DNB Bank

A company in the DNB Group

Q4

Fourth quarter report 2018
(Preliminary and unaudited)

DNB

Financial highlights

Income statement

DNB Bank Group

Amounts in NOK million	4th quarter 2018	4th quarter 2017	Full year 2018	Full year 2017
Net interest income	9 754	8 989	37 388	35 914
Net commissions and fees	1 884	1 373	6 605	5 884
Net gains on financial instruments at fair value	447	1 689	1 351	4 513
Other operating income	583	563	2 522	2 029
Net other operating income	2 914	3 624	10 478	12 425
Total income	12 669	12 613	47 866	48 339
Operating expenses	(5 491)	(5 208)	(20 681)	(20 801)
Restructuring costs and non-recurring effects	(459)	(672)	(565)	(1 128)
Pre-tax operating profit before impairment	6 718	6 733	26 620	26 410
Net gains on fixed and intangible assets	49	(38)	529	735
Impairment of financial instruments	(235)	(402)	139	(2 428)
Pre-tax operating profit	6 532	6 293	27 288	24 718
Tax expense	(825)	(666)	(4 976)	(4 903)
Profit from operations held for sale, after taxes	(141)	(3)	(204)	(1)
Profit for the period	5 567	5 624	22 109	19 813

Balance sheet

Amounts in NOK million	31 Dec. 2018	31 Dec. 2017
Total assets	2 307 710	2 359 860
Loans to customers	1 598 017	1 531 345
Deposits from customers	940 087	980 374
Total equity	207 933	203 685
Average total assets	2 434 354	2 537 681

Key figures and alternative performance measures

	4th quarter 2018	4th quarter 2017	Full year 2018	Full year 2017
Return on equity, annualised (per cent) [1)]	11.2	11.6	11.5	10.5
Combined weighted total average spread for lending and deposits (per cent) [1)]	1.31	1.31	1.30	1.30
Average spread for ordinary lending to customers (per cent) [1)]	1.92	2.08	1.94	2.07
Average spread for deposits from customers (per cent) [1)]	0.36	0.13	0.29	0.17
Cost/income ratio (per cent) [1)]	47.0	46.6	44.4	45.4
Ratio of customer deposits to net loans to customers at end of period [1)]	58.8	64.0	58.8	64.0
Net loans and financial commitments in stage 2, per cent of net loans [1)]	6.96		6.96	
Net loans and financial commitments in stage 3, per cent of net loans [1)]	1.45	1.13	1.45	1.13
Impairment relative to average net loans to customers, annualised (per cent) [1)]	(0.06)	(0.10)	0.01	(0.16)
Common equity Tier 1 capital ratio, transitional rules, at end of period (per cent) [2)]	16.5	16.2	16.5	16.2
Leverage ratio, Basel III (per cent)	7.4	6.9	7.4	6.9
Number of full-time positions at end of period	8 626	8 544	8 626	8 544

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

Fourth quarter report 2018

Accounts

Additional information

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

Directors' report

Fourth quarter financial performance

The DNB Bank Group[1)] delivered strong results in the fourth quarter of 2018. Profits were NOK 5 567 million, a decrease of NOK 57 million from the fourth quarter of 2017. Compared with the previous quarter, profits increased by NOK 194 million, mainly due to lower impairment losses on financial instruments, net gains on other financial instruments at fair value and lower tax expenses.

The common equity Tier 1 capital ratio was 16.5 per cent at end-December, up from 16.2 per cent a year earlier, and unchanged from end-September 2018.

The leverage ratio for the banking group was 7.4 per cent, up from 6.9 per cent at end-December 2017 and 7.0 per cent at end-September 2018.

Return on equity was 11.2 per cent, compared with 11.6 per cent in the year-earlier period and 11.2 in the third quarter.

Net interest income was up 765 million or 8.5 per cent from the fourth quarter of 2017. Reclassification effects related to the implementation of IFRS 9 and increased volumes contributed positively. Compared with the third quarter, net interest income increased by NOK 455 million. This was mainly due to effects from amortisation of fees and the announced interest adjustment in the third quarter, both on lending and deposits.

Net other operating income was NOK 2 914 million, down NOK 710 million from the fourth quarter of 2017. The reduction mainly reflected lower net gains on financial instruments at fair value due to reclassifications under IFRS 9 and a negative effect from basis swaps. There was, however, an increase in commissions and fees, reflecting an uptick in activity in the capital markets. There were also positive exchange rate effects from additional Tier 1 capital. Compared with the third quarter, net other operating income was up NOK 291 million, mainly due to positive exchange rate effects on additional Tier 1 capital and higher net commissions and fees, together with a strong quarter on investment banking activities in DNB Markets.

Operating expenses were NOK 70 million higher than in the fourth quarter of 2017. The increase was mainly due to a higher level of IT activity. Compared with the third quarter, there was an increase of NOK 811 million, mainly driven by non-recurring effects related to depreciation and impairment of leasing contracts and system development, but there were also higher IT expenses.

Impairment losses on financial instruments amounted to NOK 235 million in the fourth quarter. The impairments were spread across all three customer segments. Overall, the development in relevant macro drivers were stable and in line with the forecasts from previous periods. A significant part of the increased impairments was caused by a negative credit development on specific customers within the corporate segments.

Important events in the fourth quarter

DNB established the company 11:FS Foundry together with the British company 11:FS, one of the world's leading technologists. 11:FS is a highly profiled fintech player within banking and finance, and is considered to be at the forefront of technological innovation in their field. Together with 11:FS, DNB will explore a whole new approach when it comes to technology and IT architecture, and develop the banking solutions for the future.

A unique advanced education programme called Architect Greenhouse has been developed in collaboration with Oslo University, with an aim to educate more IT architects. The programme involves full-time, job-related studies over a period of three years for new DNB employees, and includes both practical and theoretical aspects.

DNB Puls was launched in the corporate market. This is an app created for managing directors or board chairpersons of small businesses, to provide improved overview and control – a pocket-sized digital adviser and accountant for companies.

For the fourth year running, DNB was voted best brokerage house in Norway by Prospera. DNB topped the rankings within the categories Domestic Equity, Research & Advisory, Execution and Corporate Access.

DNB's reputation score increased from 66.3 in the fourth quarter of 2017 to 72.5 in the fourth quarter of 2018. In the same period, DNB's customer satisfaction score went up from 70.4 to 75.3.

The European Banking Authority (EBA) launched the results of the EBA stress test for European banks. The test was very positive for DNB and revealed that the DNB Bank Group shows a robust earning capacity and capital position.

Standard & Poor's ranked DNB number three in the risk-adjusted capital (RAC) ranking for the top 50 rated Western European banks.

The Ministry of Finance decided that the counter-cyclical buffer will be increased by 0.5 percentage points to 2.5 per cent with effect from 31 December 2019.

Fourth quarter income statement – main items

Net interest income

Amounts in NOK million	4Q18	3Q18	4Q17
Lending spreads, customer segments	7 130	7 218	7 539
Deposit spreads, customer segments	837	691	320
Amortisation effects and fees	829	779	732
Operational leasing	393	383	403
Other net interest income	566	228	(6)
Net interest income	9 754	9 299	8 989

Net interest income increased by NOK 765 million from the fourth quarter of 2017. Reclassification effects related to IFRS 9, effects from amortisation of fees and an increase in volumes contributed positively.

There was an average increase of NOK 37.8 billion or 2.6 per cent in the healthy loan portfolio compared with the fourth quarter of 2017. Adjusted for exchange rate effects, volumes were up NOK 31.5 billion or 2.2 per cent. During the same period, deposits were down NOK 22.2 billion or 2.3 per cent. Adjusted for exchange rate effects, the decrease was 2.9 per cent. Average lending spreads contracted by 16 basis points, and deposit spreads widened by 22 basis points compared with the fourth quarter of 2017. Volume-weighted spreads for the customer segments widened by 1 basis point compared with the same period in 2017.

Compared with the third quarter, net interest income increased by NOK 455 million, mainly due to increased margins and effects from amortisation of fees. There was an average increase of NOK 9.5 billion or 0.6 per cent in the healthy loan portfolio, and deposits were down NOK 20.8 billion or 2.2 per cent. Volume-weighted spreads for the customer segments increased by 2 basis points.

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

Net other operating income

Amounts in NOK million	4Q18	3Q18	4Q17
Net commissions and fees	1 884	1 431	1 373
Basis swaps	(342)	103	62
Exchange rate effects additional Tier 1 capital	768	(18)	330
Net gains on other financial instruments at fair value	20	526	1 297
Other operating income	583	581	563
Net other operating income	2 914	2 623	3 624

Net other operating income was down NOK 710 million from the fourth quarter of 2017. The reduction mainly reflected lower net gains on financial instruments at fair value due to reclassifications under IFRS 9 and a negative effect from basis swaps. Further, there was a positive contribution in commissions and fees, reflecting higher activity in the capital markets.

Compared with the third quarter, net other operating income was up NOK 291 million, mainly due to positive exchange rate effects on additional Tier 1 capital of NOK 786 million and higher net commissions and fees amounting to NOK 453 million. The increase in net commissions and fees reflected higher activity in the capital markets. Basis swaps contributed negatively to net other operating income.

Operating expenses

Amounts in NOK million	4Q18	3Q18	4Q17
Salaries and other personnel expenses	(2 854)	(2 784)	(2 869)
Other expenses	(2 168)	(1 867)	(2 005)
Depreciation and impairment of fixed and intangible assets	(928)	(489)	(1 007)
Total operating expenses	(5 951)	(5 140)	(5 880)

Operating expenses increased by NOK 70 million compared with the fourth quarter of 2017. The increase was mainly due to a higher level of IT activity.

Compared with the third quarter, there was an increase of NOK 811 million. The main factor behind the increase was non-recurring effects related to depreciation and impairment of leasing contracts and system development in the fourth quarter, but there were also higher IT expenses.

The cost/income ratio was 47.0 per cent in the fourth quarter.

Impairment of financial instruments

Amounts in NOK million	4Q18	3Q18
Personal customers	(56)	(76)
Commercial real estate	41	20
Shipping	147	(261)
Oil, gas and offshore	(198)	500
Other industry segments	(168)	(193)
Total impairment of financial instruments	(235)	(11)

Impairment losses on financial instruments amounted to NOK 235 million in the fourth quarter. The impairment losses in the quarter within the most relevant industry segments are shown above.

In general, relevant macro drivers developed in line with the forecasts from previous periods, for all industries. Most industry segments, including personal customers and commercial real estate, also experienced relatively stable credit quality in the quarter.

There were impairment losses of NOK 198 million for oil, gas and offshore in the quarter. The increase primarily resulted from revised impairment estimates on specific customers in stage 3 within the offshore segment.

There were net reversals of NOK 147 million within the shipping segment. This was mostly related to specific customers in stage 2 and 3. The macro drivers for the shipping portfolio were stable in the fourth quarter.

The net impairment losses of NOK 168 million within other industry segments primarily reflected negative credit developments on individually assessed customers within the industry segments power and renewables and manufacturing. Net stage 3 loans and financial commitments amounted to NOK 23.1 billion at end-December 2018.

Taxes

The banking group's tax expense for the fourth quarter is estimated at NOK 825 million, or 12.6 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	4Q18	3Q18	4Q17
Net interest income	3 458	3 328	3 511
Net other operating income	986	979	811
Total income	4 444	4 308	4 321
Operating expenses	(2 127)	(1 874)	(1 853)
Pre-tax operating profit before impairment	2 317	2 434	2 468
Net gains on fixed and intangible assets	49		(0)
Impairment of financial instruments	(89)	(75)	(137)
Pre-tax operating profit	2 277	2 359	2 331
Tax expense	(569)	(590)	(583)
Profit for the period	1 708	1 769	1 749
Average balance sheet items in NOK billion			
Net loans to customers	770.8	764.4	743.6
Deposits from customers	410.0	418.0	404.0
Key figures in per cent			
Lending spread [1)]	1.54	1.58	1.87
Deposit spread [1)]	0.45	0.34	0.13
Return on allocated capital	15.1	15.9	18.4
Cost/income ratio	47.9	43.5	42.9
Ratio of deposits to loans	53.2	54.7	54.3

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

The personal customers segment delivered sound results in the fourth quarter of 2018, with a return on allocated capital of 15.1 per cent. Operating profit in the fourth quarter of 2018 was positively affected by a rise in total income together with stable low impairment of financial instruments.

