DNB Group

Second quarter and first half report 2020

(Unaudited)

2

Financial highlights

DNB Group

Income statement *Amounts in NOK million*	2nd quarter 2020	2nd quarter 2019	2020	January-June 2019	Full year 2019
Net interest income	9 451	9 581	19 846	18 870	39 202
Net commissions and fees	2 396	2 538	4 634	4 757	9 716
Net gains on financial instruments at fair value	1 672	1 351	4 900	2 103	3 183
Net financial and risk result, life insurance	131	285	(115)	641	1 129
Other operating income	473	298	401	744	1 628
Net other operating income	4 673	4 472	9 821	8 244	15 655
Total income	14 123	14 053	29 666	27 115	54 857
Operating expenses	(5 698)	(5 674)	(10 994)	(11 138)	(22 608)
Restructuring costs and non-recurring effects	(12)	(221)	(196)	(243)	(525)
Pre-tax operating profit before impairment	8 414	8 158	18 476	15 733	31 724
Net gains on fixed and intangible assets	2	(3)	782	1 737	1 703
Impairment of financial instruments	(2 120)	(450)	(7 892)	(766)	(2 191)
Pre-tax operating profit	6 295	7 705	11 366	16 704	31 235
Tax expense	(1 259)	(1 541)	(2 273)	(2 906)	(5 465)
Profit from operations held for sale, after taxes	(17)	(30)	(73)	(81)	(49)
Profit for the period	5 019	6 134	9 020	13 716	25 721

Balance sheet *Amounts in NOK million*	30 June 2020	31 Dec. 2019	30 June 2019
Total assets	3 053 973	2 793 294	2 878 624
Loans to customers	1 703 905	1 667 189	1 643 244
Deposits from customers	1 104 224	969 557	991 766
Total equity	239 599	242 255	223 496
Average total assets	3 231 476	2 906 775	2 866 187
Total combined assets	3 444 445	3 176 655	3 226 109

Key figures and alternative performance measures	2nd quarter 2020	2nd quarter 2019	2020	January-June 2019	Full year 2019
Return on equity, annualised (per cent) [1)]	8.7	11.3	7.6	12.7	11.7
Earnings per share (NOK)	3.06	3.71	5.34	8.33	15.54
Combined weighted total average spread for lending and deposits (per cent) [1)]	1.25	1.32	1.32	1.32	1.33
Average spread for ordinary lending to customers (per cent) [1)]	2.14	1.85	2.04	1.88	1.84
Average spread for deposits from customers (per cent) [1)]	(0.07)	0.46	0.20	0.42	0.51
Cost/income ratio (per cent) [1)]	40.4	41.9	37.7	42.0	42.2
Ratio of customer deposits to net loans to customers at end of period [1)]	64.8	60.4	64.8	60.4	58.2
Net loans at amortised cost and financial commitments in stage 2, per cent of net loans at amortised cost [1) 2)]	12.49	6.19	12.49	6.19	6.88
Net loans at amortised cost and financial commitments in stage 3, per cent of net loans at amortised cost [1) 2)]	1.83	1.31	1.83	1.31	1.13
Impairment relative to average net loans to customers at amortised cost, annualised (per cent) [1) 2)]	(0.51)	(0.11)	(0.96)	(0.10)	(0.14)
Common equity Tier 1 capital ratio at end of period (per cent)	18.2	17.3	18.2	17.3	18.6
Leverage ratio (per cent)	6.8	7.1	6.8	7.1	7.4
Share price at end of period (NOK)	127.10	158.70	127.10	158.70	164.00
Book value per share	142.66	129.69	142.66	129.69	137.20
Price/book value [1)]	0.89	1.22	0.89	1.22	1.20
Dividend per share (NOK)					9.00
Score from RepTrak's reputation survey in Norway (points)	74.5	74.3	74.5	74.3	72.5
Customer satisfaction index, CSI, personal customers in Norway (score)	72.3	73.0	72.7	73.4	72.8
Female representation at management levels 1-4 (%)	39.3	38.0	39.3	38.0	38.0

1) *Defined as alternative performance measure (APM). APMs are described on ir.dnb.no.*
2) *Figures from 1 January 2020 are recognised excluding loans at fair value. Historical figures have been adjusted accordingly.*

For additional key figures and definitions, please see the Factbook on ir.dnb.no.

Second quarter and first half report 2020

There has been no full or partial external audit of the quarterly directors' report and accounts, though the report has been reviewed by the Audit Committee.

Directors' report

Second quarter financial performance

The reopening of the Norwegian economy has picked up faster than anticipated, and DNB's activity level in the second quarter was less impacted by the COVID-19 pandemic than expected. Operating results were solid, but impairment losses, mainly within offshore, were higher than the previous year, and the net interest income was negatively impacted by the reduced interest level. There is now a more positive outlook for the Norwegian economy, although there are still significant uncertainties concerning future developments.

The profit in the quarter was NOK 5 019 million, a decrease of NOK 1 115 million from the year-earlier period. Compared with the previous quarter, profits increased by NOK 1 019 million.

Earnings per share were NOK 3.06 in the quarter, compared with NOK 3.71 in the year-earlier period and NOK 2.28 in the first quarter of 2020.

The common equity Tier 1 (CET1) capital ratio was 18.2 per cent, up from 17.3 per cent a year earlier, and from 17.7 per cent in the first quarter of 2020.

The leverage ratio for the Group was 6.8 per cent, down from 7.1 per cent in the second quarter of 2019, and up from 6.5 per cent in the first quarter of 2020.

Return on equity (ROE) was negatively impacted by high impairment losses and lower interest rates. However, the activity level in the quarter was less impacted by COVID-19 than expected, and ROE ended at 8.7 per cent. The comparable figures were 11.3 per cent in the second quarter of 2019, and 6.5 per cent in the first quarter of 2020.

Net interest income was down NOK 130 million, or 1.4 per cent, from the second quarter of 2019, reflecting reduced customer interest rates. Compared with the first quarter, net interest income was down NOK 945 million, or 9.1 per cent, mainly due to reduced interest rates following the change in the key policy rate of the Norwegian central bank, Norges Bank.

Net other operating income amounted to NOK 4 673 million in the second quarter, up NOK 201 million from the same period in 2019. There was a positive contribution from trading revenues in DNB Markets, lower credit spreads on bonds, positive valuation adjustments for derivatives (CVA/DVA/FVA) and other mark-to-market adjustments. However, this was somewhat offset by negative exchange rate effects on additional Tier 1 (AT1) capital and basis swaps. Net commissions and fees decreased by 5.6 per cent from the year-earlier period, due to lower income from money transfer and banking services caused by the COVID-19 situation, and international travel coming to a halt in the quarter. Compared with the first quarter, net other operating income was down NOK 475 million, mainly due to negative exchange rate effects on AT1 capital and basis swaps. Net commissions and fees increased by 7.1 per cent, due to strong results driven by real estate broking and investment banking services. However, this was partly offset by reduced income from money transfer and banking services.

Operating expenses were NOK 5 710 million in the second quarter, down NOK 185 million from the same period a year earlier. The second quarter saw an increase in salaries and other personnel expenses, mainly driven by increased pension costs related to the increased return on the closed defined benefit pension scheme, where the hedging is presented as gain on financial instruments. Compared with the first quarter, operating expenses were up NOK 229 million, due to unusually low pension costs in the first quarter.

Impairment losses on financial instruments amounted to NOK 2 120 million in the second quarter. This is an increase of NOK 1 670 million from the second quarter of 2019, but a decrease of NOK 3 651 million from the first quarter of 2020. The impairment losses in the quarter were to a large extent related to customers in stage 3 within the oil, gas and offshore segment. The personal customers segment as a whole experienced low impairment losses in the quarter. In general, the portfolio credit quality remained strong and the macro forecasts were relatively stable compared with the first quarter of 2020, when the impact of the COVID-19 outbreak and the oil price fall were reflected in the forward-looking information and expected credit losses. However, there is still some uncertainty as to how the economic impact of the COVID-19 pandemic and the oil price fall will develop in the time ahead.

Important events in the second quarter

At the Annual General Meeting (AGM) held on 30 June, Svein Richard Brandtzæg and Jens Petter Olsen were elected as new board members with a term of office of up to two years. Furthermore, the AGM adopted a reduction in the company's share capital by cancelling or redeeming a total of 29 936 364 shares repurchased under the authorisation given by the 2019 AGM.

The Ministry of Finance announced the approval of a new organisational structure for the DNB Group, under which DNB Bank ASA will be the holding company of the Group, with DNB Livsforsikring AS and DNB Asset Management Holding AS as subsidiaries. Further regulatory permissions are required before DNB can proceed with the merger and the process will take place at the earliest in 2021.

For the fourth year running, DNB and StartupLab invited start-ups to DNB NXT Accelerator. StartupLab is DNB's partner in the programme, and it has played an important role by giving the start-up companies a voice during the coronavirus situation. DNB NXT Accelerator is a strategic initiative that increases innovative power across DNB. For the first time, the Accelerator took place digitally.

DNB, the Norwegian Tax Administration and Bits were commissioned by Finance Norway and the Ministry of Finance to put together a case management system for businesses affected by COVID-19 and for the compensation scheme. The system was up and running after just three weeks.

For the fifth year running, DNB has helped children and young people to manage their personal finances with the digital learning tool A valuable lesson. Since its launch in 2015, the learning tool has never been more popular than it is now. DNB will continue to create awareness of A valuable lesson in the time ahead, so that even more children can gain greater knowledge of personal finances.

In the second quarter, DNB rolled out a new solution for in-store cash services for about 1 450 shops in Norway. The service will replace the old agreement with Posten Norge (the Norwegian postal service).

In May, DNB launched the summer campaign called *Neste sommer* (Next summer). The goal of the campaign is to help the tourism industry and encourage people to book a holiday in Norway. The tourism industry has been severely affected by the coronavirus situation. Through its *Neste sommer* campaign, the bank is giving a boost to industry players that are experiencing an extremely tough period.

DNB is the first bank to offer a fully digital solution for pre-approved payments. The new solution will make the job easier for a large number of accountants and their corporate customers, while also increasing efficiency.

On 24 June, DNB Livsforsikring AS officially acquired the pension company KLP Bedriftspensjon AS, which has a 1.5 per cent market share in the defined-contribution pension market. The company offers defined-contribution occupational pension schemes, including the management of pension capital certificates and paid-up policies for companies in the private and public sector.

The transaction is expected to be completed in the third quarter of 2020, subject to the approval of the authorities.

Electronic registration, or eRegistration (eTinglysning), is now available to corporate customers. With the introduction of eRegistration for corporate customers, DNB is taking a major step towards a fully digitalised credit process. Together with the use of existing eSigning functionality, the final processing can now be entirely digital.

The latest figures from the Fund and Asset Management Association (VFF) for the Norwegian personal customer market show that DNB has net subscriptions that are three times higher than those of the next financial institution on the list.

DNB became a partner of the women's national football team through the *#huninvesterer* campaign (#girlsinvest). Together with the Norwegian Football Association (NFF), DNB will strengthen its focus on women's football and help to address and reduce the gender inequality that still exists.

DNB Markets was named best investment bank in the high-yield and investment grade category in Prospera's annual survey.

As a result of the coronavirus situation and Norges Bank's interest rate cut, DNB lowered the mortgage rate by up to 0.4 percentage points for new and existing customers from May.

During the second quarter, Moody's and S&P maintained the long-term counterparty risk rating from previous periods, Aa2 and AA- with a stable outlook. This reflects DNB's robust capitalisation, strong profitability and diversified earnings over recent years, which have contributed to the bank's healthy performance.

In May, an additional reputation survey was conducted by RepTrak. The survey is usually conducted quarterly, but due to the extraordinary circumstances caused by the COVID-19 situation, an extra survey was carried out for the period 12 March to 30 April. In this additional survey, DNB received a score of 74.2.

During the first half of the year, DNB had a growth in shareholders of 40 per cent.

Half-year financial performance

DNB recorded profits of NOK 9 020 million in the first half of 2020, down NOK 4 696 million from the first half of 2019. Return on equity was 7.6 per cent, compared with 12.7 per cent in the year-earlier period, and earnings per share were NOK 5.34, down from NOK 8.33 in the first half of 2019.

