DNB Group

First quarter report 2019
(Unaudited)

Q1

Financial highlights

DNB Group

Income statement *Amounts in NOK million*	1st quarter 2019	1st quarter 2018	Full year 2018
Net interest income	9 289	9 007	36 822
Net commissions and fees	2 219	2 116	9 310
Net gains on financial instruments at fair value	751	162	1 342
Net financial and risk result, life insurance	356	205	969
Net insurance result, non-life insurance		154	622
Other operating income	446	230	1 302
Net other operating income	3 772	2 867	13 546
Total income	13 062	11 874	50 368
Operating expenses	(5 465)	(5 131)	(21 490)
Restructuring costs and non-recurring effects	(22)	(24)	(567)
Pre-tax operating profit before impairment	7 575	6 719	28 311
Net gains on fixed and intangible assets	1 739	18	529
Impairment of financial instruments	(316)	330	139
Pre-tax operating profit	8 998	7 066	28 979
Tax expense	(1 365)	(1 413)	(4 493)
Profit from operations held for sale, after taxes	(51)		(204)
Profit for the period	7 582	5 653	24 282

Balance sheet *Amounts in NOK million*	31 March 2019	31 Dec. 2018	31 March 2018
Total assets	2 815 716	2 634 903	2 673 026
Loans to customers	1 623 428	1 597 758	1 532 395
Deposits from customers	967 705	927 092	954 826
Total equity	229 207	223 966	218 138
Average total assets	2 873 594	2 771 998	2 835 314
Total combined assets	3 157 349	2 950 748	2 991 329

Key figures and alternative performance measures	1st quarter 2019	1st quarter 2018	Full year 2018
Return on equity, annualised (per cent) [1)]	14.1	11.0	11.7
Earnings per share (NOK)	4.61	3.36	14.56
Combined weighted total average spread for lending and deposits (per cent) [1)]	1.32	1.30	1.30
Average spread for ordinary lending to customers (per cent) [1)]	1.90	2.01	1.94
Average spread for deposits from customers (per cent) [1)]	0.39	0.20	0.29
Cost/income ratio (per cent) [1)]	42.0	43.4	43.8
Ratio of customer deposits to net loans to customers at end of period [1)]	59.6	62.3	58.0
Net loans and financial commitments in stage 2, per cent of net loans [1)]	6.66	6.61	6.99
Net loans and financial commitments in stage 3, per cent of net loans [1)]	1.33	1.49	1.45
Impairment relative to average net loans to customers, annualised (per cent) [1)]	(0.08)	0.09	0.01
Common equity Tier 1 capital ratio, transitional rules, at end of period (per cent) [2)]	16.4	16.6	16.4
Leverage ratio, Basel III (per cent)	7.0	7.2	7.5
Share price at end of period (NOK)	158.80	152.15	138.15
Book value per share	134.48	125.60	130.32
Price/book value [1)]	1.18	1.21	1.06
Dividend per share (NOK)			8.25
Score from RepTrak's reputation survey in Norway (points)	74.3	70.6	72.5
Customer satisfaction index, CSI, personal customers in Norway (score)	73.8	74.8	74.7
SHE index [3)]	90		84

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 is based on the actual gender balance in management in Norway's largest listed companies. DNB had a score of 90 and was number 3 in the 2019/1H report issued in March 2019. In 2018, DNB was ranked number 1 with a score of 84.*

For additional key figures and definitions, please see the Factbook 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

First quarter financial performance

The first quarter of 2019 showed a strong profit of NOK 7 582 million, an increase of NOK 1 929 million from the first quarter of 2018. The establishment of the insurance company Fremtind Forsikring AS, through the merger of SpareBank 1 Skadeforsikring and DNB Forsikring AS in January 2019, resulted in a gain of NOK 1 740 million in the quarter. Compared with the previous quarter, profits increased by NOK 711 million.

Earnings per share were NOK 4.61, compared with NOK 3.36 in the year-earlier period and NOK 4.14 in the fourth quarter.

The common equity Tier 1 capital ratio was 16.4 per cent at end-March, at the same level as end-December 2018. The new investment in Fremtind and the implementation of IFRS 16 Leases had negative effects which were offset by the profit for the period and dividend from DNB Livsforsikring AS. The leverage ratio for the Group was 7.0 per cent.

Return on equity was 14.1 per cent, compared with 11.0 per cent in the year-earlier period and 12.9 per cent in the fourth quarter.

Net interest income was up NOK 282 million or 3.1 per cent from the first quarter of 2018, driven by higher lending volumes. Compared with the fourth quarter, net interest income was down NOK 321 million, mainly due to fewer interest days and new resolution and guarantee fund levy.

Net other operating income was NOK 3 772 million, up NOK 905 million from the first quarter of 2018. The increase was related to higher net gains on financial instruments at fair value stemming from exchange rate effects on additional Tier 1 capital and other mark-to-market adjustments. Commissions and fees rose by 4.9 per cent, mainly related to investment banking services. Profit from associated companies also contributed to the increase. Compared with the fourth quarter, net other operating income was down NOK 119 million.

Operating expenses were NOK 331 million higher than in the year-earlier period. The first quarter saw an increase in IT expenses and accrued pension costs related to the closed defined benefit scheme compensation programme. Compared with the fourth quarter, there was a reduction of NOK 693 million. The reduction was driven by lower IT costs and non-recurring effects related to impairment of leasing contracts and system development in the fourth quarter.

Impairment losses of financial instruments amounted to NOK 316 million in the first quarter, an increase of NOK 646 million from the first quarter of 2018 and NOK 82 million from the fourth quarter of 2018. The impairment losses in the quarter were spread evenly between all three customer segments.

Important events in the first quarter

In accordance with the authorisation given by the Annual General Meeting in April 2018, the share buy-back programme of 1.5 per cent of outstanding shares was completed during the first quarter.

Fremtind – the result of the merger of the insurance activities in SpareBank 1 Skadeforsikring and DNB Forsikring – became operational on 1 January 2019. The company is Norway's third largest insurance company, and the products are sold under the respective banks' brands. From the first quarter of 2019, DNB's ownership interest of 35 per cent in Fremtind will be presented under "Investments accounted for by the equity method" in the Group accounts.

The new, cloud-based mobile bank was launched at the start of the year. This is an update of the original mobile bank and is designed to be faster and easier to use, giving the customers a better overview of their finances.

On 3 February, DNB announced price cuts on equity funds, reducing the management fee for both actively managed equity funds and index funds.

Friday 15 March marked the start of an exciting new launch at the Group's real estate agency DNB Eiendom – "Garantert Solgt!". The name means guaranteed sale and the product offers digital real estate broking at a set low price. If the property is not sold within the agreed period, the customer pays nothing for the services rendered.

During the first quarter, DNB joined forces with StartupLab to initiate an accelerator programme for the third time – DNB NXT Accelerator. This is a three-month start-up programme that aims to accelerate the development of start-up companies and explore potential partnerships that may open up commercial opportunities for both the participating companies and DNB.

In the first quarter, students were invited to participate in the annual competition Digital Challenge, which is held in four Norwegian cities with the final in Oslo. This is a hackathon where the goal is to present a solution or a product that will simplify everyday life for the bank's customers. Four students at the University of Oslo won this year's competition with their contribution, which was a solution for promoting innovation by gathering APIs in one place. The prize was NOK 100 000 and a summer internship in DNB.

In January, DNB Markets was named best brokerage house by the Norwegian magazine Kapital. DNB is considered no. 1 within both analysis and brokerage, and the Group's analysts are also top ranked in several sectors, such as offshore/steel, real estate, banking and finance and fisheries.

In January, Standard & Poor (S&P) upgraded DNB's long-term credit rating to AA-. Thus, DNB has an AA rating from the two most well-known rating agencies, Moody's and S&P, as well as the best short-term rating. This reflects DNB's healthy performance and a strong macroeconomic environment.

CDP (formerly the Carbon Disclosure Project) annually ranks more than 6 500 companies for their climate-related efforts. The score for 2018 was released in January, and as the only Nordic bank, DNB received the highest score of A. CDP evaluates companies based on their general understanding, awareness and management of environmental risk, as well as good practices related to environmental management.

DNB's reputation score in Norway reached an all-time high in the first quarter, coming in at 74.3. For the first time since 2015, the Group has achieved a score of above 70 points two quarters in a row.

Norges Bank raised the key policy rate to 1 per cent on 21 March. The following day, DNB decided to increase the interest rates on home mortgage loans and deposits by up to 0.25 percentage points. There will also be an interest rate rise for loans and certain deposits in the corporate market.

First quarter income statement – main items

Net interest income

Amounts in NOK million	1Q19	4Q18	1Q18
Lending spreads, customer segments	7 026	7 130	7 066
Deposit spreads, customer segments	899	837	462
Amortisation effects and fees	797	829	782
Operational leasing	409	393	374
Other net interest income	158	422	322
Net interest income	9 289	9 611	9 007

Net interest income increased by NOK 282 million from the first quarter of 2018, mainly due to increased lending volumes, exchange rate effects and higher deposit spreads.

There was an average increase of NOK 73.9 billion or 5.2 per cent in the healthy loan portfolio compared with the first quarter of 2018, backed by a positive development in the Norwegian economy. Adjusted for exchange rate effects, volumes were up NOK 55.6 billion or 3.9 per cent. During the same period, deposits were up NOK 1.5 billion or 0.2 per cent. Adjusted for exchange rate effects, there was a decrease of 1.3 per cent. Average lending spreads contracted by 11 basis points, and deposit spreads widened by 19 basis points compared with the first quarter of 2018. Volume-weighted spreads for the customer segments widened by 3 basis points compared with the same period in 2018.

