

DNB Group

Annual report 2020

Results that count



Creating value for customers, shareholders, employees and society as a whole.





ABOUT THIS REPORT

In this integrated annual report, we show how we in DNB work to create value in the short and long term for our employees, shareholders and society at large.

Through integrated reporting, we elaborate on the connection between our strategic goals, the topics we have defined as the most important to prioritise, the activities we implement and the results that are of significance to our value creation and long-term viability.

We use the framework from the International Integrated Reporting Council (IIRC) and meet the requirements of the sustainability reporting standard prepared by the Global Reporting Initiative (GRI). Our process of identifying the most significant sustainability topics is based on the industry standards prepared by the SASB (Sustainability Accounting Standards Board). The sustainability data has been verified by a statutory auditor. In addition, we have made a commitment to adhere to the Principles for Responsible Banking (PRB).

We clarify the link between our business operations and our corporate responsibility in the Sustainability Factbook at the back of this report. The Factbook contains an overview of relevant key figures for all the topics identified in the materiality analysis. The indicators used in the Factbook are taken from the GRI Standards where relevant, and we have also defined our own DNB indicators.

On our website you will find more relevant news about our corporate responsibility, and our sustainability library contains reports and results, key figures and other useful facts and documents.

The annual report is available in English and Norwegian and can be downloaded as a PDF from DNB Investor Relations' website. There you will also find more information on risk and capital management in our Pillar 3 report.

Links


More on corporate responsibility on our website:.....dnb.no/en/about-us/corporate-social-responsibility.html
Sustainability library:.....dnb.no/en/about-us/csr/sustainability-library.html
Investor Relations website:.....ir.dnb.no/press-and-reports


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Sustainability Factbook



Financial highlights

The DNB Group's market capitalisation and equity
NOK billion, at year-end



Earnings per share:

12.04

NOK

Customer satisfaction (CSI)
personal customers:

73.6

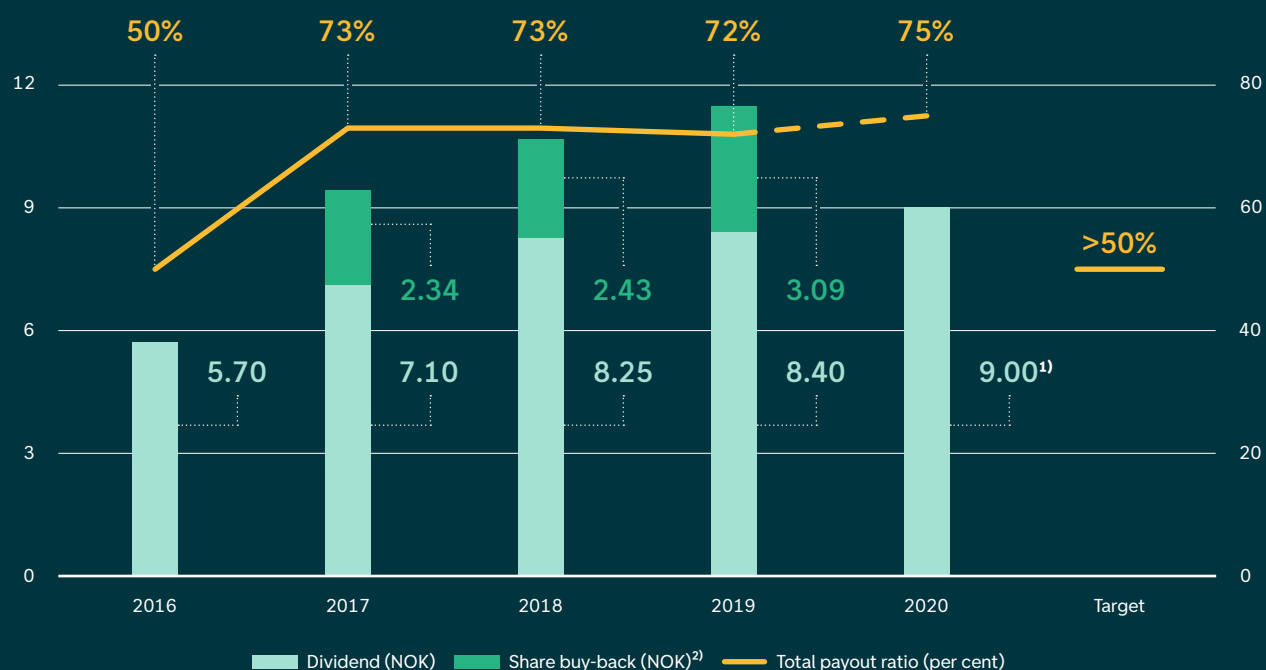
points



Share dividend and payout ratio

NOK per share

Per cent



1) The Board of Directors will ask the Annual General Meeting for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020.

2) Share buy-backs approved by both the Annual General Meetings and Finanstilsynet (the Norwegian Financial Supervisory Authority) based on the accounts for the year before.

Income statement**DNB Group**

Amounts in NOK million

	2020	2019	2018	2017	2016
Net interest income	38 623	39 202	36 822	35 422	34 110
→ Net commissions and fees	9 500	9 716	9 310	8 448	8 280
→ Net gains on financial instruments at fair value	5 902	3 183	1 342	4 548	6 513
→ Net financial and risk result, life insurance	659	1 129	969	1 295	664
→ Net insurance result, non-life insurance			622	683	648
→ Other operating income	1 714	1 628	1 302	744	1 948
Net other operating income, total	17 776	15 655	13 546	15 718	18 053
Total income	56 399	54 857	50 368	51 140	52 163
Operating expenses	(22 759)	(22 608)	(21 490)	(21 429)	(20 693)
Restructuring costs and non-recurring effects	(643)	(525)	(567)	(1 165)	(639)
Pre-tax operating profit before impairment	32 998	31 724	28 311	28 547	30 830
Net gains on fixed and intangible assets	767	1 703	529	738	(19)
Impairment of financial instruments	(9 918)	(2 191)	139	(2 428)	(7 424)
Pre-tax operating profit	23 847	31 235	28 979	26 858	23 387
Tax expense	(4 229)	(5 465)	(4 493)	(5 054)	(4 140)
Profit from operations held for sale, after taxes	221	(49)	(204)	(1)	4
Profit for the year	19 840	25 721	24 282	21 803	19 251

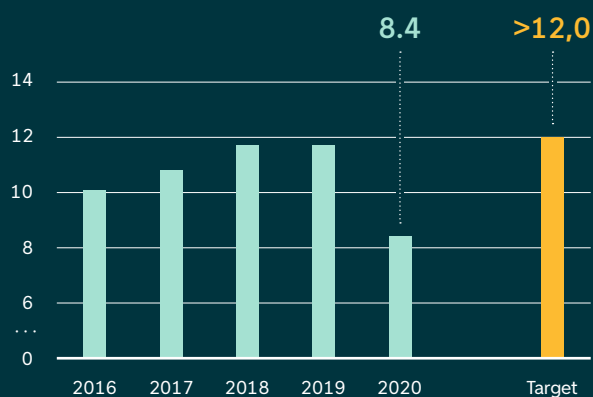
Balance sheet**DNB Group**

Amounts in NOK million, at year-end

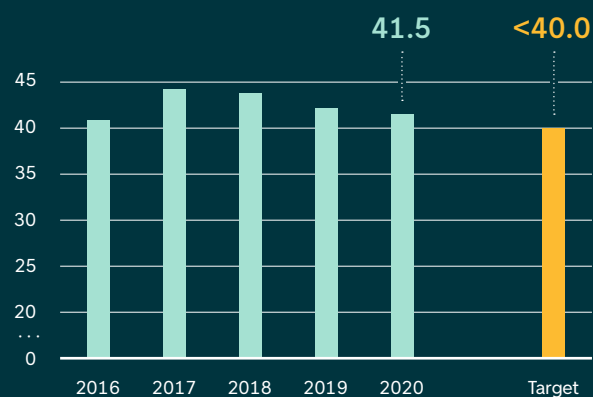
	2020	2019	2018	2017	2016
Total assets	2 918 943	2 793 294	2 634 903	2 698 268	2 653 201
Loans to customers	1 693 811	1 667 189	1 597 758	1 545 415	1 509 078
Deposits from customers	1 105 574	969 557	927 092	971 137	934 897
Total equity	248 396	242 255	223 966	216 897	206 423
Average total assets	3 230 354	2 906 775	2 771 998	2 856 988	2 841 117
Total combined assets	3 363 166	3 176 655	2 950 748	3 026 065	2 930 891

Return on equity

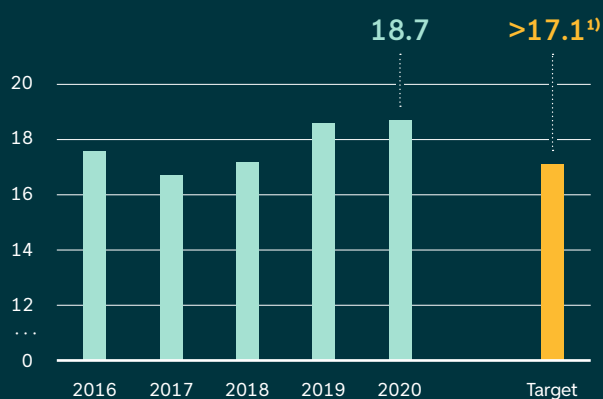
Per cent

**Cost/income ratio**

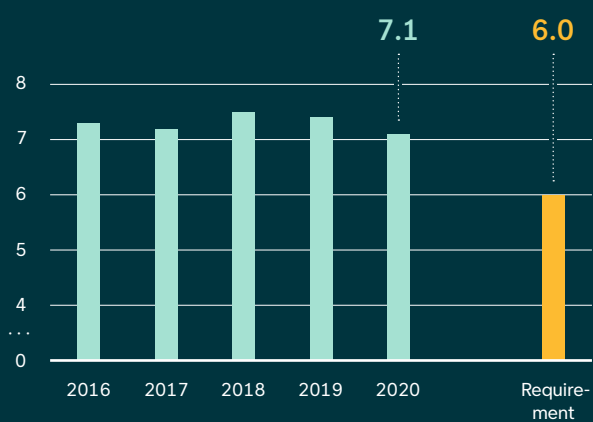
Per cent

**CET1 capital ratio**

Per cent, at year-end

**Leverage ratio**

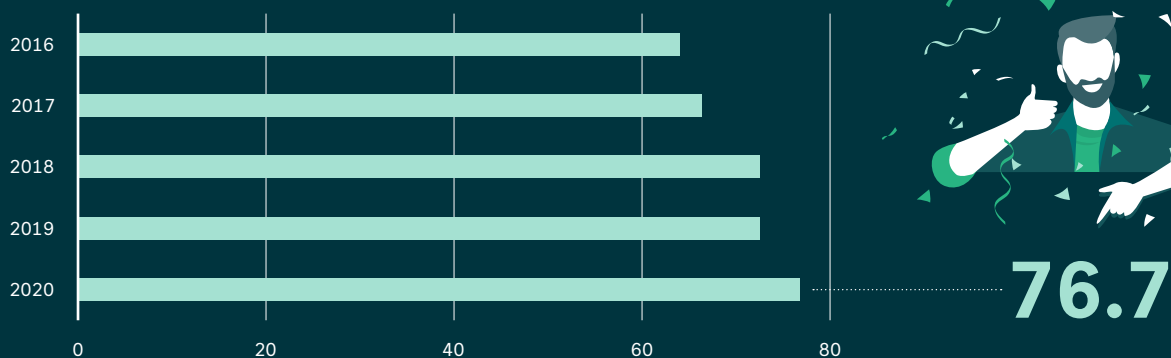
Per cent, at year-end



1) Approximate expectation from supervisory authorities as at 31 December 2020 including full Norwegian counter cyclical buffer requirement.

Reputation¹)

Points



1) Score from RepTrak's reputation survey in Norway in the fourth quarter.

Key figures and alternative performance measures

DNB Group

	2020	2019	2018	2017	2016
Return on equity (per cent) ¹⁾	8.4	11.7	11.7	10.8	10.1
Earnings per share (NOK)	12.04	15.54	14.56	12.84	11.46
Combined weighted total average spread for lending and deposits (per cent) ¹⁾	1.27	1.33	1.30	1.30	1.32
Average spread for ordinary lending to customers (per cent) ¹⁾	2.04	1.84	1.94	2.07	2.04
Average spread for deposits from customers (per cent) ¹⁾	0.12	0.51	0.29	0.17	0.21
Cost/income ratio (per cent) ¹⁾	41.5	42.2	43.8	44.2	40.9
Ratio of customer deposits to net loans to customers at end of period ¹⁾	67.3	57.5	57.4	60.5	61.3
Net loans at amortised cost and financial commitments in stage 2, per cent of net loans at amortised cost ¹⁾	10.51	6.88	7.14		
Net loans at amortised cost and financial commitments in stage 3, per cent of net loans at amortised cost ¹⁾	1.55	1.13	1.51	1.12	1.65
Impairment relative to average net loans to customers at amortised cost (per cent) ¹⁾	(0.60)	(0.14)	0.01	(0.15)	(0.48)
Common equity Tier 1 capital ratio at end of period (per cent)	18.7	18.6	17.2	16.7	17.6
Leverage ratio (per cent)	7.1	7.4	7.5	7.2	7.3
Share price at end of period (NOK)	168.00	164.00	138.15	152.10	128.40
Price/book value ¹⁾	1.13	1.20	1.06	1.23	1.10
Dividend per share (NOK) ²⁾	9.00	8.40	8.25	7.10	5.70
Score from RepTrak's reputation survey in the fourth quarter (points)	76.7	72.5	72.5	66.3	64.0
Dialogues with companies where various ESG-related topics have been discussed (number)	229	209	176	176	72
Customer satisfaction index, CSI, personal customers in Norway (score)	73.6	72.8	74.7	69.5	70.2
Number of full-time positions at end of period	9 050	9 020	9 225	9 144	11 007
Female representation at management levels 1–4 (per cent)	39.5	38.0	38.1	37.0	33.5

For more key figures, see Factbook on ir.dnb.no

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

2) The Board of Directors will ask the Annual General Meeting for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020.

CEO's statement

"Prepared to stay the course for our customers"

As we finalise our annual report for 2020, the world is in the midst of one the biggest crises of our generation. A pandemic that has already changed the world for good, the aftermath of which will continue to affect us for years to come.



Throughout the Group's near 200-year existence, certain fundamental principles have always guided the way we conduct our operations. Creating value for our owners and customers, being open to restructuring and embracing change. Having a positive impact on our surroundings. And, not least, being there for our customers when it really counts. Despite the current situation, this has not changed. Quite the contrary.

In January last year, DNB had just delivered the best annual result in the Group's history. Just a few weeks earlier, we had presented our financial ambitions for the period leading up to 2022. The organisation was focusing on development and positioning itself for the future. It was a matter of making small adjustments to our operations, and of boosting our main priorities.

In just a few days in March, everything was turned upside down. As Norwegian society faced the most restrictive measures ever seen in peacetime

to halt the spread of COVID-19, our priorities became very clear: safeguarding the health and safety of our employees, helping as many customers as we could, and maintaining and operating critical infrastructure.

A year on, it is still too early to draw any conclusions about how the pandemic will affect the Norwegian economy and the global economy in the years ahead. Although there is less uncertainty now than during the most hectic weeks in March last year, uncertainty is still far greater than before the coronavirus pandemic. Many people have lost their life's work, and crises cast long shadows. The Norwegian economy and business sector have nevertheless fared better than predicted by the most pessimistic among us when uncertainty was at its peak.

There are many reasons why Norway has sailed through relatively unscathed. For example, efficient authorities, a digitally mature society, a robust financial sector and – not least – the power mobilised through a broad effort by a great number of people.

Whereas banks were seen as the cause of the financial crisis in 2008, over the past year their role as part of the solution to the difficult situation we are in has been highlighted – by authorities and customers alike. This has really inspired all of us who work in DNB, and our main focus over the past year has been to help as many of our customers as possible.

Never before have we had as much contact with our customers as we did in 2020. Never before have we developed new customer solutions as quickly. From 'simple' solutions like a corporate coronavirus helpline, to highly complex ones such

«Every DNB employee is aware of our great responsibility to create value and manage these assets in the best possible way.»



as a technical solution for the public compensation scheme for companies.

DNB is an important player in Norwegian society and a systemically important bank. However, the Group first and foremost consists of people, and it has made quite an impression on me seeing how intensively our employees have worked to help our customers and society, while also managing to support and care for their colleagues. There are few things in life I'm more proud of than being a DNBer. Over the past year, this feeling has grown even stronger.

Climate change and sustainability were topics that fell off the radar for the first few weeks after the pandemic caused a global shutdown. But it was only a matter of months before the focus on these topics returned, with renewed strength. We want to be a driving force for sustainable development, through our own goals as well as through active dialogue with our customers, other financial institutions and society as a whole.

Sustainability has long been high on our agenda, and is, in effect, no more or less than ensuring our long-term ability to create value for our stakeholders. Whether they are our customers, owners or society. We consider sustainability or ESG (environmental, social and governance) considerations to be an integral part of our business operations.

Promoting diversity and gender equality has long been a priority for DNB. We have received a lot of encouraging feedback for our efforts over the past few years. Most recently when the Financial Times last year ranked DNB as number 4 among Europe's most inclusive companies – and number 1 in the banking and finance sector. But there is still more to be done. Diversity is not just about gender, and it is

important to us that the people in the Group reflect the diverse society we are all part of. Diversity – whether in terms of ethnicity, age, functional ability, sexual orientation or social and professional background – is key to recruiting the most talented people and solving complex issues.

Just before the summer, we launched our new corporate strategy. Some people may find the idea of launching a new corporate strategy when the world is in a state of emergency to be a little strange. I am convinced that it is quite the opposite. That it is more important than ever to maintain the pace of change.

The coronavirus crisis accelerated many of the trends we had spotted prior to the pandemic. Digitalisation is gaining more momentum. Technological advances are continuing with undiminished force. The way we work and interact is changing. The long-lasting trend of lower interest rates has intensified, and the Norwegian key policy rate, like those of many other European countries, has fallen to zero.

The world will not wait. Our surroundings will continue to change. DNB must also change accordingly. Our long-term ambitions set out in the new corporate strategy are to create the best customer experiences, ensure compliance and achieve our financial targets.

To achieve these ambitions, we consider it particularly important to prioritise our efforts in four areas in the time ahead. The four areas are 1) earning our customers' trust, 2) efficient operations, 3) savings and investments and 4) payments. Achieving our ambitions in these areas will be key to DNB continuing to create value for our customers, owners and society in general.

'Ensuring compliance' has now become one of our stated long-term ambitions and principles. The financial industry is subject to strict regulation, and the importance of compliance is by no means new to us. In an ever more rapidly changing world, few areas, if any, have received greater attention in DNB in recent years than compliance.

Towards the end of the year, we received the preliminary report from the ordinary AML inspection performed by Finanstilsynet (the Financial Supervisory Authority of Norway) in February. The report notified DNB of a possible administrative fine of NOK 400 million. This is something that we take very seriously. Finanstilsynet's notice is based on inadequate compliance with the Anti-Money Laundering Act, not on DNB having been complicit in money laundering. Finanstilsynet will draw a conclusion in this case once DNB has delivered its response.

The fight against money laundering and financial crime is one of our most important contributions to society. We use considerable resources on supporting the authorities in this fight. Many DNBers are doing a tremendous job to improve our compliance and anti-money laundering efforts. Having said that, we can never consider this work to be done. In this battle we are up against criminal networks and individuals who are constantly developing new methods. This means that we too must continuously develop and improve our systems and expertise.

DNB shares are owned by the Norwegian state, major institutions, pension funds and individual investors. However, it is important to note that at the end of the day, good profitability and returns on DNB shares benefit both individuals and society as a whole. Close to half of DNB's earnings are channelled back into Norwegian society in the form of taxes, fees and dividends. Directly and/or indirectly, just about every member of Norwegian society owns DNB shares through their own and collective pension savings. Every DNB employee is aware of our great responsibility to create value and manage these assets in the best possible way.

The returns for the year were affected by the changing framework conditions caused by the pandemic. Reduced key policy rates, with

subsequent customer interest rate cuts, led to reduced interest income. Meanwhile, impairment provisions increased compared with the previous year. Throughout the year, DNB's level of equity was significantly higher than in the previous year, as dividends were not paid out in the calendar year 2020, in line with the authorities' recommendations. The increased level of equity also resulted in reduced return on equity compared with the previous year. Nevertheless, the Group's robust earnings led to profitable operations throughout 2020, as well as positive value creation for our shareholders – in contrast to developments in most other Nordic and European banks.

DNB entered 2020 in a stronger position than ever before. The Group has almost tripled its capital level since the 2008 financial crisis, and is one of the most financially sound banks in Europe. This makes us well equipped to tackle uncertainty, and also to support our customers by providing financing for continued growth and to be there for those who need our support to get through these difficult times.

I often say that our employees are our greatest competitive advantage and our most important resource. That has been proven beyond the shadow of a doubt this past year. I'm proud and impressed by the efforts all my colleagues in DNB have made to help our customers and society navigate the biggest crisis faced by our generation. But we are far from finished. This is a marathon, and we will stay the course for our customers.

We will continue to support them through the difficult situation many of them find themselves in. We will continue to use our position and expertise to develop the business sector and to be a positive influence on the world around us. We will continue our journey towards being a bank for the future.

We are here. So you can stay ahead.

Kjerstin R. Braathen



Kjerstin R. Braathen
Group Chief Executive Officer (CEO)

Chair of the Board's statement

"Trust is more important than ever"

We are putting an extraordinary year behind us. A year marked by uncertainty and challenges. For businesses and individuals. For governments and societies.

When the first wave of the coronavirus hit us at full force in March last year, DNB's priorities became crystal clear. We needed to safeguard the health and safety of our employees, maintain critical operations and infrastructure – and be there for our customers. It was an intense and challenging time marked by great uncertainty.

However, the DNB Group entered 2020 in a strong position. The organisation has for a long time worked on digitalisation and adaptability. This made the rapid transition to a new form of working life manageable. DNB also entered the year as one of Europe's most financially sound banks, after a decade of systematic efforts to build capital. This meant that we were well equipped to be there for our customers, who suddenly found themselves in a highly demanding situation.

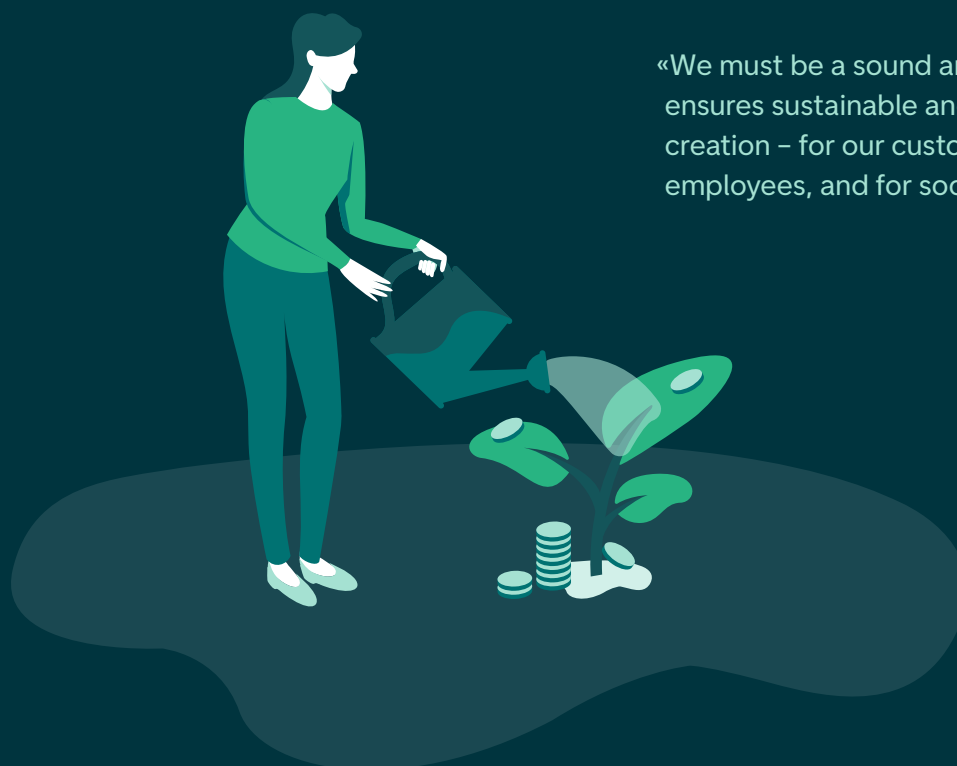
As Norway's largest bank, DNB is a systemically important financial institution that bears considerable responsibility in society. This is a responsibility we take very seriously, and that we are committed to fulfilling. That is why it has been important for us to help keep the wheels of society turning. To be able to fulfil this corporate responsibility towards society, we are dependent on trust. The trust of our customers and owners, as well as of society and the authorities is our most important asset – an asset we must manage in a good and responsible manner.

Throughout the coronavirus crisis, the banking system has acted as a distributor of the authorities' support measures. The Norwegian Minister of



Finance has referred to the banks as part of the solution to the crisis. We could not have played or been given this role without having the trust of those around us. Over the past year, we have found that trust is more important than ever. In today's modern and digital economy, we need to keep step with the world around us and make changes accordingly if we are to maintain this trust. We must be a sound and secure bank that ensures sustainable and long-term value creation – for our customers, owners and employees, and for society in general. We want to use our position to influence society in a positive direction.

Attention has been drawn to the way the COVID-19 crisis has amplified existing trends in society. One of these trends is the focus on sustainability and



«We must be a sound and secure bank that ensures sustainable and long-term value creation – for our customers, owners and employees, and for society in general.»

climate change. These are topics that have long been on DNB's agenda. Our work on sustainability is not something we do in addition to our business operations; rather, it is an integral part of our operations and activities. It is important for us to use our position to help ensure that our society is heading towards a more sustainable future. We are doing this, for example, by assessing environmental, social and governance (ESG) factors in our credit proposals, equity analyses and investments – and by setting requirements for the partners and companies we finance. Promoting sustainability is not only part of our corporate responsibility, it is also crucial to DNB's ability to achieve long-term value creation.

Last year, further details of the EU taxonomy for sustainable economic activities were presented. The taxonomy is a classification system with criteria for determining which economic activities can be seen as 'green' and environmentally sustainable. It will make it easier for investors, customers and consumers to assess whether companies are acting in keeping with

the ambitions of the Paris Agreement. The EU taxonomy will contribute to common standards for sustainable finance and will be highly significant for the financial industry in the time ahead.

However, our corporate responsibility is about more than promoting sustainability and combating climate change. Helping to prevent financial crime is a key aspect of DNB's operations. This topic has been high on the Board's agenda for many years.

Towards the end of 2020, we received Finansstilsynet's (the Financial Supervisory Authority of Norway's) preliminary report from an ordinary AML inspection carried out in February. The report notifies DNB of a possible administrative fine of NOK 400 million. The notification does not concern any suspicions of money laundering or complicity in money laundering. In the report, Finansstilsynet criticises DNB for inadequate compliance with the Norwegian Anti-Money Laundering Act. Finansstilsynet will make a final decision in this case once DNB has submitted its response.

DNB and the Board of Directors take the notice from Finanstilsynet very seriously. The report shows that we are not where we should be and that we still have a way to go in our efforts to combat financial crime. The fight against money laundering and financial crime is a task on which DNB spends considerable resources. Criminals are becoming increasingly sophisticated. To stay ahead, we must constantly work to improve our routines and systems and further develop our expertise. This work has the highest priority, both in the Board and in the organisation, and we will never be able to say that we have finished it.

In 2020, a decision was also made to simplify DNB's corporate structure by merging the DNB Group's parent company, DNB ASA, with the largest subsidiary in the Group, DNB Bank ASA. The new Group structure, with DNB Bank ASA as the parent company, is expected to result in both financial savings and simplified administration. The Board expects to see lower costs and a lower level of risk, as well as simplified procedures for reporting and a simpler governance structure. The new Group structure was approved by the Ministry of Finance in July and adopted at an extraordinary general meeting in November 2020. Subject to obtaining additional permissions from the authorities for the final Group structure, the merger is expected to be implemented during the course of 2021.

DNB will continue to be a robust and profitable financial services group. Our strong capital position and capacity to help our customers are reflections of this. The annual result for 2020 shows that DNB is now in an even stronger position than when Norwegian society was closed down in the middle of March last year. Sound operations and profitability are essential. This gives us the

scope of action to make the necessary decisions to safeguard our long-term capacity for value creation. It allows us to make choices that help us to influence society in a positive direction – in the time ahead, too.

In 2020, the organisation has had to navigate its way through issues we have never previously encountered, and through questions without clear answers – in difficult and unforeseen circumstances. Many employees have carried out their work tasks from their own kitchen or dining room table. I would like to commend all the employees of the DNB Group for the tremendous efforts they have made for our customers, owners and society in what has been an extraordinary year.

2020 will be given a place in the history books, and the consequences of the pandemic will remain with us for a long time to come. We are grateful for the trust we enjoy from those around us. This trust enables us to help individuals, corporate customers, the Norwegian economy and Norwegian society during a difficult time. This is something we will continue to do.



Olaug Svarva
Chair of the Board

DNB in society

As Scandinavia's largest financial services group, we offer a complete range of financial services through mobile solutions, the internet bank, customer service centres, real estate broking, branch offices and international offices. Our strong position gives us a unique opportunity and special responsibility to contribute positively to society.

DNB in figures



We are Norway's leading financial services group with **233 000** corporate customers and **2.1 million** personal customers. **1.5 million** personal customers use our internet bank and **1.2 million** use our mobile bank.



247 million payment transactions were completed in 2020, and amounts equivalent to over 1.5 times the Norwegian national budget passed through our systems every day.



A total of **25 243** residential properties were sold through DNB Eiendom in 2020, which corresponds to an average market share of **18.3 per cent**.



Spare is the largest savings app in Norway, and by the end of 2020, more than **NOK 11.1 billion** was invested in mutual funds via the app.



In 2020, we relaunched #huninvest (girlsinvest), this time with the name #huninvest i fremtiden (girls invest in the future) and with a particular focus on pensions. Moreover, **48 per cent** of new mutual fund customers were women.



Throughout 2020, we helped a number of small business customers keep track of their business operations through our corporate app **DNB Puls** and accounting app **DNB Regnskap**.



4 879 startups and growth companies received help and advice from DNB's start-up pilots in 2020. Ideas met capital at 34 small and large digital events under the auspices of DNB NXT.



In 2020, we arranged sustainable bonds worth **NOK 39 billion** and contributed **NOK 72.5 billion** towards the financing of renewable energy and infrastructure, and **NOK 7.0 billion** to the financing of green property development.



We launched electronic judicial registration of personal property and real estate, reducing the average processing time from 14 days to **2 seconds**.



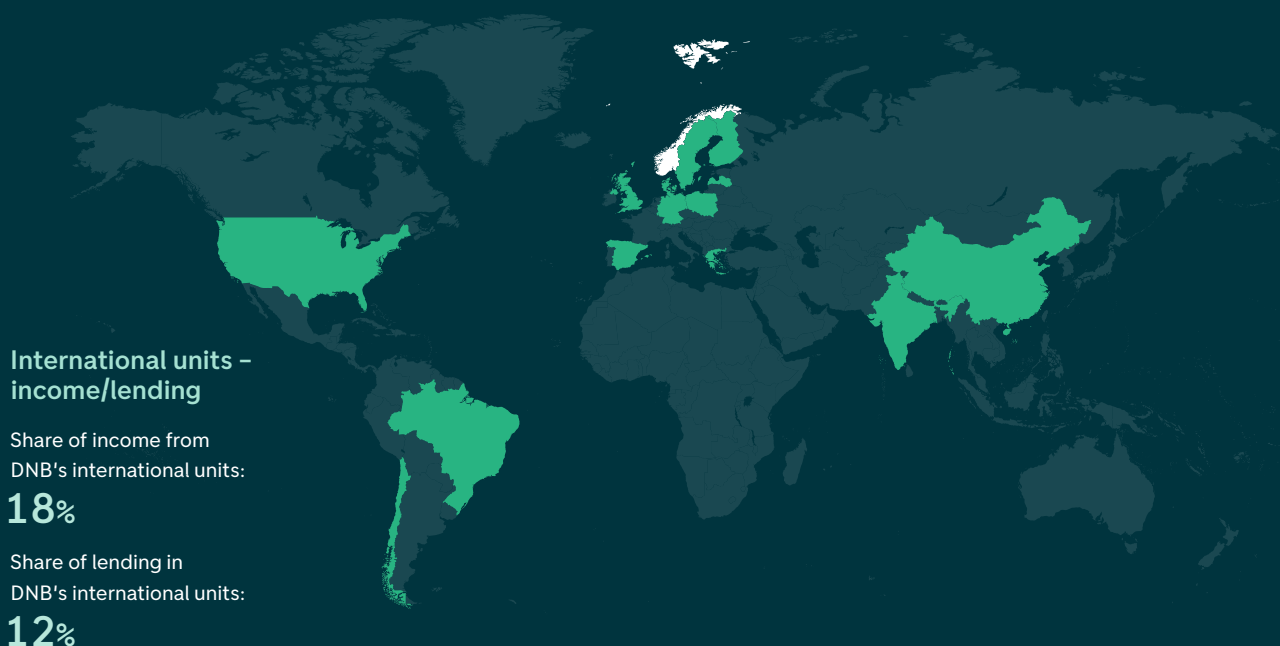
DNB Markets participated in arranging bond and commercial paper issues worth **NOK 825 billion** to customers in 2020.