Net interest income increased by NOK 976 million from the same period last year, driven by higher volumes, positive currency effects and increased lending margins. There was an average increase in the healthy loan portfolio of 4.5 per cent parallel to a 10.2 per cent increase in average deposit volumes from the first half of 2019. The combined spreads narrowed by 1 basis point compared with the year-earlier period. Average lending spreads for the customer segments widened by 17 basis points, and deposit spreads narrowed by 22 basis points.

Net other operating income increased by NOK 1 576 million from the first half of 2019, mainly due to positive exchange rate effects on AT1 capital and basis swaps. Net commissions and fees decreased by NOK 123 million, or 2.6 per cent, compared with the first half of 2019. The reduction was due to lower income from money transfer and banking services caused by the COVID-19 situation.

Total operating expenses were down by NOK 191 million from the first half of 2019 due to decreased salaries and other personnel expenses.

There were impairment losses on financial instruments of NOK 7 892 million in the first half of 2020, an increase of NOK 7 126 million from the previous year. The increase is caused by the impact on the economy, both in Norway and globally, of the COVID-19 pandemic, in combination with the effect of the oil price fall. About 90 per cent of the impairment losses occurred in the corporate customers segment, but the COVID-19 outbreak also resulted in increased impairment losses within the personal customers segment. For corporate customers, over half of the impairment losses were in oil-related industries (mainly offshore), while the rest was spread across different industries impacted by the COVID-19 outbreak. For the personal customers segment, most of the increase compared with last year stemmed from consumer loans in stages 1 and 2, and from specific customers in stage 3. The economic situation improved in the latter part of the period, as businesses started to reopen and more people returned to work. However, there is still some uncertainty relating to how the COVID-19 pandemic and the oil price will develop in the near future.

Second quarter income statement – main items

Net interest income

Amounts in NOK million	2Q20	1Q20	2Q19
Lending spreads, customer segments	8 454	7 587	7 035
Deposit spreads, customer segments	(180)	1 215	1 068
Amortisation effects and fees	909	842	817
Operational leasing	510	492	413
Contributions to the deposit guarantee and resolution funds, Poland	7	(40)	(0)
Other net interest income	(250)	298	248
Net interest income	9 451	10 395	9 581

Net interest income decreased by NOK 130 million, or 1.4 per cent, from the second quarter of 2019, due to lower customer interest rates.

There was an average increase of NOK 67.7 billion, or 4.4 per cent, in the healthy loan portfolio compared with the second quarter of 2019. Adjusted for exchange rate effects, volumes were up NOK 16.6 billion, or 1.1 per cent. During the same period, deposits were up NOK 124.4 billion, or 13.2 per cent. Adjusted for exchange rate effects, there was an increase of NOK 95.0 billion, or 10.1 per cent. Average lending spreads widened by 28 basis points, and deposit spreads narrowed by 52 basis points compared with the second quarter of 2019. Volume-weighted spreads for the customer segments narrowed by 7 basis points compared with the same period in 2019.

Compared with the first quarter, net interest income decreased by NOK 945 million, or 9.1 per cent, mainly due to lower customer interest rates. Furthermore, adjustments of customer rates following Norges Bank's reduction of the key policy rate in May, were fully reflected in the second quarter. There was an average increase of NOK 21.3 billion, or 1.4 per cent, in the healthy loan portfolio, and deposits were up NOK 71.3 billion, or 7.2 per cent. Volume-weighted spreads for the customer segments narrowed by 13 basis points compared with the first quarter.

Net other operating income

Amounts in NOK million	2Q20	1Q20	2Q19
Net commissions and fees	2 396	2 237	2 538
Basis swaps	(19)	1 060	740
Exchange rate effects additional Tier 1 capital	(1 343)	4 097	(125)
Net gains on other financial instruments at fair value	3 034	(1 928)	737
Net financial and risk result, life insurance	131	(246)	285
Net profit from associated companies	174	(346)	85
Other operating income	299	274	213
Net other operating income	4 673	5 148	4 472

Net other operating income increased by NOK 201 million from the second quarter of 2019. There was a positive contribution from trading revenues in DNB Markets. In addition, negative exchange rate effects on AT1 capital totalling NOK 1 343 million impacted income in the second quarter, compared with negative effects totalling NOK 125 million in the year-earlier period. However, this was somewhat offset by positive valuation adjustments for derivatives (CVA/DVA/FVA) and bonds due to lower credit spreads. Net commissions and fees decreased by 5.6 per cent from the year-earlier period, due to lower income from money transfer and banking services related to fewer international transactions following the COVID-19 outbreak.

Compared with the first quarter of 2020, net other operating income decreased by NOK 475 million. The decrease was mainly due to negative exchange rate effects on AT1 capital and basis swaps. However, there was a positive contribution from other mark-to market adjustments and trading revenues in DNB Markets which rebounded strongly in the second quarter as the financial markets normalised. Net commissions and fees increased by NOK 159 million, or 7.1 per cent, from the first quarter, mainly due to strong results driven by real estate broking and investment banking services. However, this was partly offset by reduced income from money transfer and banking services, which was caused by the COVID-19 situation and international travel coming to a halt.

Operating expenses

Amounts in NOK million	2Q20	1Q20	2Q19
Salaries and other personnel expenses	(3 240)	(2 792)	(3 111)
Restructuring expenses	(12)	(14)	(3)
Other expenses	(1 651)	(1 887)	(2 106)
Depreciation of fixed and intangible assets	(806)	(786)	(674)
Impairment of fixed and intangible assets	(0)	(1)	
Total operating expenses	(5 710)	(5 480)	(5 895)

Operating expenses were down NOK 185 million, or 3.1 per cent, compared with the second quarter of 2019. There was an increase in salaries and other personnel expenses, mainly driven by increased pension costs related to the increased return on the closed defined benefit pension scheme, where the hedging is presented as gain on financial instruments.

Compared with the first quarter of 2020, there was an increase in operating expenses of NOK 229 million, or 4.2 per cent. This was due to higher pension costs, also related to the increased return on the closed defined benefit pension scheme.

The cost/income ratio was 40.4 per cent in the second quarter.

Impairment of financial instruments

Amounts in NOK million	2Q20	1Q20	2Q19
Personal customers	(43)	(522)	(68)
Commercial real estate	15	(143)	(21)
Shipping	(136)	(211)	5
Oil, gas and offshore	(1 863)	(2 605)	54
Other industry segments	(93)	(2 289)	(420)
Total impairment of financial instruments	(2 120)	(5 771)	(450)

Net impairment losses amounted to NOK 2 120 million in the second quarter of 2020. This is an increase of NOK 1 670 million from the second quarter of 2019, but a decrease of NOK 3 651 million from the first quarter of 2020. In general, the economic outlook was stable compared with the previous quarter, when the COVID-19 outbreak and the oil price fall were reflected in the forecasts for key macro drivers.

Personal customers had impairment losses of NOK 43 million in the quarter. This is down NOK 25 million compared to the same quarter last year, and down NOK 479 million compared with the first quarter of 2020. The low impairment losses can be ascribed to continued low credit risk and a stable economic outlook for key risk drivers compared with the previous quarter, when the COVID-19 outbreak was reflected in the macro forecasts. The impairment this quarter was primarily related to customers in stage 3.

Net impairment losses on financial instruments in commercial real estate decreased by NOK 35 million and NOK 158 million compared with second quarter of 2019 and the first quarter of 2020, respectively. There are so far no indications that the COVID-19 outbreak will have a significant negative impact on the commercial real estate segment.

There were net impairment losses of NOK 136 million within the shipping segment in the second quarter. This is an increase of NOK 141 million compared with the second quarter of last year, and a decrease of NOK 75 million compared with the first quarter of 2020. The net impairment losses in the quarter were primarily related to a negative development for specific customers in stages 2 and 3, while the macro outlook for all shipping segments was stable compared with the previous quarter.

Net impairment losses amounted to NOK 1 863 million for the oil, gas and offshore segment in the quarter. This is an increase of NOK 1 917 million from the second quarter of 2019, and a decrease of NOK 742 million from the first quarter of 2020. The impairment losses this quarter were primarily related to customers in stage 3 within the offshore segment. The macro forecasts for this segment in the second quarter are stable compared with the previous quarter, as the oil price is developing in line with expectations, and the challenging situation for offshore companies continues.

There were net impairment losses of NOK 93 million within other industry segments. This is a decrease of NOK 327 million and NOK 2 196 million compared with the second quarter of 2019 and the first quarter of 2020, respectively. An increase in stage 2 loans due to a negative credit migration for specific customers within the hotel and tourism industry was curtailed by a positive development for a few customers in stage 3 within the trade segment. Apart from this, there were no significant developments for specific customers, and the macro forecasts for all segments remained stable compared with the previous quarter.

Net stage 3 loans and financial commitments amounted to NOK 30 billion at end-June 2020, up from NOK 21 billion in the year-earlier period and up from NOK 27 billion in the first quarter of 2020.

Taxes

The DNB Group's tax expense for the second quarter has been estimated at NOK 1 259 million, or 20.0 per cent of pre-tax operating profits.

Financial performance – segments

Financial governance in DNB 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	2Q20	1Q20	2Q19
Net interest income	3 390	3 706	3 374
Net other operating income	1 149	1 161	1 282
Total income	4 538	4 866	4 657
Operating expenses	(2 214)	(2 247)	(2 133)
Pre-tax operating profit before impairment	2 324	2 619	2 524
Impairment of financial instruments	(82)	(734)	(76)
Pre-tax operating profit	2 242	1 886	2 448
Tax expense	(561)	(471)	(612)
Profit for the period	1 682	1 414	1 836
Average balance sheet items in NOK billion			
Net loans to customers	795.6	795.8	781.0
Deposits from customers	453.4	435.4	418.9
Key figures in per cent			
Lending spread [1)]	1.81	1.53	1.42
Deposit spread [1)]	(0.22)	0.68	0.61
Return on allocated capital	13.7	11.7	15.2
Cost/income ratio	48.8	46.2	45.8
Ratio of deposits to loans	57.0	54.7	53.6

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

The financial performance in the second quarter was affected by the COVID-19 situation. Pre-tax operating profit declined by 8.4 per cent from the corresponding quarter in 2019, and return on allocated capital went down 1.5 percentage points to 13.7 per cent.

The effect of the interest rate adjustments on loans to customers and deposits combined with decreasing money market rates explains the development in net interest income. Combined spreads on loans and deposits narrowed by 16 basis points from the previous quarter and by 7 basis points from the second quarter of 2019.

There was a moderate rise in average net loans of 1.9 per cent from the second quarter of 2019. The growth in the healthy home mortgage portfolio amounted to 2.7 per cent. Deposits from customers rose significantly by 8.2 per cent, and the ratio of deposits to loans improved by 3.4 percentage points compared with the year-earlier period.

Net income from payment services contributed negatively compared with the same period in 2019, mainly due to falling revenues from card sales and currency withdrawals. Income from real estate broking showed a more positive development than first expected, with a total income of NOK 461 million, down 1.7 per cent from the second quarter of 2019.

Operating expenses remained relatively stable. Lower IT activity together with seasonally higher real estate broking and marketing activities explains the development from the previous quarter.

The personal customers segment experienced impairment of financial instruments of NOK 82 million, the same level as the year-earlier period. This is equivalent to 0.04 per cent of net loans to customers.

DNB's market share of credit to households stood at 23.2 per cent at the end of May 2020, while the market share of total household savings was 30.1 per cent in the same period. DNB Eiendom had an average market share of 18.1 per cent this quarter.

During the COVID-19 period, DNB has focused on providing customers with relevant financial advice and keeping digital services available to them. A total of 35 000 customers have been granted interest-only periods, 600 000 advisory conversations with customers have been carried out, 110 000 enquiries have been answered through the open live chat and 60 000 modules of DNB's digital learning tool for children, A valuable lesson, have been completed.

