

DNB
Group

Q4

Fourth quarter
report 2018
(Preliminary and
unaudited)

Creating value
for customers,
shareholders,
employees and
society at large.

DNB



Financial highlights

DNB Group

Income statement

Amounts in NOK million

	4th quarter 2018	4th quarter 2017	Full year 2018	Full year 2017
Net interest income	9 611	8 863	36 822	35 422
Net commissions and fees	2 660	2 064	9 310	8 448
Net gains on financial instruments at fair value	430	1 693	1 342	4 548
Net financial and risk result, life insurance	387	266	969	1 295
Net insurance result, non-life insurance	189	164	622	683
Other operating income	226	228	1 302	744
Net other operating income	3 891	4 415	13 546	15 718
Total income	13 502	13 278	50 368	51 140
Operating expenses	(5 716)	(5 346)	(21 490)	(21 429)
Restructuring costs and non-recurring effects	(464)	(672)	(567)	(1 165)
Pre-tax operating profit before impairment	7 322	7 260	28 311	28 547
Net gains on fixed and intangible assets	49	(35)	529	738
Impairment of financial instruments	(235)	(402)	139	(2 428)
Pre-tax operating profit	7 136	6 823	28 979	26 858
Tax expense	(124)	(446)	(4 493)	(5 054)
Profit from operations held for sale, after taxes	(141)	(3)	(204)	(1)
Profit for the period	6 872	6 374	24 282	21 803

Balance sheet

Amounts in NOK million

	31 Dec. 2018	31 Dec. 2017
Total assets	2 634 903	2 698 268
Loans to customers	1 597 758	1 545 415
Deposits from customers	927 092	971 137
Total equity	223 966	216 897
Average total assets	2 771 998	2 856 988
Total combined assets	2 950 748	3 026 065

Key figures and alternative performance measures

	4th quarter 2018	4th quarter 2017	Full year 2018	Full year 2017
Return on equity, annualised (per cent) ¹⁾	12.9	12.3	11.7	10.8
Earnings per share (NOK)	4.14	3.79	14.56	12.84
Combined weighted total average spread for lending and deposits (per cent) ¹⁾	1.31	1.31	1.30	1.30
Average spread for ordinary lending to customers (per cent) ¹⁾	1.92	2.08	1.94	2.07
Average spread for deposits from customers (per cent) ¹⁾	0.36	0.13	0.29	0.17
Cost/income ratio (per cent) ¹⁾	45.8	45.3	43.8	44.2
Ratio of customer deposits to net loans to customers at end of period ¹⁾	58.0	62.8	58.0	62.8
Net loans and financial commitments in stage 2, per cent of net loans ¹⁾	6.99		6.99	
Net loans and financial commitments in stage 3, per cent of net loans ¹⁾	1.45	1.12	1.45	1.12
Impairment relative to average net loans to customers, annualised (per cent) ¹⁾	(0.06)	(0.10)	0.01	(0.15)
Common equity Tier 1 capital ratio, transitional rules, at end of period (per cent) ²⁾	16.4	16.4	16.4	16.4
Leverage ratio, Basel III (per cent)	7.5	7.2	7.5	7.2
Share price at end of period (NOK)	138.15	152.10	138.15	152.10
Book value per share	130.32	124.06	130.32	124.06
Price/book value ¹⁾	1.06	1.23	1.06	1.23
Dividend per share (NOK)			8.25	7.10
Score from RepTrak's reputation survey in Norway (points)	72.5	66.3	72.5	66.9
Customer satisfaction index, CSI, personal customers in Norway (score)	75.3	70.4	74.7	69.5
SHE index ³⁾	46.2	46.2	46.2	46.2

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

2) Including 50 per cent of profit for the period, except for the full year figures.

3) The SHE index measures the proportion of female managers in Norwegian companies. The key figure for DNB shows female representation in the group management team.

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

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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

Fourth quarter financial performance

DNB delivered strong results in the fourth quarter of 2018. Profits were NOK 6 872 million, an increase of NOK 497 million from the fourth quarter of 2017, mainly driven by higher net interest income and lower impairment losses. Compared with the previous quarter, profits increased by NOK 1 198 million, mainly due to increased net interest income, net other operating income and lower tax expenses.

Earnings per share were NOK 4.14, compared with NOK 3.79 in the year-earlier period and NOK 3.41 in the third quarter.

The common equity Tier 1 capital ratio was 16.4 per cent at end-December, unchanged from a year earlier, and down from 16.5 per cent at end-September 2018.

The leverage ratio for the Group was 7.5 per cent, up from 7.2 per cent at end-December 2017 and 7.1 per cent at end-September 2018.

Return on equity was 12.9 per cent, compared with 12.3 per cent in the year-earlier period and 10.9 per cent in the third quarter.

The Board of Directors has proposed a dividend for 2018 of NOK 8.25 per share, which is an increase of 16 per cent from 2017 and corresponds to 56 per cent of profits. Including the share buy-back programme of 1.5 per cent, the total payout ratio is 73 per cent.

Net interest income was up NOK 747 million or 8.4 per cent from the fourth quarter of 2017. Reclassification effects related to the implementation of IFRS 9 and increased volumes contributed positively. Compared with the third quarter, net interest income increased by NOK 458 million. This was mainly due to effects from amortisation of fees and the announced interest adjustment in the third quarter, both on lending and deposits.

Net other operating income was NOK 3 891 million, down NOK 524 million from the fourth quarter of 2017. The reduction mainly reflected lower net gains on financial instruments at fair value due to reclassifications under IFRS 9 and a negative effect from basis swaps. There was, however, an increase in commissions and fees, reflecting an uptick in activity in the capital markets. There were also positive exchange rate effects from additional Tier 1 capital. Compared with the third quarter, net other operating income was up NOK 548 million, mainly due to positive exchange rate effects on additional Tier 1 capital and higher net commissions and fees, together with a strong quarter on investment banking activities in DNB Markets.

Operating expenses were NOK 161 million higher than in the fourth quarter of 2017. The increase was mainly due to a higher level of IT activity. Compared with the third quarter, there was an increase of NOK 841 million, mainly driven by non-recurring effects related to depreciation and impairment of leasing contracts and system development, but there were also higher IT expenses.

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

Share buy-back programme

The first buy-back programme under the new authorisation of 4.0 per cent given by the Annual General Meeting in April 2018 was initiated in June the same year. Of the authorisation, 0.5 per cent is reserved for DNB Markets for hedging purposes. DNB has applied to and received approval from Finanstilsynet for a 2 per cent repurchase limit.

The first programme comprises up to 1.5 per cent of the shares, and at end-December, DNB had repurchased shares corresponding to 0.62 per cent of the share capital. In addition, 0.32 per cent of the shares owned by the Norwegian government will be redeemed after the Annual General Meeting in 2019, bringing total buy-backs to 0.95 per cent. No repurchases were made during the fourth quarter.

Important events in the fourth quarter

DNB and SpareBank 1 Gruppen entered into an agreement to merge their non-life insurance operations. The merger was approved just before the end of 2018, making the new company, Fremtind, operational from 1 January 2019. DNB owns 35 per cent of the company and has an option to increase its holding to 40 per cent.

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

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

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

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

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

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

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

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

Fourth quarter income statement – main items

Net interest income

Amounts in NOK million	4Q18	3Q18	4Q17
Lending spreads, customer segments	7 130	7 218	7 539
Deposit spreads, customer segments	837	691	320
Amortisation effects and fees	829	779	732
Operational leasing	393	383	403
Other net interest income	422	81	(132)
Net interest income	9 611	9 152	8 863

Net interest income increased by NOK 747 million from the fourth quarter of 2017. Reclassification effects related to IFRS 9, effects from amortisation of fees and an increase in volumes contributed positively.

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

Compared with the third quarter, net interest income increased by NOK 458 million, mainly due to increased margins and effects from amortisation of fees. There was an average increase of NOK 9.5 billion or 0.6 per cent in the healthy loan portfolio, and deposits were down NOK 20.8 billion or 2.2 per cent. Volume-weighted spreads for the customer segments increased by 2 basis points.

Net other operating income

Amounts in NOK million	4Q18	3Q18	4Q17
Net commissions and fees	2 660	2 082	2 064
Basis swaps	(342)	103	62
Exchange rate effects additional Tier 1 capital	768	(18)	330
Net gains on other financial instruments at fair value	3	532	1 302
Net financial and risk result, life insurance	387	215	266
Net insurance result, non-life insurance	189	127	164
Other operating income	226	303	228
Net other operating income	3 891	3 343	4 415

Net other operating income was down NOK 524 million from the fourth quarter of 2017. The reduction mainly reflected lower net gains on financial instruments at fair value due to reclassifications under IFRS 9 and a negative effect from basis swaps. Further, there was a positive contribution in commissions and fees, reflecting higher activity in the capital markets.