The combined spreads on loans and deposits narrowed by 0.09 percentage points from the corresponding period in 2017, while combined spreads widened by 0.02 percentage points from the third quarter of 2018. The announced increase in interest rates on home mortgages of 0.25 percentage points was effective as of 4 November.

Average net loans rose by 3.7 per cent from the fourth quarter of 2017. Average deposit volumes showed a moderate growth of 1.5 per cent in the same period.

Net other operating income was on the same level as the third quarter of 2018. Compared to the fourth quarter of 2017, income from payment services showed a positive development.

Operating expenses rose by 14.8 per cent from the fourth quarter of 2017. The increase was mainly related to extensive IT activities. Compared with the third quarter, the rise in costs was mainly driven by IT expenses.

In November 2018, DNB sold its SAS AMEX customer portfolio to AMEX. The sales revenue has been recognised under net gains on fixed and intangible assets and amounted to NOK 49 million for 2018.

The relevant macro forecasts for the personal customers segment were unchanged and credit quality remained stable in the quarter. This resulted in a continued low level of impairment losses on financial instruments in the fourth quarter.

The market share of credit to households stood at 24.2 per cent at end-November 2018, while the market share of total household savings was 30.8 per cent. DNB Eiendom had an average market share of 18.1 per cent in the fourth quarter of 2018.

DNB is continuing to automate and digitise products and services to meet customer needs and expectations. The chatbot Aino was launched this quarter. Just a few months after the release, Aino is answering the majority of incoming customer inquiries received by chat or email.

Small and medium-sized enterprises

Income statement in NOK million	4Q18	3Q18	4Q17
Net interest income	2 474	2 387	2 281
Net other operating income	397	350	406
Total income	2 871	2 737	2 688
Operating expenses	(1 034)	(936)	(1 044)
Pre-tax operating profit before impairment	1 837	1 801	1 644
Net gains on fixed and intangible assets		2	(1)
Impairment of financial instruments	(101)	(217)	(150)
Profit from repossessed operations	4	(1)	11
Pre-tax operating profit	1 740	1 585	1 505
Tax expense	(435)	(396)	(376)
Profit for the period	1 305	1 189	1 128
Average balance sheet items in NOK billion			
Net loans to customers	310.5	302.7	286.4
Deposits from customers	212.1	215.9	210.5
Key figures in per cent			
Lending spread [1)]	2.46	2.52	2.58
Deposit spread [1)]	0.56	0.48	0.30
Return on allocated capital	18.0	16.8	17.4
Cost/income ratio	36.0	34.2	38.8
Ratio of deposits to loans	68.3	71.3	73.5

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

Increase in total income combined with a stable level of operating expenses and a decrease in impairments contributed to solid profits in the fourth quarter of 2018.

There was a rise in average loans of 8.4 per cent from the fourth quarter of 2017, while average deposit volumes were up 0.8 per cent during the same period. The solid rise in loan volumes in combination with a positive development in deposit spreads ensured an increase in net interest income of 8.5 per cent compared with the fourth quarter of 2017.

Net other operating income decreased by 2.2 per cent compared with the corresponding quarter last year, due to lower income from investment banking activities.

Operating expenses in the fourth quarter of 2018 were at the same level as in the fourth quarter of 2017.

The credit quality of the portfolio as a whole remained stable in the fourth quarter. The impairment of NOK 101 million was mainly caused by negative credit development related to individually assessed customers in stage 3. Net stage 3 loans and financial commitments amounted to NOK 4 billion at year-end 2018. Annualised impairment losses on loans and guarantees represented 0.13 per cent of average loans in the fourth quarter of 2018, compared with 0.21 per cent in the year-earlier period, and 0.28 per cent in the third quarter of 2018.

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

New digital platforms and creative business models challenge traditional banks. DNB aspires to create the best customer experiences, be the preferred platform for both entrepreneurs and established companies and help make it easy to start up and operate a business. Priority is given to streamlining products and services, and a number of new and ancillary services are thus being considered.

Large corporates and international customers

Income statement in NOK million	4Q18	3Q18	4Q17
Net interest income	3 141	3 019	3 042
Net other operating income	1 219	925	1 005
Total income	4 359	3 945	4 047
Operating expenses	(1 716)	(1 521)	(1 604)
Pre-tax operating profit before impairment	2 643	2 423	2 443
Impairment of financial instruments	(45)	281	(99)
Profit from repossessed operations	(151)	(98)	(13)
Pre-tax operating profit	2 447	2 606	2 331
Tax expense	(563)	(599)	(653)
Profit from operations held for sale, after taxes	1	(11)	
Profit for the period	1 886	1 995	1 678
Average balance sheet items in NOK billion			
Net loans to customers	415.8	413.7	422.7
Deposits from customers	308.2	316.4	337.8
Key figures in per cent			
Lending spread [1)]	2.21	2.23	2.11
Deposit spread [1)]	0.10	0.09	0.04
Return on allocated capital	11.9	12.2	9.1
Cost/income ratio	39.4	38.6	39.6
Ratio of deposits to loans	74.1	76.5	79.9

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

Increased income and low impairment losses on financial instruments contributed to the increase in pre-tax operating profits compared with the fourth quarter of 2017. The positive development reflected improved market conditions and continued restructuring of selected large exposures.

Average loan volumes were down 1.6 per cent compared with the year-earlier period. Compared with the third quarter of 2018, average loan volumes increased by 0.5 per cent, in line with expectations. Average customer deposits were down 8.8 per cent from the fourth quarter of 2017 and 2.6 per cent from the third quarter of 2018.

Both lending and deposit spreads increased compared with the fourth quarter of 2017, contributing to an increase in net interest income of 3.3 per cent. Compared with the third quarter of 2018, there was a decrease in lending spreads while deposit spreads improved slightly.

Strong activity within investment banking contributed to the growth in other operating income from both the fourth quarter of 2017 and the third quarter of 2018.

Operating expenses were up 7.0 per cent compared with the fourth quarter of 2017 and 12.8 per cent compared with the third quarter of 2018. Increased costs within AML and Compliance as well as restructuring cost from organisational development were the main factors for the increase.

The impairment of NOK 45 million in the fourth quarter of 2018 was due to a combination of factors. An increase primarily related to individually assessed customers in stage 3 within rig and offshore supply vessels was to a certain extent curtailed by reversals within the shipping segment. In general, the large corporates and international customers segment experienced stable credit quality and macro development in the quarter. Net stage 3 loans and financial commitments amounted to NOK 16 billion at end-December 2018.

On an annualised basis, there were net reversals on previous impairment losses of 0.04 per cent of average loans in the quarter, compared with net impairment losses of 0.09 per cent in the fourth quarter of 2017, and reversals of 0.27 per cent in the third quarter of 2018.

Redirecting exposure from capital-intensive and cyclical industries to less capital-intensive industries with a higher portfolio turnover, reducing final hold and making more active use of portfolio management tools has contributed to increased profitability in this segment.

Other operations

With effect from the first quarter of 2018, the banking group has changed the composition of reportable segments, as the risk management product segment, previously reported as trading, has been combined with other operations.

Income statement in NOK million	4Q18	3Q18	4Q17
Net interest income	683	564	155
Net other operating income	812	747	2 010
Total income	1 495	1 311	2 165
Operating expenses	(1 573)	(1 188)	(1 987)
Pre-tax operating profit before impairment	(78)	124	178
Net gains on fixed and intangible assets	0	(5)	(38)
Impairment of financial instruments	(0)	0	(16)
Profit from repossessed operations	147	99	2
Pre-tax operating profit	69	217	126
Tax expense	743	232	946
Profit from operations held for sale, after taxes	(142)	(30)	(3)
Profit for the period	670	419	1 069
Average balance sheet items in NOK billion			
Net loans to customers	86.0	84.1	79.9
Deposits from customers	39.7	69.0	112.8

Pre-tax operating profits for other operations were NOK 69 million in the fourth quarter of 2018, down NOK 148 million from the third quarter and down NOK 57 million compared with the year earlier period.

Total revenues from the risk management operations in Markets were NOK 5 million in the fourth quarter of 2018, compared to NOK 318 million in the third quarter and NOK 483 million in the corresponding period a year earlier. Wider credit spreads during the quarter resulted in negative market value changes for bonds and credit value adjustments.

The profits in the other operations segment are affected by several group items not allocated to the segments. Net other operating income in the fourth quarter was affected negatively by mark-to-market effects related to changes in basis swaps spreads, while exchange rate effects on additional Tier 1 capital was positive. These items vary greatly from quarter to quarter. Operating expenses were affected by depreciation and impairment of leasing contracts and system development in the fourth quarter.

Full year 2018

The banking group recorded profits of NOK 22 109 million in 2018, up NOK 2 296 million compared with 2017, driven by higher net interest income, lower impairment of financial instruments and a gain of NOK 464 million following the merger of BankID, Bank Axept and Vipps.

The common equity Tier 1 capital ratio was 16.5 per cent at end-December, up from 16.2 per cent a year earlier.

The leverage ratio for the banking group was 7.4 per cent, up from 6.9 at end-December 2017.

Return on equity was 11.5 per cent, compared with 10.5 per cent in 2017.

Net interest income increased by NOK 1 475 million from 2017. Reclassification effects related to IFRS 9 offset most of the loss of revenues from the Baltic operations. Effects from amortisation of fees and higher volumes contributed positively with NOK 424 million and 318 million, respectively. There were rising volumes in the personal customers and small and medium-sized enterprises segments, and a planned reduction in volumes to large corporates and international customers.

Net other operating income was NOK 10 478 million, down NOK 1 947 million compared with 2017. Net gains on other financial instruments at fair value contributed negatively with NOK 3 812 million, due to volatility in the fixed-income markets and effects from reclassifications under IFRS 9. Basis swaps contributed negatively with NOK 687 million. Net commissions and fees grew by NOK 721 million, mainly due to reclassifications under IFRS 9.

Operating expenses were down NOK 683 million compared with 2017. The reduction was mainly due to the fact that operating expenses relating to the Baltics were included in the accounts up to October 2017, in addition to increased costs in 2017 due to impairment of goodwill related to the external distribution of credit cards under the Cresco brand. IT expenses increased in 2018 due to higher digitalisation activity.

There were net reversals on impairment losses on financial instruments of NOK 139 million in 2018. The net reversals were primarily related to the large corporates and international customers segment. The main drivers were restructurings of selected large exposures, positive development in oil and gas-related industries combined with a general improvement in the underlying credit quality of the portfolio. The reversals were curtailed by impairments within the personal customers segment and from individually assessed corporate customers in stage 3.

Income statement for 2018

Net interest income

Amounts in NOK million	2018	2017
Lending spreads, customer segments	28 152	29 467
Deposit spreads, customer segments	2 742	1 635
Amortisation effects and fees	3 200	2 776
Operational leasing	1 525	1 555
Baltics		822
Other net interest income	1 769	(341)
Net interest income	37 388	35 914

Net interest income increased by NOK 1 475 million from 2017. Reclassification effects related to IFRS 9 offset most of the loss of revenues from the Baltic operations. Effects from amortisation of fees and higher volumes contributed positively with NOK 424 million and 318 million, respectively. In the comments below, volumes and spreads have been adjusted for the effects of the Baltic operations in 2017.

Average lending spreads contracted by 12 basis points from 2017, while deposit spreads widened by 12 basis points. There was an average increase of NOK 21.5 billion in the healthy loan portfolio, while average deposits decreased by NOK 18.7 billion compared with 2017.