At year-end 2020, DNB Asset Management managed mutual funds and shares worth **NOK 742 billion** and had a market share of **35.2 per cent** in the Norwegian personal customer market.



DNB Livsforsikring had just over **1.3 million** personal customers with individual and group agreements and approximately **28 000** agreements with corporate customers at year-end 2020.



The customer centres



No. of calls received

Personal customers: 2 933 177
Corporate customers: 365 000



No. of chat conversations

Personal customers: 522 590
Corporate customers: 93 350



No. of enquiries answered by our chatbot

Personal customers: 1 252 111
Corporate customers: 84 800

Market shares in Norway

Personal customer market as at 31 December 2020

Loans from financial institutions:	23%
Deposits:	29%
Home mortgages:	25%
Policy holders' funds ¹⁾ :	33%
Mutual fund investments:	41%

Corporate customer market as at 31 December 2020

Loans from financial institutions:	21%
Deposits:	37%
Policy holders' funds ¹⁾²⁾ :	18%
Mutual fund investments:	34%

Source: Statistics Norway and Finance Norway

1) Figures as at 30 September 2020.

2) Includes the public sector.

Highlights of the year

We introduce a new net unit class for several of our actively managed funds.



We make electronic judicial registration available to our corporate customers.

Q1

Q2

Norwegian magazine *Kapital* names DNB Markets Norway's best investment bank.



We enter into an agreement on acquisition of the pension company KLP Bedriftspensjon, in line with our defined-contribution pension initiative.

The COVID-19 pandemic hits us!

- the coronavirus phone line
- technical solution for compensation scheme
- working from home
- maintaining ordinary operations



We launch a fully digital solution for approving payments directly in the accounting system.





Norwegian innovation magazine INNOMAG names DNB Norway's most innovative company.



We launch #huninvesterer i fremtiden ('#girlsinvest in the future'), focusing on the pension gap.



An extraordinary general meeting approves the new Group structure, dividend authorisation and share buy-back programme.



DNB is ranked no. 4 in the Financial Times's annual Diversity Leaders report and is given the top ranking in the category Banking and Financial Services.

Q3

Q4

We arrange DNB NXT digitally for the first time, with twice as many participants as the year before.

NXT



We issue our first senior non-preferred bond, also known as MREL debt.

As the first banks in the world, DNB and 14 other banks disclose the carbon intensity of their shipping portfolios.



Together with SpareBank 1, DNB makes a strategic acquisition of Uni Micro¹⁾, one of Norway's leading players in ERP and accounting systems.

1) The transaction is subject to the approval of Finanstilsynet.

The share

Despite the fact that 2020 will go down in history as the year we lived under the shadow of the coronavirus pandemic, the share price rose by NOK 4.00.

At year-end, DNB's share price was NOK 168.00, which is 1.1 times recorded equity. The share price peaked at NOK 178.10 in April, while the lowest price of NOK 94.26 was recorded on 17 March.

DNB was the second largest primary listed company on Oslo Børs (Oslo Stock Exchange), and the largest financial services group in Scandinavia, with a market capitalisation of NOK 261 billion at

year-end 2020. The total return on the DNB share was 2.4 per cent in 2020. The unweighted average total return for the other Nordic financial services groups was negative 6.6 per cent. Over the same period, the OSEBX¹⁾ index increased by 4.6 per cent, while the OSEFX²⁾ index increased by 7.3 per cent. Over the past ten years, the DNB share has generally been priced higher than the Group's recorded equity (price-to-book ratio).

1) Oslo Børs Hovedindeks (Oslo Stock Exchange Benchmark Index).

2) Oslo Børs Fondsindeks (Oslo Stock Exchange Mutual Fund Index).

Total annual return as at 31 December 2020

Per cent



Source: Bloomberg

1 Nordic financial services groups: unweighted average in local currency of Nordic bank shares (Danske Bank, Nordea, SEB, Svenska Handelsbanken and Swedbank).

TRADING

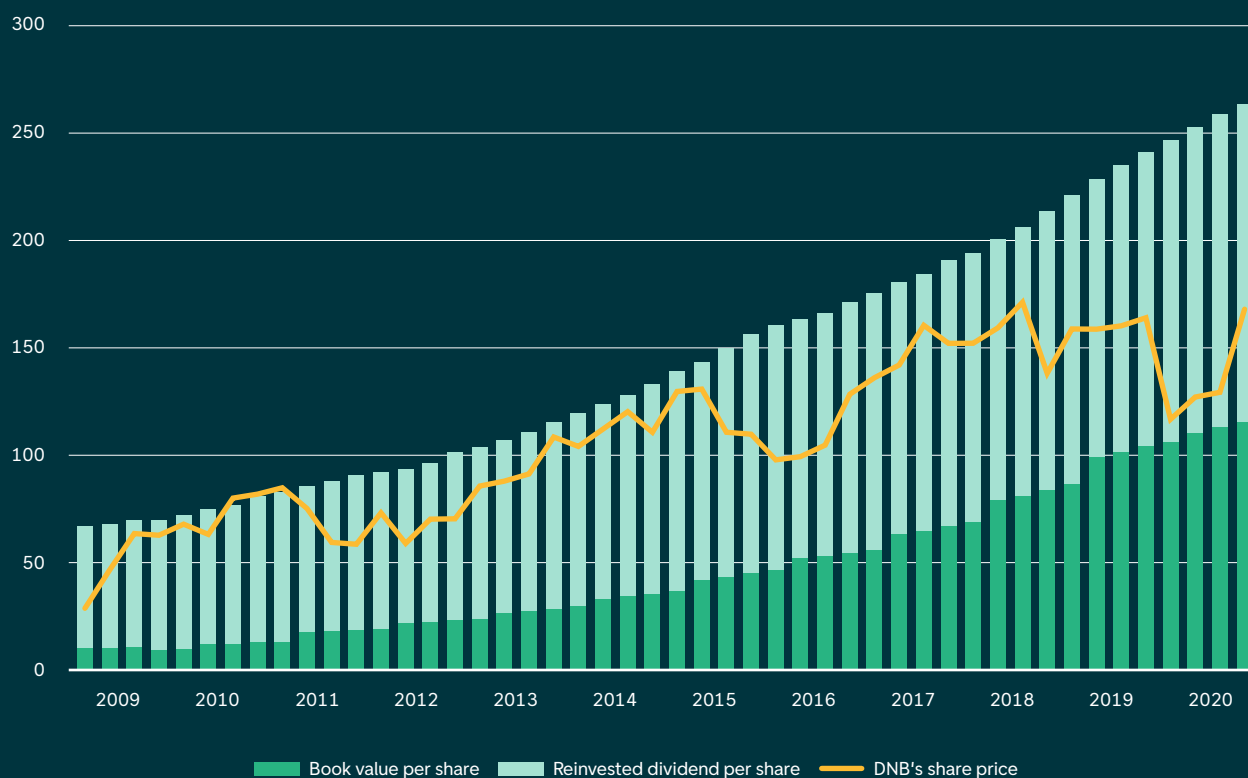
Trading volume in 2020 ended at 700 million shares, equal to 2.8 million shares per day, which is somewhat higher than the volume in 2019. The value of all traded DNB shares was NOK 91 billion. Trading on open marketplaces, such as Oslo Børs, accounted for 56 per cent, while volumes traded by systematic internalisers (SI) and over-the-counter (OTC) trading or trading on

closed trading venues ('dark pools') amounted to 44 per cent.

At the end of 2020, the DNB share was weighted on all relevant Oslo Børs indices, including OSEBX, OBX¹⁾ and OSEFX, with a weighting of 11.2, 13.9 and 9.1 per cent, respectively.

1) Oslo Børs OBX-indeks (OBX Total Return Index).

DNB's share price and book value per share including reinvested dividend NOK



Source: DNB, Oslo Børs

DIVIDENDS

DNB's overall objective is to create long-term value for our owners, partly through a positive development in the share price and partly through a predictable dividend policy. Our long-term dividend policy is to have a payout ratio of more than 50 per cent of profits as cash dividends, provided that the Group's capital adequacy is at a satisfactory level. We aim to increase the nominal dividend per share every year. Excess capital will be paid out to the owners as a combination of cash dividends and the repurchase of shares.

Due to the outbreak of the coronavirus pandemic and an uncertain economic outlook, the payment of dividends for 2019 was postponed, and the Board was authorised by an extraordinary general meeting in November 2020 to make a decision on this matter. In January 2021, the Ministry of Finance recommended limiting dividends for 2019 to 30 per cent of the accumulated profit for 2019 and 2020. In light of this, the Board of Directors decided in February to pay a dividend of NOK 8.40 per share for 2019.

The Board of Directors will also ask the Annual General Meeting in April 2021 for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020, for distribution after September 2021,

or when the economic outlook suggests that it is possible to do so. The authorisation will be valid until the Annual General Meeting in 2022.

SHARE CAPITAL AND SHAREHOLDER STRUCTURE

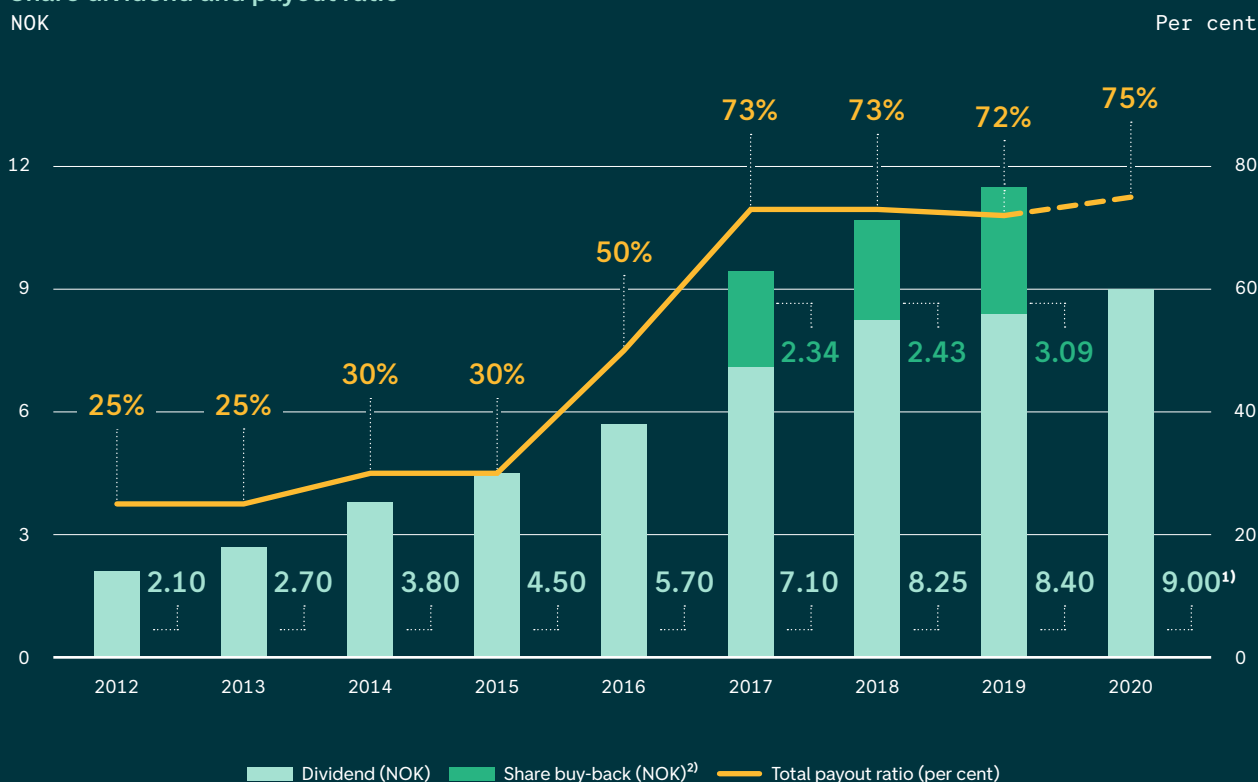
At year-end 2020, DNB's share capital was NOK 15 550 million, divided into 1 550 365 021 shares, each with a nominal value of NOK 10.

DNB has approximately 57 325 private and institutional shareholders, an increase from approximately 44 445 at the end of 2019. The two largest shareholders are the Norwegian Government, represented by the Ministry of Trade, Industry and Fisheries, and the DNB Savings Bank Foundation. A further description of the Government's ownership can be found in Implementation of and reporting on corporate governance on ir.dnb.no.

RATING

The creditworthiness of DNB Bank ASA is assessed by the rating agencies Moody's and S&P Global. DNB Bank ASA had the following credit ratings as at 10 March 2020: Aa2 from Moody's (stable outlook) and AA- from S&P (stable outlook). Covered bonds issued by DNB Boligkreditt were rated AAA by S&P and Aaa by Moody's, both with a stable outlook.

Share dividend and payout ratio



1) The Board of Directors will ask the Annual General Meeting for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020.

2) Share buy-backs approved by both the Annual General Meetings and Finanstilsynet (the Financial Supervisory Authority of Norway) based on the accounts for the year before.

Largest shareholders

As of 31 December 2020¹⁾

	Number of shares in thousands	Ownership in per cent
Norwegian Government/Ministry of Trade, Industry and Fisheries	527 124	34.00
DNB Savings Bank Foundation	130 001	8.39
Folketrygdfondet	105 091	6.78
Capital Research	37 227	2.40
Capital World	36 472	2.35
The Vanguard Group	32 707	2.11
DWS	29 489	1.90
Schroder	29 416	1.90
BlackRock	27 496	1.77
Storebrand Kapitalforvaltning	19 516	1.26

Source: DNB, Nasdaq

1) The actual ownership of nominee accounts is calculated on the basis of third-party analyses. See note 49 for an overview of the 20 largest shareholders.

Ownership according to nationality as at 31 December 2020

Per cent

Norwegian institutional investors:

55 per cent

- Norwegian Government/Ministry of Trade, Industry and Fisheries: 34.0%
- DNB Savings Bank Foundation: 8.4%
- Other Norwegian: 12.8%

International institutional investors:

39 per cent

- US: 18.7%
- UK: 8.6%
- Other international institutional investors: 11.2%

Non-institutional investors:

6 per cent

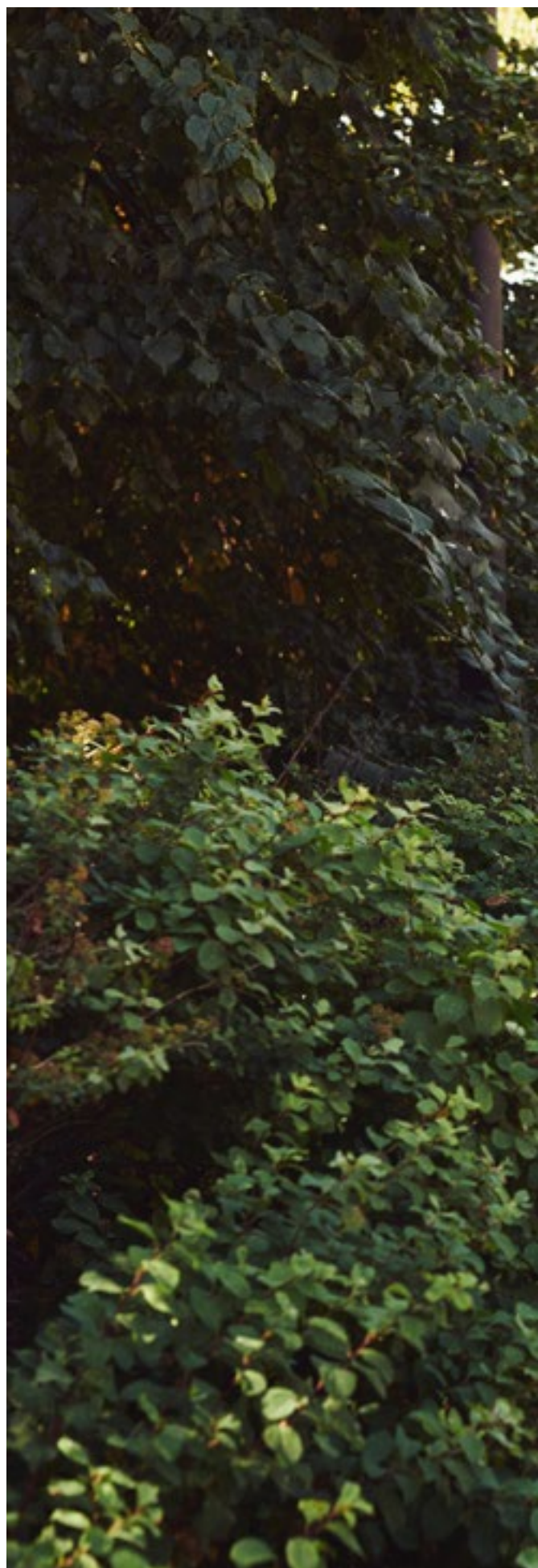
- Non-institutional investors: 6.3%



Source: DNB, Nasdaq

Strategic report

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DNB's strategy sets the course for the Group's development within the waters we navigate. This applies to everything from initiatives by traditional players and market entrants, regulation and technological advances to the macroeconomic situation around us and customer expectations. We have proven to be competitive and financially sound during a difficult year.

The macroeconomic situation



As the largest financial player in the Norwegian market, DNB is closely interconnected with the Norwegian economy.

The outbreak of the coronavirus pandemic caused a dramatic downturn in the global economy in the spring of 2020. Powerful fiscal and monetary policy measures were implemented all over the world to counteract the downturn. Central banks flooded the markets with liquidity, bought vastly increased amounts of securities and quickly cut interest rates as much as possible. The banks' capital requirements were also eased and government lending support schemes were introduced, strengthening banks' ability to stabilise the economy and help struggling businesses. It seems likely that the monetary policy stimuli will to a large extent continue throughout 2021, but that they will be gradually reduced as the pandemic is brought under control.

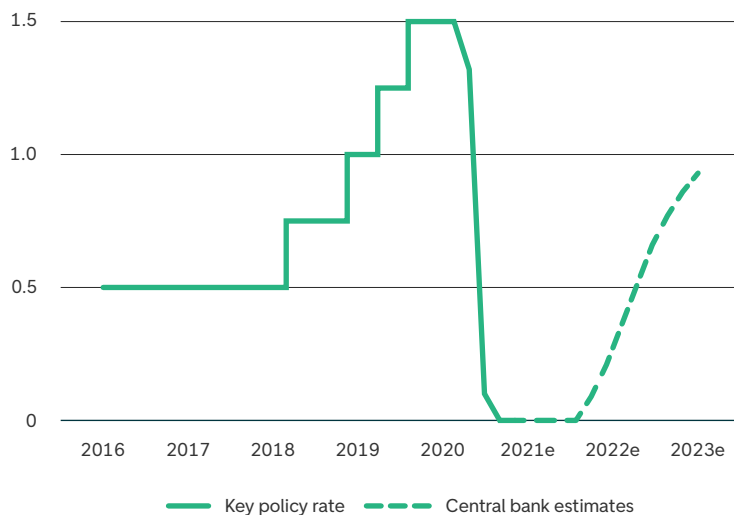
At the start of the year, it was expected that Brexit and the ongoing trade war between the US and China would affect the macroeconomic situation in 2020. These factors were completely overshadowed by the coronavirus pandemic, but recent developments relating to Brexit and the trade war have been very positive. Just before the year ended, an agreement was reached on the UK's withdrawal from the EU. The main elements of the withdrawal agreement were that retail trade is exempt from customs duties and quota restrictions, and that the British will comply with the EU competition standards. The deal also prevented problems at the Northern Irish border,

which was a significant risk factor, and removed the remaining uncertainty surrounding Brexit. After the US presidential inauguration at the beginning of 2021, there are clear expectations that future negotiations between the US and China will take place in a vastly improved atmosphere. There are still good reasons to expect a strained relationship between the countries in the coming years, but a further escalation of the trade war appears far less likely than under the former president.

As the largest financial player in the Norwegian market, DNB is closely interconnected with the Norwegian economy, and our activities and results are affected by developments in Norway. After a steep decline in the second quarter of 2020, the Norwegian economy rapidly recovered and the third quarter growth in mainland GDP reached 5.2 per cent. However, the GDP level was 3.2 per cent lower in the third quarter of 2020 than at the start of the year. Stricter restrictions were re-introduced in November to deal with a new wave of infection, and this resulted in slightly lower growth at the start of 2021. The infection control measures were tightened further in January of this year, and are likely to last some way beyond the first half of 2021. This will lead to a rather slow start to the year, before a reopening supported by the vaccine programme rollout is expected to contribute to a strong second half-year.

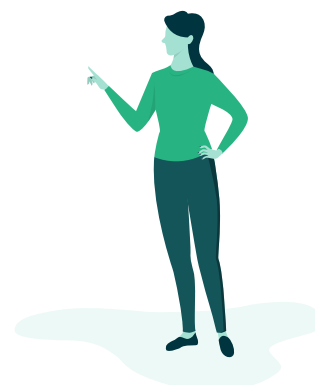
Key policy rate in Norway

Per cent



Source: Norges Bank

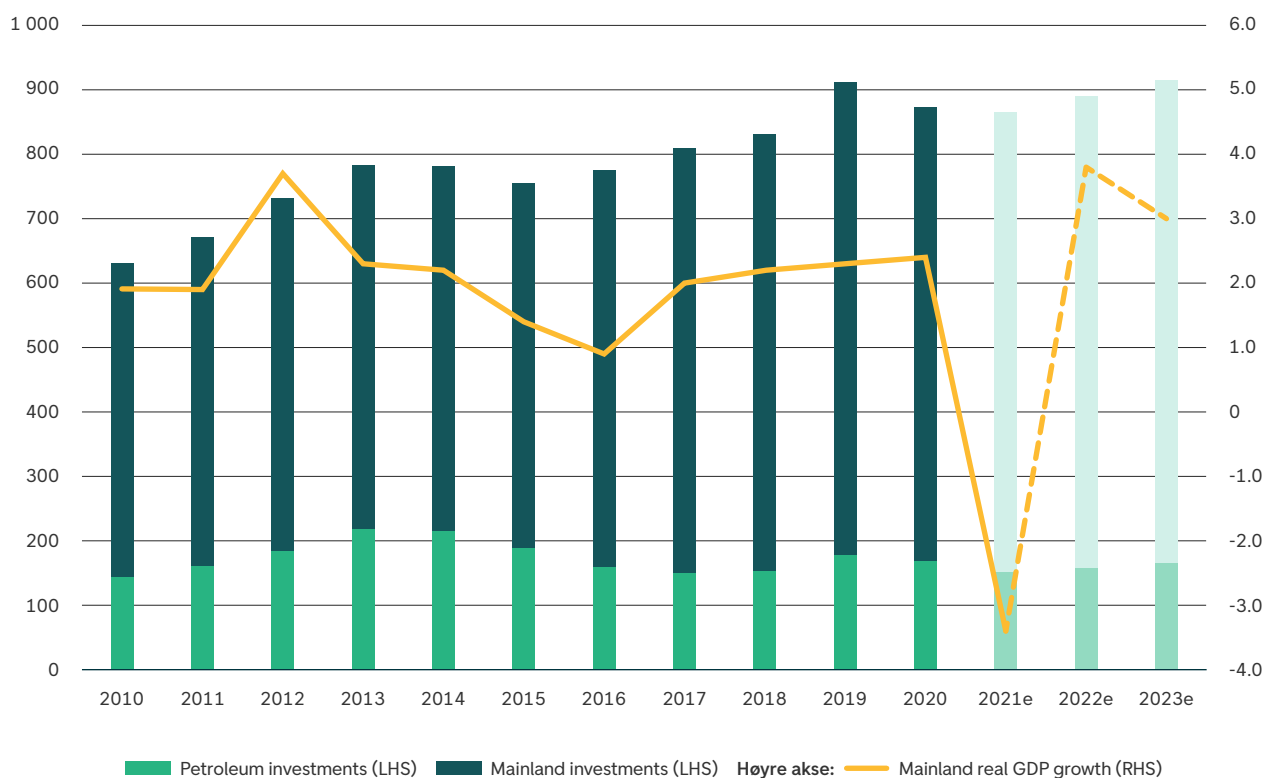
The key policy rate in Norway is the interest rate that banks receive on their deposits in Norway's central bank, Norges Bank, and it is Norges Bank's most important tool for stabilising inflation and developments in the Norwegian economy.



Growth prospects in Norway

NOK billion

Per cent



Source: DNB Markets

Overarching goals and ambitions

The year 2020 clearly showed that our framework conditions are changing, and that we can expect an even faster-changing world than before. As the pandemic gradually retreats, we expect our surroundings to look different than they did at its onset. This highlights the need for DNB to manage risk and identify opportunities in a long-term perspective. Opportunities are greatest in the most challenging times, and we will seize them by concentrating our efforts on our most important goals going forward.

Changed expectations from customers and the wider society, stronger competition from existing players and market entrants, new technology, changed framework conditions and regulation, and climate-related risk are among the factors that affect us directly. All of this must be reflected in our strategy, so that over time we ensure value creation through our purpose:

We are here. So you can stay ahead.

Ensuring long-term profitable operations is the underlying premise for everything we do. For us, the future is therefore all about preserving and increasing existing revenue streams, while also finding new sources of profitable growth. DNB secures long-term value creation based on the

Group's values. We must be curious, driven by a desire to understand more in order to improve our customers' and colleagues' everyday lives. We must be bold and dare to lead the way and drive change. We must be responsible and create value in a sustainable manner, so that we maintain people's trust and make a positive impact on society.

Our overarching goals are to create the best customer experiences, ensure compliance and deliver on our financial targets.

CREATE THE BEST CUSTOMER EXPERIENCES

In a market with increasingly transparent and open value chains, strong customer relationships are crucial in order to retain our customers and ensure continued profitability. We do not own our customer relationships. Instead, we must earn them. We will create the best customer experiences, so that customers choose DNB.

Sustainable restructuring is increasingly important to achieve competitiveness in the business sector. Our customers have high expectations of how sustainability is integrated into DNB's advisory services, products, and financing solutions.

ENSURE COMPLIANCE

New national and international rules and legislation are constantly being adopted and applied to the financial services industry. At the same time, the expectations from our customers and owners are increasing, especially in relation to sustainability topics, such as climate issues and environmental, social and governance (ESG) factors. We will secure long-term value creation and responsible operations by maintaining a high level of compliance expertise, as well as by thoroughly and systematically refining corporate governance and controls. All of our employees and others who work on our behalf must understand their scope of action and work towards a strong culture of compliance. By ensuring compliance, we build and retain the trust of our customers, owners and society in general.



Our purpose:

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

Our values:

**We will be curious, bold
and responsible.**

DELIVER ON OUR FINANCIAL TARGETS

Achieving good, long-term returns is the basic premise for everything we do. Delivering on financial targets provides the necessary scope of action to position DNB for the future, while ensuring long-term value creation. We do this by focusing on earnings, a responsible cost level, effective capital use, integration of sustainability throughout the company, and an adaptable and effective organisation.

In February, we reaffirmed our financial ambitions for the period leading up to 2023. A return on equity of more than 12 per cent remains our overriding target. We need to deliver more, with fewer resources, and develop products and services that are more relevant. This will allow us to deliver the return our owners expect, and stay competitive when we encounter new competitors.

Financial ambitions

	2020-2022	Achieved 2020
Return on equity (ROE) (Overriding target)	> 12%	8.4%
Cost/income ratio (Key performance indicator)	< 40%	41.5%
Common equity Tier 1 capital ratio¹⁾ (Capitalisation level)	> 17.1%	18.7%
Payout ratio (Dividend policy)	> 50%	75%

1) Approximate expectation from supervisory authorities as at 31 December 2020 including full Norwegian counter-cyclical buffer requirement.

SUSTAINABILITY

In 2018, DNB defined four general sustainability topics, with underlying ambitions which are strategically important to the Group's long-term value creation, and which establish the long-term direction for sustainability work in DNB. Read more about the work with sustainability and our ambitions on page 50.



DNB is a driving force for equality and diversity

→ Read more on page 54



DNB finances sustainable growth through loans and investments

→ Read more on page 62



DNB combats financial crime and contributes to a safe digital economy

→ Read more on page 84



DNB helps its customers manage their personal finances

→ Read more on page 94

Business model and strategic priority areas

Our business model is based on generating long-term and sustainable financial value creation for our owners. Management and follow-up of the Group must therefore take into consideration the changes around us, as well as long-term challenges and opportunities. This is also specified in the State Ownership Report.

Risk management is part of our operations and is integrated into the Group's governance processes and management system. Our management system ensures balanced monitoring of our target attainment. One way of doing this is by defining financial, operational, and strategic targets and indicators (KPIs), combined with health and risk indicators. The incentive structure also helps safeguard the Group's risks and opportunities, and individual target establishment and the Group's objectives are closely linked (read more about risk management and the incentive structure in the document Implementation of and reporting on corporate governance on ir.dnb.no and in note 46 of the annual accounts).

The trust of those around us is imperative to fulfilling our purpose and maintaining sustainable operations over time, and it is something we continuously strive to earn. In order to live up to DNB's values and achieve our strategic goals, everyone in DNB must act in a way that safeguards the interests of the bank's customers, owners, employees, and other stakeholders, now and in the future. This will allow DNB to continue to build trust. To us, trust is about our customers being able to rely on us as a provider of financial services, and our delivering on their expectations and being a player that contributes positively to society.

Long-term value creation and responsible corporate governance provide the foundation for everything we do. It is a matter of how we create the best customer experiences and work with innovation, product development and competence. The work of strengthening and developing our business model is discussed in greater detail in the chapters Innovative business model and product development (page 31), Creating the best customer experiences (page 36), and Restructuring and skills enhancement (page 42).

In order to create long-term value, we also depend on sustainability being an integrated part of our business model. Read more about our sustainability ambitions on page 50.

STRATEGIC FOCUS AREAS

For some time, we have explored and identified opportunities and built new competence. Now we are channelling all of our organisation's creative power and energy into clear priorities for the Group. We are balancing scarce resources such as capital and people, while at the same time we are increasing our pace of innovation and securing our implementation capacity.

2020 was a highly unusual year, one in which global society faced enormous challenges and changes. DNB was able to prove its impressive adaptability during the year. Customers expect more from us. They seek better advisory services and a sense of security. They are adopting digital services at an increasingly fast pace, and they expect it to be easy to have their need for financial services met. The entire financial services industry is changing. The lines between technology and banking are blurring, and there are greater expectations of effective and stable operations, cost-effectiveness, and good and seamless services. Even though traditional players remain our main competitors, industries are continuing to converge, and we expect competition to increase going forward. Smaller financial technology companies are seeking to cooperate with traditional players in the financial market, and the large global technology companies are strong competitors.

We expect the long-term trend towards more comprehensive regulation of the financial services industry, stricter requirements regarding compliance, and more serious consequences associated with non-compliance to continue. Understanding how the regulatory landscape is evolving will be a competitive advantage. Every aspect of our operations is affected by regulation, which is also true of the products and services our customers request. At the same time, we find that expectations are increasing in relation to the handling of climate risk and sustainable solutions from our most important stakeholders.

DNB will continue to play a key role in supporting society. We will continue to create value for our owners, customers, and society as a whole, and remain a safe and stable financial institution. At the same time, we must be the bank that is best at taking advantage of the opportunities associated

with all of this: technology, regulatory conditions, and customer needs. And we must be the bank that is best at managing change in general. This is why we will prioritise the following areas in the next few years.

We will:



Cultivate customer relationships for long-term value creation

Customers want clear and unique value propositions, value for their money, and personalised advice. We must therefore be a predictable distributor of financial services, with the ability to cover all needs in one place. We must strengthen our customers' trust in us and stay relevant by providing sound advice based on customer insight.



Create future competitiveness by streamlining, modernising, and rationalising

We will deliver on our customers' expectations and provide good products and services at competitive prices. It is a matter of being cost-efficient, while at the same time delivering faster and with higher quality by doing fewer things better.



Be the customers' preferred savings and deposits partner

Our customers must be able to make the right financial choices for their future by receiving relevant advice and having access to good self-service tools. DNB must be a credible distributor and responsible producer of investment products, and a safe haven for deposits. This is important to our customers. The Spare app must be the leading savings platform for the full breadth of our customers. The introduction of the 'own pension account' scheme in February has led to great movements in the savings and pension market in the past year, and many players are trying to take new positions. This has also been driven by changes in the macroeconomic situation, demographic differences, and prospects of increased income in households. The market for savings and investments is expected to grow considerably in the next few years, and the competition to become the customers' preferred partner will further intensify.



Secure a good payments infrastructure for society and our customers

An effective and good payments infrastructure is important for society and our customers. The payments area is also the part of the financial services industry that is seeing the fastest technological advances. We want to be the leading transaction bank for Norwegian corporate customers, while ensuring that we are competitive in the Nordic countries.