Corporate customers

Income statement in NOK million	2Q20	1Q20	2Q19
Net interest income	5 944	6 108	5 808
Net other operating income	1 851	1 728	2 058
Total income	7 794	7 836	7 866
Operating expenses	(3 149)	(3 046)	(2 892)
Pre-tax operating profit before impairment	4 646	4 790	4 974
Net gains on fixed and intangible assets	0	(0)	(0)
Impairment of financial instruments	(2 030)	(5 038)	(371)
Profit from repossessed operations	(29)	(80)	(47)
Pre-tax operating profit	2 587	(329)	4 556
Tax expense	(647)	82	(1 111)
Profit for the period	1 940	(246)	3 445
Average balance sheet items in NOK billion			
Net loans to customers	815.8	792.9	762.2
Deposits from customers	613.8	559.5	523.8
Key figures in per cent			
Lending spread [1)]	2.46	2.37	2.31
Deposit spread [1)]	0.05	0.35	0.33
Return on allocated capital	7.3	(1.0)	14.1
Cost/income ratio	40.4	38.9	36.8
Ratio of deposits to loans	75.2	70.6	68.7

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

The effects of the COVID-19 pandemic and the oil price fall continued in the second quarter and had a negative impact on Corporate customers financial performance. Pre-tax operating profit before impairment declined by 6.6 per cent from the second quarter of 2019, and 3.0 per cent from the first quarter of 2020.

Net interest income was positively affected by consistently high loan volumes, mainly currency-driven, and widening lending spreads. Average loan volumes were up 2.9 per cent compared with the first quarter, and the underlying currency adjusted growth rate was 0.4 per cent, mainly due to activity in commercial real estate and the small and medium-sized enterprises (SME) segment. There was also continued underlying growth in deposit volumes in the second quarter, mainly from the SME segment, as well as from the public sector. Deposit spreads were, however, negatively affected by decreasing money market rates and interest rate adjustments.

In the second quarter, there was increased activity within investment banking and a somewhat more normalised level of activity within fixed income, currencies and commodities products compared with the first quarter. Income from DNB Markets products remained at the same level as the corresponding quarter last year and increased by 5.4 per cent compared with the first quarter of 2020.

Operating expenses were up 8.9 per cent compared with the second quarter of 2019, primarily due to currency effects and depreciation of operating leases. Costs were up 3.4 per cent compared with the first quarter of 2020.

Impairment of financial instruments decreased from the previous quarter and amounted to NOK 2 030 million in the second quarter of 2020. The losses were primarily related to customers in oil-related industries (mainly offshore) in stage 3. The overall credit quality in the portfolio was stable during the quarter, but negative migration was observed for certain customers in travel-related industries as a consequence of the COVID-19 outbreak, which resulted in somewhat higher impairments in stage 2. In general, the macro forecasts that affect corporate customers were relatively stable compared to the first quarter of 2020, when the impact of the COVID-19 pandemic and the oil price fall were reflected in the forward-looking macro assumptions.

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

Other operations

This segment includes the results from risk management in DNB Markets and from traditional pension products. In addition, the other operations segment includes Group items not allocated to the customer segments.

Income statement in NOK million	2Q20	1Q20	2Q19
Net interest income	117	582	398
Net other operating income	2 025	2 837	1 739
Total income	2 143	3 418	2 137
Operating expenses	(698)	(765)	(1 476)
Pre-tax operating profit before impairment	1 444	2 653	660
Net gains on fixed and intangible assets	1	780	(2)
Impairment of financial instruments	(8)	(0)	(3)
Profit from repossessed operations	29	80	47
Pre-tax operating profit	1 466	3 514	702
Tax expense	(52)	(625)	182
Profit from operations held for sale, after taxes	(17)	(56)	(30)
Profit for the period	1 398	2 833	854
Average balance sheet items in NOK billion			
Net loans to customers	135.1	145.0	123.9
Deposits from customers	73.4	55.6	25.5

The profit for the other operations segment was NOK 1 398 million in the second quarter of 2020.

Risk management income rebounded strongly in the second quarter, reaching NOK 1 166 million, up from NOK 94 million in the second quarter of 2019 and up from minus NOK 846 million in the previous quarter. A normalised financial market reversed the widening credit spreads and decreased counterparty risk. Revenues from money market activities and repurchase agreements (repo trading) increased compared with the second quarter last year.

For traditional pension products with a guaranteed rate of return, net other operating income was NOK 334 million in the second quarter, down NOK 40 million from the year-earlier period, reflecting a decrease in risk result and lower profits in the common portfolio.

The solvency margin with transitional rules, which is the company's regulatory capital requirement, was 176 per cent as at 30 June 2020, which is slightly up from the end of the first quarter.

The solvency margin without applying the transitional rules was 80 per cent as at 30 June, down from 101 per cent at the end of the first quarter. The main reasons for the weakened solvency margin without transitional rules were lower interest rates and a reduced volatility adjustment of the yield curve.

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

DNB's share of the profit in associated companies (most importantly Luminor, Vipps and Fremtind) is included in this segment with a total income of NOK 174 million. There was an increase in profit from these companies of NOK 90 million and NOK 520 million compared with the second quarter of 2019 and the first quarter of 2020, respectively. In addition, the previous quarter also included realisation of NOK 780 million connected with the second part of the Fremtind merger.

Funding, liquidity and balance sheet

The start of the second quarter was to a great extent affected by the COVID-19 pandemic, which led to high levels of uncertainty in the market and expensive funding. DNB benefited from having issued a considerable number of senior bonds late in 2019, which contributed to the bank being well positioned and having good liquidity going into 2020. As a result, DNB was able to delay taking out large amounts of short-term funding until the market had calmed down and interest rates had returned to lower levels. Substantial injections of liquidity by governments all over the world have helped to ensure that banks have had good access to liquidity throughout the quarter. At the end of the quarter, interest rates were back to low levels, and this situation is expected to continue. DNB thus has good access to liquidity at favourable prices.

The uncertainty associated with the COVID-19 pandemic also contributed to high prices for long-term funding at the beginning of the quarter. During the course of April, the market continued to improve, and by the end of the quarter the market had recovered and funding costs were back to pre-pandemic levels. There has been a high level of activity in the markets for both senior bonds and covered bonds. DNB had ample long-term funding and has not needed to issue either senior or covered bonds during the quarter. The markets for subordinated loans have also seen significant activity during the spring, and DNB issued a NOK 4 billion subordinated loan in May that attracted considerable investor interest. DNB has ample access to long-term funding in all markets.

The nominal value of long-term debt securities issued by the Group was NOK 660 billion at the end of the second quarter, compared with NOK 615 billion a year earlier. The average remaining term to maturity for these long-term debt securities was 3.5 years at the end of June, compared with 4.0 years in the year-earlier period.

The short-term liquidity requirement, the Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the quarter and stood at 134 per cent at the end of the second quarter.

Total combined assets in the DNB Group were NOK 3 444 billion at the end of the second quarter, up from NOK 3 226 billion a year earlier. Total assets in the Group's balance sheet were NOK 3 054 billion at the end of the second quarter, compared with NOK 2 879 billion a year earlier. Of this, total assets in DNB Livsforsikring amounted to NOK 330 billion.

Loans to customers increased by NOK 61 billion or 3.7 per cent in the second quarter, compared with the second quarter of 2019. Customer deposits were up NOK 112 billion, or 11.3 per cent, during the same period. The ratio of customer deposits to net loans to customers was 64.8 per cent at end-June 2020, up from 62.1 per cent at end-March 2020.

Risk management and capital position

Four months into the COVID-19 pandemic, DNBs capital position remains strong and is well above the regulatory requirements. Markets have normalised but there is still some uncertainty attached to future developments.

At the end of June 2020, the CET1 capital ratio was 18.2 per cent, up from 17.3 per cent a year-earlier, and from 17.7 per cent at end-March.

Until approved by the Annual General Meeting, the proposed dividends for 2019 are considered part of the equity, but not included in the CET1 capital.

While no further relief on the capital requirement has been introduced in the second quarter, the CET1 'headroom' over the requirement for DNB (15.7 per cent) is comfortable at 2.5 percentage points.

Risk-weighted assets decreased by NOK 22 billion from end-March to NOK 1 008 billion at end-June 2020. The retained profit and strengthening of the NOK were the main factors behind the decrease in risk-weighted assets and the higher CET1 capital from end-March.

The non-risk based leverage ratio was 6.8 per cent at end-June 2020, up from 6.5 per cent at end-March and down from 7.1 per cent at the year-earlier period.

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

Development in CET1 capital ratio

Per cent	CET1 capital ratio
1Q20	**17.7**
Retained profit (50 per cent after tax)	0.2
Counterparty risk	0.2
Deductions in CET1	0.1
Exchange rate effects	0.1
Credit migration	(0.2)
Other effects	0.1
2Q20	**18.2**

Capital adequacy

The capital adequacy regulations specify a minimum primary capital requirement based on risk-weighted assets that include credit risk, market risk and operational risk. In addition to meeting the minimum requirement, DNB must satisfy various buffer requirements (Pillar 1 and Pillar 2 requirements). The CET1 requirement is 15.7 per cent.

Capital and risk

	2Q20	1Q20	2Q19
CET1 capital ratio, per cent	18.2	17.7	17.3
Tier 1 capital ratio, per cent	19.6	19.1	18.9
Capital ratio, per cent	21.8	21.4	21.0
Risk-weighted assets, NOK billion	1 008	1 030	1 038
Leverage ratio, per cent	6.8	6.5	7.1

As the DNB Group consists of both a credit institution and an insurance company, DNB has to satisfy a cross-sectoral calculation test to demonstrate that it complies with sectoral requirements: the capital adequacy requirement in accordance with CRR/CRD IV and the Solvency II requirement. At end-June 2020, DNB complied with these requirements by a good margin, with excess capital of NOK 38.4 billion.

New regulatory framework

Norway's way out of the crisis

In order to mitigate the adverse effects of the COVID-19 outbreak on Norway's economy, business community and labour market, the authorities have implemented far-reaching financial measures. The Norwegian Government has also presented an exit strategy for the coronavirus crisis, including additional measures intended to help get more people back to work and boost activity and value creation in the Norwegian business community, as well as to promote the green shift. Among the measures to be introduced are salary support for businesses that take back temporarily laid off (furloughed) employees, a reduction of the wealth tax on working capital, and more money for research, innovation and technology development.

MREL requirement – extension of grandfathering period

The EU's Bank Recovery and Resolution Directive (BRRD) has been effective in Norway since 1 January 2019. On 20 December 2019, the minimum requirement for own funds and eligible liabilities (MREL) was determined for DNB and seven other Norwegian banks. The MREL requirement applied from 30 June 2020. Initially, preferred senior debt issued before 1 January 2020, with more than one year's remaining maturity, qualified as MREL-eligible debt until 31 December 2022 (grandfathering). Due to the demanding market conditions caused by the COVID-19 pandemic, Finanstilsynet announced on 26 May 2020 that the grandfathering period was to be extended to 1 January 2024.

Expectation for the distribution of profits

In a press release published on 25 March 2020, the Ministry of Finance expressed a clear expectation that Norwegian financial institutions should refrain from distributing profits until the great economic uncertainty has subsided. On 8 June 2020, the European Systemic Risk Board (ESRB) published a recommendation to national authorities urging them to request financial institutions to refrain from distributing profits, in light of the economic uncertainty caused by the COVID-19 outbreak. The recommendation includes requesting financial institutions to refrain from distributing dividends, buying back shares and providing variable remuneration to individual employees at least until 1 January 2021. On 1 July 2020, the Ministry of Finance sent a communication to the ESRB referring to the press release of 25 March, adding that the expectation also applies to share buy-backs.

CRR 'quick fix'

The EU has adopted certain temporary relief measures relating to the Capital Requirements Regulation for banks (CRR 2), to facilitate lending to businesses and households. The measures are intended to give banks greater flexibility to provide loans during the demanding period caused by the COVID-19 pandemic. It is still not clear how this may affect the regulatory framework for the Norwegian banking industry. Finanstilsynet is currently examining the Norwegian implementation of the EU's Banking Package, which includes the CRR 2.