Compared with the fourth quarter, net interest income decreased by NOK 321 million, mainly due to fewer interest days and increased resolution and guarantee fund levy. There was an average increase of NOK 23.9 billion or 1.6 per cent in the healthy loan portfolio, and deposits were at the same level. Volume-weighted spreads for the customer segments increased by 1 basis point.

The margin development in the first quarter of 2019 reflects lag effects. The spreads were positively impacted by interest rate adjustments which became effective as from October/November 2018. However, increased NOK money market rates in the first quarter of 2019 led to lower combined spreads. The announced interest rate rise following Norges Bank's increased key policy rate in March, will become effective from 8 May 2019.

Net other operating income

Amounts in NOK million	1Q19	4Q18	1Q18
Net commissions and fees	2 219	2 660	2 116
Basis swaps	(187)	(342)	(372)
Exchange rate effects additional Tier 1 capital	(88)	768	(527)
Net gains on other financial instruments at fair value	1 026	3	1 061
Net financial and risk result, life insurance	356	387	205
Net insurance result, non-life insurance		189	154
Net profit from associated companies	178	(10)	(37)
Other operating income	268	236	267
Net other operating income	3 772	3 891	2 867

Net other operating income was up NOK 905 million from the first quarter of 2018. The increase was mainly due to exchange rate effects on additional Tier 1 capital and other mark-to-market adjustments. Higher revenues in investment banking services and in real estate broking contributed to an increase in commissions and fees.

Compared with the fourth quarter, net other operating income decreased by NOK 119 million. Net commissions and fees were down NOK 441 million from a seasonally very high level in the fourth quarter – mainly within investment banking. Net gains on financial instruments were up NOK 1 023 million mainly related to positive credit spread effects and other mark-to-market adjustments, while exchange rate effects on additional Tier 1 capital contributed negatively with NOK 856 million.

DNB's ownership share of 35 per cent in Fremtind is as of 2019 presented under "Net profit from associated companies".

Operating expenses

Amounts in NOK million	1Q19	4Q18	1Q18
Salaries and other personnel expenses	(3 009)	(3 048)	(2 900)
Other expenses	(1 771)	(2 189)	(1 768)
Depreciation and impairment of fixed and intangible assets	(706)	(942)	(488)
Total operating expenses	(5 487)	(6 179)	(5 155)

There was an increase in operating expenses from the first quarter of 2018 of NOK 331 million. The increase was mainly due to an increase in pension provisions related to the closed defined benefit scheme compensation programme, which is sensitive to market conditions, and a higher level of IT activity. The introduction of IFRS 16 led to reduced operating expenses for IT and properties and premises, but at the same time increased depreciation costs.

Compared with the fourth quarter, there was a reduction in operating expenses of NOK 693 million. The main factor behind the decrease was non-recurring effects related to impairment of leasing contracts and system development in the fourth quarter, but there was also a lower level of IT activity in the first quarter of 2019.

The cost/income ratio was 42.0 per cent in the first quarter.

Impairment of financial instruments

Amounts in NOK million	1Q19	4Q18	1Q18
Personal customers	(108)	(56)	(61)
Commercial real estate	(39)	41	11
Shipping	32	147	48
Oil, gas and offshore	(46)	(198)	620
Other industry segments	(154)	(168)	(288)
Total impairment of financial instruments	(316)	(235)	330

The increase in impairment losses from the first quarter of 2018 was to a large extent due to significant reversals in the oil, gas and offshore segments during the first quarter of 2018. The portfolio is characterised by high quality and a stable development, reflecting the favourable macroeconomic environment.

The personal customers segment had an increase in impairment of NOK 47 million and NOK 52 million compared to the first and fourth quarter of 2018, respectively, but impairment losses remained at a low level. Similarly, the commercial real estate segment had NOK 39 million in net impairment in the first quarter compared with reversals of NOK 11 million in the first quarter of 2018 and NOK 41 million in the fourth quarter of 2018. There were net reversals of NOK 32 million within the shipping segment. The macro drivers for the shipping portfolio remained stable during the first quarter.

There were net impairment losses of NOK 46 million for the oil, gas and offshore segments in the quarter. A modestly positive macro development contributed favourably, while a negative development for individually assessed customers resulted in net impairment for the industry segment. This situation is similar to that of the fourth quarter of 2018, while restructurings of specific large exposures resulted in net reversals in the first quarter of 2018.

Net impairment losses within other industry segments decreased by NOK 134 million compared with the first quarter of 2018 and by NOK 14 million compared with the fourth quarter of 2018. The decrease primarily reflected stable credit quality and macro forecasts, as well as a limited number of significant impairment losses on individually assessed customers in stage 3.

Net stage 3 loans and financial commitments amounted to NOK 21.6 billion at end-March 2019, down from NOK 22.8 billion in the year-earlier period and from NOK 23.2 billion in the fourth quarter of 2018.

Taxes

The DNB Group's tax expense for the first quarter is estimated at NOK 1 365 million, or 15 per cent of pre-tax operating profits. The low tax rate in the quarter is due to a tax-free capital gain of NOK 1 740 million in connection with the merger of SpareBank 1 Skadeforsikring and DNB Forsikring and the establishment of Fremtind.

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	1Q19	4Q18	1Q18
Net interest income	3 380	3 465	3 402
Net other operating income	1 143	1 313	1 198
Total income	4 523	4 778	4 600
Operating expenses	(2 087)	(2 281)	(1 993)
Pre-tax operating profit before impairment	2 436	2 497	2 606
Net gains on fixed and intangible assets		49	
Impairment of financial instruments	(101)	(89)	(53)
Pre-tax operating profit	2 335	2 457	2 553
Tax expense	(584)	(614)	(638)
Profit for the period	1 751	1 843	1 915
Average balance sheet items in NOK billion			
Net loans to customers	773.5	770.8	749.2
Deposits from customers	413.4	410.0	401.3
Key figures in per cent			
Lending spread [1)]	1.50	1.54	1.76
Deposit spread [1)]	0.50	0.45	0.19
Return on allocated capital	14.9	15.5	16.5
Cost/income ratio	46.1	47.7	43.3
Ratio of deposits to loans	53.4	53.2	53.6

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

The personal customers segment delivered sound results in the first quarter of 2019, with a pre-tax operating profit of NOK 2 335 million. The development from the previous quarter was affected by declining spreads on loans due to increased NOK money market rates, as well as the establishment of Fremtind on 1 January 2019.

The combined spreads on loans and deposits narrowed by 0.06 percentage points from the corresponding period in 2018 and by 0.01 percentage points from the fourth quarter of 2018. The announced interest rate adjustments will become effective as of 8 May for existing customers.

There was a rise in average net loans of 3.2 per cent from the first quarter of 2018. Deposits from customers were up 3.0 per cent in the same period. Annualised growth in loans from year-end 2018 to end-March 2019 was 3.1 per cent while the corresponding growth rate in deposits was 5.7 per cent.

The establishment of Fremtind affects both costs and income in the segment. Up until year-end 2018, the activities in DNB Forsikring were in their entirety consolidated into the personal customers segment, while as from 1 January 2019, the segment’s profit from the non-life insurance activities will consist of sales commissions from Fremtind.

The decrease in other operating income from the fourth quarter of 2018 was mainly caused by the establishment of Fremtind which led to a reduction of NOK 121 million. In addition, income from payment transfers was down from the previous quarter, while a seasonally high level of activity in real estate broking had a positive effect. The development from the corresponding quarter of 2018 was also affected by a reduction of NOK 99 million related to the establishment of Fremtind, but the effect was partly counteracted by a positive development in income from real estate broking.

Lower IT development costs, along with positive effects from the establishment of Fremtind, contributed to a reduction in operating expenses from the fourth quarter of 2018. Rising costs from the first quarter of 2018 was mainly explained by higher activity related to IT development, but the negative effect was partly offset by the establishment of Fremtind which contributed with a reduction of NOK 66 million.

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 first quarter.

The market share of credit to households stood at 24.0 per cent at end-December 2018, while the market share of total household savings was 30.7 per cent in the same period. DNB Eiendom had an average market share of 18.6 per cent in the first quarter.

DNB is continuously automating and digitising its products and services. On 14 January, the new, cloud-based mobile bank was released, with improved functionality and continuous development of new services. So far, 773 000 customers have downloaded and are using the new mobile bank.

In March, DNB Eiendom launched the product "Garantert Solgt!", which is a sales guarantee for customers who sell property through DNB Eiendom. If the property is not sold within the agreed period, the customer pays nothing for the services rendered.

Small and medium-sized enterprises

Income statement in NOK million	1Q19	4Q18	1Q18
Net interest income	2 504	2 474	2 306
Net other operating income	584	527	545
Total income	3 088	3 001	2 851
Operating expenses	(1 118)	(1 111)	(1 063)
Pre-tax operating profit before impairment	1 971	1 890	1 788
Net gains on fixed and intangible assets	(0)		0
Impairment of financial instruments	(176)	(101)	(215)
Profit from repossessed operations	3	4	5
Pre-tax operating profit	1 798	1 794	1 578
Tax expense	(450)	(448)	(395)
Profit for the period	1 349	1 345	1 184
Average balance sheet items in NOK billion			
Net loans to customers	315.3	310.5	293.4
Deposits from customers	212.2	212.1	207.0
Key figures in per cent			
Lending spread [1)]	2.46	2.46	2.50
Deposit spread [1)]	0.60	0.56	0.41
Return on allocated capital	17.5	18.3	17.2
Cost/income ratio	36.2	37.0	37.3
Ratio of deposits to loans	67.3	68.3	70.5

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

Increases in both net interest income and other operating income contributed to solid profits in the first quarter of 2019.