Compared with the third quarter, net other operating income was up NOK 548 million, mainly due to positive exchange rate effects on additional Tier 1 capital of NOK 786 million and higher net commissions and fees amounting to NOK 578 million. The increase in net commissions and fees reflected higher activity in the capital markets. Basis swaps contributed negatively to net other operating income.

Operating expenses

Amounts in NOK million	4Q18	3Q18	4Q17
Salaries and other personnel expenses	(3 048)	(2 942)	(3 023)
Other expenses	(2 189)	(1 901)	(1 977)
Depreciation and impairment of fixed and intangible assets	(942)	(495)	(1 018)
Total operating expenses	(6 179)	(5 338)	(6 018)

Operating expenses increased by NOK 161 million compared with the fourth quarter of 2017. The increase was mainly due to a higher level of IT activity.

Compared with the third quarter, there was an increase of NOK 841 million. The main factor behind the increase was non-recurring effects related to depreciation and impairment of leasing contracts and system development in the fourth quarter, but there were also higher IT expenses.

The cost/income ratio was 45.8 per cent in the fourth quarter.

Impairment of financial instruments

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

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

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

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

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

The net impairment losses of NOK 168 million within other industry segments primarily reflected negative credit developments on individually assessed customers within the industry segments power and renewables and manufacturing. Net stage 3 loans and financial commitments amounted to NOK 23.2 billion at end-December 2018.

Taxes

The DNB Group's tax expense for the fourth quarter is estimated at NOK 124 million or 1.7 per cent of pre-tax operating profits, mainly due to transitional effects from new tax rules for DNB Livsforsikring and sale of shares comprised by the tax exemption method.

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	4Q18	3Q18	4Q17
Net interest income	3 465	3 336	3 518
Net other operating income	1 313	1 269	1 154
Total income	4 778	4 605	4 672
Operating expenses	(2 281)	(1 997)	(1 978)
Pre-tax operating profit before impairment	2 497	2 608	2 693
Net gains on fixed and intangible assets	49		(0)
Impairment of financial instruments	(89)	(75)	(137)
Pre-tax operating profit	2 457	2 533	2 557
Tax expense	(614)	(633)	(639)
Profit for the period	1 843	1 900	1 917

Average balance sheet items in NOK billion

Net loans to customers	770.8	764.4	743.6
Deposits from customers	410.0	418.0	404.0

Key figures in per cent

Lending spread ¹⁾	1.54	1.58	1.87
Deposit spread ¹⁾	0.45	0.34	0.13
Return on allocated capital	15.5	16.3	19.1
Cost/income ratio	47.7	43.4	42.3
Ratio of deposits to loans	53.2	54.7	54.3

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

The personal customers segment delivered sound results in the fourth quarter of 2018, with a return on allocated capital of 15.5 per cent. Operating profit in the fourth quarter of 2018 was positively affected by a rise in total income together with stable low impairment of financial instruments.

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

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

The increase in other operating income from the third quarter of 2018 was mainly caused by higher income from insurance products due to a reduction in loss ratio this quarter. This effect was partly counteracted by a seasonally low level of activity in real estate broking in the fourth quarter. Compared to the fourth quarter of 2017, income from payment services showed a positive development.

Operating expenses rose by 15.3 per cent from the fourth quarter of 2017. The increase was mainly related to extensive IT activities. Compared with the third quarter, the rise in costs was mainly driven by IT expenses.

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

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

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

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

Small and medium-sized enterprises

<i>Income statement in NOK million</i>	4Q18	3Q18	4Q17
Net interest income	2 474	2 387	2 281
Net other operating income	527	527	501
Total income	3 001	2 914	2 782
Operating expenses	(1 111)	(1 001)	(1 109)
Pre-tax operating profit before impairment	1 890	1 913	1 673
Net gains on fixed and intangible assets		2	(1)
Impairment of financial instruments	(101)	(217)	(150)
Profit from repossessed operations	4	(1)	11
Pre-tax operating profit	1 794	1 698	1 534
Tax expense	(448)	(424)	(383)
Profit for the period	1 345	1 273	1 150

Average balance sheet items in NOK billion

Net loans to customers	310.5	302.7	286.4
Deposits from customers	212.1	215.9	210.5

Key figures in per cent

Lending spread ¹⁾	2.46	2.52	2.58
Deposit spread ¹⁾	0.56	0.48	0.30
Return on allocated capital	18.3	17.7	17.4
Cost/income ratio	37.0	34.3	39.9
Ratio of deposits to loans	68.3	71.3	73.5

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

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

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

Net other operating income increased by 5.3 per cent compared with the corresponding quarter last year. Income from pension

products and cash management showed a positive trend in the period.

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

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

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

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

Large corporates and international customers

<i>Income statement in NOK million</i>	4Q18	3Q18	4Q17
Net interest income	3 141	3 020	3 041
Net other operating income	1 515	1 156	1 226
Total income	4 657	4 176	4 267
Operating expenses	(1 894)	(1 648)	(1 741)
Pre-tax operating profit before impairment	2 763	2 528	2 526
Net gains on fixed and intangible assets	(0)	0	0
Impairment of financial instruments	(45)	281	(99)
Profit from repossessed operations	(151)	(98)	(13)
Pre-tax operating profit	2 567	2 711	2 414
Tax expense	(590)	(624)	(676)
Profit from operations held for sale, after taxes	1	(11)	
Profit for the period	1 978	2 076	1 738

Average balance sheet items in NOK billion

Net loans to customers	415.8	413.7	422.7
Deposits from customers	308.2	316.4	337.8

Key figures in per cent

Lending spread ¹⁾	2.21	2.23	2.11
Deposit spread ¹⁾	0.10	0.09	0.04
Return on allocated capital	12.4	12.6	9.4
Cost/income ratio	40.7	39.5	40.8
Ratio of deposits to loans	74.1	76.5	79.9

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

Increased income and low impairment losses on financial instruments contributed to the increase in pre-tax operating profits compared with the fourth quarter of 2017. The positive development reflected improved market conditions and continued restructuring of selected large exposures. The return on allocated capital was 12.4 per cent in the quarter and thus exceeded the target of 12 per cent.

Average loan volumes were down 1.7 per cent compared with the year-earlier period. Compared with the third quarter of 2018, average loan volumes increased by 0.5 per cent, in line with expectations. Average customer deposits were down 8.7 per cent from the fourth quarter of 2017 and 2.6 per cent from the third quarter of 2018.

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

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

Operating expenses were up 9.3 per cent compared with the fourth quarter of 2017 and 15.0 per cent compared with the third quarter of 2018. Increased costs within AML and Compliance as well as restructuring cost from organisational development were the main factors for the increase.

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

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

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

Other operations

With effect from the first quarter of 2018, DNB has changed the composition of reportable segments, as the risk management and the traditional pension products segments have been combined with other operations.

<i>Income statement in NOK million</i>	4Q18	3Q18	4Q17
Net interest income	531	409	22
Net other operating income	1 406	1 047	2 489
Total income	1 938	1 455	2 512
Operating expenses	(1 764)	(1 349)	(2 144)
Pre-tax operating profit before impairment	173	107	367
Net gains on fixed and intangible assets	0	(5)	(35)
Impairment of financial instruments	(0)	0	(16)
Profit from repossessed operations	147	99	2
Pre-tax operating profit	320	201	319
Tax expense	1 529	253	1 252
Profit from operations held for sale, after taxes	(142)	(30)	(3)
Profit for the period	1 707	423	1 568
Average balance sheet items in NOK billion			
Net loans to customers	113.8	113.3	116.8
Deposits from customers	39.7	69.0	112.8

Pre-tax operating profits for other operations were NOK 320 million in the fourth quarter of 2018, up NOK 119 million from the third quarter and in line with the year-earlier period.

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

For traditional pension products with a guaranteed rate of return, net other operating income was NOK 537 million in the fourth quarter, up NOK 80 million from the year-earlier period, reflecting an increase in profits both in the corporate portfolio and in the common portfolio. DNB Livsforsikring had a solvency margin of 184 per cent according to the transitional rules, while the margin calculated without the transitional rules was 152 per cent as at 31 December 2018.