Lending regulations to be evaluated

Banks' lending practices towards households are currently regulated by the Home Mortgage Regulations and the Consumer Loan Regulations. The Norwegian Ministry of Finance has asked Finanstilsynet to give advice on how banks' lending practices should be regulated after these regulations expire on 31 December 2020. The Ministry will also consider whether limits should be introduced for loans that are currently not regulated by the regulations. Finanstilsynet is to present its assessment by 28 September.

Temporary increased flexibility in the Home Mortgage Regulations

The Ministry of Finance has allowed a temporary increase in the flexibility quotas set out in the Home Mortgage Regulations to 20 per cent in the second quarter. On 11 June, the Ministry decided to extend the increased flexibility quotas to the end of the third quarter. Increased flexibility strengthens the ability of banks to help their customers through a demanding period.

New Financial Contracts Act in the pipeline

The Ministry of Justice and Public Security has presented a proposal for a new Financial Contracts Act. The draft legislation also implements new EU directives on home mortgages, payment accounts and payment services, as well as strengthening the protection and specifying the rights of the consumer and the obligations of the service provider. Among other things, it is proposed that banks be held accountable to a greater extent in cases where they fail to fulfil the obligation to assess the consumer's debt-servicing capacity, or in cases where they do not decline credit applications from customers who cannot afford to service the loans. New rules are also proposed for protecting consumers against fraud when entering into financial services agreements using electronic signatures.

Welcome clarification relating to the management of guaranteed pension products

The Ministry of Finance has decided not to proceed with a proposal to remove the option pension providers currently have to carry out a valuation of investments of customer assets in bonds and other lending at amortised cost. This is a key prerequisite for risk management and long-term management of customers' guaranteed pensions. Removing this option would not be in the best interests of the customers and having this clarified at an early stage was very important for the industry. The proposal has been circulated for public comment as part of the process to consider the rules for guaranteed pension products. The remaining regulatory proposals are still being considered by the Ministry. DNB welcomes several of the proposed changes, which would provide new opportunities for the customers and for DNB as a service provider.

Committee appointed to evaluate pension reform

The 2011 pension reform is one of Norway's most important welfare reforms in recent times. The long-term aim of the pension reform is to make the pension system more sustainable, both by limiting growth in the expenses associated with the retirement pension and by providing stronger incentives to work, thus improving the pension system's funding basis. The Government has appointed a committee tasked with evaluating whether the reform is having the intended effect and whether there is a need to further develop, adjust and simplify the pension system. The committee is to present its recommendations by 1 March 2022.

Risk mitigation through Innovation Norway's growth guarantee scheme

The purpose of the growth guarantee scheme is to make bank financing more easily available to innovative or fast-growing SMEs. The guarantee scheme is based on an agreement between the European Investment Fund and Innovation Norway. Through the scheme, Innovation Norway guarantees 75 per cent of banks' losses on loans of up to NOK 4 million per company. DNB and five other banks have tested the scheme since 2017, and it is now being expanded and rolled out further. Over the next two years, Norwegian banks will be able to provide loans totalling nearly NOK 2 billion in risk capital to companies that meet the criteria. DNB has been allocated NOK 700 million of this amount.

Macroeconomic developments

The measures to stop the spread of the coronavirus resulted in a clear decline in global GDP in the first quarter, and the drop in global GDP was probably considerably greater in the second quarter. In light of the reopening of economies in the second quarter, it seems likely that GDP reached its lowest point in the second quarter in most countries. One exception is China, which was most severely affected in the first quarter.

So far, it seems that the Norwegian economy has performed better than many other advanced economies. On 16 June, DNB Markets projected a decline in mainland GDP of 4.3 per cent in 2020. This is an improvement of 1.6 percentage points from the projected decline of 5.9 percentage points presented on 5 May. Statistics Norway and Norges Bank changed their projections by approximately the same. After the Government introduced the stringent infection control measures on 12 March, the number of fully unemployed rose rapidly to a peak of 10.4 per cent. During the course of April, however, the unemployment rate fell, and by end-June it was 4.8 per cent. Norges Bank expects the percentage to decline to 3.2 per cent in 2021. The monthly GDP figures suggest that value creation picked up throughout April. Statistics Norway's survey of investments in oil and gas indicated a smaller fall in investments this year than previously estimated, and the oil price has risen from the low levels of late April to around USD 40 per barrel in the second half of June. In the housing markets, prices for existing homes fell in March and April, but rose sharply in May and June. Sales of existing homes, which had fallen in March, also picked up in April. Home prices are now 3.5 per cent higher than in the year-earlier. In May, core inflation was 3.0 per cent. Some prices were quickly affected by the weakening of the Norwegian krone in March. DNB Markets expects the weakening of the krone to contribute to core inflation remaining at the current level in the next few months, before gradually starting to fall, and estimates annual growth of 2.8 per cent in 2020. Low wage growth could bring inflation down in the time ahead. Falling energy prices are projected to contribute to the total inflation this year ending at little over 1 per cent.

Norges Bank reduced the key policy rate from 1.50 per cent to 0.00 per cent in three phases. In its June Monetary Policy Report, Norges Bank presented a policy rate path that would suggest a rise in interest rates from the second half of 2022. In addition to cutting the key policy rate, Norges Bank has provided substantial liquidity stimulus packages, primarily in NOK, but also in USD. Moreover, Norges Bank intervened in the currency markets twice in March. In fiscal policy, support was first given to businesses and households to compensate for loss of income. Then, in step with the reopening of the economy, the measures have turned more towards stimulating aggregate demand. The authorities have also introduced special measures for, among other things, air transport and the oil and gas sector. The fiscal stimulus packages are estimated to amount to 5.5 per cent of the mainland economy. In addition, deadlines for paying tax and fees have been extended, and favourable loan schemes and guarantees have been offered.

Future prospects

The Group's financial ambitions, including the overriding financial target of a return on equity above 12 per cent, remain unchanged. However, due to the COVID-19 pandemic and the subsequent developments in the macroeconomic environment, these are unlikely to be achieved in 2020.

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

The reduction in interest rates on customer loans and deposits following Norges Bank's 150 basis point reduction in the key policy rate, will have a negative effect on net interest income of approximately NOK 5 billion annually, effective from the second quarter. Alongside this, net commissions and fees will be affected by lower income from money transfer and banking services due to lower levels of business and travel activity.

The tax rate for the full year is expected to be 20 per cent in 2020 and 21 per cent in 2021.

The current CET1 capital ratio requirement for DNB after the reduction in the counter-cyclical buffer is 15.7 per cent, including a management buffer (Pillar 2 Guidance) of 1.0 per cent. The CET1 capital ratio was 18.2 per cent at 30 June 2020.

The Group's dividend policy remains unchanged, with a payout ratio of more than 50 per cent in cash dividends and an ambition to increase the nominal dividend per share each year. Due to the COVID-19 pandemic, the decision on the distribution of dividends and the Board of Directors' authorisation to repurchase own shares will be considered at an extraordinary general meeting due to take place in December 2020, at the latest.

Oslo, 12 July 2020
The Board of Directors of DNB ASA

Olaug Svarva
(Chair of the Board)

Svein Richard Brandtzæg
(Vice Chair of the Board)

Gro Bakstad

Lillian Hattrem

Jens Petter Olsen

Stian Tegler Samuelsen

Jaan Ivar Semlitsch

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

Income statement

Amounts in NOK million	2nd quarter 2020	2nd quarter 2019	January-June 2020	January-June 2019	Full year 2019
					DNB Group
Interest income, amortised cost	12 787	14 631	28 761	28 862	60 225
Other interest income	1 232	1 299	2 638	2 629	5 123
Interest expenses, amortised cost	(2 917)	(5 850)	(8 619)	(11 880)	(23 661)
Other interest expenses	(1 650)	(499)	(2 934)	(740)	(2 486)
Net interest income	**9 451**	**9 581**	**19 846**	**18 870**	**39 202**
Commission and fee income	3 334	3 449	6 482	6 556	13 484
Commission and fee expenses	(938)	(912)	(1 849)	(1 799)	(3 768)
Net gains on financial instruments at fair value	1 672	1 351	4 900	2 103	3 183
Net financial result, life insurance	84	183	(271)	438	696
Net risk result, life insurance	47	103	156	203	433
Profit from investments accounted for by the equity method	174	85	(172)	262	410
Net gains on investment properties	(7)	(11)	(32)	(7)	92
Other income	306	225	605	488	1 126
Net other operating income	**4 673**	**4 472**	**9 821**	**8 244**	**15 655**
Total income	**14 123**	**14 053**	**29 666**	**27 115**	**54 857**
Salaries and other personnel expenses	(3 252)	(3 114)	(6 058)	(6 124)	(12 603)
Other expenses	(1 651)	(2 106)	(3 538)	(3 877)	(7 472)
Depreciation and impairment of fixed and intangible assets	(806)	(674)	(1 593)	(1 380)	(3 058)
Total operating expenses	**(5 710)**	**(5 895)**	**(11 190)**	**(11 381)**	**(23 133)**
Pre-tax operating profit before impairment	**8 414**	**8 158**	**18 476**	**15 733**	**31 724**
Net gains on fixed and intangible assets	2	(3)	782	1 737	1 703
Impairment of financial instruments	(2 120)	(450)	(7 892)	(766)	(2 191)
Pre-tax operating profit	**6 295**	**7 705**	**11 366**	**16 704**	**31 235**
Tax expense	(1 259)	(1 541)	(2 273)	(2 906)	(5 465)
Profit from operations held for sale, after taxes	(17)	(30)	(73)	(81)	(49)
Profit for the period	**5 019**	**6 134**	**9 020**	**13 716**	**25 721**
Portion attributable to shareholders	4 766	5 889	8 336	13 228	24 603
Portion attributable to non-controlling interests	(4)	(1)	(7)	(1)	(5)
Portion attributable to additional Tier 1 capital holders	258	246	690	489	1 123
Profit for the period	**5 019**	**6 134**	**9 020**	**13 716**	**25 721**
Earnings/diluted earnings per share (NOK)	3.06	3.71	5.34	8.33	15.54
Earnings per share excluding operations held for sale (NOK)	3.07	3.73	5.39	8.38	15.57

Comprehensive income statement

Amounts in NOK million	2nd quarter 2020	2nd quarter 2019	January-June 2020	January-June 2019	Full year 2019
					DNB Group
Profit for the period	**5 019**	**6 134**	**9 020**	**13 716**	**25 721**
Actuarial gains and losses [1)]			(288)		(3)
Property revaluation	17	243	59	243	278
Items allocated to customers (life insurance)	(17)	(243)	(59)	(243)	(278)
Financial liabilities designated at FVTPL, changes in credit risk	(399)	53	216	(94)	232
Tax	100	(13)	18	24	(63)
Items that will not be reclassified to the income statement	(299)	40	(54)	(71)	165
Currency translation of foreign operations	(5 279)	(784)	8 066	(1 935)	462
Hedging of net investment	4 735	780	(7 010)	1 695	(459)
Financial assets at fair value through OCI	114	(23)	(240)	(18)	59
Tax	(1 212)	(189)	1 812	(419)	(208)
Items that may subsequently be reclassified to the income statement	(1 642)	(216)	2 629	(677)	(147)
Other comprehensive income for the period	**(1 942)**	**(177)**	**2 574**	**(748)**	**19**
Comprehensive income for the period	**3 078**	**5 958**	**11 594**	**12 968**	**25 740**