We will create continued profitable growth and a healthy development in costs by cultivating customer relationships and streamlining, modernising, and rationalising our products and services. We will increase our capital-light revenues by being the customers' preferred savings and investments partner and securing a good payments infrastructure.

Key initiatives in 2020

Many people might describe 2020 as a year unlike any other. Despite a global pandemic, the most far-reaching measures introduced in Norway in peacetime, zero interest rates and a major restructuring of the Norwegian economy, DNB has shown itself to be robust. The entire DNB Group has found it motivating to be part of the solution during this crisis, where taking care of our customers has been our top priority. Despite the effects of the coronavirus pandemic, we have built up capital, and we are now more financially sound than ever. With a good increase in lending to the personal customer market, and a sharp rise in deposits and capital-light revenues, we see good prospects for growth in the time ahead as well. Unlike many European banks, DNB has experienced growth, good results, and trust from our customers, and we are operating in an economy that has successfully navigated through the most difficult phase of the pandemic.

Strengthening our customer relationships and continuing to develop our customer interfaces

Taking care of our customers during the year has been our top priority. In April, we launched a solution to distribute financial compensation from the authorities directly to companies that were affected by the coronavirus crisis. This was delivered in partnership with the Norwegian Tax Administration and Finance Norway's technology company, Bits. The solution was available to all customers in less than three weeks, and the process shows what we can achieve in Norway, thanks to the high level of trust in our society, our tradition of constructive cooperation, and the digital payment systems between the financial services industry and the public sector that are already in place.

Our most important customer interfaces were modernised in 2020. The website dnb.no, one

of the bank's main drivers of traffic, was given a new digital design. At the beginning of 2020, the mobile bank passed 1 million users, and it was further developed during the year. We made the savings app Spare available to everyone, regardless of whether they have a banking relationship with us, so that they can gain an overview of their own savings and pension. The Spare app has become an important sales channel for DNB, and over NOK 11.5 billion has been invested in mutual funds using the app. With a score of 80 out of 100 on the customer satisfaction index, an App Store rating of 4.7 out of 5 and over 172 000 users every month, this is promising in terms of further development.

The Norwegian innovation magazine INNOMAG named DNB Norway's most innovative company in 2020. It highlighted the work with the compensation scheme and our targeted work to further develop our digital interfaces and test new technology through, for example, efforts to develop facial recognition payment systems. The work of building a culture of innovation has yielded results.

Partnerships and acquisitions

In order to further strengthen DNB's position among small and medium-sized enterprises (SMEs), in 2020 DNB and SpareBank 1 Gruppen completed a strategic acquisition of Uni Micro¹⁾, one of Norway's leading players in management and finance systems. This has made Uni Micro the system provider for DNB Regnskap, DNB's accounting system for corporate customers, and an important element in the renewed focus in the SME market. Structural adaptations have also been made in savings and pensions. DNB acquired the pensions company KLP Bedriftspensjon in 2020. Defined-contribution pensions are an important priority area and, with low interest rates and demographic changes, saving money for pensions is gaining greater importance.

1) The transaction is subject to the approval of Finanstilsynet.

More on our work with the strategic priority areas

The following pages contain a more in-depth discussion of our work on the various priority areas, which we consider crucial to achieving our goal of creating the best customer experiences.

Innovative business model and product development

The financial services market is constantly changing – and the pace of change has quickened during the global pandemic. We expect to see a high pace of development in the banking and financial services sector in the future, and the coronavirus pandemic has further accelerated the digital shift. New non-financial players have their sights set on important parts of the banks' value chain and are challenging us in entirely new ways. Self-service will become increasingly common, and the digital journey will require more of banks than it has so far. Customers want and expect seamless and immediate transactions that are free of charge. We are seeing fierce competition from both new and existing players, as well as the emergence and increased use of new technologies and business models. This presents opportunities, not just challenges. For example, in 2019, we tested contactless payment solutions using facial recognition ('Blunk') and voice recognition, which are now highly relevant.

To succeed in this market, we must constantly make improvements and renew ourselves. Culture is important for succeeding with innovation. Many of the Group's employees are making valuable contributions and feel a sense of responsibility for solving problems and coming up with ideas as to what can be improved, simplified or solved in a different way. This creates an innovation culture throughout DNB, and we are delivering countless improvements all the time, both large and small.

WHAT WAS DONE IN 2020?

Innovation is demanding in large companies such as DNB, as there is a great need both for improving

existing solutions and for creating new ones. Payments & Innovation is an area in DNB whose main task is to create increased competitiveness and long-term profitable growth through strategic business development. The area has a special responsibility for the 'outside-in' perspective and is responsible for developing a coherent Group strategy for innovation, and for making organisation, the division of responsibility and governance clearer. This is a matter of working methodically and answering the right questions, at the right time, in an effective way. We test ideas on our customers on an ongoing basis to gauge their response, and we collaborate with third parties when this helps us to find the best solutions.

The area is also responsible for the Open Banking unit, which enables us to give third parties access to DNB's infrastructure and services in a standardised, scalable and secure manner. Open Banking makes it possible to provide services and offer products outside DNB's own distribution channels, and to seamlessly integrate the services of other providers into our own. In 2020, the Open Banking unit contributed to the work of further developing DNB's payment services infrastructure in accordance with the revised Payment Services Directive (PSD2). This work will be completed in 2021. At the same time, the bank is taking the opportunity to retrieve account information from other banks to give our customers a better overall overview through DNB's own solutions.

All financial transactions begin and end with payments, and competition in the area of payment services has intensified in recent years. Major



In 2020, we adopted new cloud-based solutions and insight tools, so as to benefit from advances made in machine learning and artificial intelligence.



DNB Eiendom won the prestigious DOGA Award for Design and Architecture for good service design in Samsolgt ('co-sold').

global technology companies are positioning themselves in the international payments market. In addition, a number of major infrastructure acquisitions have been made. The coronavirus pandemic has contributed further to the decline in the use of cash. In 2020, DNB introduced in-store cash services, which means that we are well positioned for a time of continued declining cash use. At the same time, we terminated the banking services previously provided through Posten Norge (the Norwegian postal service).

In recent years, it has become increasingly important to collect, analyse, use, and, not least, store data safely and securely. The insights we are able to extract from data are used to create better and more relevant customer experiences. In 2020, we adopted new cloud-based solutions and insight tools, so as to benefit from advances made in machine learning and artificial intelligence. New functionality and new services were developed faster than ever before for digital customer channels, such as the mobile bank, dnb.no, the savings app Spare and the corporate app DNB Puls. Our new concepts, such as the property sales service Samsolgt ('co-sold') and accounting solutions for companies, are challenging established markets. The automation of credit processes has led to faster and better customer

experiences. More and better chatbots answer customer enquiries more effectively.

Throughout 2020, more attention was also given to the use of flexible working methods in IT development projects. This makes us better equipped to test new solutions and make changes quickly. Many companies found themselves in a challenging situation when the coronavirus pandemic broke out in Norway. Agile working methods enabled DNB to contribute to the development – at record speed – of the Government's compensation scheme for companies, in cooperation with public sector actors. (Read more about this in a separate article on page 34). Faster development and more experimentation provide more innovation for the money and better solutions for our customers.

High score on innovation

We are proud of the fact that reputation surveys show that DNB is at a consistently high level when it comes to the values Innovative and Modern Bank. In August, DNB won the top place in INNOMAG's ranking of Norway's 25 most innovative companies. DNB Eiendom won the prestigious DOGA Award for Design and Architecture for good service design in Samsolgt ('co-sold') – a new, innovative estate agent service

that makes the selling process completely digital, as well as simple, affordable and streamlined. The DOGA Award is testimony to the fact that DNB and the team behind Samsolgt have made the right choice in focusing on service design and user-oriented development.

In the RepTrak reputation survey, DNB was given a score of 76.7 points in the fourth quarter of 2020, which is an all-time high. We are very pleased that the score has steadily increased, with DNB having a good reputation (over 70 points) for nine quarters running. RepTrak focuses on seven underlying dimensions, and DNB scores highly on all of these. In the innovation dimension, DNB's quarterly scores in 2020 were 76, 77, 74 and an impressive 80 points – all of which are excellent scores.

Partnerships

Initiating and maintaining good cooperation with others has high priority in DNB. Since customers' expectations are rising, it will be even more important to select areas where we think we can achieve good results on our own, and areas where we will benefit from working with others. Over a number of years, we have developed close cooperation with StartupLab, Norway's largest technology incubator. Together, we arranged the leading FinTech accelerator in Norway, the DNB NXT Accelerator, for the fourth time. In 2020, the DNB NXT Accelerator took place digitally, due to coronavirus restrictions, and participation reached an all-time high. We are working with NTNU on topics such as artificial intelligence (AI), including in cooperation with players such as Telenor, Equinor and SINTEF. We are part-owner of – and are cooperating with – Digital Norway on digitalising Norway and ensuring cooperation and learning between small and large enterprises. DNB has a high level of ambition in digital joint projects between the financial industry and the public sector through DSOP (Digital Public-Private Collaboration).

Venture investments in, for example, Nordic API Gateway, FundingPartner and Unite Living have led to insight into new markets and provided new ways of collaborating. In November 2020, DNB and SpareBank 1 announced a strategic acquisition of Uni Micro¹⁾, one of Norway's leading

providers of accounting systems, to strengthen our efforts to develop accounting systems to offer our customers. Norwegian banks have a long tradition of collaborating on infrastructure, and this has helped us to develop good customer solutions in many areas. Collaborating on the infrastructure needed for banking and accounting solutions can help us establish a whole new standard for how this is done.

The financial services industry has changed in the sense that both new and established players are focusing on specific parts of a value chain or on presenting targeted value propositions towards one segment. The development trends the industry is facing make it natural for DNB to shift parts of its operations towards distributing other players' products and services to a greater extent. Shared ownership and cooperation with Vipps and Fremtind Forsikring are examples of this.

THE WAY FORWARD

For the time being, DNB has chosen not to replace the current core system, but is focusing on gradually resolving dependencies and modernising existing systems. This will contribute to a more robust architecture, which will at the same time reduce extra work by allowing services that are developed to be reused across IT systems. Modernisation also makes cooperation with companies outside DNB easier, cheaper and safer. In addition, we are carrying out a significant modernisation of our payment systems for the corporate market. This will, among other things, increase capacity, improve outdated functionality and enable new product development.

We are in the middle of a transformation in the way banks work. In DNB, we are shifting more towards design-driven and agile business development. Design-driven innovation is all about solving real problems for users. A service that does not solve a real problem for users will rarely be used. The best services for meeting users' needs while taking advantage of technological opportunities and generating commercial value are often created by taking a user-based approach and having interdisciplinary teams consisting of designers, technologists and business developers.

1) The transaction is subject to the approval of Finanstilsynet.

Feature article: Technical solution developed at record speed

When Norwegian society was shut down in March 2020, and many businesses watched their income plummet, the authorities realised that in this crisis the banks had to be part of the solution.

COLLECTIVE EFFORT WITH SEVERAL CONTRIBUTORS

When the Norwegian Ministry of Finance launched the new compensation scheme¹⁾ to help Norwegian companies, Finance Norway, the Norwegian Tax Administration and DNB were given the following mandate:

- Build a new solution for processing 100 000 applications and distribute financial support as quickly as possible, using as few employees as possible while minimising the risk of fraud.

The complexity and urgency of the task the Ministry of Finance gave us meant that it seemed almost impossible to solve.

SECURE THE FUTURE

In DNB, we gave the task to our innovation team 'NewTechLab'. This team worked around the clock, together with the Tax Administration and Finance Norway's tech company Bits, and had three digital 'stand-up meetings' every day for three weeks. A couple of handfuls of technologists wrote code lines in their tens of thousands, and the case processing system was ready in under three weeks. A technically advanced solution

which was also safe and easy to use, and which ensured that it didn't take long from the application was sent until the money was transferred into the account.

MADE IN NORWAY

The Tax Administration managed the scheme on behalf of the authorities, while DNB delivered the registration portal and took care of the actual disbursement from the national treasury to the businesses. The latter was done



Head of the innovation team NewTechLab, Yngvar Jørg Ugland,

1) The compensation scheme applied from March 2020 to August 2020 and was replaced by a new compensation scheme (based on the first one) from September 2020. The new one is managed by the Brønnøysund Register Centre.

via DNB's existing payment systems, whereas the portal was made completely separate from DNB's systems. Bits was responsible for the operation and safety of the scheme.

To ensure that as many of the eligible businesses as possible received the support they were entitled to as quickly as possible, it was important to minimise the number of cases that had to be processed manually. The majority of cases were handled automatically.

This process has shown what we can achieve in Norway, with our high level of trust, cooperation and existing digital payment systems between the financial services industry and the public sector.

«Normally, our job is to use technology to create a better future. This time our job was to make sure a future even existed for large parts of the Norwegian economy and thousands of companies. I'm incredibly proud of the dedication everyone demonstrated during this important mission.»

Yngvar Jørg Ugland, head of the innovation team NewTechLab



Feature article: Product development for sustainable growth

After strong growth in 2019, the market for sustainable finance has shown few signs of slowing down. On the contrary, the green shift has gained strong momentum, and sustainable financing products and advisory services are in high demand among our corporate customers. To meet and strengthen this increased momentum, we are working continuously on the further development of sustainable products. These products are important tools that are helping us to achieve the Group ambition of financing sustainable growth through loans and investments. In addition to our role as good advisers for our customers, our most important contribution is to be able to provide capital for enabling a sustainable green shift.

In order to facilitate – and increase the volume of – sustainable loans, efforts were made in 2020 to streamline processes and develop separate pricing models. We are also working continuously on skills enhancement and we are planning our own, industry-specific campaigns for green financing, which are to be rolled out in 2021. Our framework, which defines which activities DNB wishes to finance as sustainable, was updated and closely linked to the forthcoming EU taxonomy, so as to contribute to greater predictability for our customers. We are also in a planning phase for the development of new products in addition to green loan financing.

In parallel with product development, customer activity was high, and we established more than twice as many green loans in 2020 as the year before. At the same time, we saw a growing awareness of sustainability in traditional non-green industries, where interest in what are referred to as sustainability-linked loans has taken off. These are facilities where the loan's margin is linked to the achievement of defined ESG targets, and here, too, the number of transactions has more than doubled since 2019.

Creating the best customer experiences

Creating the best customer experiences means delighting our customers with great products and services, and excellent customer service. It means understanding our customers' needs and offering relevant and user-friendly products and services of high quality at competitive prices. By delivering good customer experiences, our aim is to earn our customers' trust and ensure that we deserve our customer relationships. This is important at a time when we are constantly encountering new and unknown competitors in a rapidly changing market.

Our customers' needs must always be the starting point for the products and services we provide, and our customers should feel confident that we have their best interests at heart. DNB's governance principles for ethics, included in the Code of Conduct, set out our ethical principles and what is required of us in both a professional and private context if we are to live up to this standard, and our governance principles for corporate responsibility guide all our product development. This means safeguarding our customers' interests in connection with sales and advisory situations through open, clear and truthful communication, and taking good care of our customers' personal data and keeping it safe.

WHAT WAS DONE IN 2020?

The COVID-19 pandemic

When the world was hit by the COVID-19 pandemic in early 2020, goals and strategies had to be replaced by contingency plans for taking care of our customers in a situation no one had experienced before. It was important for us to show that we were there for our customers in a demanding and highly uncertain time. The number of enquiries from both personal customers and corporate customers soared, and we had to assist concerned customers who, for instance, had been temporarily laid off and needed help to set up interest-only periods on loans. In addition, the demand for loans increased dramatically.

In order to handle the large increase in customer enquiries, we had to close all our branch offices for ordinary customer meetings, and go from holding physical customer meetings to only conducting pre-arranged telephone or video meetings. The whole of DNB was involved in a reallocation of resources to enable our customer

centres to handle an unprecedented number of enquiries. At a record pace, we established home office solutions for our customer advisers in the branch offices, a new live chat was created and 25 new robots processed nearly 70 000 requests concerning interest-only periods.

We also saw that our customers had to use our digital services to an increasing extent, especially for everyday banking, and we managed to start using effective and well-adapted digital solutions at record speed.

These things combined meant that we were able to maintain normal operations throughout 2020.

Both we and our customers have become more flexible in terms of type of meeting, place of work, and – not least – working hours. During the course of 2020, we were in contact with a larger proportion of our customers than we are in a 'normal' year, and measurements in the second half of the year showed an increase in customer satisfaction.

Buying and selling homes

Through DNB Eiendom, we launched new procedures and several digital solutions for buying and selling homes when the country closed down in March. We actively helped reduce the risk of infection, while doing everything we could to prevent the housing market from coming to a standstill.

DNB Eiendom has long been committed to digitalising and streamlining the property sales process. Overnight, the pandemic brought with it an acute need for digitalisation, and served to accelerate innovation efforts that were already underway.

Customer satisfaction

In DNB, we monitor the level of customer satisfaction among our own customers, and in the market, on an ongoing basis. Customer satisfaction in the Norwegian banking market is good, and people have a high level of trust in the banks. The market is performing well and appears to be very stable. The number of bank connections per person remained largely unchanged from the previous year, and most customers had only one preferred bank.

During the course of 2020, we were in contact with a larger proportion of our customers than we are in a 'normal' year, and measurements in the second half of the year showed an increase in customer satisfaction.



At the end of the year, the vast majority of our personal customers stated that their satisfaction was unchanged compared with previous years. Customer satisfaction¹⁾ ended at a good level in the fourth quarter of 2020 – and for the year as a whole the level of customer satisfaction has improved compared with 2019. A total of 63 per cent of our customers were very satisfied with DNB, while 12 per cent expressed a low level of satisfaction. Customer satisfaction with the bank's points of contact is good. Of the bank's various channels, the internet bank, which is still the channel used and preferred by most customers, received the highest customer satisfaction score. But other channels such as customer service by telephone, advisory services and the mobile bank also showed consistently good levels of customer satisfaction. During the year, the mobile bank achieved new records both in terms of the number of users and in terms of customer satisfaction.

The price perception is also monitored closely. This is important because it is closely related to people's perception of the bank and the wish to become and remain a DNB customer. It is also closely related to customer satisfaction and whether or not our customers recommend the bank.

In the corporate market, we measure customer satisfaction²⁾ among small, medium-sized and large corporate customers. For small and medium-sized corporate customers, the results are reported monthly. Many of our customers are satisfied with the availability of our customer

service and the long opening hours. In their contact with the bank, customers report that they find the customer service to be good, and that they are met by capable people with the right competence. The feedback is complex, and an increasing number of customers say in their feedback that they want more proactive follow-up by the bank. Disgruntled customers are quickly followed up by phone and their feedback is logged, structured and used for continuous improvement.

The satisfaction of our largest customers within the SME segment is measured in the same way as for our very largest corporate customers, through an annual survey. Customer satisfaction remained at a high level in 2020, both nationally and internationally. Customers were very pleased with the account officers and with their availability. We also saw that our large customers attached importance to having relevant and digital solutions, and some of them wanted a faster decision-making process and greater proactivity. The customer feedback is reviewed and followed up by the customer teams.

Shelf control

To ensure good compliance in our portfolio of products and services, DNB has a standard for the approval of products and services, known as the 'Shelf Control'. The Shelf Control is an important tool for making sure that we offer products and services that benefit the customer, society and DNB. This systematic review of products and services helps increase our competitiveness and

1) DNB's customer satisfaction survey for the personal customer market has been conducted by the analysis institute Ipsos. The survey is carried out continuously throughout the year, and results are extracted quarterly. Every quarter there are between 2 000 and 2 200 people who give feedback on customer satisfaction and the customer experience. In the course of a year, approximately 8 000–8 500 people will thus have answered the survey.

2) The customer satisfaction survey among our large corporate customers is conducted by the analysis institute Rambøll once a year. For the smaller corporate customers, the survey is conducted weekly, among a new selection of customers every week. In the fourth quarter, the results for both customer groups are combined and reported together, while the results for the smaller corporate customers are presented quarterly.

the level of customer satisfaction, in addition to strengthening our reputation and helping us to better safeguard our corporate responsibility. The Group standard and procedures for compliance are intended to support effective product development and approval, and contribute to greater innovation and change capacity.

The business area for personal customers regularly reviews products and services, to ensure compliance and good quality. In 2020, our portfolio of products and services was reviewed in accordance with defined Group routines.

In the business area for corporate customers, we reviewed and updated all our product descriptions in 2020. The review has helped to reinforce the good quality of our product portfolio.

In addition, we launched a number of new and innovative products and services in 2020, such as:

Green financing of solar panels

DNB offers green financing to customers who buy solar panels through Fjordkraft, as well as particularly good terms on green home mortgages (*Grønt Boliglån*) and green consumer loans (*Grønt Forbrukslån*). Moreover, customers who buy solar panels from other companies than Fjordkraft are offered the same terms on green home mortgages. 2020 was a rather difficult year for the sale of solar panels because of the COVID-19 pandemic and low electricity prices, but despite this, there has been a high level of interest and we expect to see a positive trend in 2021.

Saving in mutual funds

During the course of 2020, we made the pricing of mutual funds more transparent, launched several new funds with a sustainability profile and worked on the ongoing development and improvement of our digital savings channels. These are becoming increasingly important to customers, and the mobile channel is growing steadily. The savings app Spare reaches a younger audience who are taking great responsibility for their own savings and finances. In less than four years, the app has become one of our customers' preferred savings channels. In 2020, the app was opened to non-DNB users, a development that will help to further lower the threshold for long-term saving.

In-store cash services

The agreement between DNB and Posten Norge (the Norwegian postal service) on banking services through the branch network of Posten Norge expired in 2020. In order to ensure good cash services for our customers, DNB has entered into an agreement with BankAxept/Vipps on in-store cash services. The solution is available in more than 1 400 shops across the country. Banking without internet, which is our service offering for non-digital customers, has been important in the transition to the new service. Through Banking without internet, we offer BrevGiro (giro sent by ordinary post), AvtaleGiro (direct debit), TeleGiro (payments via telephone), a touch-tone phone service, bank statements by post and text message/SMS services. Our user surveys show that customers who use Banking without internet are very pleased with the services.

Upgrading of customer loyalty programmes

Through our customer loyalty programmes, we work to provide all our customers with unique experiences in addition to relevant and timely products and benefits. In 2020, we upgraded our customer loyalty programmes and launched several new benefits. In addition, we cut the price of brokerage on equities trading for loyalty-programme customers and made advisory services more accessible and digital.

Innovation relating to cards

At DNB, we are constantly working on technical solutions that will make it simpler for customers to make payments using a DNB card. One exciting pilot project is looking into biometric cards, where fingerprints replace pin codes regardless of the amount limit. We are also working to facilitate the use of DNB cards in an increasing number of digital wallets. Among other things, we have facilitated QR-code payment using the payment app Vipps in shops, and we are working to put in place a BankAxept solution for online shopping.

Digital banking integration

Put simply, banking integration means that the customer's accounting software and the internet bank communicate with each other. During the course of 2020, a number of cloud-based enterprise resource planning (ERP) providers have started to use our solution. By the end of the year,



90 per cent of new banking integration customers were using our digital solution. Our customers expect simple self-service solutions and help with digitalising their own processes, and this is exactly what digital banking integration delivers.

Accounting-approved payments

Stricter regulatory requirements call for the development of customised solutions that make it easy for customers to carry out daily banking tasks. In 2020, in close cooperation with ERP providers, the industry association for accountants, Regnskap Norge, and the banking and financial service industry's infrastructure company Bits, we developed a new service for approving payments for businesses. During the last four months of 2020, a total of 20 000 corporate customers were transferred to the new solution. The feedback, both from our customers and from our partners, has been very good. The trend of strengthening security in payment solutions while using new technology to simplify usability is important in the further development of good and secure payment solutions.

New digital credit solutions

In 2020, we launched electronic registration of personal property and real estate, reducing the average processing time from 14 days to 2 seconds. We have also increased the number of completed eSigning tasks in connection with credit applications from 1 737 to 9 765. Of the customers who have the opportunity to apply for credit in the internet bank, 35 per cent now start their applications themselves. This saves time and increases customer satisfaction. In addition, nearly 200 of our large corporate customers use

Credit Manager, a digital service that gives them a good overview of their credit commitments, and that enables the sharing of documents and reporting on covenants. We developed a solution for automatic renewals of credit in 2020, and are now working on completing the development of a solution for automatic letters of offer. This will free up valuable time for our customer advisers and for our customers. In sum, it will help to create better customer experiences and more efficient solutions for our customers' credit management.

Consumer finance

Throughout 2020, we worked to implement the plan to reduce the number of credit cards in our product range. We also made important system choices in the process of modernising the value chain for unsecured credit for the future. In the second half of the year, we mainly directed our advisory services to our own customers, who, among other things, needed to restructure their credits. In addition, we adapted our distribution network and customer centre with a view to giving sound financial advice in connection with this process. Our strategy of providing consumer finance in a responsible manner stands firm; we are still maintaining good compliance with our credit strategy. Throughout 2020 there was a marked decrease in the default rate.

Cases handled by the Norwegian Financial Services Complaints Board

The Norwegian Financial Services Complaints Board (FinKN) handles disputes concerning private individuals' contractual relationship with banks, finance companies, credit institutions or mutual fund management companies. The number

of cases dealt with by the Complaints Board is an indication of whether DNB is succeeding in delivering products and services that meet customer needs and expectations.

During the course of 2020, the secretariat of the Complaints Board registered a total of more than 5 000 new cases relating to banking and insurance, and 234 of these concerned DNB. Of our 234 cases, only 12 cases were subject to consideration by the Complaints Board. Five of these cases went in our favour and two in the customer's favour. Two cases were withdrawn, and three cases were dismissed by the Complaints Board. In light of DNB's large number of personal customers, the number of cases in the Complaints Board in previous years and the number of cases involving other financial services groups, the number of cases in the Complaints Board in 2020 was as expected. The outcome was also as expected – with few cases in which the decision went against the bank. This confirms that we deliver good quality products and services in line with customer expectations.

Compliance in marketing and communications

A review of all marketing and digital sales activities is carried out annually, the purpose of which is to identify any possible risks in connection with marketing activities relating to products and services. Conflicts of interest or risks that should be managed, or cases in which large stakeholder groups that attract a certain amount of public interest might react negatively, are also considered. In addition, legal clarifications are part of the marketing process. We received no comments from the authorities in 2020.

THE WAY FORWARD

In 2021, the introduction of the 'own pension account' scheme will help ensure that members of Norwegian society have better opportunities to take control over their pension savings. DNB is a leading player in the market for defined-contribution pensions. Up until the introduction of the new pension scheme, DNB has focused on giving customers a better overview of their own pension and better tools to ensure that they save effectively until retirement age.

In the future, users of the savings app Spare will have a more coherent experience across channels, once the content has to a greater extent been adapted to the individual user based on data, and once we open up for closer interaction between the mobile bank and the Spare app.

As a major player in Norwegian society, we have both the opportunity and a responsibility to promote financial literacy and value creation for our customers, the business community and society as a whole. In the time ahead, we will work to offer the best advisory services through both digital and staffed channels – so that we become the best bank for those who need financial tips, guidance or advice.

The website dnb.no is one of Norway's most visited websites. We are in the middle of a major restructuring of the site to ensure universal design and to continue to deliver good customer experiences. After the roll-out of the first new pages on dnb.no in 2020, we will continue with the development and launch of more and better content in 2021.

DNB is the bank of every third Norwegian company – from the smallest entrepreneurial businesses to large international corporations. In 2021, it will be more important than ever to be good advisers during the change journeys companies are undergoing, both in Norway and internationally. We will be industry experts for the largest and most important industries in the Norwegian business community. We will be good conversation partners in connection with the macroeconomic uncertainty and restructuring resulting from the coronavirus pandemic. We will help our customers to be better equipped for adapting to the green shift. At the same time, we will offer user-friendly and digital solutions that make day-to-day business operations easier for our corporate customers. We know this will be particularly important if we are to meet the expectations of the small and medium-sized companies. Our goal is to ensure that more companies succeed with us.

Feature article: Customer data provides insight

Since March 2020, we have analysed the direct and indirect effects of the coronavirus pandemic on households and various industries, thus gaining insight into how a prolonged crisis is affecting the Norwegian business community. Every week we compile anonymised and aggregated statistics based on our customers' total card usage in Norway and abroad. This data gives us valuable insight into shopping patterns and consumption, as well as how coronavirus-related measures, restrictions and individual behaviour are affecting Norwegian households.

Collectively, our customers use their cards around 660 million times a year, for a total amount of approximately NOK 250 billion. Each transaction contains important data that forms part of the bigger picture, and provides DNB with unique insights of great value in our efforts to create the best customer experiences. In today's digital society, card transactions are a way for customers to communicate with us as a bank, so it is important that we quickly translate the raw data into valuable insights. One of the ways we do this is by combining

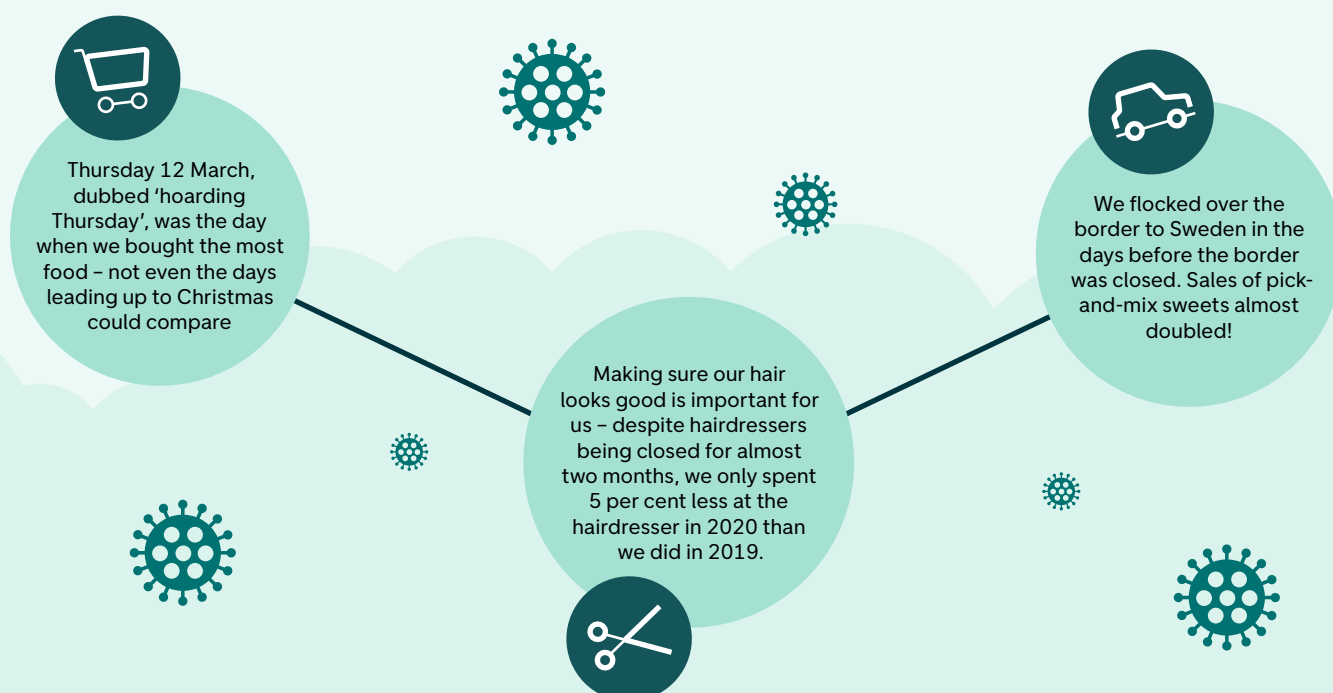
card and payment data with customer data, which enables us to analyse differences in shopping patterns based on, for example, age, gender and place of residence. This gives us a complete overview of how customer behaviour affects the Norwegian business community, and thus how we can adapt to the varied needs of our private and corporate customers. It gives us the opportunity to be there actively for our customers, as a well-informed partner and relevant adviser – both in times of crisis and in more normal periods.

DNB regularly shares valuable insight based on millions of daily card transactions, just days after the transactions have been completed. This type of high-frequency data is becoming increasingly important in an era of very rapid change. Accurate and frequent insight helps the authorities, business community and society in general to navigate through a difficult period and keep adapting to Norwegian households and their response to the pandemic. Since March, the Insight Team has published figures and analyses on a weekly basis. As a responsible player

in Norwegian society, DNB has made this data available completely free of charge, to be used as digital maps and compasses for navigating the crisis.

Our data and customer insight work is based on a legal, ethical and responsible approach. We treat customer data with the utmost care, to maintain the outside world's trust that we use the data in the best interests of society. For example, we publish trends and developments in a simple and transparent way on dnb.no/innsikt.

DNB's considerable and diverse customer base ensures that our transaction data is representative not only for our own customers, but also for the population as a whole. Transaction data enables us to estimate consumption trends, both in terms of value and within various industries. Our predictions of Statistics Norway's retail sales index are 99.3 per cent in line with the non-seasonally adjusted index, and 96.7 per cent in line with the seasonally adjusted index¹⁾. This means that we can take the pulse of the Norwegian business community with a high degree of precision.



1) Based on measurements carried out from September 2016 to November 2020.