The profits in the other operations segment are affected by several group items not allocated to the segments. Net other

operating income in the fourth quarter was affected negatively by mark-to-market effects related to changes in basis swaps spreads, while exchange rate effects on additional Tier 1 capital was positive. These items vary greatly from quarter to quarter. Operating expenses were affected by depreciation and impairment of leasing contracts and system development in the fourth quarter.

Full year 2018

DNB recorded profits of NOK 24 282 million in 2018, up NOK 2 479 million or 11.4 per cent, compared with 2017, driven by higher net interest income, lower impairment of financial instruments and a gain of NOK 464 million following the merger of BankID, BankAxept and Vipps.

Earnings per share were NOK 14.56, up 13.4 per cent from NOK 12.84 in 2017.

The common equity Tier 1 capital ratio was 16.4 per cent at end-December, unchanged from a year earlier.

The leverage ratio for the Group was 7.5 per cent, up from 7.2 at end-December 2017.

Return on equity was 11.7 per cent, compared with 10.8 per cent in 2017.

Net interest income increased by NOK 1 400 million from 2017. Reclassification effects related to IFRS 9 offset most of the loss of revenues from the Baltic operations. Effects from amortisation of fees and higher volumes contributed positively with NOK 424 million and 318 million, respectively. There were rising volumes in the personal customers and small and medium-sized enterprises segments, and a planned reduction in volumes to large corporates and international customers.

Net other operating income was NOK 13 546 million, down NOK 2 172 million compared with 2017. Net gains on other financial instruments at fair value contributed negatively with NOK 3 857 million, due to volatility in the fixed-income markets and effects from reclassifications under IFRS 9. Basis swaps contributed negatively with NOK 687 million. Net commissions and fees grew by NOK 862 million, mainly due to reclassifications under IFRS 9.

Operating expenses were down NOK 536 million compared with 2017. The reduction was mainly due to the fact that operating expenses relating to the Baltics were included in the accounts up to October 2017, in addition to increased costs in 2017 due to impairment of goodwill related to the external distribution of credit cards under the Cresco brand. IT expenses increased in 2018 due to higher digitalisation activity.

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

Income statement for 2018

Net interest income

<i>Amounts in NOK million</i>	2018	2017
Lending spreads, customer segments	28 152	29 467
Deposit spreads, customer segments	2 742	1 635
Amortisation effects and fees	3 200	2 776
Operational leasing	1 525	1 555
Baltics		822
Other net interest income	1 202	(833)
Net interest income	36 822	35 422

Net interest income increased by NOK 1 400 million from 2017. Reclassification effects related to IFRS 9 offset most of the loss of revenues from the Baltic operations. Effects from amortisation of fees and higher volumes contributed positively with NOK 424 million

and 318 million, respectively. In the comments below, volumes and spreads have been adjusted for the effects of the Baltic operations in 2017.

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

Net other operating income

<i>Amounts in NOK million</i>	2018	2017
Net commissions and fees	9 310	8 448
Basis swaps	(1 358)	(672)
Exchange rate effects additional Tier 1 capital	721	(616)
Net gains on other financial instruments at fair value	1 979	5 836
Net financial and risk result, life insurance	969	1 295
Net insurance result, non-life insurance	622	683
Other operating income	1 302	744
Net other operating income	13 546	15 718

Net other operating income was down NOK 2 172 million from 2017. Net gains on other financial instruments at fair value contributed negatively with NOK 3 857 million, due to volatility in the fixed-income markets and effects from reclassifications under IFRS 9. Basis swaps contributed negatively with NOK 687 million. There was a strong increase in exchange rate effects on additional Tier 1 capital. Net commissions and fees grew by NOK 862 million, partly due to reclassifications under IFRS 9. Other operating income rose by NOK 557 million mainly due to a positive contribution from Luminor.

Operating expenses

<i>Amounts in NOK million</i>	2018	2017
Salaries and other personnel expenses	(11 864)	(12 184)
Other expenses	(7 789)	(7 878)
Depreciation and impairment of fixed and intangible assets	(2 404)	(2 531)
Operating expenses	(22 057)	(22 593)

Total operating expenses were down NOK 536 million, or 2.4 per cent from 2017. This was mainly due to the fact that operating expenses relating to the Baltics were included in the accounts up to October 2017, in addition to increased costs due to impairment of goodwill related to the external distribution of credit cards under the Cresco brand in 2017. Excluding the Baltic operations, operating expenses increased by NOK 162 million mainly due to a higher level of IT activity.

The cost/income ratio was 43.8 per cent in 2018.

Impairment of financial instruments

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

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

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

There were net reversals of NOK 1 079 million for the oil, gas and offshore industry in 2018. The reversals reflected an improved market situation, especially for oil and gas, in line with the forecast at the start of the year. Further, there were reversals related to successful restructurings of financially distressed customers.

However, the net reversals were somewhat curtailed by impairments due to negative credit development for specific customers in stage 3 within rigs and offshore supply vessels.

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

The net impairment losses of NOK 744 million within other industry segments primarily reflected negative credit development on individually assessed customers within the industry segments trade and services. In general, relevant macro drivers developed in line with the forecasts at the start of the year for most industries. Net stage 3 loans and financial commitments amounted to NOK 23.2 billion at end-December 2018.

Taxes

The DNB Group's tax expense for the full year 2018 is estimated at NOK 4 493 million, representing 16 per cent of pre-tax operating profits. The tax rate was lower than the anticipated rate of 20 per cent, mainly due to transitional effects from new tax rules for DNB Livsforikring and capital gains on shares under the Norwegian tax exemption method.

Funding, liquidity and balance sheet

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

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

The nominal value of long-term debt securities issued by the Group was NOK 604 billion at end-December 2018, compared with NOK 596 billion a year earlier. The average remaining term to maturity for these debt securities was 4.1 years at the end of the fourth quarter, up from 4.0 at end-December 2017.

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

Total combined assets in the DNB Group were NOK 2 951 billion at year-end 2018, down from NOK 3 026 billion a year earlier. Total assets in the Group's balance sheet were NOK 2 635 billion at the end of the fourth quarter of 2018 and NOK 2 698 billion a year

earlier. Of this, total assets in DNB Livsforsikring amounted to NOK 316 billion and NOK 317 billion, respectively.

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

Capital

The DNB Group's Basel III common equity Tier 1 (CET1) capital ratio, calculated according to transitional rules, was 16.4 per cent at the end of the fourth quarter 2018, which was at the same level as a year earlier and down from 16.5 at end-September. The CET1 capital ratio according to Basel III was 17.2 per cent at year-end 2018.

The CET1 capital increased by NOK 5.5 billion from a year earlier to NOK 176.8 billion at year-end 2018. Retained earnings contributed to the increase, while the share buy-back programme announced in the second quarter of 2018, reduced the CET1 capital by around NOK 4 billion.

The risk-weighted assets increased by NOK 35.3 billion from year-end 2017 to NOK 1 077.9 billion. The increase was mainly due to underlying growth in the segments in combination with foreign exchange effects as the Norwegian krone depreciated against both the euro and the US dollar.

The non-risk based leverage ratio was 7.5 per cent at end-December, up from 7.2 in the year-earlier period, and up from 7.1 per cent at end-September. The ratio increased from year-end 2017 due to higher Tier 1 capital in combination with a reduction in the total exposure.

Capital requirements

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

	4Q18	3Q18	4Q17
<i>Transitional rules:</i>			
CET1 capital ratio, per cent	16.4	16.5	16.4
Tier 1 capital ratio, per cent	17.7	17.9	17.9
Capital ratio, per cent	19.9	20.0	20.0
Risk-weighted assets, NOK billion	1 078	1 049	1 043
CET1 capital ratio, Basel III, per cent	17.2	17.1	16.7
Leverage ratio, per cent	7.5	7.1	7.2

As the DNB Group consists of both a credit institution and an insurance undertaking, the DNB Group has to satisfy a cross-sectoral calculation test to demonstrate that it complies with the sectoral requirements: the "capital adequacy requirement in accordance with CRD IV" and "the Solvency II requirement". At end-December 2018, DNB complied with these requirements by a good margin, with excess capital of NOK 14.3 billion.

New regulatory framework

Incorporation of CRD IV and CRR into the EEA Agreement

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

the banks' capital requirement for loans to small and medium-sized enterprises will be reduced by approximately 24 per cent.