There was a rise in average loans of 7.4 per cent from the first quarter of 2018, while average deposit volumes were up 2.5 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 8.6 per cent compared with the first quarter of 2018. The same factors also contributed to an increase in net interest income from the fourth quarter of 2018. The announced interest rate adjustments will become effective from the second quarter.

Net other operating income was up compared both to the first and fourth quarter of 2018. This was mainly due to a rise in income from commissions and fees from capital markets, cash management and pension products.

Operating expenses increased by 5.1 per cent from the corresponding quarter in 2018. This was in part related to higher capital markets activities. An increase in the leasing activity in DNB Finans also contributed to the rise in expenses. Operating expenses were at the same level as in the fourth quarter of 2018 and the underlying cost base is expected to remain stable going forward.

The credit quality and macro forecasts for the portfolio as a whole remained stable in the first quarter of 2019, and the impairment of NOK 176 million primarily stemmed from increases in impairment on a number of individually assessed customers in stage 3 within different industry segments. Net impairment of financial instruments decreased by NOK 39 million from the first quarter of 2018 and increased by NOK 75 million from the fourth quarter of 2018. Net stage 3 loans and financial commitments amounted to NOK 4 billion at end-March 2019, on the same level as the year-earlier period and the fourth quarter of 2018. Annualised impairment losses on loans and guarantees represented 0.23 per cent of average loans in the first quarter of 2019, compared with 0.30 per cent in the year-earlier period and 0.13 per cent in the fourth quarter of 2018.

Digital platforms and new business models represent a challenge for 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 and operate a business. At the end of 2018, DNB launched DNB Puls, which is an app for managers of small businesses to keep track of their everyday business operations. The Group is now also offering DNB Regnskap, which integrates accounting and invoicing closely with banking transactions. Priority is given to streamlining products and services, and a number of new and ancillary services are thus being considered.

Large corporates and international customers

Income statement in NOK million	1Q19	4Q18	1Q18
Net interest income	3 055	3 141	2 851
Net other operating income	1 300	1 515	1 289
Total income	4 355	4 657	4 140
Operating expenses	(1 763)	(1 894)	(1 702)
Pre-tax operating profit before impairment	2 592	2 763	2 438
Net gains on fixed and intangible assets	(0)	(0)	0
Impairment of financial instruments	(39)	(45)	598
Profit from repossessed operations	(86)	(151)	2
Pre-tax operating profit	2 467	2 567	3 039
Tax expense	(592)	(590)	(699)
Profit from operations held for sale, after taxes	2	1	
Profit for the period	1 877	1 978	2 340
Average balance sheet items in NOK billion			
Net loans to customers	431.1	415.8	402.6
Deposits from customers	302.3	308.2	317.9
Key figures in per cent			
Lending spread [1)]	2.21	2.21	2.11
Deposit spread [1)]	0.10	0.10	0.08
Return on allocated capital	11.9	12.4	13.6
Cost/income ratio	40.5	40.7	41.1
Ratio of deposits to loans	70.1	74.1	79.0

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

The large corporates and international customers segment delivered sound profits in the first quarter of 2019, driven by increased net interest income from both lending volume and spreads compared with the first quarter of 2018.

Average loan volumes were up 7.1 per cent compared with the first quarter of 2018, primarily driven by higher activity in the financial services, power & renewables and offshore industries. Compared with the fourth quarter of 2018, average loan volumes increased by 3.7 per cent, in line with expectations.

Average customer deposit volumes were down 4.9 per cent from the first quarter of 2018. Deposits decreased by 1.9 per cent from the fourth quarter of 2018.

Both lending and deposit spreads improved compared with the first quarter of 2018, contributing to an increase in net interest income of 7.1 per cent. Compared with the fourth quarter of 2018, the spreads remained unchanged.

Seasonally lower activity within investment banking affected the development in other operating income from the fourth quarter of 2018, while compared with the first quarter of 2018 the activity level was relatively stable.

Operating expenses were up 3.6 per cent compared with the first quarter of 2018, primarily due to increased costs within anti-money laundering (AML) and compliance. From the fourth quarter of 2018, reduced restructuring costs contributed to a decrease in costs of 6.9 per cent.

Impairment of financial instruments amounted to NOK 39 million in the first quarter of 2019. Overall, the credit quality of the portfolio remained stable in the quarter. Compared with the fourth quarter of 2018, impairments were reduced by NOK 6 million, while compared with the first quarter of 2018 there was an increase of NOK 637 million. Impairment figures in the first quarter of 2018 were positively affected by reduced volumes, continued rebalancing of the portfolio and restructuring of selected large exposures.

Net stage 3 loans and financial commitments amounted to NOK 15 billion at end-March 2019, on the same level as the year-earlier period and down from NOK 16 billion in the fourth quarter of 2018. On an annualised basis, there were net impairment losses of 0.04 per cent of average loans in the quarter, compared with net impairment reversals of 0.60 per cent in the first quarter of 2018, and net impairment of 0.04 per cent in the fourth quarter of 2018.

DNB will continue to focus on 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.

Other operations

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

Income statement in NOK million	1Q19	4Q18	1Q18
Net interest income	350	531	449
Net other operating income	1 364	1 406	692
Total income	1 714	1 938	1 141
Operating expenses	(1 138)	(1 764)	(1 254)
Pre-tax operating profit before impairment	576	173	(113)
Net gains on fixed and intangible assets	1 740	0	17
Impairment of financial instruments	(1)	(0)	
Profit from repossessed operations	82	147	(7)
Pre-tax operating profit	2 397	320	(103)
Tax expense	261	1 529	318
Profit from operations held for sale, after taxes	(53)	(142)	
Profit for the period	2 605	1 707	215
Average balance sheet items in NOK billion			
Net loans to customers	123.4	113.8	108.9
Deposits from customers	49.3	39.7	81.6

Profits for other operations were NOK 2 605 million in the first quarter of 2019, of which the gain from the establishment of Fremtind represented NOK 1 740 million.

Total revenues from the risk management operations in DNB Markets were NOK 363 million in the first quarter of 2019, which was an increase of NOK 358 million from the fourth quarter of 2018, but a reduction of NOK 414 million from the year-earlier period. Revenues were positively impacted due to tighter credit spreads for bonds.

For traditional pension products with a guaranteed rate of return, net other operating income was NOK 432 million in the first quarter, up NOK 125 million from the year-earlier period, reflecting an increase in profits in the corporate portfolio. DNB Livsforsikring had a solvency margin of 185 per cent according to the transitional rules, while the margin calculated without the transitional rules was 150 per cent as at 31 March 2019.

The profits in the other operations segment are affected by several group items not allocated to the segments. Net other operating income in the first quarter was affected negatively by mark-to-market effects related to changes in basis swaps spreads and exchange rate effects on additional Tier 1 capital. This item varies from quarter to quarter.

The reduction in operating expenses from the previous period was mainly due to depreciation and impairment of leasing contracts and system development in the fourth quarter of 2018.

DNB's share of profit in associated companies (most importantly Luminor, Vipps and Fremtind) is included in this segment.

Funding, liquidity and balance sheet

The international markets for short-term funding have had a marked positive development so far in 2019. Last year was characterised by hope among investors of further interest rate rises and consequently low investment appetite. The market mood and interest rate expectations have turned in the first quarter. The upgrade from S&P has contributed to a likely boost in the investors' limits for investments in DNB and the Group has excellent access to short-term funding.

There was a high level of activity in the long-term funding markets in the first quarter. Since the start of the year, the costs of new funding have gone down somewhat, after a steep climb in December and the first half of January. Negative key figures at the end of the quarter have strengthened the investors' faith in a more cautious progress in the planned interest rate hikes from the US and European central banks. Increased confidence in a trade agreement between the US and China has also helped stabilise the markets. The level of activity for covered bonds has been higher than in the first quarter of 2018, despite a high activity level even then. The sentiment has been very good for covered bonds, with funding costs at favourable levels. DNB had good access to long-term funding throughout the quarter.

The nominal value of long-term debt securities issued by the Group was NOK 610 billion at the end of the quarter, compared with NOK 568 billion a year earlier. The average remaining term to maturity for these debt securities was 4.1 years at end-March, compared with 4.3 years in the year-earlier period.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the quarter and was 123 per cent at end-March.

Total combined assets in the DNB Group were NOK 3 157 billion at end-March 2019, up from NOK 2 991 billion a year earlier. Total assets in the Group's balance sheet were NOK 2 816 billion at the end of the first quarter and NOK 2 673 billion a year earlier. Of this, total assets in DNB Livsforsikring amounted to NOK 325 billion and NOK 316 billion, respectively.

Loans to customers increased by NOK 26 billion or 1.6 per cent from end-December 2018. Customer deposits were up NOK 41 billion or 4.4 per cent during the same period. The ratio of customer deposits to net loans to customers was 59.6 per cent at end-March 2019, up from 58.0 per cent at end-December 2018.