Restructuring and skills enhancement

In DNB, we aim to create the best customer experiences, ensure compliance and deliver on our financial targets. Our strategy is intended to make DNB faster and more flexible. We aim to be best at managing change. If we are to succeed in this, we have to make sure we have the most valuable employees and an organisation rigged for tomorrow's opportunities, and we have to live up to our values every day.

The world is changing faster than ever. We must adapt to the changes in our surroundings, which are driven by technology, regulatory conditions and customer behaviour. This means that we need a different skills mix than before, and DNB sees great value in developing the skills of the bank's current employees to meet the opportunities and needs of tomorrow.

As our most important resource, it is vital that all employees have a constant desire to acquire new knowledge to remain relevant in an ever-changing working life. In DNB, we believe that everyone needs skills enhancement, and we therefore invest a great deal in training and development opportunities for our employees.

Among other things, we work systematically with teams that we see will gradually need fewer members. We motivate employees to build competence so that they can be relevant for other roles in the future, and we facilitate this.

We have strengthened our efforts to develop leadership and 'employeehip' in DNB based on two fundamental principles. 'Let go' is our only leader principle and 'Seize opportunities' is our employee principle.

While we focus on developing our own employees, we also see a need for attracting expertise from outside DNB. Our brand as an employer is built over time, and our goal is to position ourselves as an attractive employer for those who have the core competence DNB needs in the future. In 2020, we focused particularly on attracting technological expertise, and we will continue to do so in the time ahead.

WHAT WAS DONE IN 2020?

2020 was a challenging and different year for all of us. At the same time, we see that the coronavirus pandemic has spurred and accelerated a change in the way we interact and collaborate. There has been an increased need for expertise in areas such as digital remote collaboration tools, self-management and leadership from a distance. This had an impact on a number of the activities in 2020.

Competence development

To achieve our strategic goals, we have to work purposefully to ensure that we have the right expertise in the right place at the right time. We will ensure that everything each individual DNB employee learns is forward-looking, useful and relevant in light of our strategic goals. This requires a clear strategic and needs-driven approach to competence, based on the right insight, and with the right measures implemented at the right time.

Learning and development must be available to employees where they are. Learning methods have changed rapidly during the course of 2020, in pace with the new working life that has emerged. We have adopted tools such as Teams and other digital solutions so as to provide employees with learning that is relevant in their everyday lives. In 2020, we also continued our initiative to develop our own training programmes. Those who have completed these programmes have to a large extent started in relevant roles afterwards. One of the programmes that we are currently recruiting for is this year's reskill programme in software engineering. The training programme lasts for 17 weeks, and gives 13 employees the chance to embark on a developmental journey with the goal of changing the course of their careers. Developing these training programmes involves a great deal of work, but in return we gain valuable and critical expertise in the form of colleagues who already know the Group.

We have also increased our focus on personal competencies that will be key in the time ahead, regardless of the role of the individual concerned (often called 21st century skills). Examples of these are self-management, complex problem solving and creativity.



In an effort to encourage collaboration across the Group, we established a competence forum in 2020, which is an in-house arena for the exchange of experience for those working with competence development in different business areas. The feedback on this has been positive. Through the forum, we in DNB are able to share both successes and areas for improvement.

All employees in DNB have access to our digital learning platform, Motimate, and over 90 per cent are active users of the platform. Here they can find more than 800 internally produced courses that focus on competence needed in their everyday working life. The courses are divided into compulsory courses for all, courses for specific areas and more in-depth courses for those seeking to develop their competence beyond the mandatory level. We have a high implementation rate for all our compulsory courses. Our employees also have access to over 16 000 learning resources via LinkedIn Learning. Over the past year, employees have spent over 5 100 hours on training on this platform. We want this figure to increase in the year ahead. To achieve this, we will seek to ensure that the learning resources are perceived as even more attractive and relevant, and that they can make a difference for the individual employee. We will also continue to adjust individual employees' learning opportunities through facilitated learning programmes in LinkedIn, and we will develop more and better communication about the opportunities available there.

In connection with the pandemic and an increased need for employees with customer advisory and

credit expertise, we established a coordination group in the spring of 2020 with participants from all business areas and support units to support mobility and the allocation of employees to roles and areas in the Group where the needs are greatest. This helped DNB meet its needs for critical competence and resources during this period.

Flexible workforce

In DNB, we aim to ensure a high degree of mobility among employees, and we seek to provide the help and support that employees need in developing their further career in the Group. To this end, we established a flexible workforce in 2020, called Flexforce, which gives departments that have staffing needs access to competent personnel from within DNB, and provides opportunities for employees who are involved in a process of change. Flexforce is intended for employees who, voluntarily or involuntarily, are moving from one department or role to another, and it gives them the opportunity to work in a flexible task force for a period of time. With different training programmes adapted to the competence needs, we ensure an increased level of mobility in line with the Group's need for changes in staffing and competence, while offering employees new challenges and new opportunities.

DNB employees are offered guidance and coaching in connection with the choices they need to make, and we facilitate periods of secondment and training both within and outside DNB so that they can acquire new skills. In addition, our in-house competence centre facilitates skills



Our digital learning platform Motimate contains more than 800 internally produced courses that focus on competence needed in everyday working life.



We offer individual coaching to all managers and employees

enhancement in the areas of the bank where we see there is a need for this, and highlights opportunities for new career paths.

In the autumn of 2020, DNB implemented a major organisational change that meant that many employees were involved in a restructuring process and needed to find new jobs and roles. Many of these employees still need to acquire new competence in the time ahead. Flexforce is a key tool in this context, helping many employees to find new roles and giving them the opportunity to develop their skills to meet future needs. In restructuring processes in DNB, the management cooperates closely with the trade unions. Cooperation with the trade unions in DNB is an important part of the Group's efforts to implement changes to meet new competence needs.

Leadership, 'employeeship' and talent

Our ability to change rapidly has proved to be great. Most of our leader and employee development in DNB is now offered via digital channels. Since March 2020, working from home has been the hallmark of everyday working life, and there has been a need for new forms of interaction between managers and employees. We have therefore focused particular attention on this interaction. We know that an increased need for interaction – in the current situation using digital tools – requires good leadership. Our leader and employee principles 'Let go' and 'Seize opportunities' have been implemented throughout the organisation. The goal of the leader principle 'Let go' is to reduce unnecessary control and thereby increase efficiency, interaction, creativity and implementation. At the same time, the aim of 'Seize opportunities' is to ensure that everyone is able to realise their full potential through a combination of commitment and competence. When managers let go, we need employees who seize opportunities, and the quality of the interaction between manager and employee has an impact on goal achievement.

In 2020, we initiated measures relating to both crisis management and to virtual and hybrid leadership, and all traditional development modules are now being digitally implemented. Through our employee development process, all employees have regular conversations with their

immediate superior about their well-being at work, work-life balance, tasks and goal achievement. These conversations are intended to give employees a sense of their job being meaningful, as well as a feeling of mastery, and to strengthen their feeling of belonging.

We offer individual coaching to all managers and employees. From 2019 onwards, there has been a strong increase in the demand for coaching, and to reach more people we therefore started up two podcasts that address life in DNB: 'Hos DNB-coachen' (a session with the DNB coach) and 'Lederliv i DNB' (life as a manager in DNB). The podcasts are available in Norwegian only. Here, we can reach all our Norwegian-speaking employees with important and relevant messages about skills enhancement, the inner life of the organisation, and self-help. We know that it is important to provide easily accessible information that promotes both learning and a sense of belonging when the working day for many of us has changed from office-based work to home-based work, or a combination of the two.

Continuous development of change agents is important for DNB. Through the Pioneer talent programme, we are developing robust leaders and specialist managers for the future. The programme was also very popular in 2020, attracting 330 applicants, of whom 40 have been selected for this year's programme. Everyone in the organisation can apply, and the goal is to identify and encourage talented individuals who are highly motivated and will be important drivers of change in the time ahead.

Employer branding

In 2020, we changed our strategy to become even more specialised, and the focus on increasing our attractiveness as an employer is now helping us to retain capable employees and attract more senior professionals with ten years of experience or more, especially in the areas of technology and finance. This will be a priority area for DNB for many years to come. We will raise awareness and increase knowledge about the opportunities available to employees in the Group. Over a number of years, DNB has built a very strong brand among students, and we will continue to do so. At the same time,

we will increase our focus on marketing ourselves as an employer to professionals who have five to ten years of experience or more, particularly in the field of technology.

DNB is an attractive employer. In a survey conducted by Universum among students in 2020, we were ranked number 1 by business students, number 5 by IT students and number 10 by law students. In a corresponding survey among professionals, we were also given high rankings, and were ranked number 2 by business professionals, number 4 by IT professionals and number 5 by legal professionals. It is important for us to be an attractive workplace in the areas of both business and IT, and we will continue our efforts to remain just that and to show the outside world what we have to offer, in order to attract the expertise we need.

THE WAY FORWARD

2020 was a challenging year, but at the same time it showed us that the organisation has the ability to adapt quickly to new framework conditions. We will build on this in 2021 by facilitating hybrid work – combining working efficiently from home with working at the office. We will increase our expertise relating to our remote collaboration tools, leadership from a distance and self-management, and not least interaction between manager and employee in a hybrid working life.

In 2021, DNB will continue its efforts in the areas of competence, culture and leadership, which are firmly rooted in the strategy. The changes that need to be made in the Group's skills mix are so far-reaching that it would not be possible or desirable to make these changes through recruitment alone. For this reason, we will continue to invest in systematic skills enhancement among existing employees and facilitate increased mobility between divisions and business areas. We will continue to develop expertise in critical areas such as software engineering, data analysis, security and compliance, and we will, among other things, launch and implement the reskill programme in the field of software engineering.

We will make it even easier for employees to keep up to date by further developing our learning



Attractive employer among students (spring 2020):

- No. 1 among business students
- No. 5 among IT students
- No. 10 among law students



Attractive employer among professionals (spring 2020):

- No. 2 among business professionals
- No. 4 among IT professionals
- No. 5 among legal professionals

platforms and our overall training programme.

We will work to ensure that the skills enhancement provided by our various programmes has the desired effect and contributes to the development of the organisation. Furthermore, our focus will be on further developing learning technology and processes so as to work more strategically on competence development. We are on a never-ending journey in which we will continue to develop a strong learning culture in the organisation, focus on the customers' needs and encourage all employees to be curious, bold and responsible.

Climate risk and energy restructuring

Climate-related financial reporting

DNB has endorsed the Task Force on Climate-related Financial Disclosures (TCFD). The aim of our TCFD reporting is twofold: to be transparent about our efforts to combat climate change and our role in the transition to a low-emission society, and to signal that we want to see greater disclosure from our customers.

In this chapter, we outline DNB's progress in adopting the recommendations set out in the TCFD framework and the adjustments we plan to make in 2021 and the time ahead. In addition, we have put considerable efforts into ensuring that our CDP reporting¹⁾, for which we in 2020 achieved the top rating A for the fourth year running, is in line with the TCFD framework.

CORPORATE GOVERNANCE

DNB's governance principles for corporate responsibility, which form the basis of our obligations, processes and measurements relating to corporate responsibility (including our efforts relating to climate risk) are at the top of DNB's corporate governance hierarchy, and the Board of Directors thus has the primary responsibility. The work of following up metrics and targets for the integration of corporate responsibility is regularly presented to the Board of Directors and Group Management for endorsement. In 2020, the Group Management team established a separate Group project with the aim of managing climate risk across DNB's operations. A key part of this work involved enhanced quantification and scenario analysis, to enable the Group Management team to better assess climate risk at a strategic level. During 2021, the insight from the Group project will be integrated into DNB's risk management and processes.

STRATEGY: HOW WE ANALYSE CLIMATE RISK AND INTEGRATE IT INTO OUR FINANCIAL PLANNING

Since 2017, DNB has participated in two TCFD pilot projects led by UNEP FI, and this has enhanced our

understanding of – and management of – climate-related risks and opportunities in our business operations. However, more insight into climate risk is needed if we are to achieve quantifiable results. In 2020, we have therefore continued our work on stress tests and scenario analyses, with a broader scope in terms of both industries and scenarios. Climate risk is thus becoming increasingly integrated into our financial planning. In 2021, our credit and asset management teams will jointly participate in UNEP FI's third TCFD pilot project. This supports our goal of taking a comprehensive and consistent approach to climate risk.

Credit: scenario analysis of credit portfolio

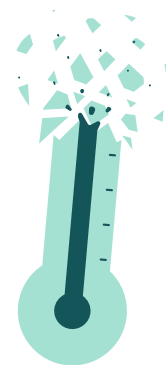
In the field of credit, DNB's work in 2020 consisted mainly of participation in UNEP FI's second TCFD pilot project. During this phase, we gave priority to more in-depth analyses of climate risk in the oil and gas sector. That is to say, we analysed the financial risk associated with the transition to a low-emission society. To do this, we used the climate scenario approach developed in the first phase of UNEP FI's TCFD pilot project, and quantified climate risks for climate scenarios with temperature increases of 1.5, 2 and 4 degrees Celsius,²⁾ respectively. The purpose was to analyse DNB's customer portfolio in light of the different climate scenarios, to see how the risk in the portfolio changed under different scenarios. The more detailed insight we have into customers' carbon risk exposure, the more precise our climate risk analysis will be. DNB buys carbon data from Rystad Energy and uses several different climate scenarios from Integrated Assessment³⁾ Models. The scenarios describe a range of severe climate-related changes, against which we stress-test the resilience of our portfolios in the short term, medium term (2030) and long term (2040). In 2020, the climate scenario analysis showed a moderate to low risk until 2030. We will continue our work with the findings in 2021 and integrate them into DNB's financial planning and strategy of prioritising customers who work proactively



Climate risk is becoming increasingly integrated into our financial planning.

- 1) CDP (formerly the Carbon Disclosure Project), an organisation that runs the global disclosure system that helps investors and companies gain an overview of their environmental impacts.
- 2) These are approximately the same as the climate scenarios developed by the Network for Greening the Financial System (NGFS) in 2020.
- 3) REMIND from the Potsdam Institute for Climate Impact Research (PIK) and MESSAGE from the International Institute for Applied Systems Analysis (IIASA).

We have set ambitious targets to minimise both the direct and indirect environmental and climate impact of our operations.



with energy restructuring, in accordance with the Paris Agreement.

Using the model developed in UNEP FI's TCFD pilot project as our basis, in 2020 we expanded our analysis of climate-related risks and opportunities in several key sectors of our credit portfolio. We conducted both initial qualitative and quantitative climate risk analyses for the sectors shipping, renewable energy, commercial real estate and building and construction in 2020. These early-stage findings are a valuable first step towards uncovering significant drivers of climate risk in our risk management. In 2021, we will continue to work on climate risk analysis for key sectors, and better integrate the findings into our business operations, goals and strategic direction.

The development of DNB's green products, such as green bonds and green loans, picked up speed in 2020, helping to encourage climate-resilient business operations. Read more about green products from page 62.

Asset management: scenario analysis of the management portfolio

In the area of asset management, DNB Asset Management has continued its work on mapping and measuring climate-related risks and opportunities at Group and portfolio level. In line with the TCFD, we use scenario analyses to identify possible outcomes of climate-related risk and opportunity factors. In addition to calculating the carbon footprint of even more fixed-income funds in 2020, we carried out a thorough analysis of our mutual fund DNB Miljøinvest, to look into which emissions could potentially have been avoided by the companies included in the fund.

As follow-up of our participation in UNEP FI's TCFD pilot project for investors, which started in 2018, we will in 2021 participate in the next phase, as part of DNB's targeted work on climate risk. DNB Asset Management has already participated in the development of a method for measuring the financial impact of companies and portfolios in various climate scenario analyses, along with 19 international investors and the consulting

company Carbon Delta. The funds have been evaluated in relation to climate scenarios with temperature increases of 1.5, 2 and 3 degrees Celsius,⁴⁾ respectively. The insights from the climate scenario analyses are being used both in the development of guidelines and in the active exercise of ownership rights through dialogue and voting. In 2020, DNB Asset Management held specific climate risk meetings with Norwegian companies in sectors with high climate risk exposure, such as energy, transport, real estate, seafood and building and construction. The company dialogues have enhanced our common understanding of climate risk. In 2021, we will build on this work and further develop frameworks for sector-specific climate risks and opportunities and best-practice reporting on climate, and also assess available methods together with other international asset managers, asset owners, climate experts, banks and insurance operators. For more information about TCFD reporting for DNB Asset Management, see the DNB Asset Management Annual Report.

RISK MANAGEMENT

DNB's most material climate-related risks and opportunities are associated with lending to corporate customers and personal customers. Environmental, social and governance (ESG) factors therefore constitute a critical and integral part of the risk assessment in credit proposals. To further improve the integration of climate risk into the credit process, DNB's management approved several climate-related measures in 2020:

- 1 The ESG risk assessment was expanded and now includes more industry-specific, climate-related customer due diligence. This means, among other things, that climate risk is part of all customer dialogues. This makes us more resilient to ESG-driven financial impact.
- 2 Specific climate risk assessment requirements were approved and integrated into DNB's credit risk framework. This means that corporate customers must put climate risk on the agenda. We are working with customers to improve resilience to climate risk exposure and successfully manage the transition to a low-carbon society.

4) REMIND from the Potsdam Institute for Climate Impact Research (PIK) and the AIM/CGE integrated assessment model.



DNB's environmental management system is ISO 14001 certified, and DNB's ESG risk management is part of the annual ISO 14001 audit performed by DNV GL and DNB's own internal audit function, Group Audit. Read more about DNB's climate risk management in the Pillar 3 report on ir.dnb.no.

METRICS AND TARGETS

DNB recognises and supports the objectives of the Paris Agreement. We are committed to contributing to a reduction in greenhouse gas emissions by reducing our own carbon footprint, as well as reducing our indirect climate footprint through loans, investments and facilitation through capital markets activities. We are also committed to developing products and services that help cut emissions and support the necessary transition to a resilient, low-carbon society. We have therefore set ambitious targets to minimise both the direct and indirect environmental and climate impact of our operations.

We use measurement parameters, or metrics, to monitor and manage the climate risk we are exposed to through our operations, with a view to reducing climate risk. Among other things, in 2019 we set a target to contribute NOK 450 billion to the financing of renewable energy and infrastructure and NOK 130 billion to the financing of green property up until 2025. This is measured annually, and in 2020, DNB contributed with NOK 72.5 and 7.0 billion, respectively.

We report on our Scope 1, Scope 2 and several categories of Scope 3 emissions in our annual carbon accounting report. In 2020, we introduced a new metric for reporting on emissions associated with DNB's data storage. We follow the GHG Protocol Corporate Standard and Scope 2 Guidance when measuring and reporting both market-based and location-based Scope 1 and Scope 2 greenhouse gas emissions. A full overview of our key figures on sustainability and developments over time can be found in the sustainability library (link page 2).

For the latest reporting and more information on the environmental impact of DNB's operations, see our annual carbon accounting report in the sustainability library.

Climate impact disclosure

Energy consumption (MWh)	2020	2019	2018
Own means of production			
Transportation	1 242.1	1 764.2	2 008.8
Total energy consumed	1 242.1	1 764.2	2 008.8
Energy purchased			
Electricity	32 476.1	32 831.2	37 326.5
District heating	19 063.3	15 949.6	17 541.1
Total energy purchased	51 562.7	48 780.8	54 867.7

Emissions (tCO ₂ e)	2020	2019	2018
Scope 1⁵⁾ & 2⁶⁾			
Direct (GHG Scope 1)	281.6	403.3	451.0
Indirect (GHG Scope 2)	3 158.3	3 390.2	4 186.3
Scope 3⁷⁾			
Business travel	508.6	786.1	626.8
Air travel	1 507.9	5 809.8	6 443.5
Waste management	202.2	240.4	252.5
Data storage (new measurement parameter 2020)	31.5	n/a	n/a
Other	144.9	75.7	648.8
Total emissions (GHG Scope 1, 2, 3)	5 361.1	10 705.8	12 608.7

	2020	2019	2018
RECs (renewable certificates) or GOs (guarantees of origin) purchased, coverage ratio	100%	100%	100%
CDM and Gold Standard quotas purchased, coverage ratio	100%	100%	100%

- 5) Scope 1: Mandatory reporting on all sources of direct emissions where the organisation has operational control.
- 6) Scope 2: Mandatory reporting on all indirect emissions related to purchased energy, electricity and district heating/cooling where the organisation has operational control.
- 7) Scope 3: Optional reporting of indirect emissions from the value chain.

Feature article: DNB and energy restructuring

The energy sector plays a crucial part in the transition to a low-emission economy. If we are to succeed in reducing greenhouse gas emissions and limiting global warming, the world's energy systems must undergo a transition to renewable energy sources. At the same time, the energy sector must ensure access to affordable energy for all and support economic development and higher standards of living all over the world.

The ambitions to reduce greenhouse gas emissions and ensure universal access to energy constitute a fundamental dilemma for the energy sector, and for DNB as a leading provider of financing services to the oil and gas industry. We expect to see continued strong growth in renewable energy, but the world is going to need oil and gas in the energy mix for years to come – even in low-emission scenarios where we achieve the targets set out in the Paris Agreement¹⁾. It is therefore important that oil and gas are extracted in accordance with the highest possible ESG standards and with the lowest possible carbon footprint.

This climate/energy dilemma is reflected in DNB's strategic approach to oil and gas. Our loan portfolio mirrors the Norwegian economy, where the largest and most important industry is still the oil and gas industry. Having said this, the energy transition brings significant business opportunities and new markets for Norwegian companies. In Norway, the energy restructuring process will be largely driven by the oil and gas industry's expertise, innovation power and willingness to invest. Companies in this industry that fail to take energy restructuring seriously, however, will face significant climate-related transition risk. DNB must strike the right balance between financing energy restructuring and continuing to be a provider of financing services to the oil and gas industry in the North Sea market.

Taking ESG factors and energy restructuring into account is an integral part of our oil and gas strategy. We are aware of our customers' climate-related transition risk, and when we issue loans to customers in the oil and gas industry we set requirements relating to both ESG and energy restructuring. We give priority to customers who work strategically and proactively with energy restructuring and align their business with the Paris Agreement, and who are willing to set emission targets for their own operations. These customers may be companies that are diversifying into, for example, renewable energy, or other industries that are contributing to the green shift, but they may also be companies focusing purely on oil and gas that are reducing greenhouse gas emissions from their own production and operations. By giving priority to these customers, we also reduce the climate risk in our own loan portfolio.

In DNB, we have already significantly rebalanced our loan portfolio over the last few years. Our total expected exposure at default (EAD) related to oil and gas, including offshore and oilfield services, has been reduced from 7.2 per cent in 2016 to 3.9 per cent at the end of 2020. Much of this reduction was achieved in North America, among other things related to Canadian companies with significant exposure in oil sands.

To get an overview of our own climate risk, DNB has also participated in UNEP FI's TCFD pilot projects since 2017. As part of this work, we have performed a climate stress test of our oil and gas upstream portfolio. The stress test allows us to analyse the financial risk associated with the transformation to a low-emission society, through the use of climate scenarios. In the scenario analysis, we use CO₂ data from Rystad Energy in addition to our own sector expertise. In 2020, the climate scenario analysis showed a moderate to low risk until 2030 in the scenarios that are in line with the Paris Agreement. We will continue our work with the findings in 2021 and integrate them into DNB's financial planning and strategy of giving priority to customers who work proactively with energy restructuring in accordance with the Paris Agreement. In 2021, we will also work on reporting on carbon intensity and climate targets in our oil and gas portfolio. For more information on scenario analyses, see Climate-related financial reporting on page 46.

However, the most important work we do to manage our own climate risk in the area of oil and gas is our dialogue and cooperation with customers. Many of them have placed energy restructuring high on the agenda and already taken steps to reduce their climate risk. This is reflected in their investment strategies as well as emissions cuts in their own operations. We are involved in ongoing discussions about project financing and business plans relating to hydrogen, carbon capture and storage and floating offshore wind. We want to be a part of this journey and support customers who contribute to the energy system of the future.



DNB must strike the right balance between financing energy restructuring and continuing to be a provider of financing services to the oil and gas industry in the North Sea market.

1) Source: IEA World Energy Outlook 2020. Sustainable Development Scenario

Sustainability and corporate responsibility ambitions

Our work with the UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) were adopted in 2015, as a global plan of action to end poverty, fight inequality and combat climate change and its impacts by 2030. The 2030 Agenda consists of 17 goals, each divided into a number of targets addressing the main areas that must be effectively dealt with in order to achieve the overall goals. For DNB, the SDGs have been a source of inspiration for our own sustainability work, and a valuable framework to have in our dialogue with corporate customers about how they choose to integrate sustainability into their strategies.

DNB supports all 17 SDGs, while also identifying specific goals of particular relevance to our operations. The two SDGs where we really feel that we can contribute positively, are:

- **SDG 5:** Achieve gender equality and empower all women and girls.
- **SDG 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Other goals we focus on are 7, 9, 10, 12, 13, 14 and 16. We seek to contribute positively to, and reduce the negative impact on, these goals through our role as employer, investor, lender, facilitator and provider of financial infrastructure.

You can read more about our work with the SDGs in our Sustainability Factbook and on our website.

UN Sustainable Development Goals (SDGs)

DNB's top priority SDGs



Other prioritised SDGs



The remaining SDGs



Principles for Responsible Banking

In September 2019, the United Nations Environment Programme Finance Initiative (UNEP FI) launched the Principles for Responsible Banking (hereafter the PRB or 'the Principles'). The PRB initiative was launched to ensure that the banking sector works to meet the UN Sustainable Development Goals (the SDGs) and the Paris Climate Agreement commitments. A total of 214 banks have so far signed the principles. DNB was one of the founding signatories and has committed to adhering to the six principles for responsible banking set out in the PRB initiative:

- **Alignment:** Signatory banks will have business strategies that are consistent with and contribute to individuals' needs and society's goals, as expressed in the SDGs, the Paris Agreement and relevant national and regional frameworks.
- **Impact and target setting:** Signatory banks will increase their positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from their activities, products and services. To this end, they must set and publish targets where they can have the most significant impacts.
- **Clients and customers:** Signatory banks will work responsibly with their clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.
- **Stakeholders:** Signatory banks must proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals relating to the SDGs and the Paris Agreement.
- **Governance and culture:** Signatory banks will implement their commitment to the Principles through effective governance and a culture of responsible banking.

- **Transparency and accountability:** Signatory banks will periodically review their individual and collective implementation of the Principles and be transparent about and accountable for their positive and negative impacts and their contribution to society's goals.

DNB participates in several of the working groups set up by the steering committee for the PRB initiative, and is actively working to meet the commitments set out in the six principles. In DNB, we have set our own ambitions for reducing our negative impact and increasing our positive impact, based on a materiality analysis. We encourage our corporate customers to operate sustainably by setting requirements and expectations, offering more favourable terms and engaging in active dialogue. DNB engages in an ongoing stakeholder dialogue, and works to ensure sustainable operations through responsible governance and culture-building.

We are in the process of reviewing our implementation of the Principles, and will in 2021 maintain a particular focus on aligning our business strategy further, in keeping with the SDGs and the Paris Agreement. As part of this work, we will also continue our efforts to analyse our impact, but we have so far found that transferring the methodology recommended by the PRB to DNB's operations has proved challenging. We have tested the PRB tool for impact analysis, and by 2021 we will decide whether to use this tool or another method to estimate our impact. We are positive about cooperating across national borders and having the opportunity to learn from others, but we also find significant differences in the starting points of the various signatories. Regardless of methodology, DNB will continue its efforts to promote sustainable development of the financial sector and encourage cooperation to meet the SDGs and the Paris Agreement commitments.

Stakeholder dialogue and materiality analysis

Sustainability is essentially about long-term value creation, but as a concept it can be perceived as general and a little vague, especially in the absence of common definitions. It is also difficult to compare companies' actual results, and to assess to what extent a company is actually working effectively in the area of sustainability. In order to be as concrete as possible about what DNB means by sustainability, we have used methodology from the reporting frameworks of the IIRC (International Integrated Reporting Council), the GRI (Global Reporting Initiative) and the SASB (Sustainability Accounting Standards Board) as our basis when defining and delimiting our work in this area. All three frameworks are based on the principle that a company conducts a materiality analysis. The purpose of this analysis is to identify which sustainability topics are important for enabling the company to create long-term value, and which topics the company's stakeholders are interested in. The topics included in the analysis can be classified as relating to either environmental, social or governance factors (also known as ESG factors).

DNB's ambitions for sustainability and for the integration of the UN Sustainable Development Goals into our operations originate from the bank's materiality analysis. A comprehensive materiality analysis was last conducted in 2018, but we reviewed DNB's most significant sustainability topics in the autumn of 2020 in light of developments in the markets and in the wider society.

An ongoing stakeholder dialogue is important for the preparation of the materiality analysis, and for the efforts to integrate stakeholder input into decision-making processes. The review process in 2020 took into account insights from the Group's main stakeholders, obtained through ongoing stakeholder dialogue (see separate overview Stakeholder Dialogue 2020 in the sustainability library). Developments in best practice, the updating of the Group strategy and conversations with various key teams within DNB were also taken into consideration.

The review showed that, for the most part, the materiality analysis from 2018 is relevant and adequate until a new and comprehensive update is carried out, which is planned for the spring of 2021. It was therefore decided that the existing analysis can be used until this spring's update. However, the process revealed several possible areas for improvement, and this will be useful input for a new materiality analysis in 2021. Among other things, we realise that we need to reformulate some of the important topics and make them more concrete, to improve understanding among our stakeholders. Furthermore, we see that climate and climate risk are highlighted by a growing number of stakeholders. In the existing materiality analysis, this topic is covered indirectly by the topics 'Responsible lending and investments' and 'View risks and opportunities in a long-term perspective'.

This spring's update will take as its basis both financial materiality and the Group's impact on the climate, the environment and the society around us. This is in line with developments in good reporting practices relating to double materiality, which means that companies consider both the sustainability topics that affect their long-term ability to create value, and the sustainability topics they influence through their operations.

The list on the next page provides an overview of the sustainability topics identified as most significant for DNB, and shows where they are described in the annual report. The Sustainability Factbook contains a brief description of all the topics. The data has been verified by a statutory auditor (see the back of the report).

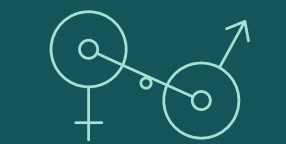
The materiality analysis also forms the basis for the four overarching topics and associated Group ambitions that set the direction for DNB's work in the area of sustainability. The Group's ambitions were adopted by the Board of Directors in 2019. The sustainability topics and Group ambitions are described on the following pages.

Sustainability topics identified as most significant for DNB

	View risks and opportunities in a long-term perspective 28
	Innovative business model and product development 31
	Creating the best customer experiences 36
	→ User-friendly products and services
	→ Openness about pricing of products and services
	Restructuring and skills enhancement 42
	Equality and diversity 56
	Responsible lending and investment 64
	→ Responsible lending to corporate customers
	→ Responsible investment
	→ Sustainable bonds
	Helping startups succeed 80
	Preventing financial crime and corruption 86
	Information security and stable IT systems 90
	Privacy protection 92
	Financial literacy 96
	Open and ethical business management 117
	Responsible purchasing 118
	Working conditions 120



Sustainability and corporate responsibility ambitions



DNB is a driving force for equality and diversity

Variations in terms of gender, age, competence, cultural background, experience, functional ability, sexual orientation, and religious beliefs give us multiple perspectives and make us better equipped to face challenges, increase our innovative power, and create the best customer experiences. Equality and diversity pay off, and are in keeping with our ethical foundation. A diverse workforce makes DNB a better bank.

- ✓ A good gender balance in management positions at all levels (40/60 either way).
- ✓ All teams must be diverse and inclusive by 2022.
- ✓ DNB will help promote equality among our customers through products, services, and dialogue.
- ✓ DNB's largest suppliers within IT services, consulting, and legal services must work systematically on equality and diversity within their own organisations.

"If you want to focus on diversity in the company, you have to hire people with different backgrounds. It's as simple as that."



Smita Katragadda,
Client Partner for the
DNB account in Infosys

Read more on page 59

1

Equileap has ranked DNB the best company in the world in terms of equality

1

The Financial Times has named DNB Europe's best company in terms of diversity within the banking and financial services sector and fourth best overall

20

Minimum number of weeks of gender-neutral, paid parental leave for all DNB employees, regardless of where in the world they work

50/50

Equal distribution of women and men in the Group Management team – and 39.5 per cent women at the top four management levels

48%

The percentage of women among new mutual funds customers – maintained at the same level as last year

Equality and diversity

In order to achieve our goals of long-term value creation, high customer satisfaction and being an attractive employer, we need to reflect the society we are part of. In DNB, our work to promote diversity and equality goes beyond our own employees and is also a matter of helping to increase equality among our customers through the products and services we offer, and among our suppliers by using our power of influence to promote equality in the companies we do business with.

By equality and diversity, we mean having equal rights and opportunities to contribute in the organisation. This means creating a safe and inclusive working environment where everyone is valued for their different qualities and recognised for their talent, and where everyone can be themselves. We monitor equality and diversity in all parts of the organisation and we have zero tolerance for discrimination.

WHAT WAS DONE IN 2020?