Increased counter-cyclical capital buffer requirement

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

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

New Personal Data Act

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

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

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

Government proposal for an adjustment of the financial activities tax

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

Minimum Requirement for own funds and Eligible Liabilities, MREL

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

Finanstilsynet (the Financial Supervisory Authority of Norway) has proposed new regulatory provisions to supplement the new statutory provisions, which are now under consideration in the Ministry of Finance. A precondition for being able to implement the crisis management measure of internal recapitalisation (bail-in) is that the banks have sufficient own funds and eligible liabilities that

can be written down or converted to equity. Finanstilsynet has proposed that the loss absorption amount should consist of the current capital requirements (Pillar 1 plus Pillar 2) without the buffer requirements. Common equity Tier 1 capital being used to satisfy the buffer requirements cannot cover MREL. Finanstilsynet has further indicated that the recapitalisation amount for the largest banks should principally correspond to the current capital requirements plus combined buffer requirements without the counter-cyclical buffer.

Deposit guarantee level

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

Securitisation in Norway

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

New Security Act from 2019

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

The home mortgage lending provisions are continued

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

Introduction of PSD2 into Norwegian law

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

New rules on markets in financial instruments

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

New tax rules for insurance and pension companies in 2018

By adopting the Act of 20 December 2018, the Norwegian Storting laid down new tax rules with appurtenant transitional rules for life insurance and pension companies, with effect from 2018. The new rules involve taxation of income and costs related to assets in the common portfolio and the investment choice portfolio. The transition to new rules is regulated in the transitional provisions, where tax value and commitments as at 31 December 2018 shall be determined in line with the accounting rules. Changes in tax value are taxable or deductible in the 2018 fiscal year.

Based on our evaluation and understanding of the new tax rules with appurtenant transitional rules, the transition will result in a tax income of NOK 880 million for 2018. DNB will consider recognising further tax income in the time ahead. On 21 December, the Norwegian Directorate of Taxes gave a statement of principles of their understanding of the transitional rule that may be conceived as divergent from DNB's view.

Macroeconomic developments

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

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

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

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

The GDP for Mainland Norway rose by an estimated 2.3 per cent last year, adjusted for changes in the number of working days, and thus maintained approximately the same growth rate as the previous year. After a very hot and dry summer there was a decline in the agricultural production, which contributed to a slowdown in the economy. A cold winter, dry summer and higher energy prices in Europe led to an increase in the electricity prices of more than 25 per cent last year. This was the main reason why an expected real wage growth failed to occur. The increase in electricity prices was probably also a major contributor to the stagnation in household consumption. Although electricity prices may remain high this winter, there is little reason to expect the same price growth as last year. This could mean that the real wage growth will pick up, and thereby also the growth in consumption. A marked upswing in oil investments is also expected to contribute positively to this year's economic growth. In addition, other business investments are

expected to rise and support further growth in domestic demand. On the other hand, the trade war between China and the US is contributing to slowing down the increase. We assume, however, that the effects will be relatively moderate as long as a global trade war is avoided. We forecast a growth in the mainland economy of close to 2 per cent this year.

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

Future prospects

The Group's overriding financial target is a return on equity (ROE) above 12 per cent towards the end of 2019. Several factors will contribute to reaching the ROE target, including profitable lending

growth, growth in capital-light products, greater cost efficiency through the automation of internal processes, and optimal use of capital.

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

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

The increase in the counter-cyclical buffer requirement from 2019 will raise the CET1 capital ratio requirement to 16.8 per cent including a management buffer of around 1 per cent. The expected removal of the Basel I transitional floor will give a reduction in risk-weighted assets (Basel III). This reduction is expected to absorb the increased capital requirement for the CET1 ratio, and the nominal capital base is expected to be stable. The CET1 capital ratio achieved at end 2018 was 16.4 per cent (transitional rules) and according to Basel III, 17.2 per cent.

The tax rate is expected to be 20 per cent in 2019 and 2020, unchanged from 2018.

DNB's dividend policy remains unchanged, with a payout ratio of more than 50 per cent and an increase in the nominal dividend per share each year. In addition to dividend payments, DNB will use repurchases of own shares as a flexible tool to allocate excess capital to its owners.

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



Olaug Svarva
(chair of the board)



Tore Olaf Rimmereid
(vice chair of the board)



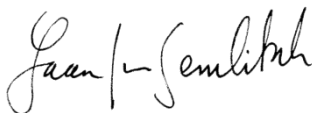
Karl-Christian Agerup



Carl A. Løvvik



Vigdis Mathisen



Jaan Ivar Semlitsch



Berit Svendsen



Rune Bjerke
(group chief executive)

Income statement

<i>Amounts in NOK million</i>	DNB Group			
	4th quarter 2018	4th quarter 2017	Full year 2018	Full year 2017
Interest income, amortised cost	14 013	11 687	52 621	47 318
Other interest income	1 229	1 595	5 039	6 547
Interest expenses, amortised cost	(6 413)	(3 902)	(23 650)	(15 472)
Other interest expenses	781	(518)	2 812	(2 970)
Net interest income	9 611	8 863	36 822	35 422
Commission and fee income	3 600	3 255	13 235	12 279
Commission and fee expenses	(940)	(1 191)	(3 925)	(3 831)
Net gains on financial instruments at fair value	430	1 693	1 342	4 548
Net financial result, life insurance	361	168	574	804
Net risk result, life insurance	26	98	395	491
Net insurance result, non-life insurance	189	164	622	683
Profit from investments accounted for by the equity method	(10)	(74)	314	(112)
Net gains on investment properties	(6)	146	62	143
Other income	243	155	926	713
Net other operating income	3 891	4 415	13 546	15 718
Total income	13 502	13 278	50 368	51 140
Salaries and other personnel expenses	(3 048)	(3 023)	(11 864)	(12 184)
Other expenses	(2 189)	(1 977)	(7 789)	(7 878)
Depreciation and impairment of fixed and intangible assets	(942)	(1 018)	(2 404)	(2 531)
Total operating expenses	(6 179)	(6 018)	(22 057)	(22 593)
Pre-tax operating profit before impairment	7 322	7 260	28 311	28 547
Net gains on fixed and intangible assets	49	(35)	529	738
Impairment of financial instruments	(235)	(402)	139	(2 428)
Pre-tax operating profit	7 136	6 823	28 979	26 858
Tax expense	(124)	(446)	(4 493)	(5 054)
Profit from operations held for sale, after taxes	(141)	(3)	(204)	(1)
Profit for the period	6 872	6 374	24 282	21 803
Portion attributable to shareholders	6 601	6 132	23 323	20 865
Portion attributable to additional Tier 1 capital holders	270	243	959	938
Profit for the period	6 872	6 374	24 282	21 803
Earnings/diluted earnings per share (NOK)	4.14	3.79	14.56	12.84
Earnings per share excluding operations held for sale (NOK)	4.23	3.79	14.69	12.84

Comprehensive income statement

<i>Amounts in NOK million</i>	DNB Group			
	4th quarter 2018	4th quarter 2017	Full year 2018	Full year 2017
Profit for the period	6 872	6 374	24 282	21 803
Actuarial gains and losses	(117)	(93)	(117)	(93)
Property revaluation	37	5	(21)	(35)
Items allocated to customers (life insurance)	(37)	(5)	21	35
Financial liabilities designated at FVTPL, changes in credit risk	241		221	
Tax	(23)	(10)	(18)	(10)
Items that will not be reclassified to the income statement	102	(104)	86	(104)
Currency translation of foreign operations	4 239	2 739	1 309	1 190
Currency translation reserve reclassified to the income statement		(1 306)	(2)	(1 306)
Hedging of net investment	(3 469)	(2 187)	(1 060)	(687)
Hedging reserve reclassified to the income statement		1 224	1	1 224
Investments according to the equity method		41		160
Tax	867	547	265	172
Tax reclassified to the income statement		(338)		(338)
Items that may subsequently be reclassified to the income statement	1 637	719	512	414
Other comprehensive income for the period	1 739	615	599	311
Comprehensive income for the period	8 611	6 989	24 881	22 113

