	(11)	(2)	(3)	22 083
Shipping	8 233	(9)	(41)	(5)	8 178
Oil, gas and offshore	52 349	(68)	(318)	(625)	51 339
Power and renewables	32 538	(25)	(1)		32 512
Healthcare	25 629	(8)	(0)		25 621
Public sector	9 681	(0)	(0)		9 681
Fishing, fish farming and farming	18 837	(12)	(6)	(6)	18 813
Retail industries	35 354	(24)	(27)	(17)	35 287
Manufacturing	55 132	(32)	(48)	(3)	55 049
Technology, media and telecom	25 036	(13)	(9)	(0)	25 014
Services	26 108	(20)	(32)	(35)	26 022
Residential property	37 402	(19)	(5)	(5)	37 373
Personal customers	288 132	(33)	(28)	(0)	288 070
Other corporate customers	36 275	(23)	(97)	(238)	35 917
Total	704 717	(318)	(616)	(937)	702 847

Financial commitments as at 30 September 2019	Maximum exposure	Accumulated impairment			DNB Bank Group
		Stage 1	Stage 2	Stage 3	
<i>Amounts in NOK million</i>					Total
Bank, insurance and portfolio management	28 925	(6)	(1)	(0)	28 918
Commercial real estate	26 469	(2)	(2)	(4)	26 461
Shipping	8 935	(7)	(22)		8 906
Oil, gas and offshore	59 842	(60)	(628)	(206)	58 948
Power and renewables	31 925	(6)	(21)		31 899
Healthcare	26 899	(4)	(0)		26 895
Public sector	9 673	(0)	(0)		9 673
Fishing, fish farming and farming	16 254	(3)	(0)	(5)	16 246
Retail industries	28 081	(8)	(23)	(22)	28 028
Manufacturing	53 082	(14)	(43)	(4)	53 021
Technology, media and telecom	20 034	(10)	(8)	(2)	20 014
Services	25 232	(8)	(47)	(457)	24 720
Residential property	31 735	(2)	(2)	(2)	31 729
Personal customers	254 623	(16)	(78)	(0)	254 529
Other corporate customers	39 682	(7)	(29)	(352)	39 294
Total	661 390	(152)	(904)	(1 054)	659 280

Note 8 Financial instruments at fair value

DNB Bank ASA				
<i>Amounts in NOK million</i>	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 30 September 2020				
Loans to customers		111 777	6 978	118 755
Commercial paper and bonds	44 944	283 788	173	328 904
Shareholdings	3 101	697	579	4 377
Financial derivatives	487	199 191	1 592	201 270
Liabilities as at 30 September 2020				
Deposits from customers		17 937		17 937
Debt securities issued ¹⁾		16 993		16 993
Subordinated loan capital ¹⁾		178		178
Financial derivatives	502	223 725	1 024	225 250
Other financial liabilities ²⁾	4 561			4 561

DNB Bank ASA				
<i>Amounts in NOK million</i>	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 30 September 2019				
Loans to customers		123 090	8 105	131 195
Commercial paper and bonds	23 665	196 732	231	220 627
Shareholdings	4 471	257	630	5 358
Financial derivatives	228	149 824	1 965	152 016
Liabilities as at 30 September 2019				
Deposits from customers		17 474		17 474
Debt securities issued		9 690		9 690
Subordinated loan capital		2 513		2 513
Financial derivatives	265	184 731	1 612	186 608
Other financial liabilities ²⁾	7 204	0		7 204

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

2) Short positions, trading activities.

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

Note 8 Financial instruments at fair value (continued)

	DNB Bank Group			
	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
<i>Amounts in NOK million</i>				
Assets as at 30 September 2020				
Loans to customers			48 627	48 627
Commercial paper and bonds	44 944	222 032	173	267 149
Shareholdings	4 358	745	828	5 932
Financial derivatives	487	187 619	1 592	189 698
Liabilities as at 30 September 2020				
Deposits from customers		17 937		17 937
Debt securities issued ¹⁾		32 350		32 350
Subordinated loan capital ¹⁾		178		178
Financial derivatives	502	160 399	1 024	161 925
Other financial liabilities ²⁾	4 561			4 561

	DNB Bank Group			
	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
<i>Amounts in NOK million</i>				
Assets as at 30 September 2019				
Loans to customers			49 561	49 561
Commercial paper and bonds	23 665	180 737	231	204 633
Shareholdings	5 739	268	778	6 786
Financial derivatives	228	137 396	1 965	139 588
Liabilities as at 30 September 2019				
Deposits from customers		17 475		17 475
Debt securities issued		86 235		86 235
Subordinated loan capital		2 513		2 513
Financial derivatives	265	121 311	1 612	123 188
Other financial liabilities ²⁾	7 204	0		7 204

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

2) Short positions, trading activities.