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 first quarter of 2019, unchanged from end-December 2018. Dividend from DNB Livsforsikring AS contributed positively with around 13 basis points and retained earnings and other quarterly effects with 18 basis points. The net effect of the Fremtind transaction and the implementation of IFRS 16 reduced the CET1 capital ratio by 29 and 7 basis points, respectively.

The risk-weighted assets increased by NOK 42 billion from end-March 2018 to NOK 1 082 billion at end-March 2019. The increase was mainly due to underlying growth in the segments in combination with foreign exchange effects as the Norwegian krone depreciated against the US dollar.

The non-risk based leverage ratio was 7.0 per cent at end-March 2019, down from 7.2 in the year-earlier period and from 7.5 per cent at end-December 2018. The ratio decreased from year-end 2018 due to lower Tier 1 capital in combination with an increase in the total exposure due to increased central bank deposits.

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, DNB must satisfy various buffer requirements (Pillar 1 and Pillar 2 requirements).

	1Q19	4Q18	1Q18
Transitional rules:			
CET 1 capital ratio, per cent	16.4	16.4	16.6
Tier 1 capital ratio, per cent	17.6	17.7	18.0
Capital ratio, per cent	19.7	19.9	20.7
Risk-weighted assets, NOK billion	1 082	1 078	1 040
CET 1 capital ratio, Basel III, per cent	17.2	17.2	17.3
Leverage ratio, per cent	7.0	7.5	7.2

As the DNB Group consists of both a credit institution and an insurance company, DNB has to satisfy a cross-sectoral calculation test to demonstrate that it complies with the sectoral requirements: the capital adequacy requirement in accordance with CRD IV and the Solvency II requirement. At end-March 2019, DNB complied with these requirements by a good margin, with excess capital of NOK 10.6 billion.

New regulatory framework

The EU's rules on capital requirements incorporated into the EEA Agreement

On 29 March 2019, a decision was adopted by the EEA Joint Committee to incorporate the EU's capital requirement legislation CRD IV and CRR into the EEA Agreement. The decisions will take effect when all three EEA/EFTA States have lifted their constitutional reservations. Based on preliminary assumptions, the decisions and the implementing regulations and directives will most likely enter into force in the second half of 2019.

The substantive content of the CRD IV and CRR has essentially already been implemented in Norwegian law. Nevertheless, when the EEA Joint Committee Decisions take effect, there will be a need for several regulatory amendments. Among other things, the capital requirement for loans to small and medium-sized enterprises (the SME supporting factor) will be reduced, and the Basel I floor for banks using internal ratings-based (IRB) models will be removed. These adjustments will result in a more harmonised regulatory framework for market players in the EEA.

Regulations on requirements for banks' lending practices for consumer loans and credit cards

The Ministry of Finance has laid down Regulations on requirements for the banks' lending practices for consumer loans, including credit cards. Among other things, the new Regulations set out that customers must be able to withstand a five-percentage point rise in interest rates and that their total debt cannot exceed five times their annual income. The Regulations also contain a requirement on instalment payments. To ensure that banks will still be able to exercise discretion in individual cases, the Regulations allow that a certain percentage of the bank's lending volume need not comply with the individual requirements of the Regulations. This flexibility quota has been set to 5 per cent of the total value of granted loans every quarter. The Regulations will initially be applicable until 31 December 2020. The banks have until 15 May 2019 to adapt to the requirements.

Amendments to the legislation for guaranteed pension products

The Ministry of Finance has asked Finanstilsynet (the Financial Supervisory Authority of Norway) to draft regulatory amendments for guaranteed pension products. Part of the background for this assignment is the persistently low level of interest rates that has resulted in low returns, beyond the guaranteed rate of return. The increase in the value of pension benefits from paid up-policies and defined-benefit schemes has therefore been relatively small. Finanstilsynet's assessments will be based on a working group report from the autumn of 2018 that considered the latitude for changes. Finanstilsynet will prepare a draft of necessary amendments to acts or regulations, along with a recommendation of the amendments that need to be implemented, by 30 June 2019.

Pension providers may invest more in infrastructure

The Financial Institutions Act has included a special Norwegian restriction that has prohibited pension providers from having a holding of more than 15 per cent in so-called non-insurance activities. Thus, infrastructure projects such as roads, railways, electricity, water, sewage and renewable energy have not been very attractive investment objects for pension providers, as they have not had the opportunity to ensure control of their long-term interests through a sufficiently large ownership interest. With effect from 1 January 2019, the Norwegian Parliament (Stortinget) has adopted an increase in the flexibility of the pension providers' asset management. The specified limit of 15 per cent has been removed. The prohibition against conducting non-insurance activities still applies, but the boundary between investing in and conducting non-insurance activities will depend on a qualitative and discretionary assessment in each case. Finanstilsynet will be responsible for making this distinction.

Own pension account will give more effective pension savings

Stortinget has adopted a legislative amendment that allows the establishment of a so-called own pension account. The amendment entails that previously earned pension capital certificates will automatically be moved to the pension provider of the current employer. This way, all defined-contribution pensions, both old and new accruals, will be gathered in one place. The purpose is to give employees more pension for every penny saved through more effective asset management, and to give employees a better overview of and opportunity to influence their own pension capital. It has not been decided when the legislative amendment will enter into force, but 1 January 2021 seems to be the earliest possible date.

The Security Act

The new Norwegian Security Act came into effect at the beginning of the year. The Act tightens up the sectoral responsibility for civil protection and emergency preparedness. Ministries with sector responsibility must identify so-called basic national functions ("grunnleggende nasjonale funksjoner", GNFs) in their areas, and use these GNFs as a basis for designating companies that will be subject to stricter security requirements. The Ministry of Finance will identify GNFs in the financial services sector by the end of the summer, and will designate companies in the autumn of 2019. There is reason to believe that the settlement system in particular will be considered a GNF, and that DNB will be one of the designated companies which will be subject to stricter security requirements. This could involve more stringent requirements for physical and functional separation of systems, as well as stricter requirements for security clearance, with high costs associated with compliance.

PSD2

On 1 April 2019, the EU's revised payment services directive, PSD2, entered into force in Norway, and the legislation that ensures third parties access to consenting customers' payment accounts will be applicable as of 14 September 2019. Thus, the autumn marks the start of an extensive liberalisation of the payment services market, with undreamt-of consequences. Experiences from countries such as the UK, where similar legislation has already been implemented, are that customers have started using third party services to a smaller degree than expected, but it is too early to conclude whether the same development will be seen in the wake of PSD2. For DNB, the launch of the new mobile bank at the start of 2019 is a particularly important measure to position the bank for new competition.

Brexit

DNB has prepared an application for status as third-country branch in the United Kingdom in consultation with the British supervisory authorities. A mapping has been completed of cross-border products and the need for changes in order to comply with the regulatory requirements of the Temporary Permissions Regime that will come into effect on the day the UK leaves the European Union.

Macroeconomic developments

DNB Markets expects a global GDP growth of 3.3 per cent each year from 2019 to 2021 and forecasts a global GDP growth of 3.1 per cent for 2022. Since the turn of the year, equity markets have been booming and high yield spreads have been falling back to their 2017 lows in the US. However, sovereign bond yields in Western economies have drifted down from already low levels. In the US, important parts of the yield curve have temporarily inverted, notably the 10-year yield dropping below the 3-month yield in mid-March. At the same time, markets are now pricing in a probability of roughly 80 per cent of the Federal Reserve (Fed) cutting interest rates by year-end, further illustrating the downside risks to economic growth in the near term.

The Norwegian economy has recovered from the setback after the drop in oil prices in 2014, as the oil and gas sector has adapted to lower oil prices and regained profitability. Petroleum investments are expected to rise by 13 per cent in 2019, helping to boost the mainland activity. The weak Norwegian krone has enabled Norwegian manufacturers to win a high number of contracts. Households' consumption of goods is currently at a subdued level, while consumption of services has been increasing more steadily. A sharp rise in electricity prices last year offset most of the expected wage growth. This year, real wages will likely pick up, supporting private consumption. Overall, DNB Markets expects the mainland GDP to increase by 2.4 per cent in 2019, up from 2.2 per cent in 2018. For 2020 to 2022, growth is expected to slow towards potential growth.

Unemployment in Norway has been trending lower and is close to what is considered 'normal'. Wage growth has picked up, but remains moderate. The negotiations on this year's wage settlements finished on 1 April. The labour market parties expect the negotiations to result in a 3.2 per cent wage growth for the manufacturing sector in 2019. This forecast will serve as a benchmark for other wage settlements. Following this, DNB Markets has adjusted its forecast for total wage growth to 3.3 per cent from 3.1 per cent and expects the wage growth to stabilise at this rate. Core inflation picked up at the end of 2018, peaking in March 2019 at 2.7 per cent year-over-year (YOY). A major reason for the higher core inflation has been the impact of the weak Norwegian krone. This effect will likely abate in 2019. Norges Bank raised the key policy rate in March and signalled yet another rate hike within the next six months. DNB Markets expects Norges Bank to aim for a rise at the meeting in September.

Future prospects

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

The increase in Norges Bank's key policy rate from 0.75 per cent to 1.00 per cent, followed by DNB's announcement of an increase in loan rates effective from 8 May, will have a positive effect on net interest income from the second quarter.

The annual increase in lending volumes is anticipated to be 3 to 4 per cent in 2019 and 2020. During this period, higher growth in lending volumes is expected for personal customers and small and medium-sized enterprises, while lending to large corporates and international customers is expected to grow at a slower pace.