DNB's overall ambition is to be a driving force for equality and diversity, regardless of sexual orientation, ethnicity, age or background. Both

within DNB and outside, in our interaction with customers and suppliers. Within DNB, we have established a gender balance target (40/60) for management positions at all levels, regardless of gender, to make it clear that the gender balance target goes both ways. At the end of 2020 we had achieved this target at the top three levels, as well as at the lowest management level. As for middle management levels, we still have some work to do, although we are seeing a positive development at level four (see graph). There is also some variation between the different areas of the Group. Some of them have work to do in order to increase the proportion of female managers, whereas others have the opposite problem. We will work purposefully with this issue in the time ahead.

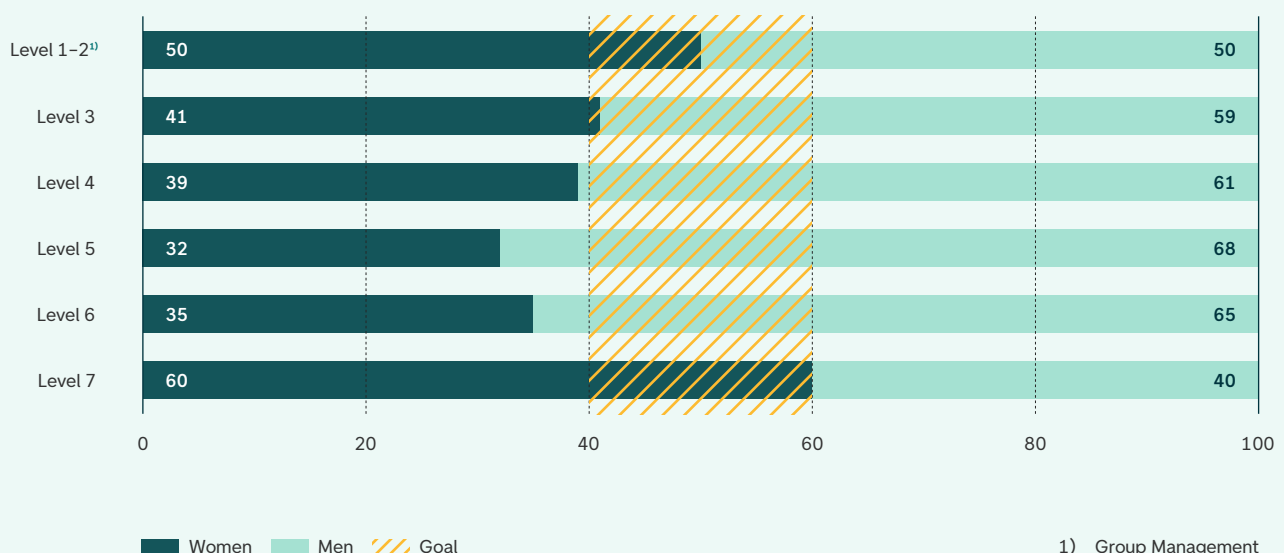
Another ambition we have in DNB is that all teams should be diverse and inclusive.

We work along three axes to achieve our targets and ambitions:

- ensure that targets, rules and policies safeguard equal rights and opportunities;
- ensure that we have the tools and processes to recruit, develop and maintain diversity;

Gender balance at management levels

Per cent



- further develop a culture and management philosophy for diversity in the Group.

In DNB, we have set a number of targets to ensure gender balance in management and sufficient access to female leadership talent, for example a minimum of 50 per cent female representation in internal management development and talent programmes, and a minimum of 40 per cent women candidates on succession planning lists. In recruitment processes for management positions, the best qualified male and female candidates, respectively, must be identified before a final choice is made. A balanced gender ratio should be one of the job assignment criteria in restructuring processes. When changing the composition of management teams, particular emphasis should be placed on achieving a better gender balance.

There is a high degree of diversity in our international operations, and concrete measures have been initiated to increase diversity in the Group's Norwegian operations. Many job advertisements are published in English to reach a wider target group, and all advertisements include a statement on DNB's focus on diversity. We use objective tests and selection criteria in the recruitment process, and work actively to attract employees from a wide range of educational institutions and disciplines. Furthermore, diversity is taken into account in connection with recruitment/selection for development programmes within DNB. As part of our quarterly employee survey, we use a separate inclusion index, which is a good indicator of and tool for inclusion in the organisation. The inclusion index for 2020 had consistently positive results, showing that most people find the working environment to be inclusive. A large proportion of employees feel that DNB is a driving force for gender equality and diversity in society.

We have a gender-neutral parental leave scheme for our employees, regardless of where in the world they are working, with a minimum of 20 weeks of paid parental leave. One of the objectives is to promote gender equality by giving fathers and mothers an equal opportunity to take paid leave. In 2020, a total of 620 employees took parental leave, 44 per cent of whom were men. In the Group's Norwegian operations, 22 and 13 weeks of parental leave were taken on average by women and men, respectively.

In DNB, a zero-tolerance approach is taken to discrimination on the basis of, for example, gender, ethnicity, sexual orientation, gender identity, religion and functional impairment, and DNB must ensure good working conditions in all countries where the Group has operations.

The Equality and Anti-Discrimination Act and the Working Environment Act require employers to work actively, purposefully and systematically to promote equality and prevent discrimination. The requirements to work actively and give an account of our efforts in this area were made more comprehensive in 2020, and in connection with this, we entered into a collaboration with the Equality and Anti-Discrimination Ombud on how we can work to fulfil these requirements, for example by securing source data for the areas for which we are obliged to give an account.

Diversity is part of our culture and our corporate responsibility. Our goal and desire to ensure diversity in the organisation is included in our governing documents, for example the Code of Conduct.

There is an increasing need for employees with a technology background. It is difficult to achieve a good gender balance in this area, as women are underrepresented among our new employees with technology backgrounds. We have therefore worked to increase the visibility of good female role models and to place various technology topics on the agenda in arenas both within and outside DNB that have women in their target group. We are working actively to increase interest in IT among women in general, and to attract women to IT positions, for example through our partnership with ODA, the Nordic region's leading meeting place for women in technology.

In 2020, DNB was ranked number four among European companies in terms of diversity, a ranking conducted on behalf of the Financial Times among 850 companies from 24 different industries in 16 European countries. We were ranked as number one in the Banking and Financial Services category. Furthermore, in March 2021, DNB was ranked the best company in the world in terms of equality, in a global survey conducted by Equileap, which assesses nearly 4 000 companies.



When changing the composition of management teams, particular emphasis should be placed on achieving a better gender balance.

We work continuously to identify salary differences caused by gender or other dimensions of diversity, with a view to closing pay gaps of this kind.



As a major player in Norwegian society, we can influence the degree of diversity and equality in the operations of our suppliers. For procurements where gender equality is considered a significant sustainability issue, we try to include gender equality issues in tender processes, contracts and follow-up meetings. For further details about this, see the section on responsible purchasing on page 118. We challenge our suppliers by asking them about the proportion of women in their management teams and about their general efforts in this area, which raises awareness and has positive ripple effects for our society.

We redoubled our financial equality efforts in 2019 by focusing on increasing competence in the area of savings and personal finances in the #huninvesterer (#girlsinvest) campaign. This work continued unabated in 2020, now focusing on the pension gap that exists between women and men. Our findings show that women work less, earn less, own less, save less and know less about pensions than men. Unless we do something about this, we will not achieve equality among pensioners in the future. Through increased knowledge, good advice and communication, our aim is to help women take control of their own pension and future.

The #huninvesterer campaign is aimed at a target group with which communication has previously not been adequately engaging. Over the course of the campaign, we saw an increase of more than 50 per cent in the number of customers who changed

their savings risk profile, and an increase of 30 per cent in the number of customers who started individual pension savings (IPS). We acknowledge that the struggle for economic equality is not over yet, and DNB will continue to fight for this in the time ahead. Read more about #huninvesterer on page 60.

As part of our efforts to set standards, we demand equality and diversity in other companies through our expectation document. This document also serves as a starting point for dialogue. Gender equality and diversity has been an important topic in company dialogues with companies held in our equity portfolios, and we have voted for several shareholder proposals encouraging companies to report more widely on issues pertaining to equal pay and equality.

We have also tried to take a more systematic approach by integrating significant risk factors relating to environmental, social and governance (ESG) topics into credit analyses and investment decisions. A main purpose of the questionnaires we have developed to this end, is to gain an understanding of how bond issuers work to promote equality and diversity. During the year we had follow-up dialogues with some issuers and called for greater transparency. Our aim is to nudge companies in a positive direction and measure progress over time and through securing the endorsement of the Group Management team and the Board of Directors.

THE WAY FORWARD

Within DNB, strategic and targeted efforts to promote equality and diversity in recent years have produced positive results, but some differences remain between different parts of the bank. In 2021 we will continue to work along the same lines as we did in 2020. In the autumn of 2020, we prepared a revised action plan containing new measures, among other things to make us more attractive as a diverse and inclusive workplace. In 2021, we will also continue to develop our methods for increasing diversity, in keeping with the requirements set out in the Equality and Anti-Discrimination Act and through securing the endorsement of the Group Management team and the Board of Directors.

In DNB, pay is determined on the basis of the level of responsibility and complexity associated with the position in question. Experience, competence and performance can also affect the individual's salary level. We will continue to work on identifying any differences caused by gender or other dimensions of diversity, with a view to closing pay gaps of this kind.

DNB has carried out extensive work in the area of financial equality aimed at our customers and society in general, but we still have a long way to go. We will therefore focus on continuing to promote equality through our products and services, and in dialogue with our customers and suppliers.



Work to promote equality and diversity gives good results

Targeted initiatives, diverse recruitment and good partners have made Infosys, a key IT partner of DNB, one of India's best companies for women.

The global digital consulting and IT services organisation Infosys, which has its head office in India, has employees from all walks of life, representing 144 nationalities and working from offices in 46 countries.

"If you want to focus on diversity in the company, you have to hire people with different backgrounds. It's as simple as that," says Smita Katragadda, who is Client Partner for the DNB account in Infosys. In this team, half of the managers are women, and the proportion of women in the team as a whole is 36 per cent.

"Fairness and mutual respect are fundamental values in Infosys. This helps ensure that the workplace gives people equal opportunities, without discrimination and harassment," says Katragadda.

Infosys is a signatory to the UN Women's Empowerment Principles (WEP) and collaborates with other signatories to ensure equality for women at the workplace. In line with this, one of the organisation's goals is to

increase the number of women in technology and management.

"Our ambition is to have 45 per cent women in the organisation in 2030," says Katragadda, and highlights the good cooperation with DNB in this field.

"DNB is a good partner for us on this journey, and has actively worked with us to get more women on the team. Among other things, DNB has highlighted the need for talented women in this area, and has facilitated women's return to the team after maternity leave," says Katragadda. That is the key to increased equality, she believes.

"We see that measures that help women manage both their professional and personal lives are essential. One such initiative that yielded significant results was the introduction of a comprehensive 'return to work post-maternity leave' programme, which resulted in as many as 89 per cent of women returning to work. This is a significant improvement from previous years."

Feature article: #girlsinvest – in the future

The financial gender gap between women and men has remained unchanged for years, but shortly after we launched the #huninvesterer ('#girlsinvest') campaign in September 2019, there was a period when the number of new female mutual fund customers exceeded the number of male ones, for the first time ever.

As a result of #huninvesterer, an increasing number of women actively started saving and investing in mutual funds and equities in 2019. This development continued in 2020, and the number of women saving in equity funds increased by as much as 33 per cent. This means that women now 'own' a larger part of their own finances – and the world. We've got off to a good start, but we're far from finished.

The topic of pensions is a difficult one and differences in pensions between women and men are hard to explain. But they do still exist. When we launched #huninvesterer in 2019, we pointed out that 86 per cent of all pensioners who receive the minimum state pension are women, and that although forecasts show that the number of pensioners receiving the minimum state pension will decline, the gender distribution will remain consistent until 2040.

When we launched the campaign '#huninvesterer i fremtiden' ('#girlsinvest in the future') in 2020, we saw that just 4 out of 10 women are saving for their own pension, and that 6 out of 10 women say they have little knowledge about this topic. Furthermore, women are saving lower amounts both for retirement and in other long-term savings schemes. In addition, men receive 28 per cent more in pension payments than women.

Close to half of all employed women work part-time, and 9 out of 10 of them say they haven't thought about how this could affect their pension. The share of women in paid employment is larger today than in previous generations. But the future female pensioners are still not on track to achieving equality with their male counterparts.

In other words: Women still work less than men. Women also earn less than men, even when they work just as much. Women know less about their own pension than men do, and also save less for retirement and in other long-term savings schemes. And although the financial gender gap has been somewhat reduced, women still own less than men.

There won't be financial equality among pensioners in the future unless we do something.

For decades, the financial industry has tried to raise awareness about pensions. But the level of knowledge in the population remains low. Perhaps we haven't been clear enough, maybe we've used an impenetrable language people don't understand. We want to do something about that now.

The aim of the large-scale nationwide marketing campaign '#huninvesterer i fremtiden' was to increase awareness of the pension gap. In addition, we shared facts and figures and compiled digital pension tools and additional pension information on huninvesterer.no (in Norwegian only).

We did this to make it easy to find information and get specific tips on pension saving – for example, on how to test which type of saving is right for you so that you can act accordingly. In addition to more digital presence and dialogue, our pension experts have been accessible for all customers who wanted to talk. Due to the pandemic, we've also provided pension webinars with more than 10 000 viewers and very high customer satisfaction.

There won't be financial equality among pensioners in the future unless we do something.





48%

The share of women among new mutual fund customers – 48 per cent – continued the record high trend from the previous year.

+ 59%

The number of new mutual fund customers rose by 59 per cent in 2020.

+ 56%

The number of unique users in the Spare app increased by 56 per cent in 2020.

+ 27%

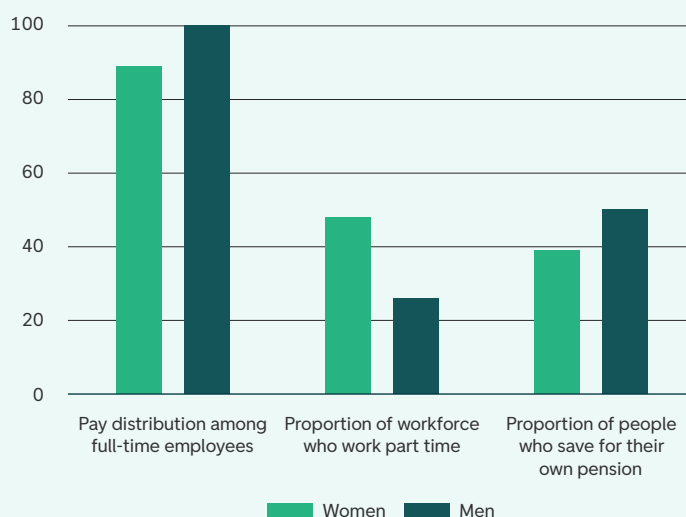
Individual pension savings (IPS) sales increased by 27 per cent in 2020.

The savings app Spare has been an important tool for giving customers a full overview of all their savings in one place, enabling them to make the desired changes related to equity funds, equities or pension savings. For DNB, this is about increasing knowledge and making it easy for people to make their own informed choices. We made personalised pension account videos for all our customers based on individual customer data, to show them their own unique pension savings and pension profile.

What we learned from #huninvesterer is that women also want to own their share of the world. Consequently, we believe that women also want to own their own future. At the end of the day, this is what the topic of pensions is all about. Owning your own future. A sound financial situation is important for our safety and freedom, also when we grow old. For women as well as men.

The pension gap

Per cent



Sustainability and corporate responsibility ambitions



DNB finances sustainable growth through loans and investments

As a lender and investor, we are aware of our responsibility and our opportunities. This means, among other things, that we make assessments both in terms of what we lend money for and what we invest in.

DNB will invest in and lend money to companies that are future-oriented, and both we at DNB and society in general will benefit from sustainable solutions gaining ground. As Scandinavia's largest bank, we are also committed to contributing to the restructuring of Norway, and therefore want to increase startups' chances of achieving success with our help.

- ✓ Towards 2025, DNB will contribute a total of NOK 450 billion to the financing of renewable energy and infrastructure.
- ✓ Sustainability forms part of the risk assessment for loans to companies (above NOK 8 million).
- ✓ Towards 2025, DNB will contribute a total of NOK 130 billion to the financing of green property development.
- ✓ DNB's start-up pilots will help at least 5 000 startups every year.
- ✓ DNB aims to increase the capital in mutual funds with a sustainability profile to NOK 50 billion in 2025 (new goal from 2021).
- ✓ DNB will contribute NOK 200 million in growth loans to businesses that need capital to grow.
- ✓ A clause about responsible ship recycling will be included in all new offshore loans and all new and refinanced shipping loans.

"Close and constructive cooperation between General Ore and DNB ensured that international standards on selling ships for recycling were followed."



Peter Evensen,
CEO of General Ore

Read more on page 71

72.5

The amount in NOK million DNB contributed in 2020 to the financing of renewable energy and infrastructure

100%

The percentage of all new shipping agreements containing a clause on responsible ship recycling

35%

Our market share of sustainable bonds in Norwegian kroner

193

The total number of companies that were excluded from our investment universe as at year-end 2020, due to violations of our Group standard for responsible investments

4 879

The number of entrepreneurs and growth companies that received advice from DNB's start-up pilots in 2020

Responsible lending and investment

Responsible lending to corporate customers

The aim of the DNB Group's credit activities is to meet customer needs without coming into conflict with the bank's and our customers' responsibility to contribute to the sustainable development of society. DNB's long-term profitability is dependent on our customers also integrating sustainability into their strategic choices. We see that our customers both want to, and have to, invest in sustainability in order to streamline their operations, save costs, meet their stakeholders' expectations, gain access to capital and exploit new business opportunities – in short, to be competitive. This represents opportunities for profitable and sustainable growth for DNB. As a lender, DNB has real power of influence. By requiring our customers to be accountable, we can both contribute positively to society and reduce our customers' as well as our own risk.

WHAT WAS DONE IN 2020?**A continued strong focus on ESG and climate risk in credit decisions**

Environmental, social and governance (ESG) factors are becoming increasingly important when making credit decisions regarding our corporate customers. Our investors increasingly ask for insight into how we assess ESG risk. More detailed regulatory requirements are also being proposed concerning what to assess, including relevant KPIs and measurement parameters for ESG risk. In 2020, we decided to expand our assessments of ESG risk in our credit decisions, and also make our risk assessment tool more industry-specific. In general, we are interested in verifying that our customers:

- comply with relevant rules and legislation, and are aware of and adapt to new ones
- recognise the importance of sustainable activities and have reflected this in their objectives and corporate governance
- have action programmes, competence, and the capacity to follow up their goals relating to sustainability
- have established relevant measurement parameters, show positive developments related to these, and thus show that they are likely to maintain their competitiveness, profitability, and achievement of long-term sustainability goals.

Further development of the internal risk assessment tool

In 2020, we continued the work of developing and improving the ESG risk assessment tool. DNB has developed industry-specific risk assessment tools for customers in oil and gas, shipping, commercial real estate and building and construction.

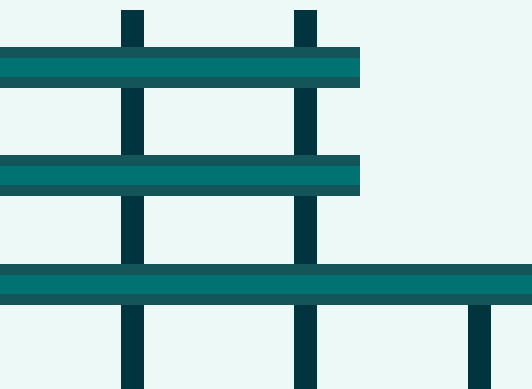
We have also developed a general tool for large corporate customers and a modified tool for small and medium-sized corporate customers. The tools are based on industry-specific ESG risk exposure, and by asking our customers questions, we find out how well they manage this kind of exposure. Residual risk (risk exposure that has not been managed) is quantified using an in-house model developed on the basis of recognised market practice. Regardless of the total residual risk, inadequate management of critical risk factors (red flags) by a customer and significant negative incidents may require special follow-up.

In addition to developing in-house assessment tools, we are still making use of ESG analyses provided by third parties. DNB subscribes to services from RepRisk, Sustainalytics and MSCI ESG Ratings.

ESG factors remained an important topic in our thousands of customer dialogues in 2020. Our corporate customers' level of engagement and maturity with regard to ESG factors varies, but in general we saw that ESG is becoming a more integrated part of our customers' activities. Our dialogue with them promotes greater awareness and implementation of measures to handle risks and opportunities related to sustainability. To an increasing extent, we find that we are also a conversation partner for our customers on topics such as sustainability reporting and ESG strategies.

Examples of our ESG-related activities in 2020:

- **Renewable energy:** We have considerably stepped up our commitment to this area. In 2020, we contributed NOK 72.5 billion to the financing of renewable energy and infrastructure.
- **Green property:** The building, construction and property sector has great potential for sustainable restructuring. DNB also has a position in this sector that makes it possible to exert a positive influence through sustainable loans and ESG guidelines. This will contribute to the emergence of a more sustainable property sector. Our ESG guidelines for commercial real estate and building and construction/residential development were published on our website in June 2020, and set out clear requirements and expectations for our customers in these sectors. The guidelines are an important part of DNB's sustainability work in sectors that account for about 40 per cent of energy consumption and 40 per cent of material resource use in Norway. In 2020, we contributed NOK 7.0 billion to green financing/refinancing, and we will consolidate and strengthen our position in green property going forward.
- **Responsible and climate-adapted shipping portfolio:** As a leading global shipping bank, we have continued the work of ensuring that ships are recycled responsibly. In 2020, we met our objective of ensuring that all of our loan agreements with shipping customers include clauses on responsible ship recycling. We will maintain and expand on this ambition in 2021. We will also continue the work of adapting our shipping portfolio to the International Maritime Organization's 2050 targets.
- **Increased understanding of climate-related risk in the oil and gas portfolio:** Our work with the UNEP FI TCFD Pilots has allowed us to analyse risk in the oil and gas portfolio under different climate scenarios. Read more about this under Climate-related financial disclosure on page 46.
- **Responsible lending in seafood:** DNB is one of the world's leading lenders in the seafood industry. Seafood is a good match for green financing, as the industry has a low climate footprint, compared with land-based animal protein production. However, the industry has the potential to further reduce its climate footprint, particularly in connection with the feed used in aquaculture, which represents about 80 per cent of greenhouse gas emissions in the value chain. It is also important to further reduce its impact on wild salmon in terms of escaped fish and salmon lice. In general, DNB will in the time ahead make our ESG-related requirements and expectations towards our customers clear, and further strengthen our position in green financing of seafood products.



Group ambitions

Through our lending activities, we are contributing to a much-needed sustainable and responsible restructuring of the domestic and international business communities. In 2019, as the first Nordic commercial bank to do so, we set specific and long-term goals for our efforts to promote the financing of renewable energy and infrastructure, sustainable property development and responsible ship recycling.

Our strategy for corporate customers contains clear guidelines and measures for our ESG work in the time ahead. ESG has become an integrated part of all of our industry strategies, and we are about to establish industry-specific ESG guidelines in relevant industries. ESG is a natural and integrated part of our advisory services, and we have increased our focus on green products and enabled ESG-based price differentiation. We have used our strong positions to nudge industries in a more sustainable direction, both in our dialogue with individual customers and other banks and partners and in public arenas.

In every segment and portfolio, we will continue the work of shifting our portfolio in a 'greener' and more responsible direction.

Sustainable loans

Sustainable products framework

Our sustainable products framework was established in collaboration with the ESG-rating company Sustainalytics in 2019. The framework is based on the internationally recognised principles for green loans, and stipulates categories and activities that qualify for financing through sustainable DNB products. The framework was updated in the spring of 2020 in order to reflect technological advances and link activities and threshold values more closely to the EU taxonomy. This work will continue in 2021. There were 13 loan transactions in 2020 in which just over NOK 7.2 billion was disbursed as green financing based on the framework. Other sustainability loans came in addition to these, with particularly strong growth in sustainability-linked loans¹⁾. In total, in 2020, DNB conducted almost 30 transactions in every category of sustainable loan, including seafood, property, renewable operations, wood processing, and transport.

1) Sustainability-linked loans are facilities where the margin of the loan is linked to achievement of defined ESG targets.

Financing of the green shift

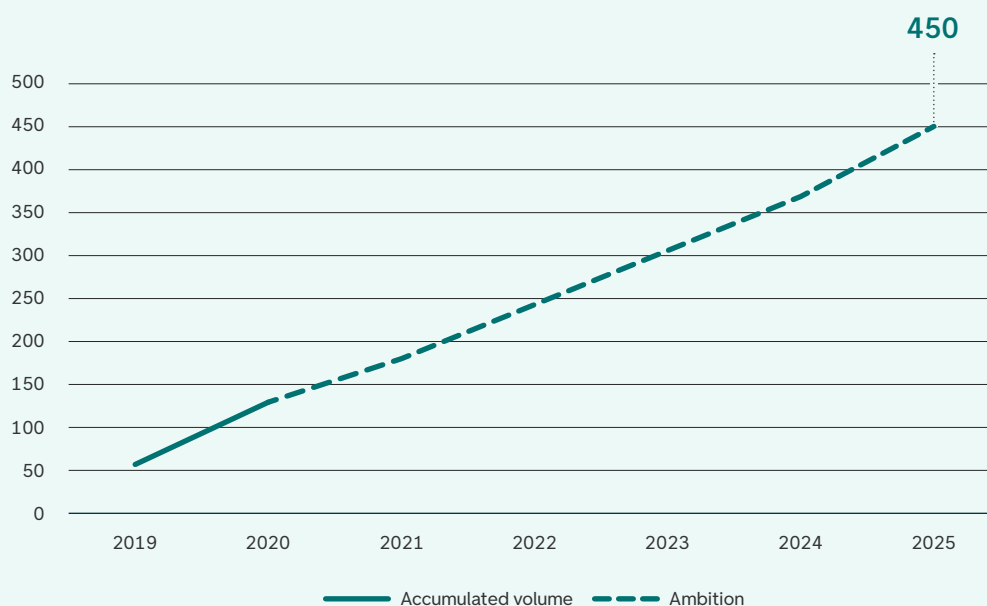
The ambitions to contribute a total of NOK 450 billion and NOK 130 billion to the financing of renewable energy and related infrastructure and green property, respectively, describe the desired development in the market from 2019 onwards. These ambitions show how DNB wants to contribute to a green restructuring of the energy system and the real estate industry. The target figures represent accumulated volumes by 2025 including loans, guarantees, bonds, capital raising and other long-term products where DNB Markets has been the arranger. The renewables ambition also includes selected funds from DNB Asset Management. In other words, the ambitions do not show DNB's total lending at any given time, or what we wish to have on our balance sheet in 2025.

The results year by year show the size of the total volumes DNB has contributed with so far. As regards the ambition for green property, we only count loans that are green according to the criteria set out in DNB's Sustainable Product Framework and bonds that hold a third-party assessment (Second Party Opinion) indicating that the bond is green according to the ICMA Green Bond Principles. The renewables ambition includes all loans, guarantees, bonds etc. that help to realise projects within renewable energy or infrastructure. For green property, the tally mainly shows new loans and bonds over time, but for renewable energy and infrastructure, the refinancing of existing loans is also included. The volume stemming from bonds is not adjusted for the number of participating banks. Similarly, we count the entire loan if DNB is the agent/arranger, even if several banks or life insurance companies are contributing to the loan.

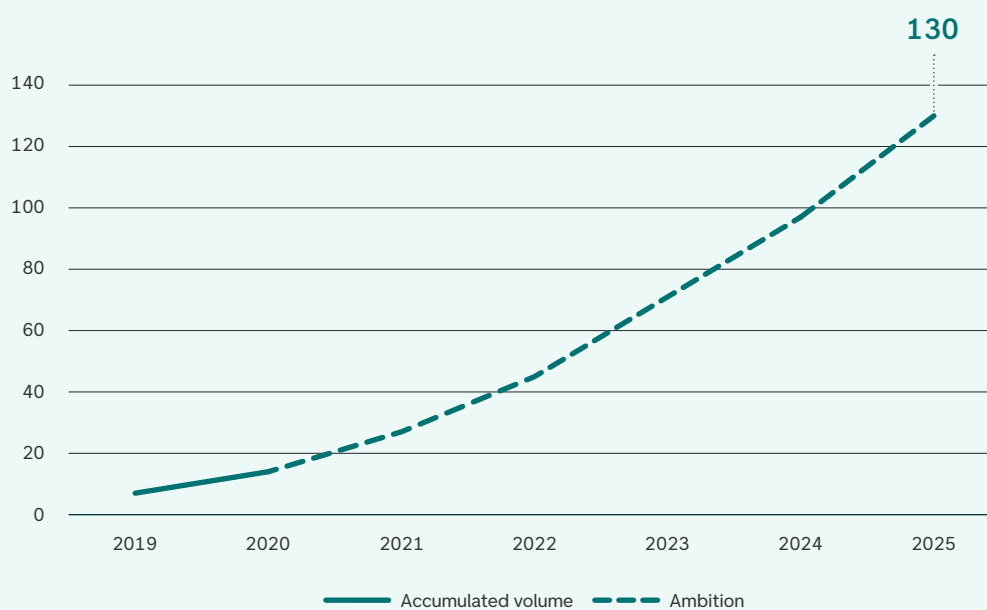
An important prerequisite for both ambitions is that the market will gradually mature and volumes will increase exponentially. Therefore, the annual increases in accumulated volume may be relatively modest in the first few years.

Status for DNB's ambition for renewable energy and infrastructure

NOK billion

**Status for DNB's ambition for green property development**

NOK billion





When completed in 2021, the Raggovidda wind power plant in Berlevåg in North Norway will supply 25 000 households with green energy.

Examples of sustainable loans in 2020

- In 2020, DNB and KLP signed a letter of intent regarding investment in the financing of projects in the areas of renewable energy and infrastructure. The collaboration is based on DNB's expertise in structuring project financing, and gives KLP access to global and sustainable financing with an attractive risk profile and access to our customer relationships. KLP has co-financed over 10 projects together with DNB. The agreement is an important tool for achieving our objective to contribute NOK 450 billion to the financing of renewable energy and infrastructure towards 2025.
- In collaboration with Varanger Kraft, DNB helped finance a NOK 555 million loan for the further development of the Raggovidda wind power plant in Berlevåg, which has been named Europe's best wind park. The park's annual output has been 200 GWh since it began generating power in 2014, which is almost twice as much as the average wind park. When the park is completed in 2021, the output will be over 400 GWh, which is enough to supply around 25 000 households with green energy. Due to a lack of grid capacity, less than half of the power plant's maximum production capacity will be exploited. Varanger Kraft is building a hydrogen factory as part of a research project to fully exploit wind resources. This is an important part of the EU's Horizon 2020 programme, and Norway's commitment to promoting green hydrogen as a future energy carrier. There has been close dialogue at all times with the developer, the municipality, the reindeer husbandry industry and the Sami population in connection with our financing of the Raggovidda wind power plant, resulting in a good collaborative relationship.
- Long-term customer of DNB, Millicom International Cellular SA (a telecoms provider), refinanced its USD 600 million revolving credit facility as a sustainability-linked facility. Millicom is one of the first companies in Latin America to include KPIs of this kind in a commercial bank facility. DNB Bank and 10 other banks served as the lenders, and DNB Markets served as the sole ESG coordinator. The loan's sustainability targets encompass some of Millicom's core sustainability objectives and include KPIs on environmental footprint through customer premises equipment recovery, measures to empower women and to reduce the gender gap by training women in digital literacy and entrepreneurship, and training teachers in effective online education for students.

International shipping cooperation

As one of the world's leading shipping banks, DNB has worked for several years in a targeted manner to promote greater responsibility and sustainability in shipping, with special focus on two areas: ship-breaking and the reduction of greenhouse gas emissions. We have actively participated in the Responsible Ship Recycling Standards (RSRS) banking initiative since 2017, which works to promote responsible recycling of ships. By stipulating requirements in loan agreements, banks can induce more shipowners to recycle their ships according to standards that reduce harm to the environment and risk to workers. In 2020, we achieved our objective of having dedicated clauses on responsible recycling in all new loan agreements to finance ships. We have actively promoted the initiative vis-à-vis our customers and other banks since 2017, as well as at industry conferences, webinars and in other arenas. During this period, we have seen a clear and positive development among our customers in terms of practice and policy related to ship recycling, even though there is still considerable room for improvement for the industry as a whole. Despite a positive trend, we believe that it is important that responsible ship recycling remains high on the agenda, and we have therefore decided to maintain this ambition. Responsible ship recycling is also relevant to the offshore industry, and we have therefore decided to expand our ambition to include offshore loans. Our new ambition, which will apply from 2021, is: "A clause on responsible ship recycling will be included in all new offshore loans and all new and refinanced shipping loans".

Together with Citigroup and Société Générale, DNB was one of the founders of the Poseidon Principles, which were launched in 2019 with the objective of promoting the decarbonisation of international shipping. Every year, the banks are to disclose information about the climate alignment of their shipping portfolios in relation to an ideal graph that supports the climate targets of the International Maritime Organization (IMO). The first report was submitted in 2020, and DNB's portfolio is 2.5 per cent above target, and close to the average for the 15 banks that disclosed information. However, the data shows great variation between ship types

and segments, and the total portfolio score is influenced by the composition of the portfolio. The initiative now includes 20 leading shipping banks, and more are expected to join in 2021.