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

Note 8 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Bank ASA

<i>Amounts in NOK million</i>	Financial assets				Financial liabilities
	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2018	7 509	319	583	2 036	1 654
Net gains recognised in the income statement	69	(154)	61	(453)	(148)
Additions/purchases	1 466	249	112	1 121	810
Sales	(28)	(223)	(95)		
Settled	(910)			(729)	(705)
Transferred from level 1 or level 2		56			
Transferred to level 1 or level 2		(125)	(32)		
Other		109		(11)	1
Carrying amount as at 30 September 2019	8 105	231	630	1 965	1 612
Carrying amount as at 31 December 2019	8 495	356	633	1 868	1 536
Net gains recognised in the income statement	269	(35)	(34)	703	460
Additions/purchases	3 626	298	19	265	251
Sales	(2 206)	(312)	(40)		
Settled	(3 206)			(1 274)	(1 251)
Transferred from level 1 or level 2		98			
Transferred to level 1 or level 2		(282)			
Other		49		29	27
Carrying amount as at 30 September 2020	6 978	173	579	1 592	1 024

Financial instruments at fair value, level 3

DNB Bank Group

<i>Amounts in NOK million</i>	Financial assets				Financial liabilities
	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2018	48 794	319	741	2 036	1 654
Net gains recognised in the income statement	168	(154)	49	(453)	(148)
Additions/purchases	6 697	249	114	1 121	810
Sales		(223)	(95)		
Settled	(6 098)			(729)	(705)
Transferred from level 1 or level 2		56			
Transferred to level 1 or level 2		(125)	(32)		
Other		109	(0)	(11)	1
Carrying amount as at 30 September 2019	49 561	231	778	1 965	1 612
Carrying amount as at 31 December 2019	49 995	356	795	1 868	1 536
Net gains recognised in the income statement	1 634	(35)	(47)	703	460
Additions/purchases	8 720	298	125	265	251
Sales		(312)	(44)		
Settled	(11 722)			(1 274)	(1 251)
Transferred from level 1 or level 2		98			
Transferred to level 1 or level 2		(282)			
Other		49	0	29	27
Carrying amount as at 30 September 2020	48 627	173	828	1 592	1 024

Sensitivity analysis, level 3

An increase in the discount rate on fixed-rate loans by 10 basis points will decrease the fair value by NOK 29 million in DNB Bank ASA and 155 million in DNB Bank Group. The effects on other Level 3 financial instruments are insignificant.

Note 9 Debt securities issued and subordinated loan capital

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

Debt securities issued 2020

<i>Amounts in NOK million</i>	DNB Bank ASA					
	Balance sheet	Issued	Matured/ redeemed	Exchange rate movements	Other changes	Balance sheet
	30 Sept. 2020					31 Dec. 2019
Commercial papers issued, nominal amount	196 721	966 699	(928 144)	(29 954)		188 120
Bond debt, nominal amount	205 984	2 632	(39 575)	20 376		222 550
Senior non-preferred bonds, nominal amount	9 462	9 462				
Value adjustments	6 150			22	233	5 895
Total debt securities issued	418 316	978 793	(967 719)	(9 556)	233	416 565

Debt securities issued 2019

<i>Amounts in NOK million</i>	DNB Bank ASA					
	Balance sheet	Issued	Matured/ redeemed	Exchange rate movements	Other changes	Balance sheet
	30 Sept. 2019					31 Dec. 2018
Commercial papers issued, nominal amount	276 322	781 539	(689 665)	9 716		174 732
Bond debt, nominal amount	171 270	35 854	(20 445)	1 804		154 057
Senior non-preferred bonds, nominal amount						
Value adjustments	6 725				196	6 528
Total debt securities issued	454 317	817 393	(710 110)	11 520	196	335 317

Debt securities issued 2020

<i>Amounts in NOK million</i>	DNB Bank Group					
	Balance sheet	Issued	Matured/ redeemed	Exchange rate movements	Other changes	Balance sheet
	30 Sept. 2020					31 Dec. 2019
Commercial papers issued, nominal amount	196 721	966 699	(928 144)	(29 954)		188 120
Bond debt, nominal amount ¹⁾	662 702	6 578	(60 544)	61 213		655 455
Senior non-preferred bonds, nominal amount	9 462	9 462				
Value adjustments	34 127			22	6 049	28 057
Total debt securities issued	903 012	982 738	(988 688)	31 281	6 049	871 632

1) Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 385.5 billion as at 30 September 2020. The market value of the cover pool represented NOK 674.0 billion.