It is DNB's ambition to have a cost/income ratio below 40 per cent towards the end of 2019. The tax rate for the full year is expected to be 18 per cent in 2019 and 20 per cent in 2020.

The Group has set a target for its common equity Tier 1 capital ratio (CET1) of about 16.8 per cent from year-end 2019. The removal of the Basel I floor will reduce risk-weighted assets and enable absorption of the announced increase in the countercyclical buffer. DNB is well-positioned for new regulatory requirements, including Basel IV, which is expected to have minimal effects for DNB.

The sale of part of DNB's shares in Luminor to Blackstone and the second phase of the investment in Fremtind will be delayed as a consequence of pending regulatory approval processes, and are now expected to be finalised in the second half of 2019. The transactions will affect the CET1 capital ratio positively by approximately 30 basis points (Luminor) and negatively by 10 basis points (Fremtind).

The Group'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, repurchases of own shares will be used as a flexible tool to allocate excess capital to DNB's owners.

The General Meeting has given the Board of Directors an authorisation to repurchase up to 3.5 per cent of the company's share capital as well as an authorisation to DNB Markets of 0.5 per cent for hedging purposes, valid up to the Annual General Meeting in 2020. Initially, DNB will apply to Finanstilsynet for approval of a 2 per cent repurchase limit, as well as 0.5 per cent for hedging purposes.

Oslo, 2 May 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

Gro Bakstad

Carl A. Løvvik

Vigdis Mathisen

Jaan Ivar Semlitsch

Rune Bjerke
(group chief executive)

Income statement

Amounts in NOK million	DNB Group 1st quarter 2019	 1st quarter 2018	 Full year 2018
Interest income, amortised cost	14 231	12 355	52 621
Other interest income	1 330	1 224	5 039
Interest expenses, amortised cost	(7 187)	(5 463)	(23 650)
Other interest expenses	915	892	2 812
Net interest income	**9 289**	**9 007**	**36 822**
Commission and fee income	3 107	3 049	13 235
Commission and fee expenses	(887)	(932)	(3 925)
Net gains on financial instruments at fair value	751	162	1 342
Net financial result, life insurance	256	63	574
Net risk result, life insurance	100	142	395
Net insurance result, non-life insurance		154	622
Profit from investments accounted for by the equity method	178	(37)	314
Net gains on investment properties	5	42	62
Other income	263	225	926
Net other operating income	**3 772**	**2 867**	**13 546**
Total income	**13 062**	**11 874**	**50 368**
Salaries and other personnel expenses	(3 009)	(2 900)	(11 864)
Other expenses	(1 771)	(1 768)	(7 789)
Depreciation and impairment of fixed and intangible assets	(706)	(488)	(2 404)
Total operating expenses	**(5 487)**	**(5 155)**	**(22 057)**
Pre-tax operating profit before impairment	**7 575**	**6 719**	**28 311**
Net gains on fixed and intangible assets	1 739	18	529
Impairment of financial instruments	(316)	330	139
Pre-tax operating profit	**8 998**	**7 066**	**28 979**
Tax expense	(1 365)	(1 413)	(4 493)
Profit from operations held for sale, after taxes	(51)		(204)
Profit for the period	**7 582**	**5 653**	**24 282**
Portion attributable to shareholders	7 339	5 432	23 323
Portion attributable to additional Tier 1 capital holders	243	221	959
Profit for the period	**7 582**	**5 653**	**24 282**
Earnings/diluted earnings per share (NOK)	4.61	3.36	14.56
Earnings per share excluding operations held for sale (NOK)	4.64	3.36	14.69

Comprehensive income statement

Amounts in NOK million	DNB Group 1st quarter 2019	 1st quarter 2018	 Full year 2018
Profit for the period	**7 582**	**5 653**	**24 282**
Actuarial gains and losses			(117)
Property revaluation	1	(36)	(21)
Items allocated to customers (life insurance)	(1)	36	21
Financial liabilities designated at FVTPL, changes in credit risk	(147)	(128)	221
Tax	37	32	(18)
Items that will not be reclassified to the income statement	(110)	(96)	86
Currency translation of foreign operations	(1 151)	(2 735)	1 309
Currency translation reserve reclassified to the income statement			(2)
Hedging of net investment	915	2 386	(1 060)
Hedging reserve reclassified to the income statement			1
Financial assets at fair value through OCI	5		
Tax	(230)	(596)	265
Items that may subsequently be reclassified to the income statement	(461)	(946)	512
Other comprehensive income for the period	**(572)**	**(1 042)**	**599**
Comprehensive income for the period	**7 011**	**4 611**	**24 881**

Balance sheet

		DNB Group		
Amounts in NOK million	Note	31 March 2019	31 Dec. 2018	31 March 2018
Assets				
Cash and deposits with central banks		353 045	155 592	275 298
Due from credit institutions		99 260	130 146	181 002
Loans to customers	4, 5, 6, 7	1 623 428	1 597 758	1 532 395
Commercial paper and bonds	7	388 515	409 328	370 091
Shareholdings	7	38 132	39 802	32 617
Financial assets, customers bearing the risk		85 192	77 241	74 630
Financial derivatives	7	109 086	124 755	113 255
Investment properties		16 591	16 715	16 273
Investments accounted for by the equity method		21 067	16 362	15 202
Intangible assets		5 396	5 455	5 555
Deferred tax assets		1 038	996	1 160
Fixed assets		15 121	9 240	8 653
Assets held for sale		1 138	5 044	
Other assets		58 706	46 469	46 894
Total assets		**2 815 716**	**2 634 903**	**2 673 026**
Liabilities and equity				
Due to credit institutions		234 446	188 063	251 533
Deposits from customers	7	967 705	927 092	954 826
Financial derivatives	7	98 652	110 116	96 194
Debt securities issued	7, 8	877 858	801 918	759 608
Insurance liabilities, customers bearing the risk		85 192	77 241	74 630
Liabilities to life insurance policyholders		206 848	204 280	207 753
Non-life insurance liabilities				2 440
Payable taxes		3 226	2 461	5 585
Deferred taxes		4 402	4 216	2 591
Other liabilities		71 614	55 424	55 016
Liabilities held for sale		224	3 037	
Provisions		2 381	2 536	3 129
Pension commitments		3 614	3 472	3 374
Subordinated loan capital	7, 8	30 347	31 082	38 208
Total liabilities		**2 586 509**	**2 410 937**	**2 454 888**
Share capital		15 885	15 944	16 127
Share premium		22 609	22 609	22 609
Additional Tier 1 capital		15 595	16 194	15 594
Other equity		175 118	169 220	163 809
Total equity		**229 207**	**223 966**	**218 138**
Total liabilities and equity		**2 815 716**	**2 634 903**	**2 673 026**

Statement of changes in equity

DNB Group

Amounts in NOK million	Share capital	Share premium	Additional Tier 1 capital	Net translation reserve	Liability credit reserve	Other equity	Total equity
Balance sheet as at 1 Jan. 2018	**16 180**	**22 609**	**16 159**	**4 550**	**(342)**	**155 961**	**215 118**
Profit for the period			221			5 432	5 653
Financial liabilities designated at FVTPL, changes in credit risk					(128)		(128)
Currency translation of foreign operations				(2 735)			(2 735)
Hedging of net investment				2 386			2 386
Tax on other comprehensive income				(596)	32		(565)
Comprehensive income for the period			221	(946)	(96)	5 432	4 611
Interest payments additional Tier 1 capital			(754)				(754)
Currency movements taken to income			(32)			32	
Repurchased under share buy-back programme	(54)					(783)	(837)
Balance sheet as at 31 March 2018	**16 127**	**22 609**	**15 594**	**3 605**	**(438)**	**160 642**	**218 138**
Balance sheet as at 31 Dec. 2018	**15 944**	**22 609**	**16 194**	**5 063**	**(176)**	**164 333**	**223 966**
Profit for the period			243			7 339	7 582
Financial assets at fair value through OCI						5	5
Financial liabilities designated at FVTPL, changes in credit risk					(147)		(147)
Currency translation of foreign operations				(1 151)			(1 151)
Hedging of net investment				915			915
Tax on other comprehensive income				(229)	37	(1)	(193)
Comprehensive income for the period			243	(465)	(110)	7 343	7 011
Interest payments additional Tier 1 capital			(832)				(832)
Currency movements taken to income			(10)			10	
Repurchased under share buy-back programme	(59)					(878)	(937)
Balance sheet as at 31 March 2019	**15 885**	**22 609**	**15 595**	**4 598**	**(287)**	**170 807**	**229 207**