Read more about the report here:
poseidonprinciples.org/news/15-financial-institutions-disclose-the-climate-alignment-of-their-ship-finance-portfolios/

DNB is also participating actively in other initiatives to promote more sustainable shipping, such as the 'Getting to Zero Coalition'. This is an initiative led by the World Economic Forum and the Global Maritime Forum, among others, and includes more than 80 leading companies with links to the shipping industry worldwide. The goal of the initiative is to accelerate the development and deployment of commercially viable zero-emission solutions for seagoing vessels by 2030. We are also participating in the Green Shipping Programme in Norway (the pilot 'Financing two-degree shipping'), and in NoGAPS, the Nordic Green Ammonia Powered Ship project, a proof of concept in collaboration with leading players within the value chain for ammonia and shipping.

The Equator Principles – seven new renewable projects

In 2020, seven power generation projects in Chile, the UK, the US and Brazil were reviewed in accordance with the Equator Principles. The Equator Principles is a global framework used by banks to assess and manage risks relating to environmental and social aspects of project funding and project-related corporate loans. Read more about this in the sustainability library (link on page 2).

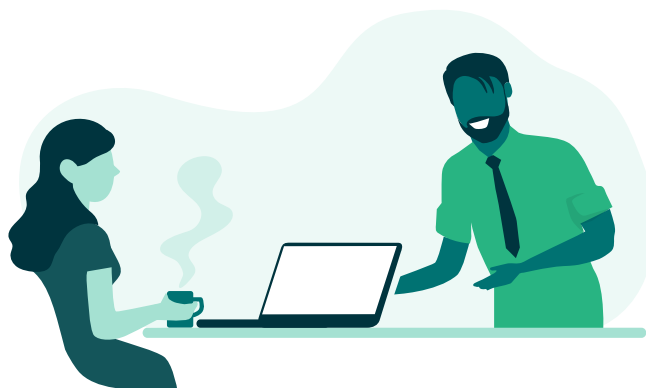
Employee training

In 2020, all new credit employees continued to receive skills training in responsible lending via DNB's in-house training platform. The course is mandatory for all employees who work with corporate customer credit and for relevant employees in Group Risk Management. The purpose of this is to raise awareness of the ESG-related risk factors that we are exposed to through our customer relationships. A general introduction to corporate responsibility, our

A general introduction to corporate responsibility, our governing documents and assessment tools is part of the training for all new employees.

governing documents and assessment tools is part of the training for all new employees. Our corporate responsibility ambassadors continued their important work of leading the development of industry-specific guidelines, increasing knowledge of tools and rules, and participating in ESG-related customer dialogue. Here are some examples of training activities that were carried out for our account officers and advisers in 2020:

- Experts in our Public Affairs & Sustainability division conveyed knowledge about the EU taxonomy and its consequences for our customers and DNB.
- Employees in shipping were updated on the recycling market, the RSRS Initiative, and given a practical introduction through casework to how to influence shipowners and ensure responsible scrapping of ships that are no longer in use.
- Many employees received training on the important 'Green Property' initiative in connection with its launch. This helped increase the sustainability competence of all employees working in this segment. More training on green loans will be provided in 2021.
- In collaboration with the Rafto Foundation and its partner Pia Rudolfsson Goyer, DNB was involved in developing a basic course on human rights for the financial services industry. Twenty employees in the corporate customer area participated in a pilot version of the course, which increased their level of knowledge by providing training on the UN Guiding Principles on Business and Human Rights (UNGPs) and practical casework. Based on the experiences from the pilot project, the Rafto Foundation has completed its work on developing the course, and has offered it to financial institutions in Norway.
- Our Northern European operations hosted a series of webinars, where leading companies in a number of industries presented their work, and discussed their ambitions, objectives and measures aimed at achieving zero greenhouse gas emissions. The webinars were well received by employees and customers, and have been made available to all DNB employees. They have provided insight, lessons and inspiration for our sustainability work, as well as for our



ESG-related dialogue with other customers. The webinar series will continue in 2021.

- The fourth update to the Equator Principles was published on 1 October 2020, and employees involved in project financing received training on the changes. This includes a stronger focus on human rights in general, including the rights of indigenous peoples, and on climate-related risk.

THE WAY FORWARD

In 2020, external stakeholders' requirements and expectations regarding DNB's sustainability work increased, both in terms of their level of ambition and detail. DNB has a strong position in this area today, but both the market and the regulation of the area are evolving quickly. Our measures to strengthen our position in responsible lending will include the following:

- Update and expand the Group ambitions regarding sustainability in 2021. We will also implement measures that will help us achieve our responsible lending ambitions.
- Continue to integrate ESG and climate risk into the 'know-your-customer' process and the credit process. Complete the work we have begun to establish new industry-related ESG guidelines, and establish more specific assessment criteria for ESG-related risk in more industries.
- Complete the work of achieving better measurement and monitoring of ESG-related risk in the loan portfolio. The new model for ESG risk assessment will facilitate more robust storage of risk data and allow reporting of central risk indicators for customers and portfolios.

- Continue mapping how small and medium-sized corporate customers in the area of real estate work with climate risk, and whether this is something that customers are concerned with. For example, in the autumn of 2020 we tested a simple internet bank tool. DNB's ability to help customers understand and handle such risks and opportunities will increase as we gain a greater understanding of climate risk.
- Strengthen ESG-related training. In 2021, we will prioritise training measures that enhance our climate-risk competence. We will continue professional development measures that serve to increase our knowledge of human rights and our obligation to ensure that they are handled responsibly in our operations. The EU taxonomy for sustainable activities will be expanded in 2021. We will establish competence measures that ensure that we remain a good conversation partner and adviser to our customers, also in areas such as pollution, the circular economy and biodiversity.
- Further develop and adapt our sustainable product frameworks to the expanded scope of the EU taxonomy for sustainable activities in financial services.

The customer dialogue and the sustainability-related initiatives for our customers will continue on a larger scale in 2021. We see many opportunities for sustainable growth and want to be a sparring partner and adviser for our customers with regard to new business opportunities. As a bank, lending is one of the areas in which we can exert the greatest influence.

We are pleased with our efforts to integrate sustainability into our lending activities in 2020. This has provided a good foundation for our continued work with sustainability, and has created positive ripple effects within the organisation. In the time ahead, we will continue working on the processes that have been initiated and will introduce new initiatives in line with DNB's strategic work in this area.



Close cooperation ensures more sustainable ship recycling

By setting requirements for buyers of used ships, DNB ensures that new owners commit to responsible recycling, for the benefit of public health as well as the environment.

The scrapping and recycling of ships is part of the shipping industry's value chain, but this process can cause problems relating to the external environment as well as the working environment. Many ships are scrapped on beaches in South Asia, and this is often associated with poor working conditions, health hazards and a high risk of environmental pollution.

To raise the standards in the industry, DNB signed up to the Responsible Ship Recycling Standard (RSRS) in 2017, an initiative taken by a number of major international banks.

The RSRS practice became a hot topic in 2020 when the privately owned shipping company General Ore International Corporation Limited prepared the recycling of a VLOC vessel, one of the market's largest ore carriers.

General Ore has been a DNB customer for 15 years, and wanted to consult us when they received an offer from a cash buyer. As they negotiated the sale, it proved difficult to get

an answer as to what the buyer intended to do with the ship after the purchase.

General Ore and DNB agreed to insert a requirement in the sales agreement that the buyer had to comply with the Hong Kong Convention (the International Convention on the Safe and Environmentally Sound Recycling of Ships) if the vessel was resold for scrapping before a two-year period had passed. The buyer was also told that DNB would not pay out the ship loan in the absence of such guarantees.

The potential buyer did not agree to this. Shortly afterwards, General Ore sold the vessel to a new buyer who was willing to comply with the Hong Kong Convention.

The sales process required extra effort on the part of the DNB team (represented by Espen Lund and Thomas Lie) and General Ore, but the outcome is clear proof that close and well-functioning cooperation is necessary to ensure that international standards are followed.

Responsible lending and investment

Responsible investment

Responsible and sustainable investment means taking environmental, social and governance (ESG) factors into consideration in investment management and contributing to sustainable development. In DNB, we manage significant assets on behalf of our customers, through DNB Livsforsikring, the management of mutual funds and active portfolios in DNB Asset Management, and the Group's equity investments.

Customer expectations, regulatory conditions and the financial effect of material ESG factors are putting ever-increasing demands on fund managers with regard to responsibility and sustainability. In DNB, we want to influence companies in a sustainable direction and contribute to value creation, both in order to uncover risks and opportunities and to raise specific ESG issues.

The main purpose of our work with responsible and sustainable investment is to achieve good long-term returns with an acceptable level of risk, contribute to sustainable development and avoid contributing to the violation of fundamental rights. The work is carried out in accordance with our Group standard for responsible investments, published in the sustainability library (link on page 2). The main measures used include the active exercise of ownership rights through dialogue and voting, integration of ESG-related risks and opportunities into management activities, standard setting and exclusions, as well as risk-based sell-offs. In addition, we offer several fixed-income and equity funds with a sustainability profile. Read more about this in DNB Asset Management's Annual Report Responsible Investments, which can be found in the sustainability library.

WHAT WAS DONE IN 2020?

The area of responsible and sustainable investments is undergoing strong development. Today, ESG factors form a key part of investment analyses and decision-making. This trend is here to stay and has been further strengthened by the coronavirus pandemic. We are seeing that consumers, the working population and society in general are placing greater demands on companies when it comes to labour rights, equality and diversity, sound corporate governance and issues relating

to climate change and the environment. From a responsible investment perspective, the coronavirus pandemic has led to a stronger focus on a number of ESG-related topics. There is an increased expectation that the climate challenges the world is facing must be solved, and that we must continue to focus on social issues such as human rights and labour rights. Governments around the world want the financial industry to contribute to a 'green restart', in which a shift towards renewable energy is an important climate measure. The EU has decided that a quarter of its Next Generation EU recovery package aimed at helping the EU countries through the coronavirus pandemic should be allocated to climate measures that will contribute to essential energy restructuring and green growth.

In 2020, DNB decided to set an ambition to increase the capital invested in mutual funds with a sustainability profile to NOK 50 billion by 2025. This is being done to channel more capital towards the green shift and towards companies that have incorporated sustainability into their business model. This ambition also helps to highlight the efforts being made to ensure that all investments in DNB are responsible.

In our work relating to responsible and sustainable investments, we have defined long-term and short-term focus areas. In addition to the long-term focus areas human rights, climate change and water, we paid special attention to the following topics in 2020: biodiversity, sustainable oceans, supplier chains in developing countries, deforestation and land use, and product safety and quality. These topics are important in, for instance, our proactive efforts to exert a positive influence.

Maintaining dialogues with companies is an important part these efforts, and in this work we use expectation documents. These documents are used to convey our assessments, requirements and expectations of the companies we invest in. In 2020, we drew up two new expectation documents within our focus areas, one for sustainable oceans and one for responsible water management. Moreover, we further reinforced the expectations



In 2020, we engaged in 229 dialogues with 205 companies to discuss various ESG-related topics.



set out in our expectation documents relating to human rights, serious environmental harm and climate issues, in line with more stringent requirements and best practices.

As an active owner, we aim to influence companies in a positive direction through reactive and proactive dialogue and by casting votes. We conduct reactive dialogues when something has happened, and we engage in proactive dialogues both to identify and manage ESG risks and to identify and make the most of ESG opportunities. In 2020, we engaged in 229 dialogues with 205 companies to discuss various ESG-related topics, both reactively, and to an increasing degree, proactively. Dialogues of this kind are structured processes with clear objectives for the desired outcome, in which milestone attainment is also measured. Examples of such objectives may be for companies to have appropriate data protection procedures in place, or to protect indigenous peoples' rights. Voting and dialogues should be seen in the context of our ongoing efforts to exert an influence. In 2020, we voted at 153 Annual General Meetings (AGMs) in Norway and 95 internationally. At 30 of these AGMs, we voted on shareholder proposals for measures relating to ESG topics, and at the AGMs of 37 Norwegian and 38 international companies, we voted against the company's recommendations. We maintain ongoing dialogues with the companies' boards of directors, management teams and election

committees to help ensure that the matters put forward at the AGMs are in accordance with sound corporate governance and the safeguarding of environmental, climate-related and social issues. When voting in board elections, we attach importance to ensuring a high level of expertise and diversity in the composition of the board.

Participation in global investor collaboration projects is another important part of our work to exert a positive influence. We have continued our investor collaboration in Climate Action 100+, an investor-led initiative to ensure the world's largest greenhouse gas emitters take necessary action to reduce their carbon footprint. The group of investors has achieved excellent results with these companies. We have also continued our participation in several investor collaboration projects in accordance with UN PRI (UN Principles for Responsible Investment), with a view to stopping deforestation and promoting sustainable land use. In addition, we have participated in investor collaboration projects on managing the water-related risks of mining companies and safeguarding social issues in the supply chains of textile and technology companies.

Climate change involves both risks and opportunities for companies and portfolios that we manage on behalf of our customers and can have a significant financial effect. Issues relating to climate change are therefore important factors

to consider in the analysis and assessments of companies and portfolios. Furthermore, the expectation document relating to climate change is an important tool in our systematic exercise of active ownership rights through engaging in dialogues with, and voting in, companies. We also have exclusion criteria for companies that are not considered sustainable in the transition to a low-emission society. At the end of 2020, a total of 193 companies were excluded from our investment universe due to violations of our Group standard for responsible investments. A complete overview of these companies can be found in the sustainability library (link on page 2).

To comply with the ever-more stringent regulatory requirements for reporting on climate issues and sustainability, we have continued the work to identify and measure climate-related risks and opportunities at Group and portfolio level. In line with the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD), we use scenario analyses for identifying possible outcomes for climate-related risk and opportunity factors, at Group and portfolio level. In addition to calculating the carbon footprint of an increased number of fixed-income funds in 2020, we carried out a thorough analysis of one of our mutual fund investments to look into which emissions could potentially have been avoided by the companies included in the fund. As follow-up of our participation in Phase I of the TCFD pilot project for investors under the auspices of UNEP FI (United Nations Environment Programme Finance Initiative), which started in 2018, we will participate in Phase II in 2021. In Phase I, we took part in the development of a method for measuring the financial impact of various climate scenario analyses of companies and portfolios, along with 19 international investors and the consulting company Carbon Delta. In Phase II, we will help develop a framework for assessing sector-specific climate risks and opportunities, finding best practices for climate reporting and assessing available methods together with other international asset managers, capital owners and climate experts.

Assessing significant ESG factors is an important element in making good investment decisions.

We have therefore continued our work to further integrate ESG factors into our information and portfolio systems and investment decisions in a systematic manner. Traditionally, the integration of ESG factors has come further for equities than it has for fixed-income securities, and as a result, ESG data for fixed-income securities has been less accessible and of poorer quality. In 2020, we continued our efforts to improve the data, processes and work related to systematically integrating significant ESG risk factors into credit analyses and investment decisions in the management of fixed-income securities. We developed a framework and questionnaires that were adapted to the different sectors of the Norwegian fixed-income market. Based on the responses we received, and the documentation that accompanied them, we scored the individual borrowers within the banking, utilities and real estate sectors in terms of the quality of their ESG work, and their efforts to identify and manage material risks and opportunities. We have now started the work of having follow-up dialogues with issuers, and we have called for greater transparency. Our aim is to influence companies in a positive direction and to measure progress over time, as well as to enhance the quality of credit ratings and decisions.

We offer responsible and sustainable mutual funds that suit different customer preferences when it comes to sustainability. All of our mutual funds meet the requirements set out in our Group standard for responsible investment. Customers who wish to invest in mutual funds with extended exclusion criteria can choose funds that also exclude conventional weapons, alcohol and commercial gambling. In addition, we have mutual funds with a climate- and environment-related sustainability profile, which exclude fossil energy and carbon-intensive companies, and include companies on the basis of sustainability or ESG criteria. Furthermore, we have a mutual fund that has a mandate to invest in companies within renewable energy and energy efficiency. In the development of mutual fund products, the integration of sustainability profiles is essential both in existing investment strategies and in the development of new fund and pension profiles.

In DNB, we want to influence companies in a sustainable direction and contribute to value creation.

The annual evaluation of the results of our work shows good progress in this area. In this work, both guidelines and the results of the exercise of active ownership rights through dialogue and voting are evaluated. The evaluation is included in Annual Report Responsible Investments, which is presented to the Responsible Investment Committee, as well as the Board of Directors and management of DNB Asset Management. The report is available on our website.

THE WAY FORWARD

We will continue to actively exercise our ownership rights through voting and dialogue, with increased emphasis on proactive dialogue and investor collaboration. Furthermore, we will intensify our efforts to systematically integrate significant ESG-related risks and opportunities into investment decisions. We will also continue our efforts to further develop mutual funds investing in companies which excel with respect to climate issues and sustainability.

Climate, water and human rights will remain long-term focus areas in DNB. In 2021, we will also continue to give priority to the following short-term focus areas: biodiversity, sustainable oceans, supply chain in developing countries, deforestation and land use, and product safety and quality. In addition, we are introducing health and sustainable food systems as focus areas.

Due to the increased expectations from the authorities that the financial industry should contribute to achieving a 'green restart', maintaining a strong focus on climate risks and opportunities will still be high on our agenda in 2021 – both in terms of how we incorporate these considerations into our investment decisions and how we measure results at Group and portfolio level beyond what we are already doing in the areas of carbon footprint and scenario analysis. We also expect to vote on several shareholder proposals related to climate issues. In addition, we will maintain a strong focus on companies' handling of social issues.

With the EU's action plan on sustainable finance, we are beginning to see the consequences



of the regulatory conditions in Europe and in Norway. The new Regulation on sustainability-related disclosures in the financial services sector, which entered into force on 10 March in the EU, requires financial market participants to provide information on sustainability and ESG risk. This will lead to further reporting of ESG-related information at unit and fund level in 2021. The EU taxonomy, the classification system that will set criteria for determining whether an economic activity should be considered sustainable, will also be a key element. Under the Regulation, an economic activity must contribute substantially to one or more of the EU's six environmental objectives in order to be considered sustainable. The taxonomy is intended to make it easier for investors to distinguish between sustainable and non-sustainable investments and aims to promote increased sustainable investment of private capital. This will have a major impact on the work we do with responsible investments, what we report on and which mutual funds we will offer. There is currently an information gap when it comes to information reported by companies and the information financial market participants are required to disclose. An important contribution to this work is the delivery of good and reliable data both from the companies themselves and from third-party suppliers. In 2021, companies are especially required to strengthen their reporting of data relating to the EU taxonomy.

Read more about responsible and sustainable investments and company dialogues in the sustainability library (link on page 2).

Feature article: Measuring the carbon footprint of mutual funds

In 2016, as part of the efforts to reduce exposure to companies with high climate risk, DNB started to measure the carbon footprint of all equity funds. In 2019, we also began to report the carbon footprint of fixed-income funds, when sufficient carbon data was available. The carbon footprint, here measured in terms of carbon intensity, shows a company's greenhouse gas emissions relative to its turnover, and is one of several factors that give an indication of a company's climate risk and impact. After identifying the carbon intensity of the portfolios, there are several ways of reducing this. Although a high carbon intensity will entail transition risk, the current measurement of Scope 1 and 2 emissions does not take into account forward-looking company assessments or how companies contribute to reduced emissions through their products and services. It is therefore important to have good knowledge of the companies and an individual assessment of whether their operations are line with, or contributing to, the green shift. See our report on potential avoided emissions in the sustainability library (link on page 2).

DNB uses data from MSCI ESG Research about companies' greenhouse gas emissions. However, the carbon emissions data coverage rate for the Nordic fixed-income market is low, so we have been actively working during the course of 2020 to collect carbon data for a number of issuers in the banking, real estate and power sectors so as to increase the data coverage rate for Norwegian and Nordic fixed-income funds. The companies' carbon intensity is weighted by their respective share of the market value of the portfolios, and the same is done for the index. In the calculations, any cash in the portfolios is distributed proportionally between the other companies. Emissions data is either data reported by companies or estimates prepared by MSCI ESG Research. However, some companies have neither reported nor estimated data. For these companies, the portfolio average for companies that have

emissions data has been used in the calculation. DNB reports CO₂ equivalents, as defined by the Greenhouse Gas Protocol. Scope 1 emissions are direct emissions over which the organisation has operational control, and Scope 2 emissions are indirect emissions associated with energy purchased or used. Indirect emissions associated with purchased goods and services, or with the use and disposal of products that fall under Scope 3 are not included, as there is insufficient reported data from the companies. 'Avoided' emissions, which indicate how the company's products or services contribute to reduced emissions, have not been included either, due to problems relating to method and data. The method for measuring greenhouse gas emissions is under development and may be subject to change.

The graph shows 27 equity funds and 4 fixed-income funds and their respective indices, where more than 75 per cent of the holdings have reported or estimated data on greenhouse gas emissions. The 27 equity funds account for about 96 per cent of the total market value of all DNB's equity funds. We report the CO₂ footprint of a selection of our fixed-income products, when sufficient carbon data is available. The coverage rate of the benchmark indices of the Norwegian and the Nordic fixed-income fund is low, which is why we do not disclose the carbon intensity for these indices. The low coverage rate is due to a significant proportion of bonds in state and municipality loans as well as instructed bonds. We mainly use the same method to measure the carbon footprint of fixed-income funds as we do for equity funds, namely Weighted Average Carbon Intensity, the method recommended by the Task Force on Climate-related Financial Disclosures (TCFD). An important difference is that 'green bonds' are not included in the calculation of the carbon footprint of fixed-income funds. Although we believe that green bonds can contribute to emissions reductions, or contribute to avoided emissions, these

are nevertheless not included in the calculation due to deficiencies in the method currently used. This approach is in line with best practice in the market today. When it comes to Norwegian power companies for which we have collected CO₂ data from the issuers, we use the companies' own reported data, when this is available. For companies that do not report, we use an average of the collected data. This is because the Norwegian power sector is considered to be less comparable to the power sector in developed countries in general, because of the large share of renewable energy, especially hydropower.

There is great uncertainty associated with data relating to greenhouse gas emissions. This is due not only to fact that estimated data is used for companies that do not report their own data, but also regional differences in reporting practices, which have been proven to vary significantly depending on geography and company size. Despite this, we still believe that it is important to include emissions data in the analysis of companies' climate risk and impact, as one of several factors.

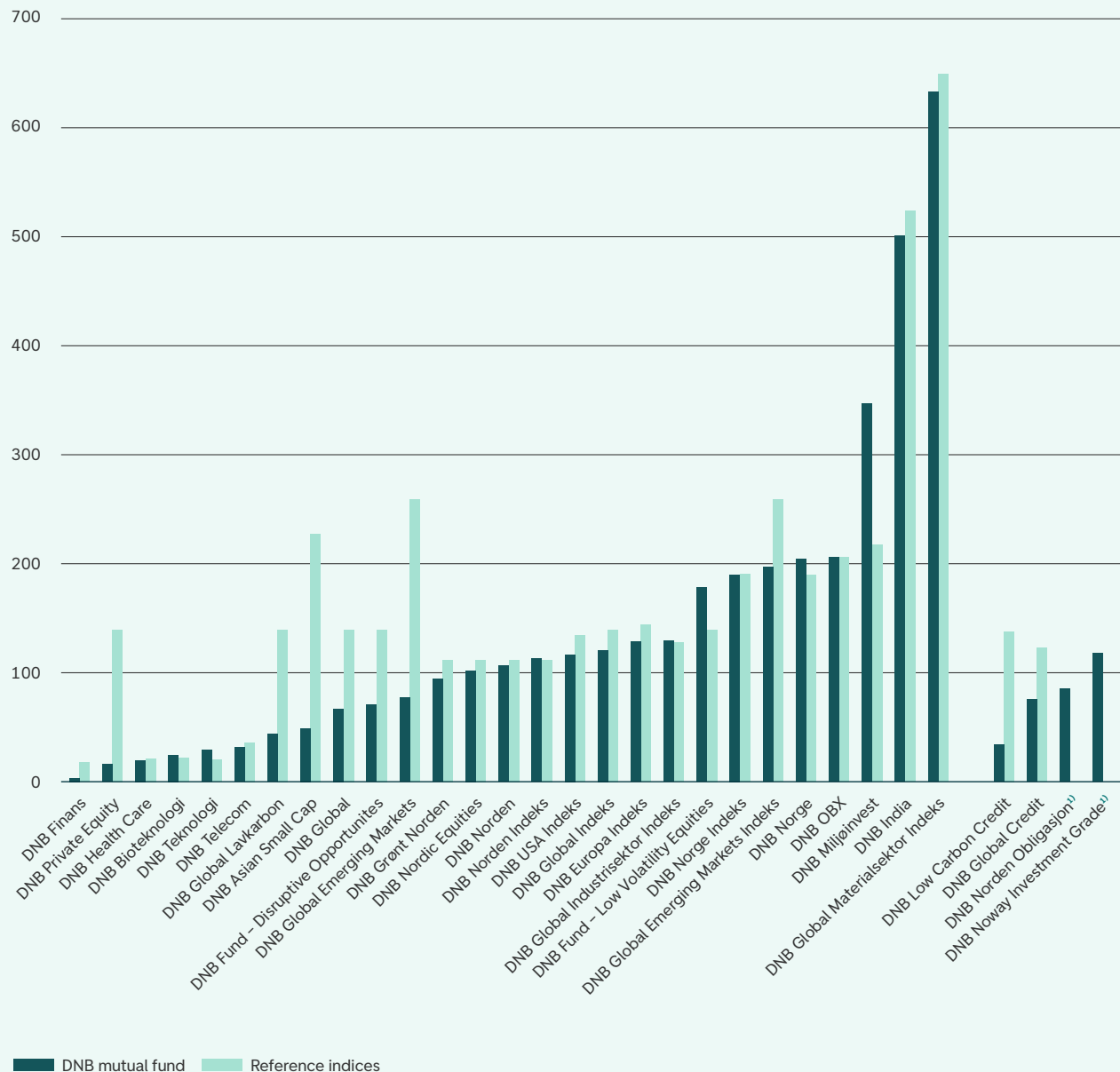
In our efforts to enhance the quality and coverage of reported emissions, we support the TCFD, CDP (formerly the Carbon Disclosure Project) and the Science-Based Targets Initiative. As part of our TCFD-related work, we use scenario analyses to assess the financial impact for our funds in different climate scenarios. See the separate article on the TCFD on page 46 for more information. Scenario analyses provide a more dynamic and forward-looking picture of companies and portfolios.



The carbon footprint, here measured in terms of carbon intensity, shows a company's greenhouse gas emissions relative to its turnover, and is one of several factors that give an indication of a company's climate risk and impact.

Greenhouse gas emissions from DNB's mutual funds relative to reference indices

Tonnes of CO₂ equivalent for every USD 1 million of revenue



1) Reference index is not included due to insufficient data (material).

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Responsible lending and investment

Sustainable bonds

If we are to meet the Paris Climate Agreement targets and achieve the UN Sustainable Development Goals (SDGs), vast amounts of capital need to be invested in a more sustainable direction. For DNB, this entails both responsibilities and opportunities, as we can have an impact on capital allocation. By taking an active role in the market for sustainable bonds, we can both promote sustainable investments and position the bank as a relevant dialogue partner in the growing sustainable finance market.

2020 has been a difficult year, and in many ways the COVID-19 pandemic has both highlighted and exacerbated many of the challenges identified by the UN SDGs. The already large funding gap has grown larger still and investing in a sustainable direction has become even more important.

To alleviate the social and economic burden of the COVID-19 pandemic, we have seen governments around the world launch ambitious stimulus packages alongside private capital contributions via the sustainable bond market. A range of social bonds has been issued, providing funding for healthcare and vaccine development as well as financial support for companies. The current crisis has highlighted the value potential of social bonds, which are otherwise usually overshadowed by the larger green bond market.

WHAT WAS DONE IN 2020?

In 2020, we saw a new record for the sustainable bond market, both globally and in Norway. Globally, this development was largely driven by the increase in social bond issuance, while the Nordic market is still dominated by green bonds.

During 2020, DNB participated in 31 sustainable bond transactions globally at a value of NOK 39 billion.



In total, green bonds at a value of around NOK 56 billion were issued by Norwegian companies and banks in 2020, up 42 per cent compared with 2019. In terms of sustainable bonds issued in Norwegian kroner, DNB is the largest bank, with a market share of approximately 35 per cent. During 2020, DNB participated in 31 sustainable bond transactions globally at a value of NOK 39 billion, half of them for Norwegian issuers, compared with 28 in 2019 at a value of NOK 40 billion.

Among the highlights of 2020, we supported the first green bonds to be issued globally in the seafood sector – from Mowi and Grieg Seafood. This is in line with our strategy of increasing the diversification in the sustainable bond market and promoting sustainable development across the sectors in which we operate.

THE WAY FORWARD

To meet growing stakeholder expectations and to increase our ability to promote sustainable development via capital markets, we are further expanding our sustainable finance and ESG capabilities. This will increase our capacity in ESG-related advisory services not only within the established offering of sustainable bonds and loans, but also on ESG-driven mergers and acquisitions and equity capital markets transactions.

In addition, the regulatory landscape is changing, with the introduction of new EU regulations for sustainable finance. In the short term, this will have implications both for our clients and for our product offering. In the long term, the aim of these regulations is to steer capital in a more environmentally sustainable direction. The sustainable bond market plays an important role in enabling the channelling of capital to sustainable investments, and we therefore wish to contribute to further market growth as well as to issuer diversification.



Feature article: First green bond in the seafood sector

In January 2020, the Norwegian seafood company Mowi successfully completed a EUR 200 million, 5-year, senior unsecured green bond issue – the first ever green bond issued from a seafood company. DNB assisted Mowi in the transaction, including the establishment of a Green Bond Framework. Many of the sustainability topics of relevance to the seafood sector were incorporated into this transaction. This includes criteria for sustainable farming operations encompassing biodiversity, fish welfare and water pollution, ensuring sustainable feed ingredients where soy has not contributed to deforestation, and also promoting efficient water management in freshwater facilities.

The transaction was well-received in the investor community and showcased how a clear sustainability strategy can translate into successful capital markets financing.

“Mowi is committed to being part of the solution to global climate challenges. The green bond issue is an integral part of Mowi’s sustainability strategy, The Blue Revolution Plan. This will allow us to achieve our goal of producing more food from the ocean, thus meeting the demands of a growing population while respecting the planet and helping local communities to flourish,” says Catarina Martins, chief sustainability officer at Mowi.

DNB helps startups succeed

If the restructuring of the Norwegian business community is to succeed, new companies are essential. It is important both for employment and for local communities that more people dare to embark on a business venture and actually succeed in creating workplaces for both themselves and others. However, gaining access to the right competence and to capital is often perceived as challenging for companies in the early stages.

We attach importance to being the best bank for those who are starting their own business. Not just because being an attractive bank for new companies is profitable, but also because we see it as part of our corporate responsibility to contribute to the establishment and success of more companies. We will make sure that companies have a greater chance of success together with DNB.

In DNB, we work every day to make it easier to establish and run a company. Every year, the start-up pilots give free advice to thousands of Norwegians who want to start up their own business. With services such as the corporate app DNB Puls and the accounting app DNB Regnskap, we make it easier for small business customers to gain a better overview and more control over their finances. DNB NXT is Norway's largest meeting place for ideas and capital, and NXT Accelerator aims to accelerate the development of startups.

WHAT WAS DONE IN 2020?

In 2020, the coronavirus pandemic put the business community to the test and made it more important than ever to facilitate innovation and growth. During the course of the year, DNB has further developed its service offering for startups and growth companies, in addition to facilitating digital competence sharing and advisory services.

Start-up pilots

To make day-to-day life easier for entrepreneurs, DNB has a special team made up of five start-up pilots and their team leader. The start-up pilot service is free of charge and you do not have to be a DNB customer to use it. Every day, the start-up pilots receive enquiries from entrepreneurs around the country who are looking for a conversation partner, someone to discuss their ideas with.

In a normal year, the start-up pilots spend a lot of time giving presentations and attending various arenas for entrepreneurs. This all came to an abrupt halt in March. During the first period of lockdown, the start-up pilots spoke to many entrepreneurs who contacted DNB on the coronavirus phone line. The main topic of the conversations was what opportunities the caller had to receive financial support from the state, but assessing whether he or she could have other opportunities to generate income was also a common topic. From the very beginning of the pandemic, the entrepreneurs who contacted the start-up pilot service showed very little negativity. Many of them made a quick turnaround and saw new opportunities and markets.

Despite the fact that 2020 was a year in which you would not expect many people to consider establishing their own business, a considerable number of people contacted the start-up pilot service. The start-up pilots maintained a high level of activity, despite having few meeting places, and spoke to 4 879 entrepreneurs by phone and via video meetings. We saw an increase of about 15 per cent in the number of enquiries compared with 2019.

In addition, the start-up pilots were able to reach start-up and growth companies via live webinars and videos. Videos and articles from the start-up pilots are available on DNB's website. We can say with confidence that the entrepreneurs have maintained their sense of optimism, and many of them have spent their free time exploring and validating their ideas. There are still a great number of people who dream about establishing their own business.