Debt securities issued 2019

<i>Amounts in NOK million</i>	DNB Bank Group					
	Balance sheet	Issued	Matured/ redeemed	Exchange rate movements	Other changes	Balance sheet
	30 Sept. 2019					31 Dec. 2018
Commercial papers issued, nominal amount	276 322	781 539	(689 665)	9 716		174 732
Bond debt, nominal amount ¹⁾	626 913	67 928	(49 148)	2 181		605 952
Senior non-preferred bonds, nominal amount						
Value adjustments	36 249				13 137	23 112
Total debt securities issued	939 484	849 467	(738 813)	11 896	13 137	803 796

1) Minus own bonds.

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

Subordinated loan capital and perpetual subordinated loan capital securities 2020

DNB Bank ASA

	Balance sheet 30 Sept. 2020	Issued 2020	Matured/ redeemed 2020	Exchange rate movements 2020	Other changes 2020	Balance sheet 31 Dec. 2019
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	27 426	4 056	(4 207)	2 634		24 943
Perpetual subordinated loan capital, nominal amount	6 241			467		5 774
Value adjustments	344				(33)	378
Total subordinated loan capital and perpetual subordinated loan capital securities	34 011	4 056	(4 207)	3 101	(33)	31 095

Subordinated loan capital and perpetual subordinated loan capital securities 2019

DNB Bank ASA

	Balance sheet 30 Sept. 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	24 993	9	(9)	(118)		25 110
Perpetual subordinated loan capital, nominal amount	5 970			276		5 693
Value adjustments	453				175	278
Total subordinated loan capital and perpetual subordinated loan capital securities	31 415	9	(9)	159	175	31 082

Subordinated loan capital and perpetual subordinated loan capital securities 2020

DNB Bank Group

	Balance sheet 30 Sept. 2020	Issued 2020	Matured/ redeemed 2020	Exchange rate movements 2020	Other changes 2020	Balance sheet 31 Dec. 2019
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	27 426	4 056	(4 207)	2 634		24 943
Perpetual subordinated loan capital, nominal amount	6 241			467		5 774
Value adjustments	344				(33)	378
Total subordinated loan capital and perpetual subordinated loan capital securities	34 011	4 056	(4 207)	3 101	(33)	31 095

Subordinated loan capital and perpetual subordinated loan capital securities 2019

DNB Bank Group

	Balance sheet 30 Sept. 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	24 993	9	(9)	(118)		25 110
Perpetual subordinated loan capital, nominal amount	5 970			276		5 693
Value adjustments	453				175	278
Total subordinated loan capital and perpetual subordinated loan capital securities	31 415	9	(9)	159	175	31 082

Note 10 Information on related parties

DNB Boligkreditt AS

In the first three quarters of 2020, loan portfolios representing NOK 47.1 billion (NOK 1.5 billion in the first three quarters of 2019) were transferred from the bank to DNB Boligkreditt in accordance with the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS".

At end-September 2020, the bank had invested NOK 61.8 billion in covered bonds issued by DNB Boligkreditt.

The management fee paid to the bank for purchased services amounted to NOK 570 million in the first three quarters of 2020 (NOK 627 million in the first three quarters of 2019).

In the first three quarters of 2020, DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 20.7 billion at end-September 2020.

DNB Boligkreditt AS has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 165 billion.

DNB Livsforsikring AS

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

Note 11 Contingencies

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

Information about the DNB Bank Group

Head office DNB ASA

Mailing address P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address Dronning Eufemias gate 30, Oslo
Telephone +47 91 50 48 00
Internet dnb.no
Organisation number Register of Business Enterprises NO 981 276 957 MVA

DNB Bank ASA

Organisation number Register of Business Enterprises NO 984 851 006 MVA

Board of Directors in DNB Bank ASA

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

Investor Relations

Rune Helland, head of Investor Relations	tel. +47 23 26 84 00	rune.helland@dnb.no
Anne Engebretsen, Investor Relations	tel. +47 23 26 84 08	anne.engebretsen@dnb.no
Ida Eilertsen Nygård, Investor Relations	tel. +47 98 61 19 52	ida.eilertsen.nygård@dnb.no
Thor Tellefsen, Long Term Funding	tel. +47 23 26 84 04	thor.tellefsen@dnb.no

Financial calendar 2021

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

Other sources of information

Annual and quarterly reports

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

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

**We are here.
So you can stay ahead.**

DNB Bank

Mailing address:

P.O.Box 1600 Sentrum

N-0021 Oslo

Visiting address:

Dronning Eufemias gate 30

Bjørsvika, Oslo

[dnb.no](https://www.dnb.no)