Net other operating income

Amounts in NOK million	2018	2017
Net commissions and fees	6 605	5 884
Basis swaps	(1 358)	(672)
Exchange rate effects additional Tier 1 capital	721	(616)
Net gains on other financial instruments at fair value	1 989	5 801
Other operating income	2 522	2 029
Net other operating income	10 478	12 425

Net other operating income was down NOK 1 947 million from 2017. Net gains on other financial instruments at fair value contributed negatively with NOK 3 812 million, due to volatility in the fixed-income markets and effects from reclassifications under IFRS 9. Basis swaps contributed negatively with NOK 687 million. There was a strong increase in exchange rate effects on additional Tier 1 capital. Net commissions and fees grew by NOK 721 million, partly due to reclassifications under IFRS 9. Other operating income rose by NOK 493 million mainly due to a positive contribution from Luminor.

Operating expenses

Amounts in NOK million	2018	2017
Salaries and other personnel expenses	(11 216)	(11 561)
Other expenses	(7 658)	(7 899)
Depreciation and impairment of fixed and intangible assets	(2 371)	(2 469)
Operating expenses	(21 246)	(21 928)

Total operating expenses were down NOK 683 million or 3.1 per cent from 2017. This was mainly due to the fact that operating expenses relating to the Baltics were included in the accounts up to October 2017, in addition to increased costs due to impairment of goodwill related to the external distribution of credit cards under the Cresco brand in 2017. Excluding the Baltic operations, operating expenses increased by NOK 15 million mainly due to a higher level of IT activity.

The cost/income ratio was 44.4 per cent in 2018.

Impairment of financial instruments

Amounts in NOK million	2018
Personal customers	(287)
Commercial real estate	82
Shipping	8
Oil, gas and offshore	1 079
Other industry segments	(744)
Total impairment of financial instruments	139

Net reversals on impairment of financial instruments amounted to NOK 139 million in 2018. The impairment losses within the most relevant industry segments are shown above.

The personal customers segment experienced stable credit quality and low impairments of NOK 287 million in 2018. Commercial real estate had a net reversal of NOK 82 million due to improved credit quality during the year.

There were net reversals of NOK 1 079 million for the oil, gas and offshore industry in 2018. The reversals reflected an improved market situation, especially for oil and gas, in line with the forecast at the start of the year. Further, there were reversals related to successful restructurings of financially distressed customers. However, the net reversals were somewhat curtailed by impairments due to negative credit development for specific customers in stage 3 within rigs and offshore supply vessels.

There were net reversals of NOK 8 million within the shipping segment. The macro forecasts for shipping during 2018 were fairly stable. Further, the NOK 8 million included both increases and reversals related to specific customers in stage 2 and 3.

The net impairment losses of NOK 744 million within other industry segments primarily reflected negative credit development on individually assessed customers within the industry segments trade and services. In general, relevant macro drivers developed in line with the forecasts at the start of the year for most industries. Net stage 3 loans and financial commitments amounted to NOK 23.1 billion at end-December 2018.

Taxes

The banking group's tax expense for the full year 2018 is estimated at NOK 4 976 million, or 18.2 per cent of pre-tax operating profits.

Funding, liquidity and balance sheet

Throughout 2018, DNB still had good access to the short-term funding market. Competition on price is now the main driver of volume, partly due to high funding demands among Scandinavian peers and increased supply of short-term US government debt. The market is becoming more of an “investors’ market” where issuers adapt to the levels investors are looking for. The USD market is still the most important short-term funding market for DNB. European markets, except GBP which is getting better, still suffer from very low to negative interest rates in the short end.

The long-term funding markets in 2018 proved to be more volatile than the year before. The first quarter turned out to be very good for issuers, with low spreads and high activity in the long-term funding markets. Several issuers were expecting a widening of the spreads later in the year and wanted to ensure long-term funding at low spread levels. As the European Central Bank (ECB) started to reduce its asset purchase programme in March, spreads were widening and raised the funding costs for issuers in both covered bonds and senior preferred bonds. This was strengthened due to some political uncertainty in May. Despite this, DNB issued its first green covered bond in June, which was very well received by the investors. During the third quarter, the supply of new covered bonds was high, but the spreads were kept at a stable and low level until October for both covered bonds and senior bonds. In the market for senior bonds, there were more issuances of so-called senior non-preferred bonds due to the coming Minimum Requirement for own funds and Eligible Liabilities (MREL). During the last part of the year, there was more instability in the long-term funding markets, and spreads increased quite a lot for all instruments. This was partly due to the ECB asset purchase programme coming to an end, as well as political issues involving Italy, Brexit and the global trade conflict between US and China. Overall, DNB had good access to long-term funding markets at attractive spreads throughout the year.

The nominal value of long-term debt securities issued by the banking group was NOK 606 billion at end-December 2018, compared with NOK 598 billion a year earlier. The average remaining term to maturity for these debt securities was 4.1 years at the end of the fourth quarter, up from 4.0 at end-December 2017.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the quarter. At end-December 2018, the LCR was 117 per cent.

Total assets in the banking group were NOK 2 308 billion at year-end 2018, down from NOK 2 360 billion a year earlier.

Loans to customers increased by NOK 66.7 billion or 4.4 per cent from end-December 2017. Customer deposits were down NOK 40.3 billion or 4.1 per cent during the same period. The ratio of customer deposits to net loans to customers was 58.8 per cent at end-December 2018, down from 64.0 per cent a year earlier. The ambition is to have a ratio of customer deposits to net loans, of minimum 60 per cent.

Capital

The banking group’s Basel III common equity Tier 1 (CET1) capital ratio, calculated according to transitional rules, was 16.5 per cent at the end of the fourth quarter 2018, up from 16.2 a year earlier, and at the same level as at end-September. The CET1 capital ratio according to Basel III was 17.3 per cent at year-end 2018.

The CET1 capital increased by NOK 8.7 billion from a year earlier to NOK 173.2 billion at year-end 2018. Retained earnings contributed to the increase.

The risk-weighted assets increased by NOK 36.5 billion from year-end 2017 to NOK 1 051.2 billion. The increase was mainly due to underlying growth in the segments in combination with foreign exchange effects as the Norwegian krone depreciated against both the euro and the US dollar.

The non-risk based leverage ratio was 7.4 per cent at end-December, up from 6.9 in the year-earlier period, and up from 7.0 per cent at end-September. The ratio increased from year-end 2017 due to higher Tier 1 capital in combination with a reduction in the total exposure.

Capital requirements

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

	4Q18	3Q18	4Q17
Transitional rules:			
CET1 capital ratio, per cent	16.5	16.5	16.2
Tier 1 capital ratio, per cent	18.0	18.1	17.7
Capital ratio, per cent	20.9	20.9	20.6
Risk-weighted assets, NOK billion	1 051	1 024	1 015
CET1 capital ratio, Basel III, per cent	17.3	17.3	16.6
Leverage ratio, per cent	7.4	7.0	6.9

New regulatory framework

Incorporation of CRD IV and CRR into the EEA Agreement

The EU's capital requirements legislation CRD IV and CRR is expected to be incorporated into the EEA Agreement during the first half of 2019. The regulatory framework has for the most part already been implemented in Norwegian law, but the Norwegian Ministry of Finance has underlined that provisions that are not in line with the EU legislation, including the Basel I floor for IRB banks and the exception from the SME supporting factor, will not be continued. The introduction of the SME supporting factor implies that the banks' capital requirement for loans to small and medium-sized enterprises will be reduced by approximately 24 per cent.

Increased counter-cyclical capital buffer requirement

The Ministry of Finance has decided that the counter-cyclical capital buffer requirement will be increased by 0.5 percentage points to 2.5 percent with effect from 31 December 2019. The requirement is the weighted average of the buffer rates for the countries where the bank has credit exposures. Several countries in which DNB has exposures have set the requirement to zero per cent, and as a result, DNB's effective counter-cyclical buffer rate will increase by less than 0.5 percentage points.

In the course of 2019, some Norwegian provisions that are not in line with the EU legislation will cease to apply in connection with the implementation of the CRR/CRD IV in Norwegian law. The expected removal of the Basel I transitional floor will give a reduction in risk-weighted assets (Basel III). This reduction is expected to absorb the increased capital requirement for the CET1 ratio, and the nominal capital base is expected to be stable.

New Personal Data Act

The Norwegian Parliament (Stortinget) has adopted a new Personal Data Act, which implements the EU General Data Protection Regulation (GDPR) in Norway. The new Act entered into force on 20 July 2018. New Personal Data Regulations and separate transitional Regulations have also been adopted.

New anti-money laundering legislation entered into force in October 2018

The new Money Laundering Act and Anti-Money Laundering Regulations entered into force on 15 October 2018. The new legislation implements the EU's fourth Anti-Money Laundering Directive in Norwegian law and involves, among other things, stricter requirements for customer due diligence and more responsibilities for the management and Board of Directors. Administrative sanctions for companies and individuals who do not abide by the law have also been introduced.

Government proposal for an adjustment of the financial activities tax

The financial activities tax was introduced in 2017 and implies a 5 percentage point increase in employer's national insurance contributions and a 2 percentage point increase in the corporate income tax rate for the financial services industry. The Norwegian Parliament has decided to reduce the corporate income tax rate from 23 to 22 per cent in 2019. However, this reduction does not include companies that are liable to financial activities tax. The tax rate for the financial services industry will thus increase from 2 to 3 percentage points above the rate in other sectors. The Ministry of Finance is examining a new amendment in the financial activities tax from 2020 where salary costs and taxable profit will be combined into one common tax base with one tax rate.

Minimum Requirement for own funds and Eligible Liabilities, MREL

The Norwegian Parliament has adopted the Act related to the Norwegian Banks' Guarantee Fund and the Act related to amendments to the Financial Institutions Act, etc. The adopted acts implement the EU's Bank Recovery and Resolution Directive (BRRD) and Deposit Guarantee Scheme Directive (DGSD) in Norwegian law and came into force on 1 January 2019. The BRRD has already been incorporated into the EEA Agreement, and efforts are now being made to incorporate the DGSD.

Finanstilsynet (the Financial Supervisory Authority of Norway) has proposed new regulatory provisions to supplement the new statutory provisions, which are now under consideration in the Ministry of Finance. A precondition for being able to implement the crisis management measure of internal recapitalisation (bail-in) is that the banks have sufficient own funds and eligible liabilities that can be written down or converted to equity. Finanstilsynet has proposed that the loss absorption amount should consist of the current capital requirements (Pillar 1 plus Pillar 2) without the buffer requirements. Common equity Tier 1 capital being used to satisfy the buffer requirements cannot cover MREL. Finanstilsynet has further indicated that the recapitalisation amount for the largest banks should principally correspond to the current capital requirements plus combined buffer requirements without the counter-cyclical buffer.

Deposit guarantee level

The DGSD implies that Norway would have to lower its deposit guarantee from NOK 2 million per customer per bank to EUR 100 000. However, as part of the negotiations with the European Commission to incorporate the directive into the EEA Agreement, Norway will most likely be granted a transitional arrangement beyond 2018.

Securitisation in Norway

The Ministry of Finance has asked Finanstilsynet to establish a working group to consider the implementation of the EU's rules on securitisation in Norway. The report must be submitted to the Ministry by the end of May 2019. The purpose of a Norwegian regulatory framework for securitisation is to give Norwegian banks an important tool for modern risk management and help increase the supply of capital to the business community.

New Security Act from 2019

The new Security Act entered into force on 1 January 2019. As a consequence of more stringent security requirements, DNB is working to assess possible implications of the legislation.

The home mortgage lending provisions are continued

The Ministry of Finance has laid down new home mortgage lending regulations effective as of 1 July 2018. Both the general provisions, the banks' flexibility quota and the special requirements for Oslo have been continued in the new regulations, which will apply until 31 December 2019.

Introduction of PSD2 into Norwegian law

The EU's revised Payment Services Directive, PSD2, entered into force in the EU in 2018. The implementation into Norwegian law is now under way in the form of a bill and updated regulations. In dialogue with the authorities, DNB is working actively to explore the possibilities for new services within so-called "open banking", i.e. data exchange with third parties, among other things to clarify the implications of GDPR and electronic ID (eIDAS) for such services.