Growth experts

In addition to helping startups, it is important for us to be a good partner for growth companies. DNB has regional growth experts who work closely with regional start-up and growth environments. Our growth experts helped hundreds of growth companies during the course of 2020, by providing professional advisory services and good financing solutions.



DNB NXT – where ideas meet capital. Norway's leading arena for innovation, growth and investments.



During the course of 2020, DNB Regnskap underwent significant development so as to be able to meet far more business needs and make it much easier for small business customers to interact with their accountant.

DNB NXT

Through DNB NXT, we have built up one of Norway's most important meeting places for bringing together entrepreneurs, startups, investors and members of the business community. The objective of the meeting place is to help ensure that good ideas are connected with expertise and capital. As a result of the coronavirus situation, NXT 2020 was fully digital, with over 70 entrepreneurs, investors and business community players speaking from the digital stage. In addition, regional webcasts were held from Trondheim, Haugesund and Bergen. This year's NXT theme was building bridges between the old and the new, between challenges and opportunities, and – not least – between ideas and capital. With nearly 8 000 participants, who have given positive feedback on the programme, the all-digital NXT event was a huge success.

Through NXT, DNB is also co-organiser of Norway's largest pitch competition for startups, *Oslo Innovation Week 100 pitches*. The purpose of the event is to showcase entrepreneurs who have ideas about, for instance, how we can address global sustainability challenges – and connect them with investors. In 2020, entrepreneurs were encouraged to pitch their ideas relating to topics such as the oceans, health, energy, equality and smart cities.

DNB NXT Accelerator

In cooperation with StartupLab, DNB held the DNB NXT Accelerator for the fourth time in 2020. For the first time, this programme was also carried out digitally and in collaboration with Fremtind Forsikring. DNB NXT Accelerator is a three-month programme focusing on competence building, mentoring and coaching for start-up companies, with the goal of exploring and developing relevant products and services. This involves commercial benefits for the start-up companies concerned, as well as for Fremtind and DNB. Five companies were selected to be part of this year's programme.

Cooperation with start-up communities

DNB has a number of cooperation agreements with entrepreneur and start-up communities across the country. Examples of such communities are StartupLab in Oslo, FLOW in Tromsø, DIGS



in Trondheim, Innovation Dock in Stavanger and StartupLab in Bergen. This collaboration involves supporting our partners financially, but its main purpose is to enable us to develop a close relationship with the target group, understand their needs and constantly improve our offering of products and services to entrepreneurs.

Growth financing

In addition to helping startups, it is important for us to contribute to the financing of growth companies. The growth loan scheme was put on hold in 2020, as it proved difficult to implement. We have therefore focused on using the growth guarantee scheme, in cooperation with Innovation Norway, as an attractive financing opportunity for growth companies in 2020, and this has been successful. The scheme aims to enhance access to bank financing for innovative or rapidly growing small and medium-sized enterprises, and is intended to provide extra security for businesses that are considered to have sufficient debt-servicing capacity but cannot provide the necessary security to obtain bank financing in the traditional way.

In 2020, the loans on offer for the growth companies under this scheme were further strengthened when DNB was awarded a new limit of NOK 700 million by Innovation Norway. DNB is experiencing high demand for this type of loan, and in 2020 we allocated more than NOK 225 million in growth guarantee loans to growth companies throughout Norway. During the year, we developed closer cooperation with Innovation Norway and other partners, with the goal of providing even better products and services to growth companies

in the future. In addition, we worked to further develop the growth loan scheme and we expect to be able to offer an improved growth loan product as part of our continued focus on growth in 2021.

DNB Puls

The corporate app DNB Puls makes it easier for the managing director and chair of the board to take the pulse of the business. It provides an overview of accounts, balance forecasts and key figures compared with the industry in general and relevant competitors, as well as tips on how to run the company better. By the end of 2020, more than 28 566 companies had started using the solution.

During 2020, the app was integrated with nine different accounting systems and four data processing systems for shops. DNB Puls users now have their accounting and shop data automatically registered in the app. Customer feedback shows that this functionality is very useful, and there is a demand for being able to share data from even more accounting and shop data processing systems. In 2021, the app will be further developed. Among other things, it will be given the same payment functionality as the mobile bank for private customers. When its functionality is extended, even more businesses are expected to start using the solution.

DNB Regnskap

The accounting app DNB Regnskap was launched in 2019, and provides small business customers with a single solution for banking and accounting services. Banking and accounting are closely linked, and we find that our customers really appreciate having these services delivered in the same app. During the course of 2020, DNB Regnskap underwent significant development so as to be able to meet far more business needs and make it much easier for small business customers to interact with their accountant. DNB Regnskap is now a solution that can grow along with the company as its needs evolve – from a sole proprietorship to a larger business with many employees or multiple subsidiaries.

DNB Regnskap provides the company with everything it needs to get started, such as travel expense reports, registration of working hours and integration with online stores and checkout systems. In the course of 2021, we will create an even closer link between accounting and banking.

THE WAY FORWARD

The start-up and growth companies initiative is a clear priority for DNB. In 2021, we will strengthen our advisory services for this target group to ensure that potential winners of the future can have their needs met in DNB, in terms of equity as well as debt capital. We will strengthen the provision of attractive growth financing solutions that meet the needs of the target group. No funding was distributed under the growth loan scheme in 2020, but we will further develop the scheme in 2021, and we expect to be able to offer an improved growth loan product as part of our continued efforts in the area of growth financing.

In 2020, the coronavirus pandemic put the business community to the test and made it more important than ever to facilitate innovation and growth.



Sustainability and corporate responsibility ambitions



DNB combats financial crime and contributes to a safe digital economy

We work systematically to prevent DNB's products and services from being used for criminal activity. DNB aims to be the most trusted player when it comes to delivering safe banking services in a modern digital economy.

-
- ✓ DNB reports all suspicious transactions.
 - ✓ DNB aims to be the most trusted player when it comes to delivering banking services in a modern digital economy.

"The help I got from DNB was very professional, and it's reassuring to know that there are systems that can identify human error."



Martin Futsche,
managing director
of Asphalt & Betong
Maskiner AS (ABM)

[Read more on page 89](#)

1 180

The value in NOK million of fraud attempts against customers and the Group that were stopped by DNB in 2020

1 230

The number of cases that DNB reported to Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) in 2020, due to suspicions of money laundering or terrorist financing

10 197

The number of people in DNB who had completed courses in anti-money laundering and counter-terrorist financing by the end of 2020

16 967

Cyberattacks and IT security incidents that were handled without serious consequences for customers or the Group

Preventing financial crime and corruption

Financial crime, including fraud, corruption, work-related crime and money laundering, is a serious societal problem and a threat to our welfare system, while also undermining the health of our business community.

The principal goal for DNB's efforts to fight financial crime is to reduce financial loss for our society, our customers and for DNB, while maintaining trust in the bank's products and services. We must follow developments in the threat landscape closely and continuously adjust our efforts as methods change.

In DNB, we have a strong focus on contributing to the fight against crime for financial gain. The work is challenging, and reducing the risk of being exploited by criminals requires a high level of expertise and significant resources. In addition to seeking to prevent money laundering, we constantly strive to counter crime that generates monetary proceeds. For example, we use considerable resources on combating fraud and have zero tolerance for all forms of corruption. We work continuously to prevent and detect potential money laundering and ensure compliance with money laundering rules and legislation.

Efforts to prevent fraud are a vital part of our efforts to combat financial crime, in part because the proceeds of fraud can be used to finance other serious crimes, such as terrorism. In addition, we may run the risk of being misused for money laundering of the proceeds of fraud. Digitalisation and globalisation are affecting developments in this area – it has become easier to commit mass fraud, and the threat landscape is changing rapidly. Technological innovations, such as fake videos and voices (deep fakes), are being exploited by criminals. Increasingly sophisticated forms of fraud are resulting in more people who are usually cautious, being tricked. This development applies to fraud against both corporate customers and private individuals.

At the same time, transactions are increasingly expected to flow quickly and efficiently, also across national borders. Following the entry into effect of the new payment services directive, PSD2, we are already seeing new players and

applications in the market, which customers can use to make payments. In DNB, we have also prepared our applications for use in transactions involving customers' accounts in other banks. Changes in payment technology are resulting in changes both in customer behaviour and in the threat landscape and may lead to an increased risk of money laundering.

WHAT WAS DONE IN 2020?

The coronavirus crisis has affected society in many ways. Changed social habits and new restrictions have also affected the ways in which financial crime takes place. Statistics on criminal cases show that, in some areas and in some periods of time, crime levels have been reduced by 25–30 per cent. In other areas, the coronavirus situation has created new arenas for criminal activity. When Norwegian society entered lockdown on 12 March 2020, the number of investment frauds on fake online trading platforms doubled overnight. The criminals exploited the uncertainty associated with the coronavirus situation and manipulated their victims. We have also seen fraud relating to government-guaranteed loans that have been part of the Government's stimulus package. Several cases of this kind have been reported to the police, and in DNB, we have cooperated closely with Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime). Throughout the crisis, we have followed the crime situation closely and adapted our controls so as to be as well equipped as possible to uncover and report new forms of crime.

In 2020, we registered an increase of 38.4 per cent in the number of customers who were victims of digital fraud, compared with 2019. We stopped fraud attempts against our customers and the Group worth a total of NOK 1 180 million in 2020. We handled 5 101 fraud cases, of which 72 were reported. A large part of this escalation can be attributed to the criminals' increasing use of social media to spread false information and a general improvement in the quality of forgeries. A number of Norwegian celebrities still found that they were being used in advertisements for fake investment sites and products on various social media, and this led many customers to be fooled

1
180
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We stopped fraud attempts against our customers and the Group worth a total of NOK 1.18 billion in 2020.

We use considerable resources on combating fraud and have zero tolerance for all forms of corruption.



by these advertisements. Furthermore, DNB's brand was misused on a grand scale in phishing attacks, in which criminals send emails or text messages containing links, with the intention of getting customers to disclose their BankID or card information, enabling fraudulent payments to be made. We have systems in place to prevent such misuse to the greatest extent possible, and there have been virtually no successful attempts to break into the internet bank.

Over the course of the year, we reported a total of 1 230 cases of suspicious activity to EFE (the Norwegian Financial Intelligence Unit, FIU) in Økokrim. A single case may include multiple customer relationships and transactions. The cases we reported involved suspicions of money laundering or terrorist financing. In total, we investigated 5 273 cases in 2020.

In DNB, we have for a long time worked to prevent loan fraud in connection with car financing. To an increasing degree, we are succeeding in preventing people in organised criminal environments in Norway from receiving financing to buy cars that they then take to other countries to sell. We have also worked on exposing and reporting customers who have allowed their accounts to be used for money laundering (so-called money mules).

In November 2019, Økokrim announced that it had launched an investigation against DNB in what was referred to as the 'Samherji case'. This

occurred in connection with DNB having a customer relationship with the Icelandic fisheries group Samherji, which had been linked by the media to alleged cases of corruption in Namibia. DNB has been informed that the investigation has not generated any information that gives grounds for the criminal prosecution of individuals. Further, the public prosecutor is not of the view that a corporate penalty is applicable in this case. The case was dropped in February 2021.

In February 2020, Finanstilsynet conducted an ordinary anti-money laundering (AML) inspection in DNB. In December, we received a preliminary report following the inspection. DNB has not been complicit in money laundering, but Finanstilsynet criticised the bank for inadequate compliance with the Norwegian Anti-Money Laundering Act. On the basis of this criticism, Finanstilsynet wrote in a preliminary report that it is considering imposing an administrative fine of NOK 400 million on the bank. This constitutes about 7 per cent of the maximum amount Finanstilsynet is at liberty to impose, and 0.7 per cent of DNB's turnover. The maximum administrative fine it is possible to impose corresponds to 10 per cent of a company's annual turnover. The bank has examined Finanstilsynet's preliminary report and submitted a response by the deadline. In DNB, we take the notice from Finanstilsynet very seriously. The fight against financial crime is an important part of DNB's corporate responsibility, and it is a task on which we spend considerable resources. This work has

the highest priority in DNB. We have implemented extensive measures and made substantial investments in recent years to comply with the anti-money laundering rules and legislation. Delivering on the authorities' requirements and expectations in the AML area is ongoing work. We can continuously improve on this work and will continue to give priority to doing so in the time ahead.

Raising the level of awareness and competence in society in general is key to preventing crime and combating money laundering. DNB contributes actively to this by giving presentations in Norway and internationally. Several of the Group's employees are sought-after speakers, and although 2020 was also a very different kind of year as regards conferences, DNB employees held digital presentations at events such as the ACFE Global Fraud Conference concerning fraud prevention in the US. As part of our efforts to share our expertise and increase the general understanding of money laundering risk, DNB presented its risk assessment at the annual anti-money laundering conference organised by Økokrim, Finanstilsynet and Finance Norway. Our partner banks have also made efforts to raise the level of competence in the area of compliance with the AML rules and legislation. Furthermore, we have conducted webinars in DNB for our customers, to give them useful advice on maintaining a good security culture and upholding good payment routines. We have published our advice and recommendations on DNB's website so that they are available to both DNB customers and others. DNB's threat assessment and other reports have also been made publicly available.

We started on an upgrade of our main system for electronic monitoring, Detica, in the autumn of 2018. The system has undergone such significant changes that this can be seen as the implementation of a completely new system. The project has been divided into three phases, two of which have been delivered and put into production.¹⁾

At the same time, we have implemented scenarios on both old and new platforms to help

us detect money laundering. Through our focus on innovation, we have also developed machine learning models (AI), and we are constantly assessing technological opportunities for detecting money laundering. Furthermore, we are continuously monitoring new payment and identification solutions so that we can keep up with developments, and thus be better equipped for preventing money laundering and fraud.

For the second year running, DNB was given the Fidus security award by NorSIS (Norwegian centre for information security), for open and honest communication on security issues. We have an active media strategy aimed at helping to raise the level of competence and awareness in society and have attained a high standing in the media due to our efforts to improve digital security and combat financial crime. We wish to strengthen this position by expanding our focus to include all forms of financial crime. At the same time, we are working on an ongoing basis to further develop the competence of our employees through e-learning, classroom training and seminars.

In DNB, continuously strengthening our competence relating to rules and legislation in the areas of anti-money laundering, anti-corruption and sanctions has high priority, as does building a strong culture of compliance. We also implemented comprehensive training measures in DNB in 2020. By the end of the year, a total of 10 197 people had completed the basic course in anti-money laundering and counter-terrorist financing, 10 184 people had completed the basic course in anti-corruption and 8 035 people had completed the basic course in sanctions regimes.

In addition, a number of new, in-depth training modules on anti-money laundering, anti-corruption and sanctions were launched for those who work with these topics on a daily basis.

We carry out training activities regularly in the organisation, and we evaluate the results so that the training can be adapted as needed.



In DNB, we strongly believe that cooperation between banks is key to crime prevention.

1) The first phase included screening international payments to prevent terrorist financing and payments to sanctioned or high-risk countries. The second phase was put into production in May 2020 and involved monitoring transactions and customer activity to uncover attempts at money laundering. The final phase of the project is now underway, and it introduces a whole new methodology for the risk classification of customers.

THE WAY FORWARD

We work every single day to protect our customers and to prevent DNB from being subjected to fraud or misused for criminal purposes. We have an interdisciplinary team of specialists in combating financial crime. Our employees in this area have varied backgrounds, for example from the police, finance, IT and law. We actively share our knowledge and experience with other financial institutions. In addition, we use our expertise to help our customers be more vigilant, so that they can avoid falling victim to fraud. We are strengthening the centralised AML functions of Group AML and Group Compliance on an ongoing basis, and we are continuously working to improve the electronic monitoring system Detica. Our efforts to fight financial crime and money laundering are part of our corporate responsibility and will continue unabated in 2021, helping DNB stay ahead in a constantly changing risk landscape. As an important part of this, we will further strengthen our work on threat intelligence in connection with financial crime in the time ahead.

In DNB, we strongly believe that cooperation between banks is key to crime prevention, and we will continue to share our expertise and knowledge, among other things through Nordic Financial CERT (NFCERT) and Invidem. DNB has also helped to establish an AML meeting place connected to the programme Digital Public-Private Collaboration (DSOP), together with other banks as well as Finance Norway and the banking and finance industry's infrastructure company, Bits. Moreover, we are maintaining close contact with the police and other authorities with a view to combating crime. We are following developments in the threat landscape closely, and we continuously adjust our efforts as trends and methods change.

We have several projects underway in which we consider the use of new technology to help improve and simplify the daily processes in our efforts to fight financial crime.



Fraud averted in the nick of time

One Friday in early December last year, every CEO's nightmare became a reality for Martin Fuscbe: his company was the target of a fraud attempt. To the tune of approximately NOK 400 000. Thankfully, this attempt was thwarted by DNB's anti-financial crime systems.

Martin Fuscbe is managing director of Asfalt & Betong Maskiner AS (ABM), a franchise-based company that imports large construction machinery. On the Friday in question, he received an invoice of EUR 40 000 for prepayment of a delivery he had ordered from a relatively new supplier. Everything seemed to be in order. But later that day he received another email with an invoice. This one was identical, but had a text explaining that the supplier had changed its bank connection and the transaction should be made via a new account number.

"I was quite puzzled, but didn't stop to check like I should have before we ran it through the system. I didn't think anything was wrong until DNB called me up," says Martin Fuscbe.

Two things in particular made DNB's systems react: The size of the sum and the company's entirely new account number.

"The help I got from DNB was very professional, and it's

reassuring to know that there are systems that can identify human error," says Fuscbe.

Following his conversation with DNB, Fuscbe reviewed all correspondence with the supplier and called them up. The Italian company was no less shocked than him.

"It turned out that the fraudsters who had hacked their email had added an extra letter to the email address, which is easy to overlook," Fuscbe explains. In addition, they had copied the design and logo on the invoice.

The fraud attempt gave ABM a fright, and they've since installed new IT security systems.

"This won't happen to us again. But I'm really grateful to have a bank that works so professionally to fight this form of financial crime," Martin Fuscbe concludes.

Information security and stable IT systems

As Norway's largest bank, DNB is an important player in society, and this requires that we provide user-friendly, stable and secure solutions – for our customers and for society in general. This is essential for maintaining our customers' trust and thereby our competitive strength. Stable and secure IT systems are also a basic prerequisite for increasing our innovative power.

WHAT WAS DONE IN 2020?

The year 2020 was a different kind of year in terms of the way our IT systems were used, and it brought with it a new way of working. The coronavirus pandemic has led to employees working from home to a greater degree, and this means that our IT systems also need to be stable for those working from home, and that we need to have as high a level of information security at home as we do at the office. Establishing effective and secure technical solutions quickly enough has been demanding, but thorough risk assessments have ensured the right balance between maintaining operations and securing information and other assets. We intensified our efforts to introduce new office platforms and remote collaboration services for the Group's users due to the increased number of employees working from home. The technical solutions and new forms of working that have been adopted in connection with the coronavirus pandemic will undoubtedly continue to provide value in the time ahead.

Throughout 2020, work was ongoing on a number of measures for securing the stability of operations. Among other things, we worked systematically to further enhance operational processes and further develop the proactive monitoring system the bank has established. In 2019, DNB moved responsibility for operations from the company HCL to TCS. Switching service provider in this way meant replacing several hundred people, and ensuring an adequate transfer of expertise while maintaining operational stability and delivery power during a transition of this kind was challenging. Nevertheless, time has shown that switching service provider was the right decision for DNB. The positive effects of having a single service provider deliver both application development and operations services for a substantial portion of the bank's portfolio

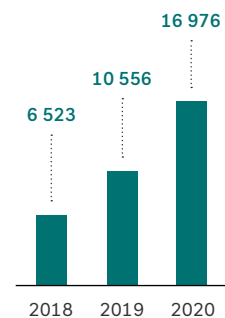
had, in turn, positive ripple effects on operational stability and several other areas during the course of 2020.

All in all, the bank reaped the benefits of several years' work to stabilise operations in 2020. This was particularly the case for the far-reaching improvements made to IT operating processes such as change management, and the targeted work done to address underlying issues that have caused operational problems. In 2020, we had a total of 17 days with operational problems that had a major impact on customers or employees, which is considered to be very good, especially given the challenging situation that the bank and society as a whole have been in during the COVID-19 pandemic. By comparison, in 2019 we had 27 days with operational problems of this kind. As for the most serious incidents, there has been a marked decline, with 9 days in 2020 compared with 25 days in 2019.

In the area of information security, a defining feature of the year was the pursuit of good and secure solutions for working from home that satisfy DNB's security requirements, not least given the increasingly serious threat landscape facing the financial industry. We also continued to automate and strengthen identity and access management – work that is being undertaken in stages and that will continue for several years. In the areas of training and awareness-raising, measures went from being carried out physically to becoming digital, and activities during the security month in 2020 were fully digital, with a high level of participation. DNB continued its awareness-raising work externally as well, further strengthening this work by making its annual threat assessment available to the public. DNB was awarded the Fidus security award by NorSIS (the Norwegian Centre for Information Security) for the second year running, for outstanding information security work.

In DNB, we are still experiencing daily cyberattacks in which criminals attempt to enter our IT systems or manipulate the Group's employees so that they divulge information. Modes of attack are becoming increasingly advanced and complex, and in 2020 we recorded 16 967 cyberattacks and IT security

Cyberattacks and IT security incidents



incidents, which is up from 10 556 in 2019 and 6 523 in 2018. None of these incidents had serious consequences for customers or for the Group.

If a serious IT incident were to strike DNB, it is crucial that it is dealt with effectively, so that we are able to quickly resume normal operations. Handling cyberattacks is largely a matter of coordinating resources within the Group, but in cases of larger and more serious incidents, extensive collaboration with external partners and authorities is also required to minimise the damage caused by the attack and provide information that enables others to protect themselves. DNB therefore participated in the national exercise Digital 2020, which was arranged by the Norwegian authorities. The exercise focused on the handling of a serious cyberattack across multiple players in society, with the authorities coordinating and supporting the work.

In the spring of 2020, a new IT governance model with accompanying instructions was adopted by management. The instructions apply to IT units across DNB and include important elements such as ensuring a clear division of responsibilities within the area of IT security.

In the latter half of 2020, an organisational change was implemented that brought the IT security teams together into a single, powerful unit, spanning all of DNB's subject areas. The purpose of the unit is to view IT security and information security in the context of security management, physical security and personnel security to a greater extent than before.

THE WAY FORWARD

We must assume that many of the solutions that have now been established for addressing the coronavirus situation will become permanent. Stable and secure IT solutions are fundamental prerequisites for running financial operations. The threat landscape is changing continuously, and if we are to strike a satisfactory balance, effective risk management in the area of IT and information security is essential. We need to maintain a strong focus on further developing our security solutions and further strengthening our defences against cyberattacks.

DNB's new technology strategy will simplify the complex IT infrastructure and provide benefits in the form of increased stability and better information security.

We want to find good and secure solutions for working from home that satisfy DNB's security requirements, not least given the increasingly serious threat landscape facing the financial industry.



Privacy protection

Technological developments are taking place at a rapid pace, giving DNB new business opportunities, while at the same time our customers expect good technical solutions that simplify the use of financial services. This said, many people feel insecure about privacy- or data protection matters, and according to the Norwegian Data Protection Authority's data protection survey for 2019/2020, the majority of the population has at some point refrained from using a service for this reason. Private companies may therefore risk losing customers as a result of not having the necessary trust when it comes to how they process personal data. In our processing of personal data, we must therefore ensure that data protection is maintained every step of the way, and we must be open about what we do, how we do it and why we do it. Our customers must be informed about the processing at the right time and in a manner they understand. This is especially important when personal data is processed in new and innovative ways. In this digital world, DNB is dependent on information to be able to provide the best products and services, but a prerequisite for gaining access to that information is that our customers trust us to not misuse the personal data we are entrusted with.

WHAT WAS DONE IN 2020?

Despite reduced development capacity due to the coronavirus situation, and the fact that a large proportion of employees were working from home, DNB's privacy protection efforts continued at a fast pace in 2020.

The General Data Protection Regulation (GDPR) is a cross-sectoral and dynamic regulatory framework that is largely developed through practice in the form of decisions made by courts of law, and supervisory authorities and guidelines issued by Norwegian and European supervisory authorities. This means that in DNB, we must constantly follow legal developments and be prepared to adapt and take the necessary measures. One example is a decision made by the EU Court of Justice (CJEU) in July 2020, in which the Privacy Shield framework established between the EU and the US was declared invalid. In practice, this meant a restriction of the right to legally transfer personal data out of the EEA.

The judgment affects how personal data can be transferred internally within the DNB Group, as well as to suppliers, business partners and others in countries outside the EEA. The issue affects companies and banks throughout Europe, not just DNB.

Good compliance with the data protection rules and legislation means ensuring continuous improvement and further development of existing processes and procedures, which must constantly be adapted to new or changed ways of processing personal data. In 2020, we revised our internal guidelines for personal data protection, carrying out extensive rounds of consultation, also involving our international offices. The updated guidelines have also been presented to the management teams in DNB, in order to ensure the necessary level of awareness, knowledge and endorsement.

The data protection rules and legislation require that we give our customers good and relevant information about how we process personal data in DNB, and that we provide this information in a clear and understandable manner. DNB's privacy protection statement and other information to customers regarding the processing of personal data will be updated, further developed and improved on a regular basis – as was also the case in 2020.

In 2020, we also continued our efforts to improve, streamline and automate the process that safeguards each individual's right to access their own information. We launched our new, automatic solution for providing access to information, and customers now receive a response to their requests within a short period of time. We are still receiving a large number of requests for access, which indicates that our customers are gaining an increased level of awareness regarding data protection. At the same time, there have been few complaints about DNB's right of access process. The complaints we receive are used for identifying improvements that can and should be made to the process to safeguard the right of access.

In DNB, we have continued our work to build one of Norway's leading expert teams in the field of



We must be open about what we do, how we do it and why we do it.



data protection, and in 2020 we hired several new experts in this area. Strengthening data protection expertise in DNB is essential to help ensure that we are able to safeguard privacy protection in connection with the complex issues that accompany rapid digital development. DNB's Data Protection Officers (DPO) in Norway and in the EU are kept informed and involved in data protection matters through established meeting places and other channels. They also have the right to participate in DNB's management meetings when data protection is discussed.

The Group has a number of e-learning modules on the topic of data protection that are mandatory for all employees. In 2020, additional e-learning modules were developed, which included follow-up training sessions in groups. These courses are mandatory for selected groups of employees who work with data protection matters on a daily basis. We have also found that many other employees take these courses on a voluntary basis, which goes to show that data protection is taken very seriously by our employees, and that it is regarded as essential competence in DNB.

Quickly detecting breaches of personal data security is crucial. In 2020, we therefore initiated a process and established a dialogue with the Norwegian Data Protection Authority to ensure that DNB's deviation process is made as effective as possible. We still have a low threshold for reporting personal data security breaches to the

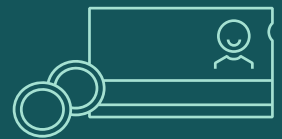
Norwegian Data Protection Authority. In 2020, DNB was not issued any orders or non-compliance fees by the Authority.

THE WAY FORWARD

The rapid pace of digital development means that an ever-increasing amount of personal data is processed, at an increasingly advanced level. In DNB, we will comply with dynamic data protection rules and legislation and ensure transparency in the processing of our customers' personal data. To maintain the trust of our customers and owners, we will continue to work, both nationally and internationally, to integrate data protection into all parts of DNB's operations, systems, products and services (Data Protection by Design). The training measures that have been introduced to raise the data protection competence of DNB employees will continue, and more experts will be recruited in 2021. Building a privacy protection culture and maintaining data protection will continue to be high on the agenda of the Group's management teams and Boards of Directors, and two of the goals are to improve the way the processing responsibility in DNB is organised and to enhance the deviation process.

If DNB is to achieve its financial targets and create the best customer experiences, responsible and satisfactory data protection is essential. We will therefore keep up the good and continuous work to ensure that DNB complies with the data protection rules and legislation.

Sustainability and corporate responsibility ambitions



DNB helps its customers manage their own finances

It has never been more important to promote good financial literacy among the Norwegian population, so that people can make the right financial decisions. DNB has a responsibility here, but also a unique opportunity to help large and small customers manage their finances and establish good habits. This benefits the customer, DNB, and society.

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- ✓ Children and young people should learn about personal finances by completing 'A valuable lesson 2.0' once a year.
 - ✓ 75 per cent of DNB's customers who turn 18 will receive an introduction to the principles of personal finance.
 - ✓ DNB helps Norwegians make smart savings decisions.

"My life would have been completely different if I had given up back then."



Read more on page 99

600 000

Listeners who followed DNB's podcasts on economics and securities markets during the course of the year

56 366

The number of customers who were granted interest-only periods on their loans in DNB in 2020, largely due to the coronavirus pandemic

7 000

The number of enquiries about financial matters that we answered at the start of the coronavirus pandemic

120 000

Modules of the digital learning tool 'A valuable lesson' completed in 2020

14 000

The number of customers in the 18–33 age group who set up savings agreements in mutual funds

56%

The increase in the number of unique users of the savings app Spare in 2020

Financial literacy

Good financial literacy among our customers creates a sense of security and will help generate a need for more relevant and tailored financial services. In the long run, this may strengthen DNB's market position in various customer segments, as well as the Group's position as a financial adviser and a responsible player in Norwegian society.

WHAT WAS DONE IN 2020?

In 2020, we implemented a number of measures to raise the level of financial literacy of both our personal and our corporate customers. Several campaigns and initiatives have been central to this work:

#huninvesterer and pension savings

Gender equality has increased in many areas, but women and men are still not financially equal. In September 2020, we launched the campaign #huninvesterer i fremtiden ('#girlsinvest in the future'), a sequel to #huninvesterer ('#girls invest') from 2019. The aim of the new campaign is to make more people aware of the pension gap between women and men, and to make it easier to understand pensions and save for retirement. The campaign contributes to knowledge sharing, with a view to helping customers make good financial choices. It has produced strong results, both by attracting new customers to equity trading and by increasing the proportion of women among those trading shares. In DNB, we see that the struggle for financial equality is not over yet, and we will continue to fight for this in the time ahead.

Read more about #huninvesterer in a separate article on page 60.

A valuable lesson

'A valuable lesson' is a tool that teaches children aged 7 to 16 about personal finances in a simple and enjoyable way. By completing five modules, they learn about budgeting, spending, savings, currency and loans, and also a bit about how adult life and society works. The aim is to give them a good basis for sound management of their finances later in life.

Nine out of ten parents want schools to put more emphasis on teaching children about personal

finances and giving them a basic understanding of financial matters. Many people who find themselves in financial difficulties also wish they had learned more about personal finances at an earlier stage of their lives. Personal finances has now been introduced as a separate subject in primary school, and A valuable lesson is a useful tool for supporting children and young people in developing their financial literacy.

When schools were closed in March and April 2020, the digital learning tool was used more than ever before. A total of 120 000 modules of A valuable lesson were completed in 2020, which is 100 000 more than in 2019. The original ambition for 2020 was a doubling of the number of modules completed in 2019, to 40 000.

In 2020, A valuable lesson showed how much demand there is for good digital tools for teaching children and young people about personal finances. In the past, the challenge has been to raise sufficient awareness about the learning tool among children, parents and teachers. When the switch to home schooling took place in 2020, more parents and teachers became familiar with A valuable lesson, and many saw the benefit of using it in teaching to increase children's and young people's knowledge of financial matters.

Young people

Our research shows that younger people have a lower level of knowledge about personal finances than older people, and that knowledge about personal finances increases with age. We have therefore focused particularly on giving our young customers a grounding in personal finances. Increasing financial literacy is especially important for this age group, as this is the age when people lay the foundation for their financial future and for mastering their personal finances.

Through digital communication and digital tools, we have given young people useful advice and tips on personal finances, including spending and saving, as well as advice on the path to getting their dream home. We have also approached parents with children who are almost 18, and given them useful information about what happens to their



Kornelia Minsaas and Levi Try, our two ambassadors for DNB UNG ('DNB Young') who help young people to find answers to their questions concerning personal finances.

children's accounts when they turn 18. Our results show that there is a real need for information of this kind and an interest in the topic among our younger customers and their parents. In 2020, around 14 000 customers aged 18-33 set up savings agreements in mutual funds, an increase of 42 per cent compared with the previous year. This age group is the one where we are seeing the biggest increase in regular saving in mutual funds. This is a clear sign that more young people have gained greater awareness about their own saving.

In the autumn of 2020, we launched an activity campaign called Nåtids hjernen ('the here-and-now brain'), aimed at giving young people between the ages of 18 and 28 increased knowledge about financial matters in general,

and about the products and services that DNB offers young people. After focusing on the 'here-and-now brain' during the fourth quarter, we see that the campaign is resonating with the target audience. Young people can identify with the activities and find them relevant. Furthermore, at the end of the year we launched a financing test to guide future property buyers wanting to buy their dream home ('Boligdømmetesten').