Cash flow statement

Amounts in NOK million	2019	January-March 2018	DNB Group Full year 2018
Operating activities			
Net payments on loans to customers	(32 537)	(8 242)	(52 811)
Interest received from customers	14 466	13 023	62 596
Net receipts on deposits from customers	42 573	(7 821)	(52 122)
Interest paid to customers	(1 645)	(1 320)	(17 319)
Net receipts/payments on loans to credit institutions	77 548	94 938	71 943
Interest received from credit institutions	1 178	1 011	4 082
Interest paid to credit institutions	(1 328)	(759)	(3 783)
Net receipts/payments on the sale of financial assets for investment or trading	25 090	47 576	38 095
Interest received on bonds and commercial paper	1 130	697	3 861
Net receipts on commissions and fees	2 790	2 100	9 118
Payments to operations	(4 571)	(5 277)	(21 279)
Taxes paid	(772)	(756)	(4 785)
Receipts on premiums	3 896	4 129	14 902
Net receipts/payments on premium reserve transfers	523	(829)	(405)
Payments of insurance settlements	(3 338)	(4 071)	(15 525)
Other net receipts/payments	877	(476)	(5 545)
Net cash flow from operating activities	**125 878**	**133 923**	**31 024**
Investing activities			
Net payments on the acquisition of fixed assets	1 241	(401)	(2 283)
Net receipts from investment properties	16	104	19
Net investment in long-term shares			(292)
Dividends received on long-term investments in shares			13
Net cash flow from investment activities	**1 257**	**(297)**	**(2 543)**
Financing activities			
Receipts on issued bonds and commercial paper	373 533	445 588	1 115 987
Payments on redeemed bonds and commercial paper	(292 981)	(447 293)	(1 109 463)
Interest payments on issued bonds and commercial paper	(5 516)	(4 858)	(14 193)
Receipts on the raising of subordinated loan capital		9 419	9 419
Redemptions of subordinated loan capital			(8 542)
Interest payments on subordinated loan capital	(274)	(169)	(579)
Interest payments on additional Tier 1 capital	(832)	(754)	(892)
Lease payments	(160)		
Repurchased shares	(937)	(837)	(3 688)
Dividend payments			(11 450)
Net cash flow from funding activities	**72 831**	**1 096**	**(23 401)**
Effects of exchange rate changes on cash and cash equivalents	**(1 314)**	**(599)**	**97**
Net cash flow	**198 652**	**134 122**	**5 176**
Cash as at 1 January	159 298	154 122	154 122
Net receipts/payments of cash	198 652	134 122	5 176
Cash at end of period *)	357 951	288 245	159 298

**) Of which: Cash and deposits with central banks*	*353 045*	*275 298*	*155 592*
Deposits with credit institutions with no agreed period of notice 1)	*4 906*	*12 946*	*3 706*

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 in the annual report for 2018.

The Group applied the hedge accounting requirements of IFRS 9 Financial Instruments as of 1 January 2019. Hedging relationships in the Group that qualified for hedge accounting in accordance with IAS 39 Financial Instruments: Recognition and Measurement also qualify for hedge accounting under IFRS 9.

The Group applied the new accounting standard IFRS 16 Leases as of 1 January 2019. IFRS 16 Leases replaces 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 recognises 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 is 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 has not restated the comparatives for 2018. Right-of-use assets and lease liabilities are measured at the same amount, taking into consideration prepayments, accruals and provisions recognised as of 31 December 2018.

The right-of-use asset is classified as part of the fixed assets in the balance sheet, while the lease liability is 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 was NOK 6 billion. The right-of-use-asset is assigned a risk weight of 100 per cent, and the impact on the CET1 capital ratio was 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 and Traditional pension products. The Risk management and Traditional pension products segments are included in Other operations. DNB's share of profit in associated companies (most importantly Luminor, Vipps and Fremtind) is included in Other operations.

Income statement, first quarter

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Group	
	1st quarter		1st quarter		1st quarter		1st quarter		1st quarter		1st quarter	
Amounts in NOK million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income	3 380	3 402	2 504	2 306	3 055	2 851	350	449			9 289	9 007
Net other operating income	1 143	1 198	584	545	1 300	1 289	1 364	692	(617)	(858)	3 774	2 867
Total income	4 523	4 600	3 088	2 851	4 355	4 140	1 714	1 141	(617)	(858)	13 063	11 874
Operating expenses	(2 087)	(1 993)	(1 118)	(1 063)	(1 763)	(1 702)	(1 138)	(1 254)	617	858	(5 488)	(5 155)
Pre-tax operating profit before impairment	2 436	2 606	1 971	1 788	2 592	2 438	576	(113)			7 575	6 719
Net gains on fixed and intangible assets			(0)	0	(0)	0	1 740	17			1 739	18
Impairment of financial instruments	(101)	(53)	(176)	(215)	(39)	598	(1)	0			(316)	330
Profit from repossessed operations			3	5	(86)	2	82	(7)				
Pre-tax operating profit	2 335	2 553	1 798	1 578	2 467	3 039	2 397	(103)			8 998	7 066
Tax expense	(584)	(638)	(450)	(395)	(592)	(699)	261	318			(1 365)	(1 413)
Profit from operations held for sale, after taxes					2		(53)				(51)	
Profit for the period	1 751	1 915	1 349	1 184	1 877	2 340	2 605	215			7 582	5 653

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

Note 3 Capital adequacy

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

Primary capital	**DNB Bank ASA**		**DNB Bank Group**		**DNB Group**	
Amounts in NOK million	31 March 2019	31 Dec. 2018	31 March 2019	31 Dec. 2018	31 March 2019	31 Dec. 2018
Total equity excluding profit for the period	176 089	176 562	206 775	207 933	221 868	223 966
Effect from regulatory consolidation			(235)	(234)	(4 195)	(5 595)
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	(16)	(465)	(16)	(465)	(16)	(465)
Common equity Tier 1 capital instruments	160 499	160 523	190 950	191 660	202 083	202 333
Deductions						
Goodwill	(2 368)	(2 389)	(2 932)	(2 929)	(4 637)	(4 634)
Deferred tax assets that are not due to temporary differences	(562)	(562)	(524)	(524)	(524)	(524)
Other intangible assets	(998)	(1 040)	(1 677)	(1 712)	(1 677)	(1 712)
Dividends payable etc.			(10 758)	(10 758)	(14 416)	(15 360)
Significant investments in financial sector entities [1]					(4 896)	(693)
Expected losses exceeding actual losses, IRB portfolios	(1 487)	(1 286)	(1 997)	(1 719)	(1 997)	(1 719)
Value adjustments due to the requirements for prudent valuation (AVA)	(483)	(467)	(883)	(886)	(883)	(886)
Adjustments for unrealised losses/(gains) on debt measured at fair value	92	63	287	176	287	176
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(517)	(596)	(121)	(149)	(121)	(149)
Common equity Tier 1 capital	154 176	154 247	172 345	173 159	173 220	176 831
Common equity Tier 1 capital incl. 50 per cent of profit for the period	155 961		174 917		176 940	
Additional Tier 1 capital instruments	15 574	15 574	15 574	15 574	15 574	15 574
Deduction of holdings of Tier 1 instruments in insurance companies [2]					(1 500)	(1 500)
Non-eligible Tier 1 capital, DNB Group [3]					(92)	(19)
Tier 1 capital	169 750	169 820	187 919	188 733	187 201	190 886
Tier 1 capital incl. 50 per cent of profit for the period	171 534		190 491		190 921	
Perpetual subordinated loan capital	5 648	5 693	5 648	5 693	5 648	5 693
Term subordinated loan capital	24 462	25 110	24 462	25 110	24 462	25 110
Deduction of holdings of Tier 2 instruments in insurance companies [2]					(5 761)	(5 750)
Non-eligible Tier 2 capital, DNB Group [3]					(1 866)	(1 936)
Additional Tier 2 capital instruments	30 110	30 804	30 110	30 804	22 484	23 117
Total eligible capital	199 860	200 624	218 029	219 537	209 685	214 003
Total eligible capital incl. 50 per cent of profit for the period	201 645		220 601		213 405	
Risk-weighted assets, transitional rules [4]	846 289	852 363	1 054 900	1 051 159	1 081 942	1 077 934
Minimum capital requirement, transitional rules	67 703	68 189	84 392	84 093	86 555	86 235
Common equity Tier 1 capital ratio, transitional rules (%)	18.4	18.1	16.6	16.5	16.4	16.4
Tier 1 capital ratio, transitional rules (%)	20.3	19.9	18.1	18.0	17.6	17.7
Capital ratio, transitional rules (%)	23.8	23.5	20.9	20.9	19.7	19.9
Common equity Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	18.2		16.3		16.0	
Tier 1 capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	20.1		17.8		17.3	
Capital ratio, transitional rules, excluding 50 per cent of profit for the period (%)	23.6		20.7		19.4	

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. The increased deduction is due to the investment in Fremtind.*
2) *Investments in Tier 1 and Tier 2 instruments issued by the Group's insurance companies are deducted from the Group's Tier 1 and Tier 2 capital.*
3) *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**

Amounts in NOK million	Nominal exposure 31 March 2019	EAD [1] 31 March 2019	Average risk weights in per cent 31 March 2019	Risk-weighted assets 31 March 2019	Capital requirement 31 March 2019	Capital requirement 31 Dec. 2018
IRB approach						
Corporate	955 246	790 067	52.9	418 340	33 467	33 716
Specialised lending (SL)	13 478	13 125	54.6	7 167	573	526
Retail - mortgages	780 307	780 307	22.0	171 631	13 730	13 617
Retail - other exposures	100 700	86 335	24.6	21 252	1 700	1 727
Securitisation						
Total credit risk, IRB approach	1 849 731	1 669 834	37.0	618 389	49 471	49 587
Standardised approach						
Central government	392 730	383 712	0.0	159	13	12
Institutions	240 389	133 735	20.8	27 857	2 229	2 859
Corporate	219 878	167 565	88.2	147 858	11 829	11 824
Retail - mortgages	69 198	64 455	47.7	30 765	2 461	2 539
Retail - other exposures	141 758	53 077	74.7	39 650	3 172	2 958
Equity positions	21 647	21 446	221.2	47 433	3 795	3 753
Other assets	23 281	22 156	67.3	14 921	1 194	540
Total credit risk, standardised approach	1 108 880	846 147	36.5	308 645	24 692	24 484
Total credit risk	2 958 611	2 515 981	36.8	927 034	74 163	74 070
Market risk						
Position risk, debt instruments				10 037	803	927
Position risk, equity instruments				329	26	16
Currency risk				14	1	
Commodity risk				4	0	1
Credit value adjustment risk (CVA)				3 908	313	311
Total market risk				14 291	1 143	1 254
Operational risk				88 005	7 040	7 040
Net insurance, after eliminations						
Total risk-weighted assets and capital requirements before transitional rules				1 029 330	82 346	82 365
Additional capital requirements according to transitional rules [2]				52 613	4 209	3 870
Total risk-weighted assets and capital requirements				1 081 942	86 555	86 235