Balance sheet

<i>Amounts in NOK million</i>	Note	DNB Group	
		31 Dec. 2018	31 Dec. 2017
Assets			
Cash and deposits with central banks		155 592	151 595
Due from credit institutions		130 146	239 328
Loans to customers	5, 6, 7, 8	1 597 758	1 545 415
Commercial paper and bonds	8	409 328	422 606
Shareholdings	8	39 802	28 220
Financial assets, customers bearing the risk		77 241	75 206
Financial derivatives	8	124 755	132 349
Investment properties		16 715	16 306
Investments accounted for by the equity method		16 362	15 609
Intangible assets		5 455	5 600
Deferred tax assets		996	769
Fixed assets		9 240	8 704
Assets held for sale		5 044	
Other assets		46 469	56 559
Total assets		2 634 903	2 698 268
Liabilities and equity			
Due to credit institutions		188 063	224 107
Deposits from customers	8	927 092	971 137
Financial derivatives	8	110 116	110 262
Debt securities issued	8, 9	801 918	780 247
Insurance liabilities, customers bearing the risk		77 241	75 206
Liabilities to life insurance policyholders		204 280	208 500
Non-life insurance liabilities			2 043
Payable taxes		2 461	4 599
Deferred taxes		4 216	2 574
Other liabilities		55 424	68 078
Liabilities held for sale		3 037	
Provisions		2 536	1 812
Pension commitments		3 472	3 267
Subordinated loan capital	8, 9	31 082	29 538
Total liabilities		2 410 937	2 481 371
Share capital		15 944	16 180
Share premium		22 609	22 609
Additional Tier 1 capital		16 194	16 159
Other equity		169 220	161 948
Total equity		223 966	216 897
Total liabilities and equity		2 634 903	2 698 268

Statement of changes in equity

	DNB Group						
<i>Amounts in NOK million</i>	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 Dec. 2016	16 286	22 609	15 952	4 297		147 279	206 423
Profit for the period			938			20 865	21 803
Actuarial gains and losses						(93)	(93)
Currency translation of foreign operations				(117)			(117)
Hedging of net investment				537			537
Investments according to the equity method						160	160
Tax on other comprehensive income				(166)		(10)	(177)
Comprehensive income for the period			938	254		20 922	22 113
Interest payments additional Tier 1 capital			(724)				(724)
Currency movements taken to income			(7)			7	
Repurchased under share buy-back programme	(108)					(1 552)	(1 659)
Dividends paid for 2016 (NOK 5.70 per share)						(9 284)	(9 284)
Net purchase of treasury shares	2					26	28
Balance sheet as at 31 Dec. 2017	16 180	22 609	16 159	4 550		157 398	216 897
Implementation of IFRS 9					(342)	(1 437)	(1 779)
Balance sheet as at 1 Jan. 2018	16 180	22 609	16 159	4 550	(342)	155 961	215 118
Profit for the period			959			23 323	24 282
Actuarial gains and losses						(117)	(117)
Financial liabilities designated at FVTPL, changes in credit risk						221	221
Currency translation of foreign operations				1 307			1 307
Hedging of net investment				(1 060)			(1 060)
Tax on other comprehensive income				265	(55)	37	247
Comprehensive income for the period			959	512	166	23 244	24 881
Compensation for natural damage, other changes in reserves, non-life insurance						(3)	(3)
Interest payments additional Tier 1 capital			(892)				(892)
Currency movements taken to income			(32)			32	
Repurchased under share buy-back programme	(237)					(3 451)	(3 688)
Dividends paid for 2017 (NOK 7.10 per share)						(11 450)	(11 450)
Balance sheet as at 31 Dec. 2018	15 944	22 609	16 194	5 063	(176)	164 333	223 966

The Annual General Meeting held on 24 April 2018 resolved a reduction in share capital by cancelling own shares and redeeming shares held by the Norwegian government. This has been reflected in the accounts from June 2018. The number of issued shares has been reduced by 24 431 973 to 1 604 366 888. The cancellation of the shares was registered in the Register of Business Enterprises 30 July 2018.

Cash flow statement

DNB Group

<i>Amounts in NOK million</i>	Full year 2018	Full year 2017
Operating activities		
Net payments on loans to customers	(52 811)	(33 528)
Interest received from customers	62 596	47 196
Net receipts on deposits from customers	(52 122)	36 283
Interest paid to customers	(17 319)	(4 382)
Net receipts/payments on loans to credit institutions	71 943	(39 774)
Interest received from credit institutions	4 082	2 450
Interest paid to credit institutions	(3 783)	(2 430)
Net receipts/payments on the sale of financial assets for investment or trading	38 095	(19 697)
Interest received on bonds and commercial paper	3 861	4 449
Net receipts on commissions and fees	9 118	8 627
Payments to operations	(21 279)	(20 023)
Taxes paid	(4 785)	(10 771)
Receipts on premiums	14 902	14 875
Net receipts/payments on premium reserve transfers	(405)	1 666
Payments of insurance settlements	(15 525)	(15 183)
Other net receipts/payments	(5 545)	5 586
Net cash flow from operating activities	31 024	(24 657)
Investing activities		
Net payments on the acquisition of fixed assets	(2 283)	(2 305)
Net receipts from investment properties	19	382
Net investment in long-term shares	(292)	(86)
Dividends received on long-term investments in shares	13	7
Net cash flow from investment activities	(2 543)	(2 001)
Financing activities		
Receipts on issued bonds and commercial paper	1 115 987	1 849 030
Payments on redeemed bonds and commercial paper	(1 109 463)	(1 856 373)
Interest payments on issued bonds and commercial paper	(14 193)	(13 853)
Receipts on the raising of subordinated loan capital	9 419	10 106
Redemptions of subordinated loan capital	(8 542)	(10 544)
Interest payments on subordinated loan capital	(579)	(784)
Interest payments on additional Tier 1 capital	(892)	(724)
Repurchased shares	(3 688)	(1 659)
Dividend payments	(11 450)	(9 284)
Net cash flow from funding activities	(23 401)	(34 085)
Effects of exchange rate changes on cash and cash equivalents	97	3 827
Net cash flow	5 176	(56 916)
Cash as at 1 January	154 122	211 039
Net receipts/payments of cash	5 176	(56 916)
Cash at end of period ¹⁾	159 298	154 122
*) Of which: Cash and deposits with central banks	155 592	151 595
Deposits with credit institutions with no agreed period of notice ¹⁾	3 706	2 527

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, 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 and 52 Transition to IFRS 9 in the annual report for 2017.

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

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

IFRS 9 Financial Instruments

IFRS 9 is the new standard for financial instruments that replaces IAS 39. Comparative information has not been restated. For additional information on IFRS 9 adoption, see note 52 Transition to IFRS 9 in the annual report for 2017. Disclosures related to the line item Loans to customers in the balance sheet and the line item Impairment of loans and guarantees in the income statement for the fourth quarter of 2017 can be found in note 10 Impairment of loans and guarantees, note 11 Loans to customers and note 12 Net impaired loans and guarantees for principal customer groups in the fourth quarter report of 2017.

IFRS 15 Revenue from contracts with customers

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

Approved standards and interpretations that have not yet entered into force

IFRS 16 Leases

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

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

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

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

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

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

Note 2 Segments

According to DNB'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, Small and medium-sized enterprises, Large corporates and international customers, Risk management, (previously reported as Trading) and Traditional pension products. With effect from the first quarter of 2018, DNB changed the composition of reportable segments, as the Risk management and Traditional pension products segments were combined with Other operations. In addition, eliminations were separated from Other operations/eliminations and are now presented in a separate column. Figures for 2017 have been adjusted correspondingly.

Income statement, fourth quarter

DNB Group

Amounts in NOK million	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net interest income	3 465	3 518	2 474	2 281	3 141	3 041	531	22			9 611	8 863
Net other operating income	1 313	1 154	527	501	1 515	1 226	1 406	2 489	(871)	(955)	3 891	4 415
Total income	4 778	4 672	3 001	2 782	4 657	4 267	1 938	2 512	(871)	(955)	13 502	13 278
Operating expenses	(2 281)	(1 978)	(1 111)	(1 109)	(1 894)	(1 741)	(1 764)	(2 144)	871	955	(6 179)	(6 018)
Pre-tax operating profit before impairment	2 497	2 693	1 890	1 673	2 763	2 526	173	367			7 322	7 260
Net gains on fixed and intangible assets	49	(0)		(1)	(0)	0	0	(35)			49	(35)
Impairment of financial instruments	(89)	(137)	(101)	(150)	(45)	(99)	(0)	(16)			(235)	(402)
Profit from repossessed operations			4	11	(151)	(13)	147	2				
Pre-tax operating profit	2 457	2 557	1 794	1 534	2 567	2 414	320	319			7 136	6 823
Tax expense	(614)	(639)	(448)	(383)	(590)	(676)	1 529	1 252			(124)	(446)
Profit from operations held for sale, after taxes					1		(142)	(3)			(141)	(3)
Profit for the period	1 843	1 917	1 345	1 150	1 978	1 738	1 707	1 568			6 872	6 374