New rules on markets in financial instruments

In the spring of 2018, the Norwegian Parliament adopted a number of amendments to the securities legislation, as part of the implementation of the EU's regulatory framework for markets in financial instruments, MiFID II and MiFIR. The amendments entered into force on 1 January 2019. In terms of content, the amended provisions have already been implemented in Norwegian law through the temporary MiFID II and MiFIR regulations that were urgently adopted in December 2017 to ensure Norwegian market participants continued access to the European Single Market. The provisions have now been given a permanent and carefully considered formulation, but parts of the temporary legislation will nevertheless be applicable for a while longer. This is the case for the rules which are included in the EU Regulation, and which, due to the connection with the Norwegian Constitution, cannot be given direct effect in Norwegian law before the MiFID II and MiFIR have been included in the EEA Agreement.

Macroeconomic developments

The growth in the world economy held up well during the first half of 2018, but slowed down markedly through the second half. The slowdown, which was particularly evident in Europe and China, was caused by several factors. High energy prices contributed to a weakening of the real household disposable income and put a damper on demand. New emission rules for cars were part of the reason for a pronounced drop in the German automotive industry. These are both presumably temporary effects, which will be reversed this year. In addition, the ongoing trade war between the US and China contributed to reducing the growth in the Chinese economy. The trade conflict will probably continue this year, but the negative effects on the global economy will nevertheless be relatively limited. It is also possible that the two parties will reach a solution that will prevent further escalation of the conflict.

In the US, lower tax rates and increased public spending boosted the economy last year, thus preventing a slowdown in the growth. This year, the effects of this fiscal policy will gradually diminish. Financial turmoil and a significant fall in the stock markets at the end of last year may put a damper on economic activity in the time ahead. However, this may cause the Federal Reserve (Fed) to raise the key policy rate by less than would otherwise be the case, despite the fact that the unemployment rate is very low. In any case, the GDP growth will be slightly lower this year than last year.

Growth in the eurozone was disappointing in 2018, but this stagnation is most likely temporary. This year, we expect a GDP growth of 1.5 per cent. The European Central Bank (ECB) has announced that it will gradually depart from its expansionary monetary policy and at the turn of the year, it finalised its asset purchases. The first rate hike may be expected towards the end of 2019.

The uncertainty surrounding Brexit has put a damper on the British economy in the wake of the referendum. This has particularly affected investments in the business world.

The GDP for Mainland Norway rose by an estimated 2.3 per cent last year, adjusted for changes in the number of working days, and thus maintained approximately the same growth rate as the previous year. After a very hot and dry summer there was a decline in the agricultural production, which contributed to a slowdown in the economy. A cold winter, dry summer and higher energy prices in Europe led to an increase in the electricity prices of more than 25 per cent last year. This was the main reason why an expected real wage growth failed to occur. The increase in electricity prices was probably also a major contributor to the stagnation in household consumption. Although electricity prices may remain high this winter, there is little reason to expect the same price growth as last year. This could mean that the real wage growth will pick up, and thereby also the growth in consumption. A marked upswing in oil investments is also expected to contribute positively to this year's economic growth. In addition, other business investments are expected to rise and support further growth in domestic demand. On the other hand, the trade war between China and the US is contributing to slowing down the increase. We assume, however, that the effects will be relatively moderate as long as a global trade war is avoided. We forecast a growth in the mainland economy of close to 2 per cent this year.

Higher manufacturing growth has been reflected in stronger employment growth. The rate of unemployment has fallen, but the decline levelled out somewhat last autumn. We expect a moderate decrease in the unemployment rate this year. The marked rise in electricity prices contributed to an overall increase in consumer prices of 2.7 per cent last year. Adjusted for tax changes and energy prices, the rise ended at 1.6 per cent. Slightly lower electricity prices in the course of the year will cause a marked drop in the inflation rate. In the housing market, prices increased by 0.7 per cent from 2017 to 2018. Prices rose somewhat at the beginning of 2018, but then levelled out. In the current year, we expect housing prices to remain relatively stable for the country as a whole. Over the last two years, the activity in the Norwegian economy has increased somewhat faster than normal, and capacity utilisation has gone up. The inflation outlook is relatively stable, and the risk of a marked drop in the inflation rate is significantly reduced. The Norwegian krone is weak. Based on this situation, Norges Bank raised the key policy rate in September last year and has notified a new increase in March this year, in which case the rate will stand at 1.00 per cent. One more rate hike is expected this year.

Future prospects

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

The increase in Norges Bank's key policy rate from 0.5 per cent to 0.75 per cent, followed by DNB's announcement of an interest rate rise on loans that was effective from 4 November, will have full effect on net interest income in 2019. The annual increase in lending volumes is anticipated to be 3 to 4 per cent in 2019 and 2020. In this period, higher growth in lending volumes is expected for small and medium-sized enterprises, while lending to large corporates and international customers is expected to grow at a slower pace.

DNB's ambition is to have a cost/income ratio below 40 per cent towards the end of 2019.

The increase in the counter-cyclical buffer requirement from 2019 will raise the CET1 capital ratio requirement to 16.8 per cent including a management buffer of around 1 per cent. The expected removal of the Basel I transitional floor will give a reduction in risk-weighted assets (Basel III). This reduction is expected to absorb the increased capital requirement for the CET1 ratio, and the nominal capital base is expected to be stable. For DNB, the CET1 capital ratio achieved at end 2018 was 16. per cent (transitional rules) and according to Basel III, 17.2 per cent.

Oslo, 6 February 2019
The Board of Directors of DNB Bank ASA

Olaug Svarva
(chair of the board)

Gro Bakstad
(vice chair of the board)

Lillian Hattrem

Kim Wahl

Rune Bjerke
(group chief executive)

Income statement

Amounts in NOK million	4th quarter 2018	4th quarter 2017	Full year 2018	Full year 2017
	DNB Bank ASA			
Interest income, amortised cost	10 219	7 724	38 336	30 763
Other interest income	1 039	1 611	4 055	6 363
Interest expenses, amortised cost	(5 266)	(2 486)	(19 026)	(9 604)
Other interest expenses	1 152	(669)	3 835	(3 105)
Net interest income	**7 144**	**6 180**	**27 199**	**24 416**
Commission and fee income	2 336	1 913	8 463	7 340
Commission and expenses	(814)	(869)	(3 424)	(3 296)
Net gains on financial instruments at fair value	1 236	1 747	3 659	5 942
Other income	3 276	3 575	6 231	6 325
Net other operating income	**6 035**	**6 366**	**14 928**	**16 312**
Total income	**13 178**	**12 547**	**42 127**	**40 728**
Salaries and other personnel expenses	(2 441)	(2 469)	(9 629)	(9 639)
Other expenses	(1 973)	(1 850)	(6 947)	(6 904)
Depreciation and impairment of fixed and intangible assets	(997)	(967)	(2 431)	(2 318)
Total operating expenses	**(5 411)**	**(5 286)**	**(19 008)**	**(18 860)**
Pre-tax operating profit before impairment	**7 768**	**7 261**	**23 120**	**21 867**
Net gains on fixed and intangible assets	49	1 278	837	2 047
Impairment of financial instruments	(623)	(874)	(1 029)	(1 937)
Pre-tax operating profit	**7 194**	**7 665**	**22 927**	**21 978**
Tax expense	(414)	224	(3 561)	(3 068)
Profit for the period	**6 780**	**7 889**	**19 366**	**18 910**
Portion attributable to shareholders of DNB Bank ASA	6 510	7 646	18 407	17 972
Portion attributable to additional Tier 1 capital holders	270	243	959	938
Profit for the period	**6 780**	**7 889**	**19 366**	**18 910**

Comprehensive income statement

Amounts in NOK million	4th quarter 2018	4th quarter 2017	Full year 2018	Full year 2017
	DNB Bank ASA			
Profit for the period	**6 780**	**7 889**	**19 366**	**18 910**
Actuarial gains and losses	(103)	(115)	(103)	(115)
Financial liabilities designated at FVTPL, changes in credit risk	46		85	
Tax	23	(4)	13	(4)
Items that will not be reclassified to the income statement	(35)	(120)	(6)	(120)
Currency translation of foreign operations	68	42	(34)	53
Items that may subsequently be reclassified to the income statement	68	42	(34)	53
Other comprehensive income for the period	**33**	**(77)**	**(39)**	**(67)**
Comprehensive income for the period	**6 813**	**7 811**	**19 327**	**18 843**

Balance sheet

Amounts in NOK million	Note	DNB Bank ASA 31 Dec. 2018	DNB Bank ASA 31 Dec. 2017
Assets			
Cash and deposits with central banks		154 595	151 147
Due from credit institutions		428 648	580 973
Loans to customers	5, 6, 7, 8	793 702	730 782
Commercial paper and bonds	8	262 207	271 607
Shareholdings	8	6 580	6 310
Financial derivatives	8	138 306	146 953
Investments in associated companies		9 541	9 007
Investments in subsidiaries		100 670	115 142
Intangible assets		3 429	3 515
Deferred tax assets		2 664	8 415
Fixed assets		8 413	7 842
Other assets		21 928	22 092
Total assets		**1 930 683**	**2 053 787**
Liabilities and equity			
Due to credit institutions		277 437	332 798
Deposits from customers	8	916 258	956 525
Financial derivatives	8	162 683	179 534
Debt securities issued	8, 9	335 317	326 171
Payable taxes		807	3 765
Deferred taxes		90	74
Other liabilities		25 546	51 103
Provisions		1 790	1 652
Pension commitments		3 111	2 906
Subordinated loan capital	8, 9	31 082	29 538
Total liabilities		**1 754 121**	**1 884 067**
Share capital		18 256	18 256
Share premium		19 895	19 895
Additional Tier 1 capital		16 194	16 159
Other equity		122 218	115 411
Total equity		**176 562**	**169 720**
Total liabilities and equity		**1 930 683**	**2 053 787**

Income statement

Amounts in NOK million	4th quarter 2018	4th quarter 2017	Full year 2018	Full year 2017
				DNB Bank Group
Interest income, amortised cost	14 177	11 831	53 261	47 883
Other interest income	1 221	1 589	5 009	6 516
Interest expenses, amortised cost	(6 425)	(3 913)	(23 694)	(15 515)
Other interest expenses	781	(518)	2 812	(2 970)
Net interest income	**9 754**	**8 989**	**37 388**	**35 914**
Commission and fee income	2 688	2 226	9 983	9 228
Commission and fee expenses	(804)	(853)	(3 378)	(3 344)
Net gains on financial instruments at fair value	447	1 689	1 351	4 513
Profit from investments accounted for by the equity method	(10)	(74)	314	(112)
Net gains on investment properties	(6)	146	62	143
Other income	600	490	2 146	1 997
Net other operating income	**2 914**	**3 624**	**10 478**	**12 425**
Total income	**12 669**	**12 613**	**47 866**	**48 339**
Salaries and other personnel expenses	(2 854)	(2 869)	(11 216)	(11 561)
Other expenses	(2 168)	(2 005)	(7 658)	(7 899)
Depreciation and impairment of fixed and intangible assets	(928)	(1 007)	(2 371)	(2 469)
Total operating expenses	**(5 951)**	**(5 880)**	**(21 246)**	**(21 928)**
Pre-tax operating profit before impairment	**6 718**	**6 733**	**26 620**	**26 410**
Net gains on fixed and intangible assets	49	(38)	529	735
Impairment of financial instruments	(235)	(402)	139	(2 428)
Pre-tax operating profit	**6 532**	**6 293**	**27 288**	**24 718**
Tax expense	(825)	(666)	(4 976)	(4 903)
Profit from operations held for sale, after taxes	(141)	(3)	(204)	(1)
Profit for the period	**5 567**	**5 624**	**22 109**	**19 813**
Portion attributable to shareholders of DNB Bank ASA	5 297	5 382	21 150	18 876
Portion attributable to additional Tier 1 capital holders	270	243	959	938
Profit for the period	**5 567**	**5 624**	**22 109**	**19 813**