1) *EAD, exposure at default.*

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

Note 4 Development in 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 (quarterly figures) — DNB Group

	1st quarter 2019				1st quarter 2018			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2018 / 1 January 2018	**1 435 014**	**82 321**	**27 846**	**1 545 180**	**1 376 314**	**90 102**	**25 843**	**1 492 259**
Transfer to stage 1	17 288	(16 972)	(316)		17 979	(17 818)	(161)	
Transfer to stage 2	(19 457)	20 436	(980)		(14 967)	15 341	(374)	
Transfer to stage 3	(438)	(966)	1 405		(282)	(4 081)	4 363	
Originated and purchased	116 519	1 023	244	117 787	107 515	678	1 027	109 220
Derecognition	(80 585)	(5 330)	(1 038)	(86 954)	(110 672)	(4 876)	(2 494)	(118 042)
Exchange rate movements	(3 867)	(173)	(35)	(4 075)	(2 054)	(157)	(28)	(2 239)
Other	252			252	(73)	(250)	(70)	(393)
Gross carrying amount as at 31 March	**1 464 725**	**80 340**	**27 126**	**1 572 190**	**1 373 760**	**78 938**	**28 107**	**1 480 805**

Financial commitments (quarterly figures) — DNB Group

	1st quarter 2019				1st quarter 2018			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 31 December 2018 / 1 January 2018	**627 302**	**29 462**	**4 152**	**660 916**	**651 248**	**28 358**	**3 208**	**682 814**
Transfer to stage 1	4 826	(4 723)	(103)		2 963	(2 901)	(62)	
Transfer to stage 2	(4 883)	4 989	(106)		(2 607)	2 650	(43)	
Transfer to stage 3	(53)	(92)	145		(801)	(217)	1 018	
Originated and purchased	109 332	252	0	109 584	12 528	362	546	13 436
Derecognition	(82 235)	(2 206)	(822)	(85 264)	(13 538)	(4 222)	(380)	(18 140)
Exchange rate movements	(2 553)	(76)	(20)	(2 649)	(242)	(8)		(250)
Other					540			540
Maximum exposure as at 31 March	**651 736**	**27 604**	**3 247**	**682 588**	**650 090**	**24 023**	**4 286**	**678 400**

Note 5 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 (quarterly figures)

DNB Group

	1st quarter 2019				1st quarter 2018			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 December 2018 / 1 January 2018	**(352)**	**(1 225)**	**(8 321)**	**(9 898)**	**(382)**	**(3 082)**	**(8 710)**	**(12 174)**
Transfer to stage 1	(65)	58	6		(203)	190	13	
Transfer to stage 2	8	(27)	19		5	(19)	14	
Transfer to stage 3	0	24	(25)		0	817	(817)	
Originated and purchased	(46)	(6)		(52)	(30)	(17)	0	(47)
Increased expected credit loss	(62)	(186)	(1 659)	(1 906)	(48)	(228)	(1 777)	(2 053)
Decreased (reversed) expected credit loss	118	211	1 485	1 813	459	253	1 490	2 202
Write-offs	0	0	213	213	0	0	471	471
Derecognition	2	106	0	109	(164)	57	(0)	(107)
Exchange rate movements	3	3	16	22	1	2	7	10
Other	(1)	(0)	0	(1)	(0)	(0)	1	1
Accumulated impairment as at 31 March	**(393)**	**(1 040)**	**(8 266)**	**(9 699)**	**(362)**	**(2 027)**	**(9 308)**	**(11 697)**

Financial commitments (quarterly figures)

DNB Group

	1st quarter 2019				1st quarter 2018			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 December 2018 / 1 January 2018	**(149)**	**(1 001)**	**(569)**	**(1 719)**	**(171)**	**(2 128)**	**(511)**	**(2 810)**
Transfer to stage 1	(30)	30	0		(45)	45		
Transfer to stage 2	5	(5)	1		5	(5)	0	
Transfer to stage 3	0	0	(0)		0	147	(147)	
Originated and purchased	(45)	(3)		(47)	(28)	(5)		(33)
Increased expected credit loss	(22)	(159)	(111)	(291)	(6)	(318)	(44)	(368)
Decreased (reversed) expected credit loss	52	89	138	279	102	235	347	684
Derecognition	0	29	1	30	0	288		288
Exchange rate movements	1	4	0	6				
Accumulated impairment as at 31 March	**(187)**	**(1 016)**	**(541)**	**(1 743)**	**(143)**	**(1 741)**	**(355)**	**(2 239)**

Note 6 Loans and financial commitments to customers by industry segment

Loans to customers as at 31 March 2019		Accumulated impairment				DNB Group
Amounts in NOK million	Gross carrying amount	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	80 890	(10)	(3)	(57)		80 820
Commercial real estate	173 510	(14)	(41)	(300)	176	173 331
Shipping	52 860	(62)	(84)	(394)		52 320
Oil, gas and offshore	60 553	(65)	(489)	(4 431)		55 569
Power and renewables	30 021	(8)	(12)	(97)		29 903
Healthcare	23 195	(8)	(10)			23 177
Public sector	11 527	(0)	(0)	(0)		11 526
Fishing, fish farming and farming	35 909	(4)	(10)	(66)	162	35 991
Trade	43 320	(17)	(8)	(691)	59	42 663
Manufacturing	45 313	(17)	(15)	(320)	21	44 982
Technology, media and telecom	26 676	(29)	(3)	(32)	17	26 630
Services	67 007	(27)	(15)	(522)	207	66 650
Residential property	94 810	(9)	(7)	(230)	380	94 944
Personal customers	766 307	(105)	(285)	(656)	59 835	825 095
Other corporate customers	60 291	(18)	(56)	(469)	79	59 828
Total [1)]	**1 572 190**	**(393)**	**(1 040)**	**(8 266)**	**60 937**	**1 623 428**

1) Of which NOK 46 562 million in repo trading volumes.

Loans to customers as at 31 March 2018		Accumulated impairment				DNB Group
Amounts in NOK million	Gross carrying amount	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	17 368	(4)	(2)	(67)	47	17 342
Commercial real estate	169 343	(12)	(65)	(386)	157	169 038
Shipping	63 386	(119)	(276)	(621)		62 370
Oil, gas and offshore	62 442	(30)	(1 314)	(4 189)		56 908
Power and renewables	23 537	(5)	(9)	(492)		23 031
Healthcare	20 994	(7)	(4)	(0)		20 982
Public sector	26 784	(3)	(2)	(219)	32	26 591
Fishing, fish farming and farming	31 543	(4)	(9)	(79)	140	31 591
Trade	44 507	(16)	(29)	(821)	80	43 721
Manufacturing	49 900	(18)	(8)	(589)	4	49 289
Technology, media and telecom	24 204	(26)	(17)	(82)	14	24 093
Services	49 669	(9)	(10)	(376)	188	49 462
Residential property	80 778	(4)	(8)	(214)	418	80 970
Personal customers	735 658	(87)	(246)	(733)	62 105	796 696
Other corporate customers	80 694	(16)	(30)	(439)	102	80 311
Total [1)]	**1 480 805**	**(362)**	**(2 027)**	**(9 308)**	**63 287**	**1 532 395**

1) Of which NOK 30 887 million in repo trading volumes.