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

Income statement, January - December

DNB Group

Amounts in NOK million	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Group	
	Full year		Full year		Full year		Full year		Full year		Full year	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net interest income	13 452	13 367	9 530	8 578	12 111	12 683	1 729	794			36 822	35 422
Net other operating income	5 117	5 113	2 157	2 101	5 442	5 730	3 783	6 288	(2 953)	(3 513)	13 546	15 718
Total income	18 569	18 480	11 688	10 678	17 553	18 413	5 511	7 082	(2 953)	(3 513)	50 368	51 140
Operating expenses	(8 386)	(8 279)	(4 228)	(4 380)	(6 890)	(7 572)	(5 506)	(5 877)	2 953	3 513	(22 057)	(22 593)
Pre-tax operating profit before impairment	10 183	10 201	7 459	6 298	10 663	10 842	5	1 205			28 311	28 547
Net gains on fixed and intangible assets	49	(0)	3	(1)	(0)	20	477	719			529	738
Impairment of financial instruments	(318)	(207)	(566)	(413)	1 022	(1 800)	(0)	(8)			139	(2 428)
Profit from repossessed operations			8	14	(263)	(19)	256	4				
Pre-tax operating profit	9 914	9 995	6 905	5 899	11 422	9 043	738	1 921			28 979	26 858
Tax expense	(2 478)	(2 499)	(1 726)	(1 475)	(2 627)	(2 532)	2 339	1 451			(4 493)	(5 054)
Profit from operations held for sale, after taxes					(10)	(0)	(194)	(1)			(204)	(1)
Profit for the period	7 435	7 496	5 179	4 424	8 785	6 511	2 883	3 372			24 282	21 803

Note 3 Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU capital requirements regulations for banks and investment firms (CRD IV/CRR). The regulatory consolidation deviates from consolidation in the accounts and comprises the parent company, subsidiaries and associated companies within the financial sector, excluding insurance companies. DNB Livsforsikring and DNB Forsikring are thus not included in the calculations. Associated companies are consolidated pro rata.

Primary capital	DNB Bank ASA		DNB Bank Group		DNB Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
<i>Amounts in NOK million</i>						
Total equity excluding profit for the period	176 562	169 720	207 933	203 685	223 966	216 897
Effect from regulatory consolidation			(234)	183	(5 595)	(6 328)
Additional Tier 1 capital instruments included in total equity	(15 574)	(15 574)	(15 574)	(15 574)	(15 574)	(15 574)
Net accrued interest on additional Tier 1 capital instruments	(465)	(439)	(465)	(439)	(465)	(439)
Common equity Tier 1 capital instruments	160 523	153 708	191 660	187 856	202 333	194 557
Deductions						
Goodwill	(2 389)	(2 404)	(2 929)	(2 559)	(4 634)	(4 264)
Deferred tax assets that are not due to temporary differences	(562)	(584)	(524)	(454)	(524)	(454)
Other intangible assets	(1 040)	(1 110)	(1 712)	(1 984)	(1 712)	(1 984)
Dividends payable etc.			(10 758)	(15 804)	(15 360)	(13 529)
Significant investments in financial sector entities ¹⁾					(693)	(363)
Expected losses exceeding actual losses, IRB portfolios	(1 286)	(951)	(1 719)	(1 915)	(1 719)	(1 915)
Value adjustments due to the requirements for prudent valuation (AVA)	(467)	(449)	(886)	(720)	(886)	(720)
Adjustments for unrealised losses/(gains) on debt measured at fair value	63	123	176	123	176	123
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(596)	(481)	(149)	(113)	(149)	(113)
Common equity Tier 1 capital	154 247	147 851	173 159	164 431	176 831	171 339
Additional Tier 1 capital instruments	15 574	15 574	15 574	15 574	15 574	15 574
Deduction of holdings of Tier 2 instruments in DNB Livsforsikring and DNB Forsikring ²⁾					(1 500)	
Non-eligible Tier 1 capital, DNB Group ³⁾					(19)	(56)
Tier 1 capital	169 820	163 425	188 733	180 005	190 886	186 856
Perpetual subordinated loan capital	5 693	5 361	5 693	5 361	5 693	5 361
Term subordinated loan capital	25 110	23 897	25 110	23 897	25 110	23 897
Deduction of holdings of Tier 2 instruments in DNB Livsforsikring and DNB Forsikring ²⁾					(5 750)	(5 750)
Non-eligible Tier 2 capital, DNB Group ³⁾					(1 936)	(1 813)
Tier 2 capital	30 804	29 258	30 804	29 258	23 117	21 696
Total eligible capital	200 624	192 683	219 537	209 263	214 003	208 552
Risk-weighted assets, transitional rules ⁴⁾	852 363	835 986	1 051 159	1 014 683	1 077 934	1 042 601
Minimum capital requirement, transitional rules	68 189	66 879	84 093	81 175	86 235	83 408
Common equity Tier 1 capital ratio, transitional rules (%)	18.1	17.7	16.5	16.2	16.4	16.4
Tier 1 capital ratio, transitional rules (%)	19.9	19.5	18.0	17.7	17.7	17.9
Capital ratio, transitional rules (%)	23.5	23.0	20.9	20.6	19.9	20.0

1) Deductions are made for significant investments in financial sector entities if they each exceed 10 per cent of common equity Tier 1 capital. The amounts that are not deducted are given a risk weight of 250 per cent.

2) Investments in Tier 1 and Tier 2 instruments issued by DNB Livsforsikring and DNB Forsikring are deducted from the Group's Tier 1 and Tier 2 capital.

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

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

Note 3 Capital adequacy (continued)

Basel III

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

Specification of risk-weighted assets and capital requirements

DNB Group

<i>Amounts in NOK million</i>	Nominal exposure	EAD ¹⁾	Average risk weights in per cent	Risk-weighted assets	Capital requirement	Capital requirement
	31 Dec. 2018	31 Dec. 2018	31 Dec. 2018	31 Dec. 2018	31 Dec. 2018	31 Dec. 2017
IRB approach						
Corporate	955 626	789 415	53.4	421 452	33 716	35 197
Specialised lending (SL)	12 445	11 990	54.9	6 579	526	454
Retail - mortgages	773 419	773 419	22.0	170 213	13 617	13 220
Retail - other exposures	102 012	87 560	24.7	21 589	1 727	1 745
Securitisation						626
Total credit risk, IRB approach	1 843 502	1 662 385	37.3	619 833	49 587	51 241
Standardised approach						
Central government	273 420	256 743	0.1	148	12	6
Institutions	244 919	128 361	27.8	35 737	2 859	2 989
Corporate	225 851	166 450	88.8	147 794	11 824	9 796
Retail - mortgages	67 981	64 835	48.9	31 733	2 539	2 207
Retail - other exposures	124 556	49 276	75.0	36 973	2 958	2 941
Equity positions	21 237	21 235	220.9	46 916	3 753	3 742
Other assets	13 691	13 691	49.3	6 744	540	568
Total credit risk, standardised approach	971 656	700 592	43.7	306 045	24 484	22 249
Total credit risk	2 815 158	2 362 977	39.2	925 877	74 070	73 490
Market risk						
Position risk, debt instruments				11 583	927	1 120
Position risk, equity instruments				195	16	21
Currency risk						
Commodity risk				9	1	2
Credit value adjustment risk (CVA)				3 891	311	468
Total market risk				15 678	1 254	1 611
Operational risk				88 005	7 040	7 077
Net insurance, after eliminations						
Total risk-weighted assets and capital requirements before transitional rules				1 029 560	82 365	82 178
Additional capital requirements according to transitional rules ²⁾				48 373	3 870	1 230
Total risk-weighted assets and capital requirements				1 077 934	86 235	83 408

1) EAD, exposure at default.

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

Note 4 Taxes

Balancing tax charges against pre-tax operating profit

	DNB Group	
	Full year 2018	Full year 2017
<i>Amounts in NOK million</i>		
Pre-tax operating profit	28 979	26 858
Estimated tax expense - nominal tax rate - 23 per cent (24 per cent in 2017)	(6 665)	(6 446)
Tax effect of financial tax	(341)	(151)
Tax effect of different tax rates in other countries	(21)	(21)
Transitional effects from new tax rules DNB Livsforsikring	880	
Tax effect of debt interest distribution with international branches	1 104	749
Tax effect of tax-exempt income and non-deductible expenses	460	1 078
Tax effect of tax losses carried forward not recognised in the balance sheet ¹⁾	(5)	(23)
Tax effect of changed tax rate for deferred taxes recognised in the balance sheet		(47)
Excess tax provision previous year	95	(49)
Total tax expense	(4 493)	(5 054)
Effective tax rate	16%	19%

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

New tax rules for insurance and pension companies in 2018

By adopting the Act of 20 December 2018, the Norwegian Storting laid down new tax rules with appurtenant transitional rules for life insurance and pension companies, with effect for 2018. The new rules involve taxation of income and costs related to assets in the common portfolio and the investment choice portfolio. The transition to new rules is regulated in the transitional provisions, where tax value and commitments as at 31 December 2018 shall be determined in line with the accounting rules. Changes in tax value are taxable or deductible in the 2018 fiscal year.