Comprehensive income statement

Amounts in NOK million	4th quarter 2018	4th quarter 2017	Full year 2018	Full year 2017
				DNB Bank Group
Profit for the period	**5 567**	**5 624**	**22 109**	**19 813**
Actuarial gains and losses	(102)	(97)	(102)	(97)
Financial liabilities designated at FVTPL, changes in credit risk	241		221	
Tax	(27)	(9)	(22)	(9)
Items that will not be reclassified to the income statement	113	(107)	98	(107)
Currency translation of foreign operations	4 235	2 734	1 310	1 182
Currency translation reserve reclassified to the income statement		(1 303)	(2)	(1 303)
Hedging of net investment	(3 469)	(2 187)	(1 060)	(687)
Hedging reserve reclassified to the income statement		1 224	1	1 224
Investments according to the equity method		41		160
Tax	867	547	265	172
Tax reclassified to the income statement		(338)		(338)
Items that may subsequently be reclassified to the income statement	1 633	718	514	410
Other comprehensive income for the period	**1 746**	**611**	**612**	**303**
Comprehensive income for the period	**7 313**	**6 235**	**22 721**	**20 117**

Balance sheet

Amounts in NOK million	Note	DNB Bank Group 31 Dec. 2018	 31 Dec. 2017
Assets			
Cash and deposits with central banks		155 592	151 595
Due from credit institutions		128 415	237 849
Loans to customers	5, 6, 7, 8	1 598 017	1 531 345
Commercial paper and bonds	8	257 725	266 642
Shareholdings	8	7 955	7 303
Financial derivatives	8	125 358	132 649
Investment properties		638	990
Investments accounted for by the equity method		11 807	11 176
Intangible assets		3 742	3 756
Deferred tax assets		983	757
Fixed assets		8 470	7 911
Assets held for sale		1 258	
Other assets		7 750	7 888
Total assets		**2 307 710**	**2 359 860**
Liabilities and equity			
Due to credit institutions		187 307	222 501
Deposits from customers	8	940 087	980 374
Financial derivatives	8	110 005	112 020
Debt securities issued	8, 9	803 796	782 127
Payable taxes		2 012	4 702
Deferred taxes		3 471	847
Other liabilities		15 903	19 304
Liabilities held for sale		382	
Provisions		2 534	1 766
Pension commitments		3 198	2 995
Subordinated loan capital	8, 9	31 082	29 538
Total liabilities		**2 099 777**	**2 156 175**
Share capital		18 256	18 256
Share premium		20 611	20 611
Additional Tier 1 capital		16 194	16 159
Other equity		152 872	148 660
Total equity		**207 933**	**203 685**
Total liabilities and equity		**2 307 710**	**2 359 860**

Statement of changes in equity

DNB Bank ASA

Amounts in NOK million	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 Dec. 2016	**18 314**	**19 895**	**15 952**	**517**		**113 425**	**168 104**
Profit for the period			938			17 972	18 910
Actuarial gains and losses						(115)	(115)
Currency translation of foreign operations				53			53
Tax on other comprehensive income						(4)	(4)
Comprehensive income for the period			938	53		17 852	18 843
Demerger Vipps AS	(59)					(641)	(700)
Interest payments additional Tier 1 capital			(724)				(724)
Currency movements taken to income			(7)			7	
Transfer of lending portfolio to subsidiary (continuity)						2	2
Dividends/group contribution to DNB ASA for 2017						(15 804)	(15 804)
Balance sheet as at 31 Dec. 2017	**18 256**	**19 895**	**16 159**	**570**		**114 841**	**169 720**
Implementation of IFRS 9					(127)	(899)	(1 026)
Balance sheet as at 1 Jan. 2018	**18 256**	**19 895**	**16 159**	**570**	**(127)**	**113 942**	**168 694**
Profit for the period			959			18 407	19 366
Actuarial gains and losses						(103)	(103)
Financial liabilities designated at FVTPL, changes in credit risk					85		85
Currency translation of foreign operations				(34)			(34)
Tax on other comprehensive income					(21)	34	13
Comprehensive income for the period			959	(34)	64	18 338	19 327
Interest payments additional Tier 1 capital			(892)				(892)
Currency movements taken to income			(32)			32	
Dividends/group contribution to DNB ASA for 2018						(10 568)	(10 568)
Balance sheet as at 31 Dec. 2018	**18 256**	**19 895**	**16 194**	**536**	**(63)**	**121 745**	**176 562**

DNB Bank Group

Amounts in NOK million	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 Dec. 2016	**18 314**	**20 611**	**15 952**	**4 266**		**130 934**	**190 078**
Profit for the period			938			18 876	19 813
Actuarial gains and losses						(97)	(97)
Currency translation of foreign operations				(121)			(121)
Hedging of net investment				537			537
Investments according to the equity method						160	160
Tax on other comprehensive income				(166)		(9)	(176)
Comprehensive income for the period			938	250		18 929	20 116
Demerger Vipps AS	(59)					(641)	(700)
Interest payments additional Tier 1 capital			(724)				(724)
Currency movements taken to income			(7)			7	
Dividends/group contribution to DNB ASA for 2016						(5 084)	(5 084)
Balance sheet as at 31 Dec. 2017	**18 256**	**20 611**	**16 159**	**4 516**		**144 144**	**203 685**
Implementation of IFRS 9					(342)	(1 437)	(1 779)
Balance sheet as at 1 Jan. 2018	**18 256**	**20 611**	**16 159**	**4 516**	**(342)**	**142 707**	**201 907**
Profit for the period			959			21 150	22 109
Actuarial gains and losses						(102)	(102)
Financial liabilities designated at FVTPL, changes in credit risk					221		221
Currency translation of foreign operations				1 308			1 308
Hedging of net investment				(1 060)			(1 060)
Tax on other comprehensive income				265	(55)	34	243
Comprehensive income for the period			959	514	166	21 082	22 721
Interest payments additional Tier 1 capital			(892)				(892)
Currency movements taken to income			(32)			32	
Dividends/group contribution to DNB ASA for 2017						(15 804)	(15 804)
Balance sheet as at 31 Dec. 2018	**18 256**	**20 611**	**16 194**	**5 029**	**(176)**	**148 019**	**207 933**

Cash flow statement

Amounts in NOK million	DNB Bank ASA Full year 2018	Full year 2017
Operating activities		
Net payments on loans to customers	(68 939)	(39 831)
Interest received from customers	35 182	27 604
Net receipts on deposits from customers	(36 552)	36 940
Interest paid to customers	(8 881)	(5 346)
Net receipts/payments on loans to credit institutions	98 864	(28 516)
Interest received from credit institutions	7 393	5 074
Interest paid to credit institutions	(4 769)	(3 058)
Net receipts/payments on the sale of financial assets for investment or trading	18 872	(21 783)
Interest received on bonds and commercial paper	3 866	4 521
Net receipts on commissions and fees	4 875	3 920
Payments to operations	(16 071)	(16 322)
Taxes paid	(3 977)	(1 897)
Other net receipts/payments	(5 741)	5 289
Net cash flow from operating activities	**24 123**	**(33 406)**
Investing activities		
Net payments on the acquisition of fixed assets	(2 094)	(1 010)
Net investment in long-term shares	5 868	(2 517)
Dividends received on long-term investments in shares	869	347
Net cash flow from investment activities	**4 642**	**(3 181)**
Financing activities		
Receipts on issued bonds and commercial paper	1 050 476	1 788 376
Payments on redeemed bonds and commercial paper	(1 049 827)	(1 804 568)
Interest payments on issued bonds and commercial paper	(6 926)	(5 926)
Receipts on the raising of subordinated loan capital	9 419	10 106
Redemptions of subordinated loan capital	(8 542)	(10 544)
Interest payments on subordinated loan capital	(574)	(780)
Interest payments on additional Tier 1 capital	(892)	(724)
Group contribution payments	(17 735)	(4 018)
Net cash flow from funding activities	**(24 600)**	**(28 080)**
Effects of exchange rate changes on cash and cash equivalents	**509**	**6 082**
Net cash flow	**4 674**	**(58 584)**
Cash as at 1 January	153 184	211 768
Net receipts/payments of cash	4 674	(58 584)
Cash at end of period *)	157 858	153 184

**) Of which: Cash and deposits with central banks*	*154 595*	*151 147*
Deposits with credit institutions with no agreed period of notice 1)	*3 263*	*2 036*

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

Cash flow statement (continued)

Amounts in NOK million	DNB Bank Group Full year 2018	 Full year 2017
Operating activities		
Net payments on loans to customers	(58 722)	(36 193)
Interest received from customers	54 875	47 789
Net receipts on deposits from customers	(48 364)	34 723
Interest paid to customers	(8 998)	(4 425)
Net receipts/payments on loans to credit institutions	75 975	(40 214)
Interest received from credit institutions	4 082	2 449
Interest paid to credit institutions	(3 783)	(2 428)
Net receipts/payments on the sale of financial assets for investment or trading	40 583	(20 381)
Interest received on bonds and commercial paper	3 797	4 394
Net receipts on commissions and fees	6 440	6 035
Payments to operations	(19 424)	(19 505)
Taxes paid	(4 585)	(10 004)
Other net receipts/payments	1 774	6 282
Net cash flow from operating activities	**43 651**	**(31 478)**
Investing activities		
Net payments on the acquisition of fixed assets	(2 404)	(2 274)
Net receipt from investment properties	349	382
Net investment in long-term shares	(92)	(585)
Dividends received on long-term investments in shares	13	7
Net cash flow from investment activities	**(2 134)**	**(2 470)**
Financing activities		
Receipts on issued bonds and commercial paper	1 115 987	1 849 030
Payments on redeemed bonds and commercial paper	(1 109 463)	(1 856 373)
Interest payments on issued bonds and commercial paper	(14 193)	(13 853)
Receipts on the raising of subordinated loan capital	9 419	10 106
Redemptions of subordinated loan capital	(8 542)	(10 544)
Interest payments on subordinated loan capital	(579)	(784)
Interest payments on additional Tier 1 capital	(892)	(724)
Group contributions payments	(16 094)	(5 318)
Net cash flow from funding activities	**(24 357)**	**(28 459)**
Effects of exchange rate changes on cash and cash equivalents	**(12 038)**	**5 436**
Net cash flow	**5 122**	**(56 971)**
Cash as at 1 January	154 051	211 022
Net receipts/payments of cash	5 122	(56 971)
Cash at end of period *)	159 173	154 051

**) Of which: Cash and deposits with central banks*	*155 592*	*151 595*
Deposits with credit institutions with no agreed period of notice 1)	*3 581*	*2 456*

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

Note 1 Basis for preparation

The quarterly financial statements for the DNB Bank Group have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. DNB Bank ASA has prepared the financial statements according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-6, on the use of IFRS. When preparing the consolidated financial statements, management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied by the DNB Bank Group, can be found in note 1 Accounting principles and 49 Transition to IFRS 9 in the annual report for 2017.

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

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

IFRS 9 Financial Instruments

IFRS 9 is the new standard for financial instruments that replaces IAS 39. Comparative information has not been restated. For additional information on IFRS 9 adoption, see note 49 Transition to IFRS 9 in the annual report for 2017. Disclosures related to the line item Loans to customers in the balance sheet and the line item Impairment of loans and guarantees in the income statement for the fourth quarter of 2017 can be found in note 10 Impairment of loans and guarantees, note 11 Loans to customers and note 12 Net impaired loans and guarantees for principal customer groups in the fourth quarter report of 2017.

IFRS 15 Revenue from contracts with customers

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

Approved standards and interpretations that have not yet entered into force

IFRS 16 Leases

IFRS 16 Leases is effective from 1 January 2019 and replaces the current IAS 17 Leases. IFRS 16 establishes significant new accounting requirements for lessees, while the requirements for lessors are more or less unchanged. For lessees, IFRS 16 eliminates the distinction between operating and finance leases as is required by IAS 17, and instead introduces a single lessee accounting model. When applying the new model, DNB Bank Group will recognise a liability to make lease payments (lease liability) and an asset representing the right to use the underlying asset during the lease term (right-of-use asset). In the income statement, depreciation of the right-of-use assets will be recognised separately from interest on lease liabilities.