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

Balance sheet

		DNB Group		
Amounts in NOK million	Note	30 June 2020	31 Dec. 2019	30 June 2019
Assets				
Cash and deposits with central banks		337 282	304 746	395 080
Due from credit institutions		117 469	102 961	133 207
Loans to customers	5, 6, 7, 8	1 703 905	1 667 189	1 643 244
Commercial paper and bonds	8	473 046	376 323	342 098
Shareholdings	8	21 652	36 247	35 814
Financial assets, customers bearing the risk	8	95 194	98 943	89 715
Financial derivatives	8	200 477	125 076	117 339
Investment properties		17 720	17 403	16 717
Investments accounted for by the equity method		18 307	16 559	20 973
Intangible assets		5 362	5 454	5 365
Deferred tax assets		1 180	1 224	880
Fixed assets		20 127	19 098	18 338
Assets held for sale		1 315	1 274	1 180
Other assets		40 938	20 798	58 673
Total assets		**3 053 973**	**2 793 294**	**2 878 624**
Liabilities and equity				
Due to credit institutions		304 612	202 782	230 197
Deposits from customers	8	1 104 224	969 557	991 766
Financial derivatives	8	174 331	115 682	103 649
Debt securities issued	8, 9	828 710	870 170	912 239
Insurance liabilities, customers bearing the risk		95 194	98 943	89 715
Liabilities to life insurance policyholders		199 073	206 876	206 918
Payable taxes		9 994	10 710	4 243
Deferred taxes		50	48	4 359
Other liabilities		56 885	39 125	75 162
Liabilities held for sale		385	423	237
Provisions		2 832	1 726	2 344
Pension commitments		4 206	3 903	3 794
Subordinated loan capital	8, 9	33 878	31 095	30 504
Total liabilities		**2 814 375**	**2 551 038**	**2 655 128**
Additional Tier 1 capital		18 376	26 729	18 493
Non-controlling interests		43	45	47
Share capital		15 504	15 706	15 803
Share premium		22 609	22 609	22 609
Other equity		183 067	177 167	166 544
Total equity		**239 599**	**242 255**	**223 496**
Total liabilities and equity		**3 053 973**	**2 793 294**	**2 878 624**

Statement of changes in equity

DNB Group

Amounts in NOK million	Non-controlling interests	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 Dec. 2018		**15 944**	**22 609**	**16 194**	**5 063**	**(176)**	**164 333**	**223 966**
Profit for the period	(1)			489			13 228	13 716
Actuarial gains and losses							(18)	(18)
Financial liabilities designated at FVTPL, changes in credit risk						(94)		(94)
Currency translation of foreign operations	(0)				(1 935)			(1 935)
Hedging of net investment					1 695			1 695
Tax on other comprehensive income					(424)	24	5	(396)
Comprehensive income for the period	(1)			489	(664)	(71)	13 214	12 968
Additional Tier 1 capital issued				2 700				2 700
Interest payments additional Tier 1 capital				(880)				(880)
Currency movements taken to income				(10)			10	
Non-controlling interests DNB Auto Finance OY	49							49
Repurchased under share buy-back programme		(141)					(2 061)	(2 202)
Dividends paid for 2018 (NOK 8.25 per share)							(13 105)	(13 105)
Balance sheet as at 30 June 2019	**47**	**15 803**	**22 609**	**18 493**	**4 399**	**(247)**	**162 392**	**223 496**
Balance sheet as at 31 Dec. 2019	**45**	**15 706**	**22 609**	**26 729**	**4 872**	**(2)**	**172 297**	**242 255**
Profit for the period	(7)			690			8 336	9 020
Actuarial gains and losses							(288)	(288)
Financial assets at fair value through OCI							(240)	(240)
Financial liabilities designated at FVTPL, changes in credit risk						216		216
Currency translation of foreign operations	5				8 062			8 066
Hedging of net investment					(7 010)			(7 010)
Tax on other comprehensive income					1 752	(54)	132	1 831
Comprehensive income for the period	(2)			690	2 804	162	7 940	11 594
Interest payments additional Tier 1 capital				(1 110)				(1 110)
Additional Tier 1 capital redeemed [1)]				(10 024)				(10 024)
Currency movements interest payments and redemption additional Tier 1 capital				2 091			(1 971)	120
Repurchased under share buy-back programme		(202)					(3 036)	(3 238)
Balance sheet as at 30 June 2020	**43**	**15 504**	**22 609**	**18 376**	**7 676**	**160**	**175 231**	**239 599**

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

Cash flow statement

Amounts in NOK million		January-June	DNB Group Full year
	2020	2019	2019
Operating activities			
Net payments on loans to customers	(5 467)	(55 291)	(71 034)
Interest received from customers	27 074	29 766	57 236
Net receipts on deposits from customers	110 242	67 161	41 353
Interest paid to customers	(2 410)	(3 376)	(11 181)
Net receipts on loans to credit institutions	106 276	41 477	41 486
Interest received from credit institutions	708	2 013	3 640
Interest paid to credit institutions	(1 235)	(2 339)	(4 286)
Net receipts/(payments) on the sale of financial assets for investment or trading	(54 554)	80 778	(17 531)
Interest received on bonds and commercial paper	1 766	2 985	5 049
Net receipts on commissions and fees	4 806	4 911	9 414
Payments to operations	(11 068)	(9 067)	(18 136)
Taxes paid	(1 252)	(1 313)	(2 022)
Receipts on premiums	7 028	7 529	14 446
Net receipts/(payments) on premium reserve transfers	(4 854)	475	(625)
Payments of insurance settlements	(7 046)	(6 872)	(13 523)
Other net receipts/(payments)	(1 480)	5 807	(4 313)
Net cash flow from operating activities	**168 536**	**164 643**	**29 974**
Investing activities			
Net payments on the acquisition or disposal of fixed assets	(1 620)	(4 210)	(2 599)
Net receipts/(payments) on investment properties	29	(4 556)	(271)
Net disposal/(investment) in long-term shares	(937)	(183)	3 260
Dividends received on long-term investments in shares	60	273	1 140
Net cash flow from investment activities	**(2 468)**	**(8 676)**	**1 530**
Financing activities			
Receipts on issued bonds and commercial paper	735 851	598 844	1 097 101
Payments on redeemed bonds and commercial paper	(848 416)	(487 057)	(954 715)
Interest payments on issued bonds and commercial paper	(9 049)	(10 365)	(16 908)
Receipts on the raising of subordinated loan capital	4 056		9
Redemptions of subordinated loan capital	(4 207)	(9)	(9)
Interest payments on subordinated loan capital	(330)	(344)	(413)
Net receipts/(payments) on issue or redemption of additional Tier 1 capital	(10 024)	2 700	10 436
Interest payments on additional Tier 1 capital	(1 110)	(880)	(1 052)
Lease payments	(177)	(229)	(442)
Repurchased shares	(3 238)	(2 202)	(3 778)
Dividend payments		(13 105)	(13 105)
Net cash flow from funding activities	**(136 645)**	**87 352**	**117 123**
Effects of exchange rate changes on cash and cash equivalents	**4 202**	**(604)**	**(174)**
Net cash flow	**33 625**	**242 715**	**148 453**
Cash as at 1 January	307 751	159 298	159 298
Net receipts/payments of cash	33 625	242 715	148 453
Cash at end of period *)	341 376	402 014	307 751

**) Of which: Cash and deposits with central banks*	*337 282*	*395 080*	*304 746*
Deposits with credit institutions with no agreed period of notice 1)	*4 095*	*6 934*	*3 006*

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

Note 1 Basis for preparation

The quarterly financial statements for the 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. When preparing the consolidated financial statements, the management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied by the Group, can be found in note 1 Accounting principles in the annual report for 2019.

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

Note 2 Segments

According to DNB'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 has the following operating segments: Personal customers, Corporate customers, Risk management and Traditional pension products. The Risk management and Traditional pension products segments are included in Other operations. DNB’s share of profit in associated companies (most importantly Luminor, Vipps and Fremtind) is included in Other operations. With effect from the first quarter of 2020, DNB changed the composition of reportable segments, as the Small and medium-sized enterprises and Large corporates and international customers have been combined into the reportable segment Corporate customers. Figures for 2019 have been adjusted accordingly.

Income statement, second quarter

DNB Group

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Group	
	2nd quarter		2nd quarter		2nd quarter		2nd quarter		2nd quarter	
Amounts in NOK million	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net interest income	3 390	3 374	5 944	5 808	117	398			9 451	9 581
Net other operating income	1 149	1 282	1 851	2 058	2 025	1 739	(352)	(607)	4 673	4 472
Total income	4 538	4 657	7 794	7 866	2 143	2 137	(352)	(607)	14 123	14 053
Operating expenses	(2 214)	(2 133)	(3 149)	(2 892)	(698)	(1 476)	352	607	(5 710)	(5 895)
Pre-tax operating profit before impairment	2 324	2 524	4 646	4 974	1 444	660			8 414	8 158
Net gains on fixed and intangible assets			0	(0)	1	(2)			2	(3)
Impairment of financial instruments	(82)	(76)	(2 030)	(371)	(8)	(3)			(2 120)	(450)
Profit from repossessed operations			(29)	(47)	29	47				
Pre-tax operating profit	2 242	2 448	2 587	4 556	1 466	702			6 295	7 705
Tax expense	(561)	(612)	(647)	(1 111)	(52)	182			(1 259)	(1 541)
Profit from operations held for sale, after taxes				0	(17)	(30)			(17)	(30)
Profit for the period	1 682	1 836	1 940	3 445	1 398	854			5 019	6 134

Income statement, January-June

DNB Group

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Group	
	Jan.-June		Jan.-June		Jan.-June		Jan.-June		Jan.-June	
Amounts in NOK million	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net interest income	7 095	6 755	12 052	11 367	699	748			19 846	18 870
Net other operating income	2 309	2 425	3 579	3 942	4 862	3 101	(929)	(1 223)	9 821	8 244
Total income	9 404	9 180	15 631	15 309	5 560	3 849	(929)	(1 223)	29 666	27 115
Operating expenses	(4 461)	(4 220)	(6 195)	(5 772)	(1 462)	(2 612)	929	1 223	(11 190)	(11 381)
Pre-tax operating profit before impairment	4 943	4 960	9 435	9 537	4 098	1 237			18 476	15 733
Net gains on fixed and intangible assets			(0)	(1)	782	1 737			782	1 737
Impairment of financial instruments	(815)	(177)	(7 068)	(586)	(9)	(4)			(7 892)	(766)
Profit from repossessed operations			(109)	(129)	109	129				
Pre-tax operating profit	4 128	4 783	2 259	8 821	4 980	3 100			11 366	16 704
Tax expense	(1 032)	(1 196)	(565)	(2 153)	(677)	442			(2 273)	(2 906)
Profit from operations held for sale, after taxes				2	(73)	(84)			(73)	(81)
Profit for the period	3 096	3 587	1 694	6 670	4 230	3 459			9 020	13 716

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

Note 3 Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU capital requirements regulations for banks and investment firms (CRR/CRD IV). The regulatory consolidation deviates from consolidation in the accounts and comprises the parent company, subsidiaries and associated companies within the financial sector, excluding insurance companies. Associated companies are consolidated pro rata. The figures as at 30 June are partially based on estimates.