Based on our evaluation and understanding of the new tax rules with appurtenant transitional rules, the transition will result in a tax income of NOK 880 million for 2018, which is included in the table above under transitional effects from new tax rules DNB Livsforsikring. DNB will consider recognising further tax income in the time ahead. On 21 December, the Norwegian Directorate of Taxes gave a statement of principles of their understanding of the transitional rule that may be conceived as divergent from DNB's view.

Note 5 Development in gross carrying amount and maximum exposure

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

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

Loans to customers at amortised cost, fourth quarter 2018

<i>Amounts in NOK million</i>	DNB Group			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 30 September 2018	1 402 954	80 244	27 979	1 511 177
Transfer to stage 1	15 300	(14 878)	(421)	0
Transfer to stage 2	(24 186)	24 715	(529)	
Transfer to stage 3	(800)	(3 570)	4 370	0
Originated and purchased	108 300	1 895	2 338	112 532
Derecognition	(76 466)	(6 801)	(6 212)	(89 479)
Exchange rate movements	9 912	716	322	10 949
Gross carrying amount as at 31 December 2018	1 435 014	82 321	27 846	1 545 180

Loans to customers at amortised cost, full year 2018

<i>Amounts in NOK million</i>	DNB Group			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	1 376 314	90 102	25 843	1 492 259
Transfer to stage 1	58 153	(57 295)	(858)	0
Transfer to stage 2	(74 482)	76 922	(2 440)	
Transfer to stage 3	(3 982)	(11 865)	15 847	(0)
Originated and purchased	441 044	4 704	4 268	450 015
Derecognition	(363 286)	(20 347)	(14 856)	(398 489)
Exchange rate movements	1 253	101	41	1 396
Other				
Gross carrying amount as at 31 December 2018	1 435 014	82 321	27 846	1 545 180

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

Financial commitments, fourth quarter 2018

<i>Amounts in NOK million</i>	DNB Group			
	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 30 September 2018	638 766	23 734	6 707	669 207
Transfer to stage 1	4 807	(4 455)	(352)	
Transfer to stage 2	(10 179)	10 209	(30)	
Transfer to stage 3	(201)	(201)	402	
Originated and purchased	80 854	1 243	195	82 292
Derecognition	(95 018)	(1 674)	(2 810)	(99 502)
Exchange rate movements	8 268	604	40	8 912
Other	7			7
Maximum exposure as at 31 December 2018	627 302	29 462	4 152	660 916

Financial commitments, full year 2018

<i>Amounts in NOK million</i>	DNB Group			
	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 1 January 2018	651 248	28 358	3 208	682 814
Transfer to stage 1	14 184	(13 415)	(769)	
Transfer to stage 2	(20 916)	21 665	(749)	(0)
Transfer to stage 3	(1 663)	(1 587)	3 250	
Originated and purchased	247 002	5 247	3 599	255 848
Derecognition	(265 698)	(11 201)	(4 400)	(281 298)
Exchange rate movements	3 177	394	13	3 584
Other	(32)			(32)
Maximum exposure as at 31 December 2018	627 302	29 462	4 152	660 916

Note 6 Development in accumulated impairment of financial instruments

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

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

Loans to customers at amortised cost, fourth quarter 2018

<i>Amounts in NOK million</i>	DNB Group			
	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 September 2018	(356)	(1 302)	(8 587)	(10 245)
Transfer to stage 1	(105)	102	3	
Transfer to stage 2	50	(76)	26	
Transfer to stage 3	0	144	(144)	
Originated and purchased	(48)	(99)	0	(147)
Increased expected credit loss	(43)	(240)	(1 416)	(1 700)
Decreased (reversed) expected credit loss	156	166	1 268	1 589
Write-offs	0	(0)	639	639
Derecognition	4	107	0	111
Exchange rate movements	(10)	(26)	(111)	(146)
Accumulated impairment as at 31 December 2018	(352)	(1 225)	(8 321)	(9 898)

Loans to customers at amortised cost, full year 2018

<i>Amounts in NOK million</i>	DNB Group			
	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	(382)	(3 082)	(8 710)	(12 174)
Transfer to stage 1	(454)	425	29	(0)
Transfer to stage 2	79	(281)	202	(0)
Transfer to stage 3	3	1 351	(1 353)	0
Originated and purchased	(176)	(161)	0	(336)
Increased expected credit loss	(160)	(944)	(6 158)	(7 262)
Decreased (reversed) expected credit loss	866	1 200	4 770	6 835
Write-offs	0	(0)	2 895	2 895
Derecognition	(124)	275	4	155
Exchange rate movements	(2)	(7)	(0)	(10)
Accumulated impairment as at 31 December 2018	(352)	(1 225)	(8 321)	(9 898)

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

Financial commitments, fourth quarter 2018

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

Financial commitments, full year 2018

<i>Amounts in NOK million</i>	DNB Group			
	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	(171)	(2 128)	(511)	(2 810)
Transfer to stage 1	(194)	194		0
Transfer to stage 2	27	(31)	4	0
Transfer to stage 3	0	584	(584)	0
Originated and purchased	(134)	(338)		(472)
Increased expected credit loss	(49)	(580)	(316)	(945)
Decreased (reversed) expected credit loss	371	958	821	2 150
Derecognition	2	370	17	389
Exchange rate movements	(1)	(30)	0	(31)
Accumulated impairment as at 31 December 2018	(149)	(1 001)	(569)	(1 719)

Note 7 Loans and financial commitments to customers by industry segment

Loans to customers	Gross carrying amount	Accumulated impairment			DNB Group	
		Stage 1	Stage 2	Stage 3	Loans at fair value	Total
<i>Amounts in NOK million</i>						
Bank, insurance and portfolio management	65 390	(9)	(4)	(55)		65 322
Commercial real estate	169 204	(9)	(43)	(261)	179	169 069
Shipping	58 769	(67)	(117)	(655)		57 931
Oil, gas and offshore	61 201	(54)	(586)	(4 336)		56 225
Power and renewables	30 556	(8)	(85)	(107)		30 355
Healthcare	22 601	(7)	(9)	(0)		22 585
Public sector	22 303	(0)	(1)	(0)		22 301
Fishing, fish farming and farming	34 983	(3)	(13)	(70)	165	35 063
Trade	40 210	(15)	(13)	(595)	65	39 653
Manufacturing	45 914	(19)	(9)	(339)	21	45 568
Technology, media and telecom	28 336	(28)	(4)	(30)	18	28 292
Services	65 666	(18)	(18)	(545)	205	65 290
Residential property	91 562	(6)	(7)	(222)	375	91 702
Personal customers	760 144	(91)	(288)	(679)	61 368	820 454
Other corporate customers	48 341	(17)	(30)	(427)	80	47 948
Total as at 31 December 2018 ¹⁾	1 545 180	(352)	(1 225)	(8 321)	62 476	1 597 758

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

Financial commitments	Maximum exposure	Accumulated impairment			DNB Group	
		Stage 1	Stage 2	Stage 3	Total	
<i>Amounts in NOK million</i>						
Bank, insurance and portfolio management	24 270	(7)	(7)	(0)	24 256	
Commercial real estate	26 867	(2)	(1)	(4)	26 861	
Shipping	10 605	(6)	(22)		10 577	
Oil, gas and offshore	73 945	(53)	(809)	(322)	72 761	
Power and renewables	30 481	(4)	(38)	0	30 439	
Healthcare	24 000	(7)	(0)		23 992	
Public sector	10 711	(0)			10 711	
Fishing, fish farming and farming	14 578	(3)	(1)	(3)	14 571	
Trade	30 386	(9)	(5)	(98)	30 275	
Manufacturing	56 392	(16)	(28)	(5)	56 343	
Technology, media and telecom	17 799	(8)	(3)	(2)	17 785	
Services	26 142	(11)	(11)	(11)	26 109	
Residential property	34 240	(2)	(3)	(2)	34 232	
Personal customers	241 943	(15)	(63)	(0)	241 866	
Other corporate customers	38 558	(6)	(10)	(123)	38 419	
Total as at 31 December 2018	660 916	(149)	(1 001)	(569)	659 197	