DNB Bank Group has decided on the following policy choices and practical expedients:

- to apply the low value exception (primarily for office equipment)
- to not recognise non-lease components in the lease liability
- to apply the modified retrospective approach for transition to IFRS 16, meaning that the DNB Bank Group will not restate the comparatives for 2018. Right-of-use assets and lease liabilities will be measured at the same amount, taking into consideration prepayments, accruals and provisions recognised as of 31 December 2018.

The right-of-use asset will be classified as part of the fixed assets in the balance sheet, while the lease liability will be classified as other liabilities.

The major part of DNB’s lease liabilities arises from leases on commercial real estate as well as some IT equipment. Within real estate, the most significant liabilities are related to head offices in Norway and DNB’s international offices. The total lease liabilities and right-of-use assets on 1 January 2019 will be NOK 6 billion for DNB Bank Group. The right-of-use-asset is assigned a risk weight of 100 per cent, and the impact on the CET1 ratio will be approximately 8 basis points for DNB Bank Group.

The impact on profit and loss will vary over time, but the combination of interest and depreciation expenses from IFRS 16 is expected to be slightly higher than the lease expenses from IAS 17 at the start of the lease term and lower towards the end.

Note 2 Segments

According to DNB Bank's management model, the operating segments are independent profit centres that are fully responsible for their profit after tax and for achieving the targeted returns on allocated capital. DNB Bank has the following operating segments: Personal customers, Small and medium-sized enterprises, Large corporates and international customers and Risk management, (previously reported as Trading). With effect from the first quarter of 2018, DNB Bank changed the composition of reportable segments, as the Risk management segment were combined with Other operations. In addition, eliminations were separated from the Other operations/ eliminations and presented in a separate column. Figures for 2017 have been adjusted correspondingly.

Income statement, fourth quarter

DNB Bank Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Bank Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
Amounts in NOK million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net interest income	3 458	3 511	2 474	2 281	3 141	3 042	683	155			9 754	8 989
Net other operating income	986	811	397	406	1 219	1 005	812	2 010	(500)	(608)	2 914	3 624
Total income	4 444	4 321	2 871	2 688	4 359	4 047	1 495	2 165	(500)	(608)	12 669	12 613
Operating expenses	(2 127)	(1 853)	(1 034)	(1 044)	(1 716)	(1 604)	(1 573)	(1 987)	500	608	(5 951)	(5 880)
Pre-tax operating profit before impairment	2 317	2 468	1 837	1 644	2 643	2 443	(78)	178			6 718	6 733
Net gains on fixed and intangible assets	49	(0)		(1)	(0)	0	0	(38)			49	(38)
Impairment of financial instruments	(89)	(137)	(101)	(150)	(45)	(99)	(0)	(16)			(235)	(402)
Profit from repossessed operations			4	11	(151)	(13)	147	2				
Pre-tax operating profit	2 277	2 331	1 740	1 505	2 447	2 331	69	126			6 532	6 293
Tax expense	(569)	(583)	(435)	(376)	(563)	(653)	743	946			(825)	(666)
Profit from operations held for sale, after taxes					1		(142)	(3)			(141)	(3)
Profit for the period	1 708	1 749	1 305	1 128	1 886	1 678	670	1 069			5 567	5 624

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

Income statement, Full year

DNB Bank Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Bank Group	
	Full year		Full year		Full year		Full year		Full year		Full year	
Amounts in NOK million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net interest income	13 422	13 336	9 530	8 578	12 110	12 682	2 327	1 318			37 388	35 914
Net other operating income	3 920	3 716	1 541	1 549	4 511	4 897	2 227	4 488	(1 721)	(2 225)	10 478	12 425
Total income	17 342	17 051	11 071	10 127	16 621	17 579	4 554	5 806	(1 721)	(2 225)	47 866	48 339
Operating expenses	(7 842)	(7 731)	(3 946)	(4 106)	(6 340)	(7 086)	(4 838)	(5 229)	1 721	2 225	(21 246)	(21 928)
Pre-tax operating profit before impairment	9 499	9 320	7 125	6 021	10 280	10 493	(284)	577			26 620	26 410
Net gains on fixed and intangible assets	49	(0)	3	(1)	(0)	20	477	716			529	735
Impairment of financial instruments	(318)	(207)	(566)	(413)	1 022	(1 800)	(0)	(8)			139	(2 428)
Profit from repossessed operations			8	14	(263)	(19)	256	4				
Pre-tax operating profit	9 230	9 113	6 570	5 621	11 039	8 694	449	1 289			27 288	24 718
Taxes	(2 308)	(2 278)	(1 642)	(1 405)	(2 539)	(2 434)	1 513	1 214			(4 976)	(4 903)
Profit from operations held for sale, after taxes					(10)	(0)	(194)	(1)			(204)	(1)
Profit for the period	6 923	6 835	4 927	4 216	8 490	6 260	1 769	2 503			22 109	19 813

Note 3 Capital adequacy

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

DNB Bank ASA		Primary capital	DNB Bank Group	
31 Dec. 2017	31 Dec. 2018	*Amounts in NOK million*	31 Dec. 2018	31 Dec. 2017
169 720	176 562	Total equity	207 933	203 685
		Effect from regulatory consolidation	(234)	183
(15 574)	(15 574)	Additional Tier 1 capital instruments included in total equity	(15 574)	(15 574)
(439)	(465)	Net accrued interest on additional Tier 1 capital instruments	(465)	(439)
153 708	160 523	Common equity Tier 1 capital instruments	191 660	187 856
		Deductions		
(2 404)	(2 389)	Goodwill	(2 929)	(2 559)
(584)	(562)	Deferred tax assets that are not due to temporary differences	(524)	(454)
(1 110)	(1 040)	Other intangible assets	(1 712)	(1 984)
		Group contribution, payable	(10 758)	(15 804)
(951)	(1 286)	Expected losses exceeding actual losses, IRB portfolios	(1 719)	(1 915)
(449)	(467)	Value adjustment due to the requirements for prudent valuation (AVA)	(886)	(720)
123	63	Adjustments for unrealised losses/(gains) on debt measured at fair value	176	123
(481)	(596)	Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(149)	(113)
147 851	154 247	Common equity Tier 1 capital	173 159	164 431
15 574	15 574	Additional Tier 1 capital instruments	15 574	15 574
163 425	169 820	Tier 1 capital	188 733	180 005
5 361	5 693	Perpetual subordinated loan capital	5 693	5 361
23 897	25 110	Term subordinated loan capital	25 110	23 897
29 258	30 804	Tier 2 capital	30 804	29 258
192 683	200 624	Total eligible capital	219 537	209 263
835 986	852 363	Risk-weighted assets, transitional rules	1 051 159	1 014 683
66 879	68 189	Minimum capital requirement, transitional rules	84 093	81 175
17.7	18.1	Common equity Tier 1 capital ratio, transitional rules (%)	16.5	16.2
19.5	19.9	Tier 1 capital ratio, transitional rules (%)	18.0	17.7
23.0	23.5	Capital ratio, transitional rules (%)	20.9	20.6

Note 3 Capital adequacy (continued)

Basel III

The majority of the credit portfolios are reported according to the IRB approach. The portfolios “central governments” and “institutions” are, however, reported according to the standardised approach.

Specification of risk-weighted assets and capital requirements

DNB Bank ASA

Amounts in NOK million	Nominal exposure 31 Dec. 2018	EAD [1] 31 Dec. 2018	Average risk weights in per cent 31 Dec. 2018	Risk-weighted assets 31 Dec. 2018	Capital require-ments 31 Dec. 2018	Capital require-ments 31 Dec. 2017
IRB approach						
Corporate	726 994	596 649	53.3	317 824	25 426	25 542
Specialised lending (SL)	11 233	10 778	52.8	5 689	455	396
Retail - mortgages	118 007	118 007	24.2	28 586	2 287	1 974
Retail - other exposures	102 012	87 560	24.7	21 589	1 727	1 745
Securitisation						626
Total credit risk, IRB approach	958 246	812 994	46.0	373 688	29 895	30 283
Standardised approach						
Central government	249 720	232 815	0.0	107	9	6
Institutions	749 022	577 716	24.0	138 540	11 083	7 570
Corporate	144 620	98 867	93.7	92 650	7 412	6 059
Retail - mortgages	10 151	9 591	38.7	3 712	297	240
Retail - other exposures	112 192	39 399	74.5	29 358	2 349	2 104
Equity positions	111 007	111 007	100.2	111 225	8 898	10 018
Other assets	9 425	9 425	91.1	8 587	687	1 898
Total credit risk, standardised approach	1 386 136	1 078 820	35.6	384 179	30 734	27 895
Total credit risk	2 344 382	1 891 814	40.1	757 867	60 629	58 178
Market risk						
Position risk, debt instruments				11 502	920	1 620
Position risk, equity instruments				195	16	21
Currency risk						
Commodity risk				9	1	2
Credit value adjustment risk (CVA)				3 534	283	888
Total market risk				15 239	1 219	2 531
Operational risk				79 257	6 341	6 170
Total risk-weighted assets and capital requirements before transitional rules				852 363	68 189	66 879
Additional capital requirements according to transitional rules						
Total risk-weighted assets and capital requirements				852 363	68 189	66 879

1) EAD, exposure at default.

Note 3 Capital adequacy (continued)

Specification of risk-weighted assets and capital requirements

DNB Bank Group

Amounts in NOK million	Nominal exposure 31 Dec. 2018	EAD [1] 31 Dec. 2018	Average risk weights in per cent 31 Dec. 2018	Risk-weighted assets 31 Dec. 2018	Capital require-ments 31 Dec. 2018	Capital require-ments 31 Dec. 2017
IRB approach						
Corporate	955 626	789 415	53.4	421 452	33 716	35 197
Specialised Lending (SL)	12 445	11 990	54.9	6 579	526	454
Retail - mortgages	773 419	773 419	22.0	170 213	13 617	13 220
Retail - other exposures	102 012	87 560	24.7	21 589	1 727	1 745
Securitisation						626
Total credit risk, IRB approach	1 843 502	1 662 385	37.3	619 833	49 587	51 241
Standardised approach						
Central government	273 420	256 743	0.1	148	12	6
Institutions	264 968	148 410	30.9	45 799	3 664	3 312
Corporate	225 852	166 452	88.8	147 795	11 824	9 816
Retail - mortgages	67 981	64 835	48.9	31 733	2 539	2 207
Retail - other exposures	124 556	49 276	75.0	36 973	2 958	2 941
Equity positions	10 508	10 506	92.1	9 674	774	662
Other assets	11 141	11 141	57.0	6 354	508	513
Total credit risk, standardised approach	978 426	707 362	39.4	278 476	22 278	19 458
Total credit risk	2 821 928	2 369 747	37.9	898 309	71 865	70 699
Market risk						
Position risk, debt instruments				11 583	927	1 120
Position risk, equity instruments				195	16	21
Currency risk						
Commodity risk				9	1	2
Credit value adjustment risk (CVA)				3 891	311	469
Total market risk				15 678	1 254	1 612
Operational risk				86 428	6 914	7 139
Total risk-weighted assets and capital requirements before transitional rules				1 000 415	80 033	79 450
Additional capital requirements according to transitional rules [2]				50 744	4 060	1 725
Total risk-weighted assets and capital requirements				1 051 159	84 093	81 175

1) EAD, exposure at default.