Primary capital	**DNB Bank ASA**		**DNB Bank Group**		**DNB Group**	
Amounts in NOK million	30 June 2020	31 Dec. 2019	30 June 2020	31 Dec. 2019	30 June 2020	31 Dec. 2019
Total equity excluding profit for the period	177 468	187 993	221 867	229 619	231 262	242 255
Effect from regulatory consolidation			(199)	(198)	(4 956)	(4 963)
Additional Tier 1 capital instruments included in total equity	(17 995)	(26 048)	(17 995)	(26 048)	(17 995)	(26 048)
Net accrued interest on additional Tier 1 capital instruments	(286)	(510)	(286)	(510)	(286)	(510)
Common equity Tier 1 capital instruments	159 187	161 434	203 387	202 862	208 026	210 734
Deductions						
Goodwill	(2 424)	(2 376)	(2 998)	(2 946)	(4 703)	(4 651)
Deferred tax assets that are not due to temporary differences	(457)	(457)	(935)	(868)	(935)	(868)
Other intangible assets	(870)	(1 016)	(1 451)	(1 626)	(1 451)	(1 626)
Dividends payable etc.			(25 000)	(25 000)	(13 953)	(17 625)
Significant investments in financial sector entities [1]					(6 227)	(4 254)
Expected losses exceeding actual losses, IRB portfolios	(112)	(1 633)	(655)	(2 502)	(655)	(2 502)
Value adjustments due to the requirements for prudent valuation (AVA)	(766)	(532)	(1 012)	(810)	(1 012)	(810)
Adjustments for unrealised losses/(gains) on debt measured at fair value	31	57	(160)	2	(160)	2
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(723)	(460)	(119)	(96)	(119)	(96)
Common equity Tier 1 capital	153 865	155 017	171 057	169 016	178 810	178 304
- including 50 per cent of profit for the period	156 745	155 017	174 948	169 016	183 355	178 304
Additional Tier 1 capital instruments	17 995	26 048	17 995	26 048	17 995	26 048
Deduction of holdings of Tier 1 instruments in insurance companies [2]					(1 500)	(1 500)
Non-eligible Tier 1 capital, DNB Group [3]					(2 140)	(2 561)
Tier 1 capital	171 860	181 065	189 052	195 064	193 164	200 291
- including 50 per cent of profit for the period	174 739	181 065	192 943	195 064	197 709	200 291
Perpetual subordinated loan capital	6 385	5 774	6 385	5 774	6 385	5 774
Term subordinated loan capital	27 169	24 943	27 169	24 943	27 169	24 943
Deduction of holdings of Tier 2 instruments in insurance companies [2]					(5 750)	(5 761)
Non-eligible Tier 2 capital, DNB Group [3]					(6 027)	(5 032)
Additional Tier 2 capital instruments	33 555	30 717	33 555	30 717	21 777	19 925
Total eligible capital	205 415	211 783	222 607	225 781	214 942	220 216
- including 50 per cent of profit for the period	208 294	211 783	226 498	225 781	219 487	220 216
Risk-weighted assets	826 410	804 721	971 976	924 869	1 008 180	960 691
Minimum capital requirement	66 113	64 378	77 758	73 990	80 654	76 855
Capital ratios incl. 50 per cent of profit for the period (%):						
Common equity Tier 1 capital ratio	19.0	19.3	18.0	18.3	18.2	18.6
Tier 1 capital ratio	21.1	22.5	19.9	21.1	19.6	20.8
Capital ratio	25.2	26.3	23.3	24.4	21.8	22.9
Capital ratios excl. 50 per cent of profit for the period (%):						
Common equity Tier 1 capital ratio	18.6		17.6		17.7	
Tier 1 capital ratio	20.8		19.5		19.2	
Capital ratio	24.9		22.9		21.3	

1) Deductions are made for significant investments in financial sector entities when the total value of the investments exceeds 10 per cent of common equity Tier 1 capital. The amounts that are not deducted are given a risk weight of 250 per cent. The increased deduction is due to the investment in Fremtind.

2) Investments in Tier 1 and Tier 2 instruments issued by the Group's insurance companies are deducted from the Group's Tier 1 and Tier 2 capital.

3) Tier 1 and Tier 2 capital in DNB Bank ASA not included in consolidated own funds in accordance with Articles 85-88 of the CRR.

Note 3 Capital adequacy (continued)

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

Specification of risk-weighted assets and capital requirements

DNB Group

Amounts in NOK million	Nominal exposure 30 June 2020	EAD [1] 30 June 2020	Average risk weights in per cent 30 June 2020	Risk-weighted assets 30 June 2020	Capital requirement 30 June 2020	Capital requirement 31 Dec. 2019
IRB approach						
Corporate	1 020 906	844 958	49.3	416 524	33 322	30 537
Specialised lending (SL)	14 005	13 294	57.1	7 587	607	503
Retail - mortgages	808 166	808 158	21.7	175 737	14 059	13 893
Retail - other exposures	94 148	78 389	24.6	19 309	1 545	1 653
Securitisation						
Total credit risk, IRB approach	1 937 225	1 744 799	35.5	619 157	49 533	46 586
Standardised approach						
Central government	409 407	408 807	0.1	362	29	6
Institutions	214 291	183 356	13.6	24 878	1 990	2 300
Corporate	195 615	167 315	69.2	115 724	9 258	9 320
Retail - mortgages	68 434	64 634	48.8	31 519	2 522	2 245
Retail - other exposures	162 782	58 139	74.1	43 102	3 448	2 812
Equity positions	23 586	23 552	209.2	49 281	3 943	3 852
Other assets	23 793	22 726	78.9	17 940	1 435	1 279
Total credit risk, standardised approach	1 097 908	928 529	30.5	282 806	22 624	21 814
Total credit risk	3 035 132	2 673 328	33.7	901 963	72 157	68 400
Market risk						
Position risk, debt instruments				9 731	778	842
Position risk, equity instruments				617	49	30
Currency risk				12	1	1
Commodity risk				0	0	0
Credit value adjustment risk (CVA)				5 507	441	354
Total market risk				15 867	1 269	1 227
Operational risk				90 350	7 228	7 228
Total risk-weighted assets and capital requirements				1 008 180	80 654	76 855

1) EAD, exposure at default.

Note 4 Measurement of expected credit loss (ECL)

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

Forbearance

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

The Group has a policy that payment waivers directly related to the COVID-19 outbreak combined with an otherwise healthy financial situation for the customer are not to result in forbearance classification. However, when payment waivers are combined with high credit risk and an expectation that the forbearance measures are not temporary, reclassification to the forbearance category should still be performed. The gross carrying amount of loans and financial commitments classified in the forbearance category was NOK 36 056 million as at 30 June 2020, compared with NOK 34 469 million as at 31 December 2019.

Segmentation, macro scenarios and credit cycle index

The assessment of significant increases in credit risk and the calculation of ECL incorporate past, present and forward-looking information. Following the COVID-19 outbreak, the massive lockdown and gradual reopening of the economy, the level of uncertainty in assessing forward-looking information has increased substantially. During the first half of 2020, the oil price declined sharply and has subsequently stabilised at relatively low levels. In addition, the ongoing challenges in the OPEC coordination adds further complexity to the process of establishing forward-looking information. The uncertainty encompasses the magnitude and duration of the business-related and financial impacts as well as the impact of the various financial support and relief measures being implemented by the Government.

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

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

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

Sensitivity

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

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

DNB has simulated an alternative adverse scenario for relevant macro forecasts. The scenario represents a possible downside compared with the scenario used for calculating the ECL recognised in the financial statements. Each macroeconomic variable is given alternative weaker expectations for each period in the forecast period. In the simulated alternative scenario, the ECL in stages 1 and 2 would increase by approximately 92 per cent compared with the ECL in stages 1 and 2 that is recognised in the financial statements at 30 June 2020.

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

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

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

	Base case financial statements			Base case alternative scenario		
	2020	2021	2022	2020	2021	2022
Global GDP, year-to-year growth	(4.1)	6.3	3.7	(5.9)	0.3	3.7
Emerging countries' GDP, year-to-year growth	(2.1)	7.1	4.5	(4.0)	2.2	4.5
Swedish GDP, year-to-year growth	(4.7)	4.1	3.1	(8.0)	(0.5)	3.1
Oil price, USD per barrel	42	50	65	32	30	42
Norwegian house price index, year-to-year growth	2.8	3.3	2.6	(3.7)	(16.6)	2.6
Norwegian registered unemployment rate	5.0	3.2	2.8	7.4	7.0	2.8
NIBOR 3-month interest rate	0.8	0.3	0.3	0.9	0.5	0.3

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

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

	Change
Global GDP (percentage points)	(2.0)
Emerging countries' GDP (percentage points)	(1.7)
Oil price (per cent)	(33.0)
Norwegian mainland GDP (percentage points)	(1.9)
Norwegian consumer price index (percentage points)	(0.1)
Norwegian house price index (percentage points)	(6.6)
Norwegian registered unemployment rate (percentage points)	1.6
NIBOR 3-month interest rate (percentage points)	0.1
Swedish GDP (percentage points)	(2.0)
Norwegian commercial real estate rental price (per cent)	(1.8)
Salmon price (per cent)	(36.1)
Floater spot rate (per cent)	(10.6)
Rig utilisation rate (per cent)	0.0
Very large crude carriers spot rate (per cent)	(39.6)
Capesize spot rate (per cent)	(43.8)
Very large gas carrier spot rate (per cent)	(3.4)

One of the most significant exposures in stages 1 and 2 is lending to personal customers. This lending includes mortgage lending, credit card lending and consumer financing. In addition to specific customer attributes, the portfolio's ECL is forecasted based on the Norwegian house price index, the Norwegian interest rate, the household debt level and the unemployment rate. In the simulated alternative scenario, where all of these input parameters are given more adverse projections, the ECL in stages 1 and 2 would increase by approximately 125 per cent for the personal customer portfolio compared with the ECL measured at 30 June 2020 for the same portfolio and stages.

DNB has furthermore investigated the effect of non-linearity in the ECL for stages 1 and 2. If the base case scenario alone is used to calculate expected credit losses, thereby excluding the fan that represents the range of alternative scenarios, the ECL at 30 June 2020 would decrease by 13 per cent.

Significant increase in credit risk (staging)

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

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

Measurement of expected credit loss for credit-impaired financial instruments

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

Sensitivity

If the value of collaterals on all stage 3 exposures were reduced by 10 per cent, the stage 3 ECL at 30 June 2020 would increase by approximately NOK 1.8 billion.

Note 5 Development in gross carrying amount and maximum exposure

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

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

Loans to customers at amortised cost (quarterly figures) DNB Group

	2nd quarter 2020				2nd quarter 2019			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 March	**1 506 942**	**158 248**	**33 570**	**1 698 760**	**1 464 725**	**80 340**	**27 126**	**1 572 190**
Transfer to stage 1	36 853	(36 468)	(385)		18 761	(18 649)	(112)	
Transfer to stage 2	(55 527)	56 791	(1 264)		(21 342)	22 612	(1 270)	
Transfer to stage 3	(597)	(5 311)	5 907		(1 118)	(1 038)	2 157	
Originated and purchased	89 294	659	0	89 954	127 501	0	0	127 501
Derecognition	(97 961)	(14 671)	(1 489)	(114 120)	(97 118)	(5 992)	(2 762)	(105 872)
Exchange rate movements	(10 259)	(1 823)	(463)	(12 545)	(2 156)	(186)	(66)	(2 408)
Other					(1)			(1)
Gross carrying amount as at 30 June	**1 468 747**	**157 426**	**35 877**	**1 662 050**	**1 489 251**	**77 086**	**25 073**	**1 591 411**

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

	Jan.-June 2020				Jan.-June 2019			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 Dec.	**1 503 609**	**88 347**	**24 308**	**1 616 264**	**1 435 014**	**82 321**	**27 846**	**1 545 180**
Transfer to stage 1	48 343	(47 370)	(973)		36 049	(35 621)	(428)	
Transfer to stage 2	(135 792)	137 582	(1 790)		(40 798)	43 048	(2 250)	
Transfer to stage 3	(3 517)	(12 433)	15 950		(1 556)	(2 005)	3 561	
Originated and purchased	216 982	10 592	(0)	227 573	244 020	388	0	244 409
Derecognition	(176 599)	(20 454)	(1 844)	(198 897)	(177 704)	(10 687)	(3 556)	(191 947)
Exchange rate movements	15 722	1 163	227	17 111	(6 023)	(359)	(100)	(6 483)
Other					251			251
Gross carrying amount as at 30 June	**1 468 747**	**157 426**	**35 877**	**1 662 050**	**1 489 251**	**77 086**	**25 073**	**1 591 411**

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

Financial commitments (quarterly figures)

DNB Group

	2nd quarter 2020				2nd quarter 2019			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 31 March	**619 103**	**51 914**	**5 516**	**676 533**	**651 736**	**27 604**	**3 247**	**682 588**
Transfer to stage 1	9 745	(9 724)	(21)		7 850	(7 836)	(14)	
Transfer to stage 2	(16 023)	16 359	(336)		(5 041)	5 201	(160)	
Transfer to stage 3	(724)	(4 400)	5 124		(784)	(477)	1 260	
Originated and purchased	112 085	1 184	0	113 270	109 169	320	(0)	109 490
Derecognition	(81 151)	(3 265)	(2 279)	(86 695)	(102 928)	(2 014)	(95)	(105 038)
Exchange rate movements	(7 751)	(938)	(74)	(8 763)	(2 105)	(93)	(23)	(2 220)
Maximum exposure as at 30 June	**635 283**	**51 130**	**7 931**	**694 344**	**657 897**	**22 707**	**4 216**	**684 820**

Financial commitments (year-to-date figures)