Note 6 Loans and financial commitments to customers by industry segment (continued)

Financial commitments as at 31 March 2019

Amounts in NOK million	Maximum exposure	Accumulated impairment Stage 1	Stage 2	Stage 3	DNB Group Total
Bank, insurance and portfolio management	37 406	(7)	(5)	(0)	37 394
Commercial real estate	25 972	(3)	(1)	(3)	25 964
Shipping	12 330	(20)	(20)		12 291
Oil, gas and offshore	77 933	(58)	(779)	(353)	76 742
Power and renewables	28 487	(5)	(42)		28 440
Healthcare	22 932	(6)	(0)		22 926
Public sector	9 881	(0)	(0)		9 881
Fishing, fish farming and farming	15 197	(3)	(1)	(2)	15 191
Trade	26 218	(9)	(31)	(34)	26 145
Manufacturing	52 360	(18)	(33)	(5)	52 305
Technology, media and telecom	18 645	(9)	(4)	(2)	18 630
Services	26 264	(12)	(18)	(17)	26 217
Residential property	34 538	(4)	(5)	(3)	34 525
Personal customers	258 311	(22)	(58)	(0)	258 232
Other corporate customers	36 113	(11)	(20)	(121)	35 961
Total	**682 588**	**(187)**	**(1 016)**	**(541)**	**680 845**

Financial commitments as at 31 March 2018

Amounts in NOK million	Maximum exposure	Accumulated impairment Stage 1	Stage 2	Stage 3	DNB Group Total
Bank, insurance and portfolio management	81 946	(10)	(0)	(0)	81 936
Commercial real estate	21 219	(2)	(1)	(5)	21 211
Shipping	11 445	(14)	(47)	(5)	11 379
Oil, gas and offshore	68 086	(54)	(1 499)	(82)	66 452
Power and renewables	23 816	(3)	(28)	0	23 785
Healthcare	16 195	(5)	(10)		16 179
Public sector	12 963	(1)	(0)	(1)	12 961
Fishing, fish farming and farming	10 137	(2)	(1)		10 134
Trade	28 054	(4)	(78)	(38)	27 933
Manufacturing	49 179	(13)	(4)	(83)	49 080
Technology, media and telecom	30 437	(8)	(4)	(2)	30 422
Services	20 681	(5)	(5)	(15)	20 656
Residential property	31 703	(2)	(1)	(4)	31 695
Personal customers	238 531	(14)	(54)	(0)	238 463
Other corporate customers	34 005	(6)	(10)	(118)	33 872
Total	**678 400**	**(143)**	**(1 741)**	**(355)**	**676 161**

Note 7 Financial instruments at fair value

DNB Group

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 31 March 2019				
Loans to customers			60 937	60 937
Commercial paper and bonds	42 907	255 714	99	298 720
Shareholdings	7 698	25 273	5 160	38 132
Financial assets, customers bearing the risk		85 192		85 192
Financial derivatives	137	107 196	1 753	109 086
Liabilities as at 31 March 2019				
Deposits from customers		16 444		16 444
Debt securities issued		85 815		85 815
Subordinated loan capital		2 500		2 500
Financial derivatives	130	97 093	1 429	98 652
Other financial liabilities [1]	3 296		0	3 296

DNB Group

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 31 March 2018				
Loans to customers			63 287	63 287
Commercial paper and bonds	49 364	233 924	143	283 431
Shareholdings	6 241	22 080	4 296	32 617
Financial assets, customers bearing the risk		74 630		74 630
Financial derivatives	228	111 121	1 906	113 255
Liabilities as at 31 March 2018				
Deposits from customers		14 624		14 624
Debt securities issued		79 176		79 176
Subordinated loan capital		3 690		3 690
Financial derivatives	174	94 397	1 624	96 194
Other financial liabilities [1]	3 012	1		3 013

1) Short positions, trading activities.

For a further description of the instruments and valuation techniques, see the annual report for 2018.

Note 7 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Group

	Financial assets				Financial liabilities
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2018	**62 476**	**319**	**4 810**	**2 036**	**1 654**
Net gains recognised in the income statement	26	(150)	132	(229)	(176)
Additions/purchases	1 185	46	527	37	35
Sales		(107)	(309)		
Settled	(2 707)			(88)	(86)
Transferred from level 1 or level 2		16			
Transferred to level 1 or level 2		(41)			
Other	(42)	16	(0)	(4)	1
Carrying amount as at 31 March 2019	**60 937**	**99**	**5 160**	**1 753**	**1 429**

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 167 million. The effects on other Level 3 financial instruments are insignificant.

Note 8 Debt securities issued and subordinated loan capital

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

Debt securities issued

DNB Group

Amounts in NOK million	Balance sheet 31 March 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
Commercial paper issued, nominal amount	242 027	325 976	(263 448)	4 767		174 732
Bond debt, nominal amount [1)]	610 454	47 557	(29 533)	(11 697)		604 127
Value adjustments	25 378				2 319	23 059
Total debt securities issued	**877 858**	**373 533**	**(292 981)**	**(6 930)**	**2 319**	**801 918**

Debt securities issued

DNB Group

Amounts in NOK million	Balance sheet 31 March 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
Commercial paper issued, nominal amount	170 486	423 941	(405 728)	(6 402)		158 675
Bond debt, nominal amount	567 924	21 647	(41 565)	(8 536)		596 377
Value adjustments	21 198				(3 997)	25 195
Total debt securities issued	**759 608**	**445 588**	**(447 293)**	**(14 938)**	**(3 997)**	**780 247**

Subordinated loan capital and perpetual subordinated loan capital securities

DNB Group

Amounts in NOK million	Balance sheet 31 March 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
Term subordinated loan capital, nominal amount	24 462	0		(649)		25 110
Perpetual subordinated loan capital, nominal amount	5 648			(45)		5 693
Perpetual subordinated loan capital securities, nominal amount						
Value adjustments	237				(41)	278
Total subordinated loan capital and perpetual subordinated loan capital securities	**30 347**	**0**		**(693)**	**(41)**	**31 082**

Subordinated loan capital and perpetual subordinated loan capital securities

DNB Group

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

1) *Minus own bonds. The total nominal amount of outstanding covered bonds in DNB Boligkreditt was NOK 474.4 billion as at 31 March 2019. The market value of the cover pool represented NOK 628.5 billion.*

Note 9 Contingencies

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

On 21 June 2016, the Norwegian Consumer Council instituted legal proceedings before the Oslo District Court against DNB Asset Management AS, a wholly-owned subsidiary of DNB ASA offering asset management services. The Norwegian Consumer Council has instituted a 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 was held from 19 March to 3 April 2019.

DNB ASA

Income statement

Amounts in NOK million	1st quarter 2019	1st quarter 2018	Full year 2018
			DNB ASA
Interest income, amortised cost	7	5	32
Interest expenses, amortised cost	(124)	(104)	(452)
Net interest income	**(117)**	**(99)**	**(420)**
Commissions and fees payable	(1)	(1)	(7)
Other income [1)]			14 087
Net other operating income	**(1)**	**(1)**	**14 081**
Total income	**(118)**	**(100)**	**13 661**
Salaries and other personnel expenses	(0)	(1)	(4)
Other expenses	(73)	(82)	(329)
Total operating expenses	**(73)**	**(83)**	**(334)**
Net gain on the sale of fixed and intangible assets [2)]	2 237		
Pre-tax operating profit	**2 046**	**(183)**	**13 327**
Tax expense	48	46	
Profit for the period	**2 094**	**(137)**	**13 327**
Earnings/diluted earnings per share (NOK)	1.32	(0.08)	8.36
Earnings per share excluding operations held for sale (NOK)	1.32	(0.08)	8.36

Balance sheet

Amounts in NOK million	31 March 2019	31 Dec. 2018	31 March 2018
			DNB ASA
Assets			
Due from DNB Bank ASA	7 246	8 925	4 403
Investments in group companies	78 982	74 720	74 720
Receivables due from group companies [1)]	11 185	12 585	18 580
Other assets	48		46
Total assets	**97 461**	**96 229**	**97 749**
Liabilities and equity			
Short-term amounts due to DNB Bank ASA	13	11	13
Due to other group companies			600
Other liabilities and provisions	13 105	13 105	11 392
Long-term amounts due to DNB Bank ASA	20 160	20 087	20 169
Total liabilities	**33 279**	**33 204**	**32 174**
Share capital	15 885	15 944	16 127
Share premium	22 556	22 556	22 556
Other equity	25 741	24 525	26 892
Total equity	**64 182**	**63 025**	**65 576**
Total liabilities and equity	**97 461**	**96 229**	**97 749**

1) *Of which dividend/group contribution from DNB Bank ASA represented NOK 10 758 in 2018. The dividend from DNB Livsforsikring AS represented NOK 2 900 million in 2018. The dividend from DNB Asset Management Holding AS was NOK 427 million in 2018.*
2) *The establishment of the insurance company Fremtind Forsikring AS, through the merger of SpareBank 1 Skadeforsikring and DNB Forsikring AS in January 2019, resulted in a gain of NOK 2 237 million in the quarter for DNB ASA. The gain for the DNB Group amounted to NOK 1 740 million.*

Statement of changes in equity

Amounts in NOK million	Share capital	Share premium	Other equity	Total equity
				DNB ASA
Balance sheet as at 31 December 2017	**16 180**	**22 556**	**27 813**	**66 550**
Profit for the period			(137)	(137)
Repurchase under share buy-back programme	(54)		(783)	(837)
Balance sheet as at 31 March 2018	**16 127**	**22 556**	**26 892**	**65 576**
Balance sheet as at 31 December 2018	**15 944**	**22 556**	**24 525**	**63 025**
Profit for the period			2 094	2 094
Repurchase under share buy-back programme	(59)		(878)	(937)
Balance sheet as at 31 March 2019	**15 885**	**22 556**	**25 741**	**64 182**

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 2018.

Information about the DNB Group

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Board of Directors in DNB ASA

Olaug Svarva, chair of the board
Tore Olaf Rimmereid, vice chair of the board
Karl-Christian Agerup
Gro Bakstad
Carl A. Løvvik
Vigdis Mathisen
Jaan Ivar Semlitsch

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
Thomas Midteide	Group executive vice president Media & Marketing

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Financial calendar 2019

as of 10 May	Distribution of dividends
11 July	Q2 2019
24 October	Q3 2019
20 November	Capital markets day

Financial calendar 2020

6 February	Q4 2019
5 March	Annual report 2019
28 April	Annual general meeting
29 April	Ex-dividend date
30 April	Q1 2020
as of 8 May	Distribution of dividends
13 July	Q2 2020
22 October	Q3 2020

Other sources of information

Annual and quarterly reports

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

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DNB

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