Note 8 Financial instruments at fair value

<i>Amounts in NOK million</i>	DNB Group			
	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
	Assets as at 31 December 2018			
Loans to customers			62 476	62 476
Commercial paper and bonds	55 834	262 459	319	318 612
Shareholdings	8 159	26 833	4 810	39 802
Financial assets, customers bearing the risk		77 241		77 241
Financial derivatives	238	122 480	2 036	124 755
Liabilities as at 31 December 2018				
Deposits from customers		14 680		14 680
Debt securities issued		77 524		77 524
Subordinated loan capital		2 483		2 483
Financial derivatives	285	108 177	1 654	110 116
Other financial liabilities ¹⁾	3 157			3 157

<i>Amounts in NOK million</i>	DNB Group			
	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
	Assets as at 31 December 2017			
Deposits with central banks		146 714		146 714
Due from credit institutions		199 288		199 288
Loans to customers		55 839	75 101	130 940
Commercial paper and bonds	53 391	284 994	328	338 713
Shareholdings	7 482	16 240	4 498	28 220
Financial assets, customers bearing the risk		75 206		75 206
Financial derivatives	131	130 149	2 069	132 349
Liabilities as at 31 December 2017				
Due to credit institutions		186 993		186 993
Deposits from customers		55 782		55 782
Debt securities issued		240 516		240 516
Subordinated loan capital		2 873		2 873
Financial derivatives	150	108 363	1 749	110 262
Other financial liabilities ¹⁾	6 153	61		6 214

1) Short positions, trading activities.

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

Note 8 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

	Financial assets				DNB Group
	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial liabilities
<i>Amounts in NOK million</i>					
Carrying amount as at 31 December 2017	75 101	328	4 498	2 069	1 749
Implementation impact from IFRS 9 at 1 January 2018	(10 103)				
Net gains recognised in the income statement	(398)	(459)	383	(462)	(237)
Additions/purchases	15 324	358	1 097	1 185	886
Sales		(27)	(1 854)		
Settled	(17 195)	(0)		(756)	(745)
Transferred from level 1 or level 2		230	882		
Transferred to level 1 or level 2		(69)			
Other	(254)	(42)	(197)	0	2
Carrying amount as at 31 December 2018	62 476	319	4 810	2 036	1 654

Sensitivity analysis, level 3

An increase in the discount rate on fixed-rate loans by 10 basis points will decrease the fair value by NOK 177 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	DNB Group					
	Balance sheet	Issued	Matured/ redeemed	Exchange rate movements	Other changes	Balance sheet
	31 Dec. 2018					31 Dec. 2017
<i>Amounts in NOK million</i>		2018	2018	2018	2018	2017
Commercial paper issued, nominal amount	174 732	1 037 792	(1 028 264)	6 529		158 675
Bond debt, nominal amount ¹⁾	604 127	78 195	(81 198)	10 754		596 377
Value adjustments	23 059				(2 137)	25 195
Total debt securities issued	801 918	1 115 987	(1 109 463)	17 283	(2 137)	780 247

Debt securities issued	DNB Group					
	Balance sheet	Issued	Matured/ redeemed	Exchange rate movements	Other changes	Balance sheet
	31 Dec. 2017					31 Dec. 2016
<i>Amounts in NOK million</i>		2017	2017	2017	2017	2016
Commercial paper issued, nominal amount	158 675	1 771 171	(1 767 362)	1 451		153 415
Bond debt, nominal amount	596 377	77 859	(89 010)	27 906		579 622
Value adjustments	25 195				(7 636)	32 832
Total debt securities issued	780 247	1 849 030	(1 856 373)	29 357	(7 636)	765 869

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

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

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

Note 10 Contingencies

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

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

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 class 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 acquitted. On 12 February 2018, the Norwegian Consumer Council appealed to Borgarting Court of Appeal and reduced the compensation claim to NOK 450 million. The appeal hearing will be held from 19 March to 4 April 2019.

DNB ASA

Income statement

Amounts in NOK million	DNB ASA			
	4th quarter 2018	4th quarter 2017	Full year 2018	Full year 2017
Interest income, amortised cost	8	10	32	38
Interest expenses, amortised cost	(119)	(102)	(452)	(392)
Net interest income	(110)	(93)	(420)	(353)
Commissions and fees payable	(1)	(1)	(7)	(6)
Other income ¹⁾	14 087	18 580	14 087	19 280
Net other operating income	14 087	18 580	14 081	19 274
Total income	13 976	18 487	13 661	18 921
Salaries and other personnel expenses	(1)	(1)	(4)	(4)
Other expenses	(82)	(86)	(329)	(348)
Total operating expenses	(83)	(87)	(334)	(352)
Pre-tax operating profit	13 893	18 400	13 327	18 569
Tax expense	(142)	(283)		(150)
Profit for the period	13 752	18 117	13 327	18 419
Earnings/diluted earnings per share (NOK)	8.63	11.20	8.36	11.38
Earnings per share excluding operations held for sale (NOK)	8.63	11.20	8.36	11.38

Balance sheet

Amounts in NOK million	DNB ASA	
	31 Dec. 2018	31 Dec. 2017
Assets		
Due from DNB Bank ASA	8 925	5 339
Investments in group companies	74 720	74 720
Receivables due from group companies ¹⁾	12 585	18 580
Total assets	96 229	98 639
Liabilities and equity		
Short-term amounts due to DNB Bank ASA	11	10
Due to other group companies		600
Other liabilities and provisions	13 105	11 393
Long-term amounts due to DNB Bank ASA	20 087	20 086
Total liabilities	33 204	32 090
Share capital	15 944	16 180
Share premium	22 556	22 556
Other equity	24 525	27 813
Total equity	63 025	66 550
Total liabilities and equity	96 229	98 639

1) Of which group contributions from DNB Bank ASA represented NOK 10 758 in 2018 and NOK 16 094 million in 2017. The group contribution from DNB Livsforsikring AS represented 2 900 million in 2018 and NOK 1 950 million in 2017. The group contribution from DNB Forsikring AS represented NOK 150 million in 2017. The group contribution from DNB Asset Management Holding AS was NOK 427 million in 2018 and NOK 386 million in 2017. The demerger of Vipps from DNB in 2017 resulted in a gain of NOK 700 million.

Statement of changes in equity

Amounts in NOK million	DNB ASA			
	Share capital	Share premium	Other equity	Total equity
Balance sheet as at 31 December 2016	16 288	22 556	22 337	61 181
Repurchase under share buy-back programme	(108)		(1 552)	(1 659)
Profit for the period			18 419	18 419
Dividends for 2017 (NOK 7.10 per share)			(11 392)	(11 392)
Balance sheet as at 31 December 2017	16 180	22 556	27 813	66 550
Balance sheet as at 31 December 2017	16 180	22 556	27 813	66 550
Repurchase under share buy-back programme	(237)		(3 510)	(3 747)
Profit for the period			13 327	13 327
Dividends for 2018 (NOK 8.25 proposed per share)			(13 105)	(13 105)
Balance sheet as at 31 December 2018	15 944	22 556	24 525	63 025

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 2017.

Information about the DNB Group

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Board of Directors in DNB ASA

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Tore Olaf Rimmereid, vice chair of the board
Karl-Christian Agerup
Carl A. Løvvik
Vigdis Mathisen
Jaan Ivar Semlitsch
Berit Svendsen

Group management

Rune Bjerke	Group chief executive
Kjerstin Braathen	Group executive vice president Group Finance
Ingjerd Blekeli Spiten	Group executive vice president Personal Banking
Benedicte Schilbred Fasmer	Group executive vice president Corporate Banking
Harald Serck-Hanssen	Group executive vice president Large Corporates and International
Håkon Hansen	Group executive vice president Wealth Management & Insurance
Ottar Ertzeid	Group executive vice president Markets
Rasmus Figenschou	Group executive vice president New Business
Ida Lerner	Group executive vice president Risk Management
Mirella E. Wassiluk	Group executive vice president Group Compliance
Solveig Hellebust	Group executive vice president People & Operations
Alf Otterstad	Group executive vice president IT
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Financial calendar 2019

7 March	Annual report 2018
30 April	Annual general meeting
2 May	Ex-dividend date
3 May	Q1 2019
as of 10 May	Distribution of dividends
11 July	Q2 2019
24 October	Q3 2019
20 November	Capital markets day

Other sources of information

Annual and quarterly reports

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

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So you can stay ahead.

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