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

Note 4 Taxes

DNB Bank ASA		Balancing tax charges against pre-tax operating profit	DNB Bank Group	
Full year 2017	Full year 2018	*Amounts in NOK million*	Full year 2018	Full year 2017
21 978	22 927	Pre-tax operating profit	27 288	24 718
(5 275)	(5 273)	Estimated tax expense - nominal tax rate 23 per cent (24 per cent in 2017)	(6 276)	(5 932)
(121)	(286)	Tax effect of financial tax	(312)	(142)
		Tax effect of different tax rates in other countries	(19)	(165)
749	1 104	Tax effect of debt interest distribution with international branches	1 104	749
1 609	892	Tax effect of tax-exempt income and non-deductible expenses	418	776
		Tax effect of tax losses carried forward not recognised in the balance sheet [1)]	(5)	(23)
(6)		Tax effect of changed tax rate for deferred taxes recognised in the balance sheet		(94)
(24)	3	Excess tax provision previous year	114	(72)
(3 068)	**(3 560)**	**Total tax expense**	**(4 976)**	**(4 903)**
14%	16%	Effective tax rate	18%	20%

1) *Deferred taxes for tax-deductible differences (mainly losses carried forward) in subsidiaries are recognised in the balance sheet to the extent that it is probable that the banking group can utilise the tax positions in the future.*

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 movements and other changes affecting the gross carrying amount and maximum exposure

Loans to customers at amortised cost and fair value over other comprehensive income, fourth quarter 2018

DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 30 September 2018	**695 778**	**50 523**	**23 384**	**769 684**
Transfer to stage 1	8 647	(8 243)	(405)	
Transfer to stage 2	(17 911)	18 334	(423)	
Transfer to stage 3	(794)	(3 316)	4 110	
Originated and purchased	64 711	2 232	2 101	69 044
Derecognition	(35 043)	(6 620)	(5 155)	(46 819)
Exchange rate movements	2 532	185	108	2 825
Gross carrying amount as at 31 December 2018	**717 921**	**53 094**	**23 719**	**794 734**

Loans to customers at amortised cost and fair value over other comprehensive income, full year 2018

DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**664 024**	**57 732**	**19 949**	**741 705**
Transfer to stage 1	24 460	(23 920)	(540)	
Transfer to stage 2	(34 556)	36 469	(1 912)	
Transfer to stage 3	(3 162)	(10 327)	13 489	
Originated and purchased	262 792	6 275	3 954	273 020
Derecognition	(194 942)	(13 090)	(11 269)	(219 301)
Exchange rate movements	(695)	(45)	49	(691)
Gross carrying amount as at 31 December 2018	**717 921**	**53 094**	**23 719**	**794 734**

Loans to customers at amortised cost, fourth quarter 2018

DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 30 September 2018	**1 416 461**	**80 244**	**27 979**	**1 524 684**
Transfer to stage 1	15 236	(14 819)	(418)	0
Transfer to stage 2	(24 117)	24 642	(524)	0
Transfer to stage 3	(796)	(3 564)	4 360	
Originated and purchased	106 945	2 247	2 033	111 225
Derecognition	(74 723)	(7 211)	(5 919)	(87 854)
Exchange rate movements	10 235	716	322	11 272
Other	(209)			(209)
Gross carrying amount as at 31 December 2018	**1 449 032**	**82 255**	**27 832**	**1 559 120**

Loans to customers at amortised cost, full year 2018

DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**1 389 207**	**90 102**	**25 843**	**1 505 152**
Transfer to stage 1	58 077	(57 223)	(854)	0
Transfer to stage 2	(74 398)	76 833	(2 435)	
Transfer to stage 3	(3 978)	(11 858)	15 836	
Originated and purchased	429 908	5 052	3 964	438 923
Derecognition	(351 129)	(20 752)	(14 563)	(386 443)
Exchange rate movements	1 345	101	41	1 488
Gross carrying amount as at 31 December 2018	**1 449 032**	**82 255**	**27 832**	**1 559 120**

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

Financial commitments, fourth quarter 2018 — DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 30 September 2018	**500 179**	**11 889**	**6 583**	**518 652**
Transfer to stage 1	1 481	(1 145)	(337)	
Transfer to stage 2	(7 914)	7 944	(30)	
Transfer to stage 3	(70)	(127)	198	
Originated and purchased	67 120	1 367	280	68 767
Derecognition	(106 060)	(1 236)	(2 807)	(110 103)
Exchange rate movements	2 858	30	34	2 923
Maximum exposure as at 31 December 2018	**457 594**	**18 722**	**3 922**	**480 237**

Financial commitments, full year 2018 — DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 1 January 2018	**564 001**	**9 805**	**3 039**	**576 845**
Transfer to stage 1	7 278	(6 531)	(747)	
Transfer to stage 2	(15 561)	16 307	(745)	
Transfer to stage 3	(1 655)	(1 579)	3 234	
Originated and purchased	159 353	3 576	3 481	166 410
Derecognition	(257 128)	(2 875)	(4 351)	(264 355)
Exchange rate movements	1 306	18	12	1 336
Maximum exposure as at 31 December 2018	**457 594**	**18 722**	**3 922**	**480 237**

Financial commitments, fourth quarter 2018 — DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 30 September 2018	**634 018**	**23 734**	**6 707**	**664 460**
Transfer to stage 1	4 807	(4 455)	(352)	
Transfer to stage 2	(10 179)	10 209	(30)	
Transfer to stage 3	(71)	(131)	202	
Originated and purchased	79 088	1 170	394	80 652
Derecognition	(95 019)	(1 670)	(2 809)	(99 498)
Exchange rate movements	8 268	604	40	8 912
Other	5			5
Maximum exposure as at 31 December 2018	**620 917**	**29 462**	**4 152**	**654 531**

Financial commitments, full year 2018 — DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 1 January 2018	**649 570**	**28 358**	**3 208**	**681 136**
Transfer to stage 1	14 184	(13 415)	(769)	
Transfer to stage 2	(20 916)	21 665	(749)	
Transfer to stage 3	(1 663)	(1 587)	3 250	
Originated and purchased	277 773	5 247	3 599	286 619
Derecognition	(301 176)	(11 201)	(4 400)	(316 776)
Exchange rate movements	3 177	394	13	3 584
Other	(32)			(32)
Maximum exposure as at 31 December 2018	**620 917**	**29 462**	**4 152**	**654 531**

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 movements and other changes affecting the expected credit loss

Loans to customers at amortised cost, fourth quarter 2018

DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 September 2018	**(144)**	**(892)**	**(7 092)**	**(8 128)**
Transfer to stage 1	(29)	29	0	
Transfer to stage 2	6	(23)	16	
Transfer to stage 3	0	140	(140)	
Originated and purchased	(13)	(99)		(112)
Increased expected credit loss	(38)	(148)	(1 491)	(1 677)
Decreased (reversed) expected credit loss	61	96	1 077	1 234
Write-offs	0	0	258	258
Derecognition (including repayments)	2	46	0	49
Exchange rate movements	(0)	0	(43)	(43)
Accumulated impairment as at 31 December 2018	**(154)**	**(850)**	**(7 416)**	**(8 420)**

Loans to customers at amortised cost, full year 2018

DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(196)**	**(2 138)**	**(6 562)**	**(8 896)**
Transfer to stage 1	(171)	157	14	
Transfer to stage 2	23	(179)	155	
Transfer to stage 3	2	1 167	(1 169)	0
Originated and purchased	(60)	(118)		(177)
Increased expected credit loss	(128)	(708)	(5 741)	(6 577)
Decreased (reversed) expected credit loss	362	797	4 075	5 233
Write-offs	(0)	(1)	1 831	1 830
Derecognition (including repayments)	14	172	1	187
Exchange rate movements	(0)	(0)	(19)	(20)
Accumulated impairment as at 31 December 2018	**(154)**	**(850)**	**(7 416)**	**(8 420)**

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

Loans to customers at amortised cost, fourth quarter 2018

DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 September 2018	**(355)**	**(1 302)**	**(8 586)**	**(10 243)**
Transfer to stage 1	(105)	102	3	(0)
Transfer to stage 2	50	(76)	26	
Transfer to stage 3	0	144	(144)	
Originated and purchased	(48)	(99)	0	(147)
Increased expected credit loss	(60)	(248)	(1 475)	(1 783)
Decreased (reversed) expected credit loss	172	174	1 325	1 671
Write-offs	0	(0)	640	640
Derecognition (including repayments)	4	106	0	111
Exchange rate movements	(10)	(26)	(110)	(145)
Accumulated impairment as at 31 December 2018	**(351)**	**(1 224)**	**(8 321)**	**(9 897)**

Loans to customers at amortised cost, full year 2018

DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(380)**	**(3 081)**	**(8 709)**	**(12 171)**
Transfer to stage 1	(453)	424	28	(0)
Transfer to stage 2	79	(280)	202	(0)
Transfer to stage 3	3	1 351	(1 353)	
Originated and purchased	(176)	(161)	(1)	(337)
Increased expected credit loss	(231)	(988)	(6 368)	(7 587)
Decreased (reversed) expected credit loss	935	1 243	4 981	7 159
Write-offs	(0)	0	2 900	2 899
Derecognition (including repayments)	(125)	275	5	155
Exchange rate movements	(2)	(7)	(5)	(15)
Accumulated impairment as at 31 December 2018	**(351)**	**(1 224)**	**(8 321)**	**(9 897)**

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

Financial commitments, fourth quarter 2018

DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 September 2018	**(101)**	**(398)**	**(433)**	**(932)**
Transfer to stage 1	(8)	8		
Transfer to stage 2	10	(11)	1	0
Transfer to stage 3	0	0	(0)	
Originated and purchased	(28)	(6)		(34)
Increased expected credit loss	(17)	(95)	(152)	(264)
Decreased (reversed) expected credit loss	28	46	18	92
Derecognition	0	22		22
Exchange rate movements	(1)	(2)	(2)	(6)
Accumulated impairment as at 31 December 2018	**(117)**	**(436)**	**(569)**	**(1 122)**

Financial commitments, full year 2018

DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(137)**	**(1 164)**	**(508)**	**(1 809)**
Transfer to stage 1	(124)	124		
Transfer to stage 2	20	(23)	4	
Transfer to stage 3	0	584	(584)	0
Originated and purchased	(114)	(20)		(134)
Increased expected credit loss	(38)	(346)	(316)	(700)
Decreased (reversed) expected credit loss	275	341	821	1 436
Write-offs	(0)		15	15
Derecognition	0	72		72
Exchange rate movements	(1)	(2)	(0)	(3)
Accumulated impairment as at 31 December 2018	**(117)**	**(436)**	**(569)**	**(1 122)**

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

Financial commitments, fourth quarter 2018

DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 September 2018	**(134)**	**(1 008)**	**(436)**	**(1 578)**
Transfer to stage 1	(67)	67		
Transfer to stage 2	17	(18)	1	0
Transfer to stage 3	0	0	(0)	(0)
Originated and purchased	(34)	(10)		(44)
Increased expected credit loss	(20)	(108)	(152)	(281)
Decreased (reversed) expected credit loss	91	90	18	199
Derecognition	2	26	2	30
Exchange rate movements	(3)	(39)	(3)	(45)
Accumulated impairment as at 31 December 2018	**(149)**	**(1 001)**	**(569)**	**(1 719)**

Financial commitments, full year 2018

DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(171)**	**(2 128)**	**(511)**	**(2 810)**
Transfer to stage 1	(194)	194		
Transfer to stage 2	27	(31)	4	
Transfer to stage 3	0	584	(584)	0
Originated and purchased	(134)	(338)		(472)
Increased expected credit loss	(49)	(580)	(316)	(946)
Decreased (reversed) expected credit loss	371	958	821	2 150
Write-offs	(0)	(0)	15	15
Derecognition	2	370	2	374
Exchange rate movements	(1)	(30)	0	(31)
Accumulated impairment as at 31 December 2018	**(149)**	**(1 001)**	**(569)**	**(1 719)**

Note 7 Loans and financial commitments to customers by industry segment

Loans to customers — DNB Bank Group

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	92 825	(9)	(4)	(55)		92 757
Commercial real estate	160 272	(9)	(43)	(261)	179	160 138
Shipping	57 750	(67)	(117)	(655)		56 911
Oil, gas and offshore	61 201	(54)	(586)	(4 336)		56 225
Power and renewables	30 556	(8)	(85)	(107)		30 355
Healthcare	22 601	(7)	(9)	(0)		22 585
Public sector	22 303	(0)	(1)	(0)		22 301
Fishing, fish farming and farming	34 983	(3)	(13)	(70)	165	35 063
Trade	40 210	(15)	(13)	(595)	65	39 653
Manufacturing	45 914	(19)	(9)	(339)	21	45 568
Technology, media and telecom	27 530	(28)	(4)	(30)	17	27 485
Services	64 577	(18)	(18)	(545)	203	64 200
Residential property	91 562	(6)	(7)	(222)	375	91 702
Personal customers	758 495	(91)	(288)	(678)	47 688	805 126
Other corporate customers	48 342	(17)	(30)	(427)	80	47 948
Total as at 31 December 2018 [1)]	**1 559 120**	**(351)**	**(1 224)**	**(8 321)**	**48 794**	**1 598 017**

1) Of which NOK 38 783 million in repo trading volumes.