DNB Group

	Jan.-June 2020				Jan.-June 2019			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 31 Dec.	**621 594**	**23 794**	**3 343**	**648 730**	**627 302**	**29 462**	**4 152**	**660 916**
Transfer to stage 1	13 278	(13 132)	(146)		12 676	(12 559)	(117)	
Transfer to stage 2	(54 416)	54 801	(385)		(9 924)	10 190	(265)	
Transfer to stage 3	(1 509)	(6 120)	7 629		(836)	(569)	1 405	
Originated and purchased	201 974	1 184	0	203 158	218 501	105	0	218 607
Derecognition	(158 709)	(10 170)	(2 524)	(171 404)	(185 164)	(3 753)	(917)	(189 835)
Exchange rate movements	13 073	772	14	13 860	(4 658)	(169)	(43)	(4 870)
Maximum exposure as at 30 June	**635 283**	**51 130**	**7 931**	**694 344**	**657 897**	**22 707**	**4 216**	**684 820**

Note 6 Development in accumulated impairment of financial instruments

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

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

Loans to customers at amortised cost (quarterly figures)

DNB Group

	2nd quarter 2020				2nd quarter 2019			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 March	**(933)**	**(2 306)**	**(10 777)**	**(14 016)**	**(393)**	**(1 040)**	**(8 266)**	**(9 699)**
Transfer to stage 1	(204)	188	16		(72)	70	2	
Transfer to stage 2	69	(117)	48		16	(43)	27	
Transfer to stage 3	1	159	(160)		3	3	(6)	
Originated and purchased	(104)	(33)		(137)	(65)	(13)	0	(77)
Increased expected credit loss [1)]	(265)	(509)	(3 396)	(4 170)	(30)	(284)	(956)	(1 270)
Decreased (reversed) expected credit loss [1)]	392	271	1 340	2 003	216	233	596	1 045
Write-offs			135	135	0	0	775	775
Derecognition	38	299	36	374	5	54	33	93
Exchange rate movements	22	75	96	193	1	4	9	15
Other						0	(9)	(9)
Accumulated impairment as at 30 June	**(985)**	**(1 972)**	**(12 661)**	**(15 618)**	**(319)**	**(1 015)**	**(7 793)**	**(9 127)**

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

DNB Group

	Jan.-June 2020				Jan.-June 2019			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 Dec.	**(306)**	**(1 042)**	**(8 905)**	**(10 252)**	**(352)**	**(1 225)**	**(8 321)**	**(9 898)**
Transfer to stage 1	(281)	250	30		(137)	128	9	
Transfer to stage 2	107	(176)	70		24	(70)	46	
Transfer to stage 3	1	217	(218)		3	28	(31)	
Originated and purchased	(201)	(157)		(358)	(111)	(19)	0	(129)
Increased expected credit loss [1)]	(830)	(1 872)	(6 969)	(9 670)	(92)	(469)	(2 626)	(3 188)
Decreased (reversed) expected credit loss [1)]	482	436	2 208	3 126	334	444	2 081	2 858
Write-offs			1 167	1 167	0	0	988	989
Derecognition	55	386	47	487	7	161	33	202
Exchange rate movements	(12)	(14)	(91)	(118)	5	7	25	37
Other							3	3
Accumulated impairment as at 30 June	**(985)**	**(1 972)**	**(12 661)**	**(15 618)**	**(319)**	**(1 015)**	**(7 793)**	**(9 127)**

1) In the second quarter of 2019, DNB performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans and financial commitments. The net effect of the recalibration is a decrease in expected credit loss of NOK 6 million. As the recalibration resulted in both increases and decreases on a financial instrument level, the effect is included in the flows 'increased expected credit loss' and 'decreased (reversed) expected credit loss'.

Note 6 Development in accumulated impairment of financial instruments (continued

Financial commitments (quarterly figures)

DNB Group

Amounts in NOK million	2nd quarter 2020 Stage 1	Stage 2	Stage 3	Total	2nd quarter 2019 Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 March	**(386)**	**(1 583)**	**(1 110)**	**(3 079)**	**(187)**	**(1 016)**	**(541)**	**(1 743)**
Transfer to stage 1	(55)	55			(53)	53	0	
Transfer to stage 2	24	(26)	2		4	(5)	1	
Transfer to stage 3		186	(186)		0	4	(5)	
Originated and purchased	(164)	(24)		(188)	(75)	(3)		(78)
Increased expected credit loss [1)]	(116)	(479)	(608)	(1 204)	(9)	(181)	(261)	(451)
Decreased (reversed) expected credit loss [1)]	144	705	835	1 684	142	222	88	452
Derecognition	2	169		170	1	21	0	22
Exchange rate movements	7	74	0	81	1	5	5	10
Other					(1)	(1)	13	12
Accumulated impairment as at 30 June	**(545)**	**(922)**	**(1 067)**	**(2 535)**	**(176)**	**(900)**	**(700)**	**(1 776)**

Financial commitments (year-to-date figures)

DNB Group

Amounts in NOK million	Jan.-June 2020 Stage 1	Stage 2	Stage 3	Total	Jan.-June 2019 Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 Dec.	**(146)**	**(667)**	**(543)**	**(1 357)**	**(149)**	**(1 001)**	**(569)**	**(1 719)**
Transfer to stage 1	(88)	85	3		(82)	82	0	
Transfer to stage 2	52	(56)	3		9	(10)	1	
Transfer to stage 3	1	250	(250)		0	5	(5)	
Originated and purchased	(218)	(30)		(249)	(120)	(6)		(126)
Increased expected credit loss [1)]	(334)	(1 405)	(1 393)	(3 132)	(31)	(340)	(372)	(742)
Decreased (reversed) expected credit loss [1)]	191	739	1 114	2 044	194	311	226	731
Derecognition	2	196		198	1	50	0	51
Exchange rate movements	(4)	(33)	(1)	(38)	1	9	5	16
Other							14	14
Accumulated impairment as at 30 June	**(545)**	**(922)**	**(1 067)**	**(2 535)**	**(176)**	**(900)**	**(700)**	**(1 776)**

1) *In the second quarter of 2019, DNB performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans and financial commitments. The net effect of the recalibration is a decrease in expected credit loss of NOK 6 million. As the recalibration resulted in both increases and decreases on a financial instrument level, the effect is included in the flows 'increased expected credit loss' and 'decreased (reversed) expected credit loss'.*

Note 7 Loans and financial commitments to customers by industry segment

Loans to customers as at 30 June 2020 — **DNB Group**

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Accumulated impairment Stage 2	Accumulated impairment Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	79 444	(60)	(20)	(311)		79 054
Commercial real estate	189 054	(90)	(93)	(369)	141	188 642
Shipping	49 553	(61)	(199)	(338)		48 956
Oil, gas and offshore	70 242	(93)	(513)	(8 419)		61 218
Power and renewables	34 257	(46)	(20)	(27)		34 165
Healthcare	23 432	(22)	(2)			23 409
Public sector	15 866	(9)	(0)	(0)		15 856
Fishing, fish farming and farming	47 201	(56)	(60)	(138)	121	47 069
Retail industries	38 516	(40)	(65)	(396)	28	38 043
Manufacturing	44 861	(54)	(83)	(229)	5	44 501
Technology, media and telecom	27 771	(46)	(16)	(30)	6	27 684
Services	82 407	(100)	(130)	(659)	67	81 586
Residential property	95 254	(30)	(23)	(138)	363	95 425
Personal customers	799 985	(210)	(415)	(680)	56 680	855 359
Other corporate customers	64 205	(68)	(333)	(928)	63	62 939
Total [1)]	**1 662 050**	**(985)**	**(1 972)**	**(12 661)**	**57 473**	**1 703 905**

1) Of which NOK 51 657 million in repo trading volumes.

Loans to customers as at 30 June 2019 — **DNB Group**

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Accumulated impairment Stage 2	Accumulated impairment Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	84 031	(6)	(9)	(20)		83 996
Commercial real estate	177 828	(13)	(47)	(320)	167	177 617
Shipping	53 041	(54)	(95)	(372)		52 520
Oil, gas and offshore	56 993	(58)	(399)	(3 812)		52 724
Power and renewables	29 888	(5)	(3)	(62)		29 818
Healthcare	24 625	(6)	(9)			24 609
Public sector	12 038	(1)	(0)	(0)		12 037
Fishing, fish farming and farming	37 207	(6)	(20)	(88)	162	37 255
Retail industries	43 482	(13)	(21)	(671)	62	42 839
Manufacturing	45 579	(23)	(15)	(359)	19	45 201
Technology, media and telecom	27 245	(20)	(8)	(31)	24	27 210
Services	66 794	(24)	(34)	(633)	204	66 308
Residential property	93 973	(7)	(18)	(240)	388	94 095
Personal customers	775 227	(71)	(291)	(655)	59 870	834 080
Other corporate customers	63 461	(13)	(45)	(531)	64	62 936
Total [1)]	**1 591 411**	**(319)**	**(1 015)**	**(7 793)**	**60 961**	**1 643 244**

1) Of which NOK 45 349 million in repo trading volumes.

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

Financial commitments as at 30 June 2020

Amounts in NOK million	Maximum exposure	Accumulated impairment Stage 1	Stage 2	Stage 3	DNB Group Total
Bank, insurance and portfolio management	39 110	(51)	(4)	(0)	39 055
Commercial real estate	26 047	(32)	(2)	(4)	26 010
Shipping	9 124	(13)	(75)	(5)	9 031
Oil, gas and offshore	57 703	(76)	(484)	(685)	56 459
Power and renewables	31 821	(29)	(34)		31 759
Healthcare	23 073	(11)	(0)		23 062
Public sector	10 030	(0)	(0)		10 030
Fishing, fish farming and farming	17 645	(24)	(5)	(4)	17 612
Retail industries	34 936	(24)	(32)	(21)	34 859
Manufacturing	55 712	(51)	(59)	(6)	55 596
Technology, media and telecom	18 559	(21)	(4)		18 534
Services	26 645	(35)	(34)	(34)	26 542
Residential property	33 750	(14)	(5)	(5)	33 726
Personal customers	274 943	(135)	(99)	(0)	274 710
Other corporate customers	35 244	(30)	(85)	(304)	34 825
Total	**694 344**	**(545)**	**(922)**	**(1 067)**	**691 810**

Financial commitments as at 30 June 2019

Amounts in NOK million	Maximum exposure	Accumulated impairment Stage 1	Stage 2	Stage 3	DNB Group Total
Bank, insurance and portfolio management	35 326	(5)	(0)	(0)	35 322
Commercial real estate	27 575	(2)	(1)	(3)	27 568
Shipping	13 595	(15)	(38)		13 542
Oil, gas and offshore	69 690	(81)	(670)	(318)	68 621
Power and renewables	29 863	(5)	(22)		29 837
Healthcare	19 351	(4)	(0)		19 347
Public sector	10 316	(0)	(0)		10 315
Fishing, fish farming and farming	16 165	(3)	(0)	(4)	16 158
Retail industries	26 621	(7)	(20)	(29)	26 563
Manufacturing	51 997	(11)	(20)	(4)	51 962
Technology, media and telecom	19 209	(7)	(7)	(3)	19 192
Services	24 451	(8)	(15)	(25)	24 403
Residential property	37 664	(4)	(2)	(3)	37 656
Personal customers	265 698	(19)	(78)	(0)	265 601
Other corporate customers	37 299	(5)	(27)	(310)	36 956
Total	**684 820**	**(176)**	**(900)**	**(700)**	**683 044**

Note 8 Financial instruments at fair value

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	DNB Group Total
Assets as at 30 June 2020				
Loans to customers			57 473	57 473
Commercial paper and bonds	42 185	337 305	406	379 896
Shareholdings	4 793	8 312	8 547	21 652
Financial assets, customers bearing the risk		95 194		95 194
Financial derivatives	878	197 545	2 054	200 477
Liabilities as at 30 June 2020				
Deposits from customers		20 591		20 591
Debt securities issued [1)]		21 019		21 019
Subordinated loan capital [1)]		176		176
Financial derivatives	631	172 202	1 499	174 331
Other financial liabilities [2)]	3 413			3 413

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	DNB Group Total
Assets as at 30 June 2019				
Loans to customers			60 961	60 961
Commercial paper and bonds	28 796	225 350	180	254 326
Shareholdings	6 464	23 911	5 439	35 814
Financial assets, customers bearing the risk		89 715		89 715
Financial derivatives	131	115 051	2 157	117 339
Liabilities as at 30 June 2019				
Deposits from customers		16 020		16 020
Debt securities issued		86 832		86 832
Subordinated loan capital		2 502		2 502
Financial derivatives	145	101 678	1 827	103 649
Other financial liabilities [2)]	8 305			8 305

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

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

Note 8 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Group

	Financial assets				Financial liabilities
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2018	**62 476**	**319**	**4 810**	**2 036**	**1 654**
Net gains recognised in the income statement	146	(150)	173	(530)	(193)
Additions/purchases	3 493	158	870	1 057	749
Sales		(132)	(415)		
Settled	(5 093)			(395)	(384)
Transferred from level 1 or level 2		42			
Transferred to level 1 or level 2		(44)			
Other	(62)	(13)	(0)	(11)	1
Carrying amount as at 30 June 2019	**60 961**	**180**	**5 439**	**2 157**	**1 827**
Carrying amount as at 31 December 2019	**61 178**	**356**	**7 018**	**1 868**	**1 536**
Net gains recognised in the income statement	1 544	(8)	367	642	418
Additions/purchases	6 242	277	1 440	224	219
Sales		(90)	(278)		
Settled	(11 656)			(707)	(695)
Transferred from level 1 or level 2		85			
Transferred to level 1 or level 2		(204)	(0)		
Other	166	(9)	0	27	22
Carrying amount as at 30 June 2020	**57 473**	**406**	**8 547**	**2 054**	**1 499**

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 175 million. 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 Group issues and redeems own securities.