Financial commitments — DNB Bank Group

Amounts in NOK million	Maximum exposure	Accumulated impairment Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	17 884	(7)	(7)	(0)	17 871
Commercial real estate	26 867	(2)	(1)	(4)	26 861
Shipping	10 605	(6)	(22)		10 577
Oil, gas and offshore	73 945	(53)	(809)	(322)	72 761
Power and renewables	30 481	(4)	(38)	0	30 439
Healthcare	24 000	(7)	(0)		23 992
Public sector	10 711	(0)			10 711
Fishing, fish farming and farming	14 578	(3)	(1)	(3)	14 571
Trade	30 386	(9)	(5)	(98)	30 275
Manufacturing	56 392	(16)	(28)	(5)	56 343
Technology, media and telecom	17 799	(8)	(3)	(2)	17 785
Services	26 142	(11)	(11)	(11)	26 109
Residential property	34 240	(2)	(3)	(2)	34 232
Personal customers	241 943	(15)	(63)	(0)	241 866
Other corporate customers	38 558	(6)	(10)	(123)	38 419
Total as at 31 December 2018	**654 531**	**(149)**	**(1 001)**	**(569)**	**652 812**

Note 8 Financial instruments at fair value

DNB Bank ASA

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 31 December 2018				
Loans to customers		114 901	7 509	122 410
Commercial paper and bonds	55 834	206 054	319	262 207
Shareholdings	5 765	231	583	6 580
Financial derivatives	238	136 031	2 036	138 306
Liabilities as at 31 December 2018				
Deposits from customers		14 680		14 680
Debt securities issued		7 244		7 244
Subordinated loan capital		2 483		2 483
Financial derivatives	285	160 743	1 654	162 683
Other financial liabilities [1)]	3 157			3 157

1) Short positions, trading activities.

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

DNB Bank ASA

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 31 December 2017				
Deposits with central banks		146 714		146 714
Due from credit institutions		353 451		353 451
Loans to customers		55 839	12 322	68 161
Commercial paper and bonds	46 440	215 226	328	261 994
Shareholdings	5 530	254	527	6 310
Financial derivatives	131	144 753	2 069	146 953
Liabilities as at 31 December 2017				
Due to credit institutions		290 474		290 474
Deposits from customers		55 782		55 782
Debt securities issued		168 444		168 444
Subordinated loan capital		2 873		2 873
Financial derivatives	150	177 635	1 749	179 534
Other financial liabilities [1)]	6 153	61		6 214

1) Short positions, trading activities.

Note 8 Financial instruments at fair value (continued)

				DNB Bank Group
Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 31 December 2018				
Loans to customers			48 794	48 794
Commercial paper and bonds	55 834	196 371	319	252 524
Shareholdings	6 974	240	741	7 955
Financial derivatives	238	123 083	2 036	125 358
Liabilities as at 31 December 2018				
Deposits from customers		14 680		14 680
Debt securities issued		79 402		79 402
Subordinated loan capital		2 483		2 483
Financial derivatives	285	108 065	1 654	110 005
Other financial liabilities [1)]	3 157			3 157

				DNB Bank Group
Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 31 December 2017				
Deposits with central banks		146 714		146 714
Due from credit institutions		199 288		199 288
Loans to customers		55 839	55 373	111 212
Commercial paper and bonds	53 391	203 311	328	257 029
Shareholdings	6 421	260	621	7 303
Financial derivatives	131	130 450	2 069	132 649
Liabilities as at 31 December 2017				
Due to credit institutions		186 993		186 993
Deposits from customers		55 782		55 782
Debt securities issued		242 396		242 396
Subordinated loan capital		2 873		2 873
Financial derivatives	150	110 121	1 749	112 020
Other financial liabilities [1)]	6 153	61		6 214

1) *Short positions, trading activities.*

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

Note 8 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Bank ASA

Amounts in NOK million	Financial assets: Loans to customers	Financial assets: Commercial paper and bonds	Financial assets: Share-holdings	Financial assets: Financial derivatives	Financial liabilities: Financial derivatives
Carrying amount as at 31 December 2017	**12 322**	**328**	**527**	**2 069**	**1 749**
Implementation impact from IFRS 9 at 1 January 2018	(6 063)				
Net gains recognised in the income statement	(76)	(459)	(63)	(462)	(237)
Additions/purchases	3 198	358	190	1 185	886
Sales	(45)	(27)	(70)		
Settled	(1 827)	(0)		(756)	(745)
Transferred from level 1 or level 2		230			
Transferred to level 1 or level 2		(69)			
Other		(42)		0	2
Carrying amount as at 31 December 2018	**7 509**	**319**	**583**	**2 036**	**1 654**

Financial instruments at fair value, level 3

DNB Bank Group

Amounts in NOK million	Financial assets: Loans to customers	Financial assets: Commercial paper and bonds	Financial assets: Share-holdings	Financial assets: Financial derivatives	Financial liabilities: Financial derivatives
Carrying amount as at 31 December 2017	**55 373**	**328**	**621**	**2 069**	**1 749**
Implementation impact from IFRS 9 at 1 January 2018	(8 768)				
Net gains recognised in the income statement	(390)	(459)	(63)	(462)	(237)
Additions/purchases	15 324	358	258	1 185	886
Sales		(27)	(75)		
Settled	(12 745)	(0)		(756)	(745)
Transferred from level 1 or level 2		230	0		
Transferred to level 1 or level 2		(69)			
Other		(42)	0	0	2
Carrying amount as at 31 December 2018	**48 794**	**319**	**741**	**2 036**	**1 654**

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 28 million in DNB Bank ASA and 147 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 — DNB Bank ASA

Amounts in NOK million	Balance sheet 31 Dec. 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Commercial paper issued, nominal amount	174 732	1 037 792	(1 028 264)	6 529		158 675
Bond debt, nominal amount	154 057	12 684	(21 562)	3 400		159 536
Value adjustments	6 528				(1 433)	7 961
Total debt securities issued	**335 317**	**1 050 476**	**(1 049 827)**	**9 929**	**(1 433)**	**326 171**

Debt securities issued — DNB Bank ASA

Amounts in NOK million	Balance sheet 31 Dec. 2017	Issued 2017	Matured/ redeemed 2017	Exchange rate movements 2017	Other changes 2017	Balance sheet 31 Dec. 2016
Commercial paper issued, nominal amount	158 675	1 771 171	(1 767 362)	1 451		153 415
Bond debt, nominal amount	159 536	17 206	(37 206)	6 168		173 368
Value adjustments	7 961				(2 197)	10 158
Total debt securities issued	**326 171**	**1 788 376**	**(1 804 568)**	**7 619**	**(2 197)**	**336 941**

Debt securities issued — DNB Bank Group

Amounts in NOK million	Balance sheet 31 Dec. 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Commercial paper issued, nominal amount	174 732	1 037 792	(1 028 264)	6 529		158 675
Bond debt, nominal amount [1)]	605 952	78 195	(81 198)	10 754		598 202
Value adjustments	23 112				(2 138)	25 250
Total debt securities issued	**803 796**	**1 115 987**	**(1 109 463)**	**17 283**	**(2 138)**	**782 127**

Debt securities issued — DNB Bank Group

Amounts in NOK million	Balance sheet 31 Dec. 2017	Issued 2017	Matured/ redeemed 2017	Exchange rate movements 2017	Other changes 2017	Balance sheet 31 Dec. 2016
Commercial paper issued, nominal amount	158 675	1 771 171	(1 767 362)	1 451		153 415
Bond debt, nominal amount	598 202	77 859	(89 010)	27 906		581 447
Value adjustments	25 250				(7 638)	32 888
Total debt securities issued	**782 127**	**1 849 030**	**(1 856 373)**	**29 357**	**(7 638)**	**767 750**

1) Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 461.5 billion as at 31 December 2018. The market value of the cover pool represented NOK 623.9 billion.

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

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

Amounts in NOK million	Balance sheet 31 Dec. 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Term subordinated loan capital, nominal amount	25 110	9 419	(8 542)	336		23 897
Perpetual subordinated loan capital, nominal amount	5 693			332		5 361
Perpetual subordinated loan capital securities, nominal amount						
Value adjustments	278				(2)	280
Total subordinated loan capital and perpetual subordinated loan capital securities	**31 082**	**9 419**	**(8 542)**	**669**	**(2)**	**29 538**

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

Amounts in NOK million	Balance sheet 31 Dec. 2017	Issued 2017	Matured/ redeemed 2017	Exchange rate movements 2017	Other changes 2017	Balance sheet 31 Dec. 2016
Term subordinated loan capital, nominal amount	23 897	10 106	(6 812)	1 189		19 415
Perpetual subordinated loan capital, nominal amount	5 361			(241)		5 602
Perpetual subordinated loan capital securities, nominal amount			(3 732)			3 732
Value adjustments	280				(319)	599
Total subordinated loan capital and perpetual subordinated loan capital securities	**29 538**	**10 106**	**(10 544)**	**948**	**(319)**	**29 347**

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

Amounts in NOK million	Balance sheet 31 Dec. 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Term subordinated loan capital, nominal amount	25 110	9 419	(8 542)	336		23 897
Perpetual subordinated loan capital, nominal amount	5 693			332		5 361
Perpetual subordinated loan capital securities, nominal amount						
Value adjustments	278				(2)	280
Total subordinated loan capital and perpetual subordinated loan capital securities	**31 082**	**9 419**	**(8 542)**	**669**	**(2)**	**29 538**

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

Amounts in NOK million	Balance sheet 31 Dec. 2017	Issued 2017	Matured/ redeemed 2017	Exchange rate movements 2017	Other changes 2017	Balance sheet 31 Dec. 2016
Term subordinated loan capital, nominal amount	23 897	10 106	(6 812)	1 189		19 415
Perpetual subordinated loan capital, nominal amount	5 361			(241)		5 602
Perpetual subordinated loan capital securities, nominal amount			(3 732)			3 732
Value adjustments	280				(319)	599
Total subordinated loan capital and perpetual subordinated loan capital securities	**29 538**	**10 106**	**(10 544)**	**948**	**(319)**	**29 347**

Note 10 Information on related parties

DNB Boligkreditt AS

In 2018, loan portfolios representing NOK 3.5 billion were transferred from the bank to DNB Boligkreditt in accordance with the ”Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS”.

At end-December 2018 the bank had invested NOK 9.7 billion in covered bonds issued by DNB Boligkreditt.

The management fee paid to the bank for purchased services amounted to NOK 687 million at end-December 2018 (NOK 1 158 million at end-December 2017).

In 2018 DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 15.1 billion at end-December 2018.

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

DNB Næringskreditt AS

The management fee paid to the bank for purchased services amounted to NOK 58 million at end-December 2018 (NOK 88 million at end-December 2017).

In 2018 DNB Næringskreditt entered into reverse repurchase agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 50 million at end-December 2018.

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 20 billion.

DNB Livsforsikring AS

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

Note 11 Contingencies

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

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

Information about the DNB Bank Group

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DNB Bank ASA

Organisation number	Register of Business Enterprises NO 984 851 006 MVA

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

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Financial calendar 2019

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

Other sources of information

Annual and quarterly reports

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

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