Debt securities issued 2020 — DNB Group

Amounts in NOK million	Balance sheet 30 June 2020	Issued 2020	Matured/ redeemed 2020	Exchange rate movements 2020	Other changes 2020	Balance sheet 31 Dec. 2019
Commercial paper issued, nominal amount	135 092	734 970	(798 236)	10 238		188 120
Bond debt, nominal amount [1)]	659 781	881	(50 180)	55 050		654 030
Value adjustments	33 837				5 818	28 019
Total debt securities issued	**828 710**	**735 851**	**(848 416)**	**65 288**	**5 818**	**870 170**

1) Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 381.8 billion as at 30 June 2020. The market value of the cover pool represented NOK 655.6 billion.

Debt securities issued 2019 — DNB Group

Amounts in NOK million	Balance sheet 30 June 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
Commercial paper issued, nominal amount	266 872	530 378	(440 346)	2 108		174 732
Bond debt, nominal amount [1)]	615 105	68 466	(46 711)	(10 777)		604 127
Value adjustments	30 262				7 203	23 059
Total debt securities issued	**912 239**	**598 844**	**(487 057)**	**(8 669)**	**7 203**	**801 918**

1) Minus own bonds.

Subordinated loan capital and perpetual subordinated loan capital securities 2020 — DNB Group

Amounts in NOK million	Balance sheet 30 June 2020	Issued 2020	Matured/ redeemed 2020	Exchange rate movements 2020	Other changes 2020	Balance sheet 31 Dec. 2019
Term subordinated loan capital, nominal amount	27 168	4 056	(4 207)	2 376		24 943
Perpetual subordinated loan capital, nominal amount	6 385			611		5 774
Value adjustments	324				(54)	378
Total subordinated loan capital and perpetual subordinated loan capital securities	**33 878**	**4 056**	**(4 207)**	**2 988**	**(54)**	**31 095**

Subordinated loan capital and perpetual subordinated loan capital securities 2019 — DNB Group

Amounts in NOK million	Balance sheet 30 June 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
Term subordinated loan capital, nominal amount	24 499		(9)	(603)		25 110
Perpetual subordinated loan capital, nominal amount	5 616			(77)		5 693
Value adjustments	390				112	278
Total subordinated loan capital and perpetual subordinated loan capital securities	**30 504**		**(9)**	**(680)**	**112**	**31 082**

Note 10 Contingencies

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

On 21 June 2016, the Norwegian Consumer Council instituted legal proceedings before the Oslo District Court against DNB Asset Management AS, a wholly-owned subsidiary of DNB ASA offering asset management services. The Norwegian Consumer Council has instituted a group action to pursue compensation of up to NOK 690 million on behalf of current and former investors in a fund managed by DNB Asset Management AS, as well as two funds merged into that fund. The lawsuit alleges that the funds were charging high fees for active management, but were actually tracking an index. The Oslo District Court passed its judgment on 12 January 2018, whereby the claim was rejected and DNB Asset Management was held not liable. On 12 February 2018, the Norwegian Consumer Council appealed to the Borgarting Court of Appeal and reduced the compensation claim to NOK 430 million. The ruling from the Borgarting Court of Appeal was announced on 9 May 2019, and found in favour of the Norwegian Consumer Council in the group action. DNB Asset Management was sentenced to pay approximately NOK 350 million. DNB Asset Management disagreed with the ruling of the Court of Appeal and appealed the case to the Norwegian Supreme Court. The appeal case started 21 January 2020. The ruling was delivered on 28 February, upholding the Court of Appeal's ruling. Based on an overall assessment, an accounting provision of NOK 200 million was made in the second quarter of 2019, recognised in the accounts of DNB Asset Management AS as operational losses/operating expenses. The change in provision caused by the ruling was not considered to be of significance to the Group's accounts for 2019, and the provision was therefore maintained. The provision in the first quarter of 2020 increased to NOK 369 million as a result of the ruling.

DNB ASA

Income statement

Amounts in NOK million	2nd quarter 2020	2nd quarter 2019	2020	January-June 2019	Full year 2019
Interest income, amortised cost	2	22	16	29	82
Interest expenses, amortised cost	(130)	(130)	(300)	(254)	(547)
Net interest income	**(128)**	**(109)**	**(284)**	**(225)**	**(466)**
Commissions and fees payable	(2)	(2)	(3)	(3)	(5)
Other income [1)]	(125)		1 092		26 984
Net other operating income	**(126)**	**(2)**	**1 089**	**(3)**	**26 978**
Total income	**(254)**	**(110)**	**805**	**(228)**	**26 513**
Salaries and other personnel expenses				(0)	(0)
Other expenses	(66)	(75)	(132)	(148)	(294)
Total operating expenses	**(66)**	**(75)**	**(132)**	**(148)**	**(295)**
Net gain on the sale of fixed and intangible assets [2)]				2 237	2 237
Pre-tax operating profit	**(320)**	**(185)**	**672**	**1 861**	**28 455**
Tax expense	49	46	113	94	
Profit for the period	**(271)**	**(139)**	**786**	**1 955**	**28 455**
Earnings/diluted earnings per share (NOK)	(0.17)	(0.09)	0.50	1.23	17.98
Earnings per share excluding operations held for sale (NOK)	(0.17)	(0.09)	0.50	1.23	17.98

Balance sheet

Amounts in NOK million	30 June 2020	31 Dec. 2019	30 June 2019
Assets			
Due from DNB Bank ASA	2 017	4 572	5 412
Investments in associated companies	6 714	4 527	4 725
Investments in subsidiaries	74 257	74 257	74 059
Receivables due from group companies [1)]	26 532	26 981	
Other assets	113		94
Total assets	**109 634**	**110 337**	**84 290**
Liabilities and equity			
Short-term amounts due to DNB Bank ASA	9	17	14
Other liabilities and provisions	15 692	14 035	1 265
Long-term amounts due to DNB Bank ASA	22 718	22 617	20 233
Total liabilities	**38 419**	**36 669**	**21 512**
Share capital	15 504	15 706	15 803
Share premium	22 556	22 556	22 556
Other equity	33 155	35 406	24 419
Total equity	**71 215**	**73 668**	**62 779**
Total liabilities and equity	**109 634**	**110 337**	**84 290**

1) Of which dividend/group contribution from DNB Bank ASA represented NOK 25 191 million in 2019. The dividend from DNB Livsforsikring AS represented NOK 1 341 million in 2019. The dividend from DNB Asset Management Holding AS was NOK 450 million in 2019, of which NOK 125 million has been reversed in the second quarter of 2020. A dividend of 1 250 million from Fremtind Forsikring AS was received in the first quarter of 2020.

2) The establishment of the insurance company Fremtind Forsikring AS, through the merger of SpareBank 1 Skadeforsikring and DNB Forsikring AS in January 2019, resulted in a gain of NOK 2 237 million in the first quarter for DNB ASA. The gain for the DNB Group amounted to NOK 1 740 million.

Statement of changes in equity

Amounts in NOK million	Share capital	Share premium	Other equity	Total equity
Balance sheet as at 31 December 2018	**15 944**	**22 556**	**24 525**	**63 025**
Profit for the period			1 955	1 955
Repurchase under share buy-back programme	(141)		(2 061)	(2 202)
Balance sheet as at 30 June 2019	**15 803**	**22 556**	**24 419**	**62 779**
Balance sheet as at 31 December 2019	**15 706**	**22 556**	**35 406**	**73 668**
Profit for the period			786	786
Repurchase under share buy-back programme	(202)		(3 036)	(3 238)
Balance sheet as at 30 June 2020	**15 504**	**22 556**	**33 155**	**71 215**

Basis for preparation

DNB 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. A description of the accounting principles applied by the company when preparing the financial statements appear in note 1 Accounting principles in the annual report for 2019.

Statement

pursuant to Section 5-6 of the Securities Trading Act

We hereby confirm that the half-yearly financial statements for the Group and the company for the period 1 January through 30 June 2020 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company taken as a whole.

To the best of our knowledge, the half-yearly report gives a true and fair:

- overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements
- description of the principal risks and uncertainties facing the Group over the next accounting period
- description of major transactions with related parties.

Oslo, 12 July 2020
The Board of Directors of DNB ASA

Olaug Svarva
(Chair of the Board)

Svein Richard Brandtzæg
(Vice Chair of the Board)

Gro Bakstad

Lillian Hattrem

Jens Petter Olsen

Stian Tegler Samuelsen

Jaan Ivar Semlitsch

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

Ottar Ertzeid
(Group Chief Financial Officer, CFO)

Information about the DNB Group

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Board of Directors in DNB ASA

Olaug Svarva, Chair of the Board
Svein Richard Brandtzæg, Vice Chair of the Board
Gro Bakstad
Lillian Hattrem
Jens Petter Olsen
Stian Tegler Samuelsen
Jaan Ivar Semlitsch

Group Management

Kjerstin R. Braathen	Group Chief Executive Officer (CEO)
Ottar Ertzeid	Group Chief Financial Officer (CFO)
Ingjerd Blekeli Spiten	Group Executive Vice President of Personal Banking
Harald Serck-Hanssen	Group Executive Vice President of Corporate Banking
Håkon Hansen	Group Executive Vice President of Wealth Management
Alexander Opstad	Group Executive Vice President of Markets
Rasmus Figenschou	Group Executive Vice President of Payments & Innovation
Mirella Elisa Grant	Group Chief Compliance Officer (CCO)
Ida Lerner	Group Chief Risk Officer (CRO)
Maria Ervik Løvold	Group Executive Vice President of Technology & Services
Kari Bech-Moen	Group Executive Vice President of People
Thomas Midteide	Group Executive Vice President of Communications

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Financial calendar 2020

22 October	Q3 2020
TBD	Extraordinary general meeting [1]

1) *The distribution of dividends was not considered at the Annual General Meeting held on 30 June 2020. It will be considered at an extraordinary general meeting, to be held in December 2020 at the latest. The new ex-dividend date will be set to the day after the extraordinary general meeting.*

Financial calendar 2021

10 February	Q4 2020
11 March	Annual report 2020
27 April	Annual General Meeting
28 April	Ex-dividend date
29 April	Q1 2021
as of 7 May	Distribution of dividends
13 July	Q2 2021
21 October	Q3 2021

Other sources of information

Annual and quarterly reports

Separate annual and quarterly reports are prepared for the DNB Bank Group, DNB Boligkreditt and DNB Livsforsikring. The reports and the Factbook 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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