Coronavirus measures for personal customers

On Thursday 12 March, we made a rapid transition from normal marketing activities to purely providing information to the public. Within 48 hours and before the dust had settled after the shock of the country being in lockdown, we launched an open chat service where everyone across

Through digital communication and digital tools, we have given young people useful advice and tips on personal finances, including spending and saving, as well as advice on the path to getting their dream home.



the country could ask questions about anything finance-related. We made no distinction between DNB customers and non-customers. We received and responded to more than 7 000 enquiries.

The open chat service was launched on TV and social media the same weekend. The bank's own people, both managers and advisers at the customer service centre, spoke directly to you and me on prime-time television. It was important to promote a sense of calm and convey that we as a bank were there for everyone, and to say that anyone who needed it could contact us for a chat. At the same time, we drew attention to the possibility of interest-only periods on mortgages in all channels, and our advisers worked flat out to process all the applications that came in. A total of 56 400 people were granted interest-only periods in 2020.

Coronavirus measures for corporate customers

When the coronavirus pandemic hit Norway in March, a great number of companies had to close their doors, and many immediately experienced liquidity problems. To help our customers to secure

liquidity and adapt and restructure their operations, we set up our own helpline – the coronavirus phone line. The phone line was advertised broadly, together with a range of information videos for corporate customers who found themselves in a challenging financial situation. The phone line helped ensure that around 1 800 businesses received advice and help relating to finances and restructuring.

Analyses and seminars relating to securities trading

Our macro analysts, portfolio managers and other subject matter experts actively contribute to competence building through various media. Throughout the year, we held a wide range of market-relevant seminars and conferences that served as valuable meeting places and knowledge arenas for private individuals, the business community and the public sector. The events were held in various regions of the country with a view to reaching as many people as possible. Because the number of physical meetings was limited all year, the majority of these events were held digitally in 2020.

Interest-only periods in connection with COVID-19 in 2020



On our analysis pages we offer a wide range of market analyses relating to economics and securities markets. In 2020, we also started to use podcasts as a new kind of 'meeting place', reaching over 600 000 listeners. Increased use of live webinars where customers can ask questions along the way is also worth noting as a further development of our dialogue with customers and stakeholders. Never before have so many customers seen our videos as in 2020. We had more than 100 000 unique video views in 2020, up 51 per cent from 2019.

DNB explains

In the autumn of 2020, a series of videos dubbed DNB forklarer ('DNB explains'), formerly called DNB Uka ('the DNB week'), was turned into a digital content universe aimed at private individuals and small businesses, and explaining the topics of saving, investment, the housing market and the start-up process in simple terms. In one month, the project achieved 25 000 thousand views spread over 75 playback days. Several thousand customers moved on to look at products on dnb.no, and we have never before managed to track such a positive trend in connection with activity of this kind.

THE WAY FORWARD

As a major player, we have the opportunity to be a good financial adviser to our customers and to the Norwegian people. We will therefore continue to focus on being a good financial adviser, from A to Z, in the time ahead.

We will continue to focus particularly on children and young people through A valuable lesson, and we will promote this learning tool through our customer advisory services, local meeting places and at DNB's own events when it is natural to do so. In 2021, we will set targets for this work and follow them up closely, to ensure that as many children and young people as possible can benefit from A valuable lesson. We will also continue to focus our attention on 18-year-olds, giving them good tips and advice in early adulthood. Our mobile bank and the savings app Spare are good channels for giving people an overview and better knowledge of their personal finances, and we will use these as the main channels for reaching young customers as



From personal bankruptcy to money in the bank

In 2009, Judith Johansen was declared personally bankrupt. Ten years on, thanks to hard graft, saving and trading in shares, she bought a flat for NOK 4.4 million and still had money left in the bank.

After a marital break-up in the midst of the financial crisis, Judith Johansen had to sell both her car and home and move in with a friend. She and her daughter were allowed to live there for a modest rent.

"I was personally bankrupt and at my wits' end," says Johansen.

She spent the next year working hard and saving money, until she had enough capital to make a down payment on a flat in need of renovation. And that turned out to be a wise investment. After a complete renovation, the value of the flat had increased so much that she was able to sell it and buy the flat she had wanted in the first place.

Her DNB adviser, June Therese Martinson, offered invaluable help when she bought her new home.

"We reviewed her financial situation, looked at the flat she had in mind and discussed the

pros and cons. We assessed whether this would be a sound investment based on her personal finances," says Martinson.

Judith followed the advice of her adviser to keep paying down as much as possible on the mortgage and also set aside money for a financial buffer.

In addition to saving in mutual funds, which she had been doing for several years, she began trading in shares. Ten years after she started with nothing, Judith had saved NOK 600 000 which she put towards the flat. She has reinvested the return¹⁾ of NOK 100 000 in three different medium-to-high-risk equity funds.

Johansen is glad she didn't give up when she faced a financial crisis.

"My life would have been completely different if I had given up back then," she concludes.

1) Historical returns do not guarantee future returns. Future returns depend on, among other things, market developments, the fund manager's abilities, the mutual fund's risk, as well as subscription, management and redemption costs. Returns can be negative due to capital losses.



well. In addition, we will continue to focus on saving and on financial equality between women and men, as well as on local events to build competence.

After the 'own pension account' scheme was launched on 1 February 2021, everyone who has a defined-contribution pension has been given a pension account where their defined-contribution pension and pension capital certificates are gathered in one place. This gives a better overview, lower costs and the possibility of a larger pension for the people concerned. By having a better overview of their own pension, and having everything in one place, it will be easier for customers to assess their pension profiles and consider the need to save for retirement. During the course of 2021, DNB will continue to promote increased knowledge of pensions among the population to help customers manage their own finances.

During the course of 2021, DNB will continue to promote increased knowledge of pensions among the population to help customers manage their own finances.



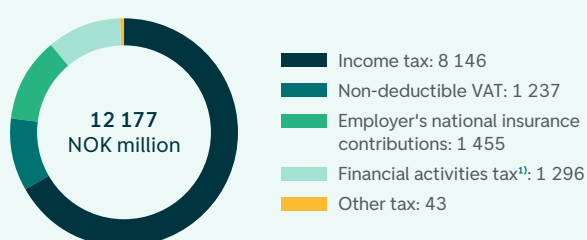
Feature article: DNB's tax contribution

DNB contributes to society in a number of ways in the countries where the Group is represented. Tax is one of the areas where DNB makes a significant contribution to society, and the country-by-country report shows taxes paid in the countries in which DNB has operations (see the report in the sustainability library, link on page 2).

The overview below includes other tax-related contributions in addition to taxes paid.

In 2020, the total tax contribution amounted to NOK 16 070 million, of which NOK 12 177 million was paid to the authorities and NOK 3 893 million was tax collected on behalf of the authorities.

HOW MUCH TAX DID THE DNB GROUP PAY IN 2020?



Taxes paid constitute a cost for the Group and include:

Income tax

The Group pays tax on income generated in the individual countries in which it has operations based on national tax rules in the country where the respective units are resident for tax purposes or have operations. Paid income tax means actual tax paid during the year regardless of which fiscal year the tax applies to.

Non-deductible value added tax (VAT)

DNB pays VAT on purchases of goods and services. The Group is only allowed partial deductions for input VAT, which means that a large part of the VAT constitutes a cost for the Group. The amount includes all non-deductible input VAT on the purchase of goods and services.

Employer's national insurance contributions

As an employer, DNB is obliged to pay employer's national insurance contributions and other social security contributions based on the employees' salary and other remunerations.

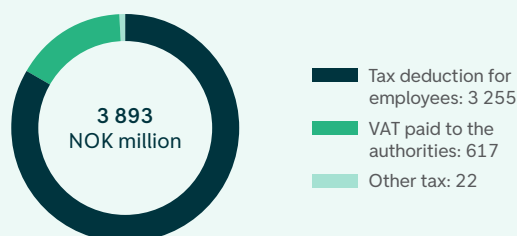
Financial activities tax

The financial activities tax is an additional tax imposed on companies within the financial services sector. This tax consists of two elements: an increased income tax rate for financial institutions (3 percentage points), and an additional tax for employers in the financial services industry, based on the payroll of the companies (5 percentage points).

Other tax

This may be withholding tax on interest and dividends paid to countries where the Group's customers or investors are resident for tax purposes, and which DNB cannot subtract from other tax.

HOW MUCH TAX DID THE DNB GROUP COLLECT ON BEHALF OF THE AUTHORITIES IN 2020?



In addition to taxes paid by the Group itself, DNB collects the following tax on behalf of the authorities through its operations:

Tax deductions for employees

In many countries, employers are required to withhold taxes and other social security contributions when paying salaries to employees.

VAT paid to the authorities

DNB must report and collect VAT on the purchase and sale of taxable goods and services. In addition, DNB calculates and pays VAT on purchases of goods and services from abroad. Net collected tax after deduction of tax on the Group's purchases of goods and services is reported and paid to the local tax authorities in the individual countries.

Other tax

This could be withholding tax deducted from interest and dividend payments and collected on behalf of the authorities.

1) Consists of extra income tax amounting to NOK 911 million and additional employer's national insurance contributions of NOK 385 million.

Governance

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Board of Directors of DNB ASA

As at 10 March 2021

The Board of Directors of DNB ASA is the Group's supreme governing body. Through the Group Chief Executive Officer, the Board is responsible for ensuring a sound organisation of the business activities. The Board has three sub-committees: the Risk Management Committee, the Audit Committee and the Compensation and Organisation Committee.



Olaug Svarva
(born 1957)

Role in the Board: Chair of the Boards of DNB and DNB Bank since 2018. Chair of the Compensation and Organisation Committee.

Background: Bachelor's and Master's degrees from the University of Denver, graduate of Trondheim Economic University College. CEO of Folketrygdfondet (which manages the Government Pension Fund Norway) from 2006 to 2018. Former Managing Director of SpareBank 1 Aktiv Forvaltning and head of investment management at SpareBank 1 Livsforsikring. Former financial analyst in Carnegie and DNB.

Other key positions of trust: Chair of the Board of Norfund and board member in Investinor AS and the Institute of International Finance (IIF). Former board member in the Employers' Association Spekter, Oslo Børs (Oslo Stock Exchange) and the Norwegian Institute of Directors. Has also been head of the Election Committee in Equinor and member of the Election Committees in Telenor, Veidekke, Storebrand and Yara. Has experience from the Corporate Assemblies of Telenor, Equinor and Orkla.

No. of board meetings: 19 of 19
No. of shares: 14 500¹⁾



Svein Richard Brandtzæg
(born 1957)

Role in the Board: Vice Chair of the Board of DNB since 2020. Member of the Audit Committee and the Risk Management Committee.

Background: Graduate engineer and holds a doctorate in Chemistry from the Norwegian University of Science and Technology (NTNU). Business graduate from BI Norwegian Business School. Chief Executive Officer (CEO) of Norsk Hydro from 2009 to 2019, head of various business areas in Norsk Hydro and other positions in the company from 1985. Has been chair of the Energy and Climate Committee in the European Round Table for Industry. Head of the Government's committee for regional business development from 2019 to 2020. Chair of the Board of NTNU from 2014 to 2020.

Other key positions of trust: Chair of the Board of Veidekke, board member in Swiss Steel in Switzerland, Eramet Norway and Sibelco in Belgium.

No. of board meetings: 8 of 8
No. of shares: 556¹⁾



Gro Bakstad
(born 1966)

Role in the Board: Board member in DNB since 2019 (board member in DNB Bank from 2017 to 2019). Chair of the Audit Committee and member of the Risk Management Committee.

Background: Master's degree in Economics and Business Administration ('Siviløkonom') and state-authorized public accountant from the Norwegian School of Economics. Extensive experience within economics, finance and strategy work. Chief Executive Officer (CEO) of Vygruppen AS since 2020. Former Executive Vice President of the Network Norway Division and of the Mail Division in Posten Norge AS, Chief Financial Officer of Posten Norge AS, financial adviser at Procorp and Chief Financial Officer of Ocean Rig.

Other key positions of trust: Board member in Veidekke ASA. Former board member in Farstad Shipping ASA and the Employers' Association Spekter.

No. of board meetings: 19 of 19
No. of shares: 4 000¹⁾



Lillian Hattrem
(born 1972)

Role in the Board: Board employee representative in DNB since 2020 (board employee representative in DNB Bank from 2016 to 2020). Member of the Audit Committee, the Risk Management Committee and the Compensation and Organisation Committee.

Background: Education in Finance from BI Norwegian Business School. Joined DNB in 1999.

Other key positions of trust: Chief employee representative for the Group in the Finance Sector Union DNB. Member of the Executive Committee of the Finance Sector Union of Norway. Has held several roles and positions of trust, including in the former supervisory board in DNB.

No. of board meetings: 8 of 8
No. of shares: 1 178¹⁾

1) Shareholdings in DNB as at 31 December 2020. Shares held by the shareholder's immediate family and by companies in which the shareholder has decisive influence are also included.



Jens Petter Olsen
(born 1961)

Role in the Board: Board member in DNB since 2020 (board member in DNB Bank from 2019 to 2020). Chair of the Risk Management Committee and member of the Audit Committee.

Background: Master's degree (higher division) in Economics and Business Administration ('Siviløkonom') from the Norwegian School of Economics, as well as Master of Philosophy in Finance, and participation in the PhD programme at London Business School. Employed in Norges Bank and Norges Bank Investment Management (NBIM) from 1997 to 2008, and headed the office in New York from 2000 to 2008. Held several positions in Danske Bank from 2008 to 2018, including head of Markets Norway from 2011 to 2014 and head of Capital Markets from 2014 to 2018.

No. of board meetings: 8 of 8
No. of shares: 3 070¹⁾



Stian Tegler Samuelsen
(born 1964)

Role in the Board: Board employee representative in DNB since 2020 (deputy board employee representative in DNB from 2016 to 2020).

Other key positions of trust: Chief employee representative for the Group in the Finance Sector Union DNB. Head of the department for Buskerud in the Finance Sector Union. Board member/treasurer of Svelvik Museum Association. Has previously held several other roles and positions of trust, including board member in Sparebanken NOR Buskerud.

No. of board meetings: 7 of 8
No. of shares: 791¹⁾



Jaan Ivar Semlitsch
(born 1971)

Role in the Board: Board member in DNB since June 2014. Chair of the Compensation and Organisation Committee.

Background: Master's degree in Economics and Business Administration ('Siviløkonom') from the Norwegian School of Economics. Chief Executive Officer (CEO) of Orkla. Former Chief Executive Officer (CEO) of Dixons Carphone International and Elkjøp Nordic AS, Chief Operating Officer of Statoil Retail Europe, Managing Director of Rema Industrier AS and Associate Partner in McKinsey.

Other key positions of trust: Former Chair of the Board of Elkjøp Norge AS and Statoil Norge AS. Has also been, or still is, Chair of the Board or board member in a number of Norwegian companies.

No. of board meetings: 19 of 19
No. of shares: 25 200¹⁾

Board of Directors of DNB Bank ASA

As at 10 March 2021

DNB Bank ASA is by far the largest company in the DNB Group. Joint board meetings are held for the Boards of DNB Bank ASA and DNB ASA to facilitate the effective organisation and implementation of the Boards' work. Some matters are processed by only one of the Boards. For instance, the Board of DNB Bank ASA processes credit proposals in separate meetings. Finanstilsynet (the Financial Supervisory Authority of Norway) has approved that Olaug Svarva is the Chair of the Board in both DNB ASA and DNB Bank ASA, and that Kjerstin Braathen is the managing director of both companies.



Olaug Svarva
(born 1957)

Role in the Board: Chair of the Boards of DNB and DNB Bank since 2018.

Background: Bachelor's and Master's degrees from the University of Denver, graduate of Trondheim Economic University College. CEO of Folketrygdfondet (which manages the Government Pension Fund Norway) from 2006 to 2018. Former Managing Director of SpareBank 1 Aktiv Forvaltning and head of investment management at SpareBank 1 Livsforsikring. Former financial analyst in Carnegie and DNB.

Other key positions of trust: Chair of the Board of Norfund and board member in Investinor AS and the Institute of International Finance (IIF). Former board member in the Employers' Association Spekter, Oslo Børs (Oslo Stock Exchange) and the Norwegian Institute of Directors. Has also been head of the Election Committee in Equinor and member of the Election Committees in Telenor, Veidekke, Storebrand and Yara. Has experience from the Corporate Assemblies of Telenor, Equinor and Orkla.

No. of board meetings: 17 of 17
No. of shares: 14 500¹⁾



Kim Wahl
(born 1960)

Role in the Board: Vice Chair of the Board of DNB Bank since 2019 (board member since 2013).

Background: MBA from Harvard University. Chair of the Board and owner of the private investment company Strømstangen AS. Co-founder of the European Private Equity firm IK Investment Partners, where he was Partner and Deputy Chair for 20 years. Also has experience from the US investment bank Goldman Sachs in London and New York.

Other key positions of trust: Chair of the Board and co-founder of the Voxtra Foundation, established in 2008 and focusing on local investments in East Africa. Board member in UPM Kymmene Corporation and in the European Advisory Board as well as the Board of Dean's Advisors at Harvard Business School. Has previously held a number of board positions in various industries, including, until recently, in Intermediate Capital Group plc in London.

No. of board meetings: 17 of 17
No. of shares: 12 000¹⁾



Julie Galbo
(born 1971)

Role in the Board: Board member of DNB Bank since 2020. Observer in the Risk Committee and the Audit Committee.

Background: Holds a law degree from the University of Copenhagen and has completed the Executive Management Programme from Insead. Former member of the group management of Nordea, holding positions such as Head of Group Business Risk Management, Chief Risk Officer and head of the Legal Structure Programme. Has been a member of the Senior Executive Management team in Nordea Asset Management. Has also been Deputy Director of the Financial Supervisory Authority of Denmark and head of government capital contributions.

Other key positions of trust: Chair of the Board of Trifork AG and Fundamental Fondsmægler-selskab A/S.

No. of board meetings: 8 of 8
No. of shares: 755¹⁾



Eli Solhaug
(born 1963)

Role in the Board: Board employee representative in DNB Bank since 2020 (employee-elected observer in DNB Bank from 2016 to 2020).

Background: Education in coaching, relationship management and project management from Akershus University College (now OsloMet – Oslo Metropolitan University) and BI Norwegian Business School. Joined DNB in 1982.

Other key positions of trust: Deputy head of the Finance Sector Union DNB and head of the department for the Oslo and Akershus region in the Finance Sector Union. Has previously held other key positions of trust including as the Group's main safety representative and as member of the former supervisory board in DNB.

No. of board meetings: 8 of 8
No. of shares: 2 851¹⁾

1) Shareholdings in DNB as at 31 December 2020. Shares held by the shareholder's immediate family and by companies in which the shareholder has decisive influence are also included.

Organisation

Operational structure

Our organisation and operational structure should enable us to quickly and effectively adapt to changes in customer behaviour, and to develop products and services that meet customer needs.

CUSTOMER AREAS

Personal Banking (PB)

PB serves DNB's personal customers. With more than 2 million personal customers, DNB is the market leader in the Norwegian personal customer market. Customers are offered a wide range of services through a modern distribution network, which includes mobile solutions, customer service centres and online banking, as well as branch offices and real estate broking.

Corporate Banking (CB)

CB serves DNB's corporate customers and includes the Group's customers in the Norwegian business community and public sector, as well as all international customers and financial institutions. Our ambition is to maintain our leading position in Norway and strengthen it internationally within selected industries for our largest customers, while also strengthening our initiatives in the small and medium-sized corporate customer and startup sectors. The corporate customer area is characterised by strong customer relations and sound banking and industry expertise. High-quality customer service is assured through our financial strength, a broad international network, competitive services and the ability to adapt quickly to new customer needs.

PRODUCT AREAS

Markets

Markets is Norway's leading investment firm and provides our customers with

investment banking services, including risk management, investment and financing products in the capital markets. By working in customer teams and applying good digital solutions, employees provide advice and develop tailor-made solutions for the various customer segments. Markets' risk management activities support the general customer activities with products and prices.

Wealth Management (WM)

WM serves high net worth individuals through its Private Banking unit. The product area is also responsible for developing the Group's savings, investment and pension products, and delivers defined-contribution pension schemes to all our customers in close cooperation with the customer areas. WM is responsible for all the Group's mutual fund products.

Payments & Innovation (P&I)

P&I is particularly centred around strategic business development to increase competitiveness and generate long-term profitable growth. The business area is responsible for three Group functions: innovation, payments, including associated infrastructure, and Open Banking, which works on opening up the bank's infrastructure.

STAFF AND SUPPORT UNITS

The Group's staff and support units are responsible for operational tasks and Group services and provide infrastructure and cost-efficient services for the business operations.

Reporting structure

Our financial management has been adapted to the customer segments. The income statements and balance sheets for the segments are presented in accordance with internal financial reporting principles, according to which revenues, costs and capital requirements are allocated to the segments based on a number of assumptions. Reported figures for the segments thus reflect the Group's total sales of products and services. The follow-up of total customer relationships and segment profitability are two important dimensions when setting strategic priorities and deciding on where to allocate the Group's resources.

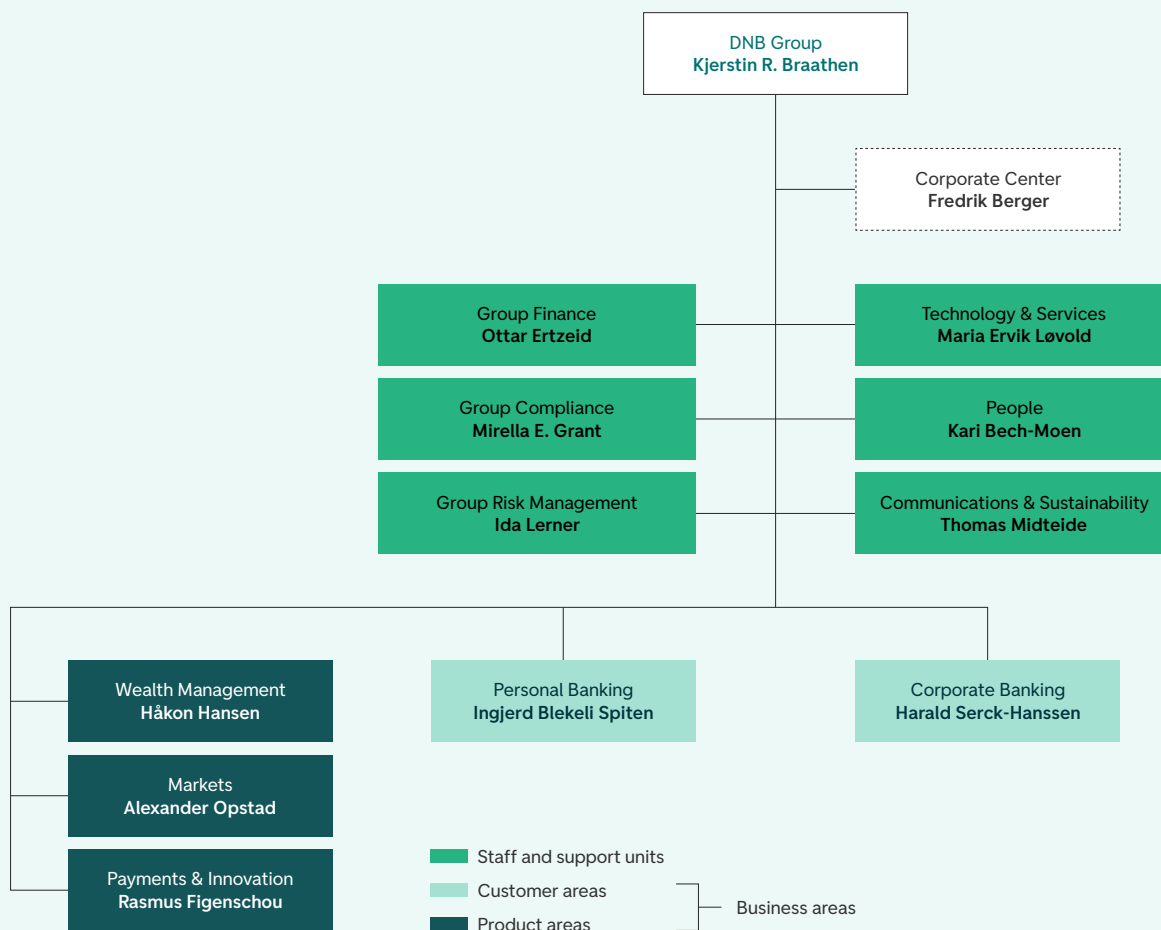
The segment reporting is presented in more detail in note 2 to the annual accounts.

Legal structure

In December 2020, the General Meeting approved a new group structure for the DNB Group, which will be achieved through a merger between DNB ASA and DNB Bank ASA, with DNB Bank ASA becoming the new parent company. The merger is scheduled to be completed by mid-2021, with accounting effect from 1 January 2021. Further details of the planned merger are included in the Board of Directors' report on corporate governance, starting on page 112. For an overview of the Group's legal structure, please visit dnb.no/en/about-us/about-the-group.html.

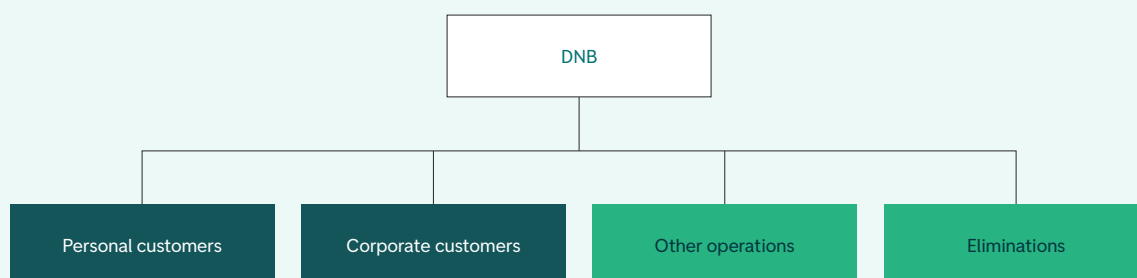
Operational structure

As at 10 March 2021



Reporting structure

As at 31 December 2020



Group Management

As at 10 March 2021

The Group Management team is the Group Chief Executive Officer's collegiate body for management at Group level in DNB. All important decisions are made in consultation with the Group Management team.



Kjerstin R. Braathen
(born 1970)

Group Chief Executive Officer (CEO) since 2019.

Prior positions in DNB: Chief Financial Officer and Group Executive Vice President of the former Corporate Banking Norway. Many years' experience from the Shipping, Offshore and Logistics division (SOL) in Oslo. Joined DNB in 1999.

Key positions of trust: Chair of the Board of Vipps, board member of the Executive Board of Finance Norway and member of the Corporate Assembly of Equinor.

Other professional experience: Experience from Norsk Hydro ASA and Hydro Agri International.

Education: Master in Management from Ecole Supérieure de Commerce de Nice-Sophia Antipolis.

No. of shares: 48 076¹⁾



Ottar Ertzeid
(born 1965)

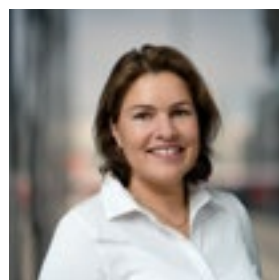
Chief Financial Officer (CFO) since 2019.

Prior positions in DNB: Group Executive Vice President of Markets from 2001 to 2019 and various positions within the FX/Treasury area. Chief Financial Officer in DnB Boligkreditt and head of finance in Realkreditt. Joined DNB in 1989.

Key positions of trust: Vice Chair of the Board of the Norwegian Investor Compensation Scheme, member of the election committee of Yara International and Vice Chair of the Board of DNB Livsforsikring.

Education: Master of Science in Business ('Siviløkonom') from BI Norwegian Business School.

No. of shares: 275 219¹⁾



Kari Bech-Moen
(born 1977)

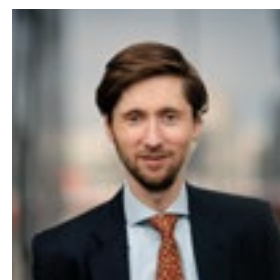
Group Executive Vice President of People since 2019.

Prior positions in DNB: Executive Vice President of People in People & Operations. Joined DNB in 2019.

Other professional experience: Many years of experience from various management positions in Telenor and as an entrepreneur.

Education: Master of Science in Business ('Siviløkonom') from BI Norwegian Business School and Master of Science in Industrial Relations and Personnel Management from the London School of Economics and Political Science.

No. of shares: 2 096¹⁾



Rasmus Figenschou
(born 1979)

Group Executive Vice President of Payments & Innovation since 2019.

Prior positions in DNB: Group Executive Vice President of New Business. Head of Strategy and Corporate Development and division manager for the counties of Rogaland and Agder. Management experience from DNB's office in Estonia, and work experience from Singapore and New York. Joined DNB in 2005.

Key positions of trust: Board member in Vipps and 11:FS Foundry.

Other professional experience: Analyst at Simmons & Company International.

Education: MBA from IMD Business School in Switzerland, Bachelor of Arts in Economics from Tufts University, College of Liberal Arts, Medford, Massachusetts.

No. of shares: 14 453¹⁾

1) Shareholdings in DNB as at 31 December 2020. Shares held by the shareholder's immediate family and by companies in which the shareholder has decisive influence are also included.



Mirella E. Grant
(born 1969)

Group Chief Compliance Officer (CCO) since 2018.

Other professional experience: Director General of the Financial Markets Department of the Norwegian Ministry of Finance. Experience from Bayerische Landesbank (Munich), the Norwegian Central Securities Depository and the University of Cologne (Institute of Economic and Social Statistics).

Education: Degree in Economics from the University of Cologne. Master of Science from London School of Economics and Political Science.

No. of shares: 1 475¹⁾



Håkon Hansen
(born 1966)

Group Executive Vice President of Wealth Management since 2019.

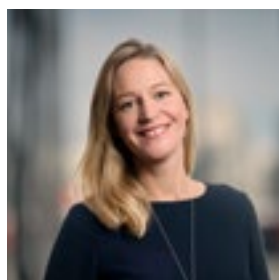
Prior positions in DNB: Group Executive Vice President of Wealth Management & Insurance. Head of Private Banking and head of DNB Luxembourg for ten years. Joined DNB in 1987 in what was then called Sparebanken Buskerud and later Sparebanken NOR.

Key positions of trust: Chair of the Board of DNB Livsforsikring and DNB Luxembourg and board member in Fremtind Forsikring.

Other professional experience: Bank Manager at Gjensidige Bank, Parat24 and DNB, Assistant Bank Manager at Sparebanken Øst and District Manager at Forenede Forsikring.

Education: Bachelor of Business Administration ('Diplomøkonom') from BI Norwegian Business School. Has also completed a management programme in financial investments (Master of Management) at the same school.

No. of shares: 19 602¹⁾



Ida Lerner
(born 1975)

Group Chief Risk Officer (CRO) since 2017.

Prior positions in DNB: General Manager of DNB CEMEA (Central Europe, Middle East and Africa) in London and head of customer analysis for Northern Europe, the Middle East and Africa at DNB's London office. Joined DNB in 2007.

Other professional experience: Global Relationship Manager at HSBC, customer adviser and stockbroker at Nordea.

Education: Bachelor of Social Sciences, specialising in Economics, from the University of Stockholm.

No. of shares: 6 672¹⁾



Maria Ervik Løvold
(born 1979)

Group Executive Vice President of Technology & Services since 2019.

Prior positions in DNB: Executive Vice President for the Product, Price and Quality division in Personal Banking. Head of section in and Deputy General Counsel for DNB Legal. Joined DNB in 2010.

Other professional experience: Lawyer at Brækhus Advokatfirma.

Education: Law degree from the University of Oslo.

No. of shares: 4 450¹⁾



Thomas Midteide
(born 1974)

Group Executive Vice President of Communications & Sustainability (previously Communications) since 2019.

Prior positions in DNB: Group Executive Vice President of Media & Marketing and Corporate Communications and Marketing, and Executive Vice President of External Communications. Joined DNB in 2009.

Other professional experience: Head of Communications in SAS Norge, communications officer in VISA Norway and TV reporter and presenter in the Norwegian Broadcasting Corporation, NRK.

Education: Journalist degree from Oslo University College. Subsidiary subject in Political Science and Criminology from the University of Oslo.

No. of shares: 27 177¹⁾



Alexander Opstad
(born 1981)

Group Executive Vice President of Markets since 2019.

Prior positions in DNB: Various positions within the Equities division of Markets. Head of Equity Sales in London and global head of the equities division. Joined DNB in 2005.

Key positions of trust: Chair of the Board of DNB Markets Inc. and board member in the Norwegian Securities Dealers Association.

Education: Master of Science in Business ('Siviløkonom') from BI Norwegian Business School.

No. of shares: 27 812¹⁾



Harald Serck-Hanssen
(born 1965)

Group Executive Vice President of Corporate Banking since 2019.

Prior positions in DNB: Group Executive Vice President of Large Corporates and International from 2013 to 2019. Executive Vice President of and head of section in the Shipping, Offshore and Logistics division (SOL). Joined DNB in 1998.

Key positions of trust: Board member of DigitalNorway and member of the Council and Nomination Committee of DNV GL.

Other professional experience: Experience from Stolt-Nielsen Shipping and Odfjell Group.

Education: BA (Hons) in Business Studies from the University of Stirling. Advanced Management Programme at INSEAD Fontainebleau.

No. of shares: 46 667¹⁾



Ingjerd Blekeli Spiten
(born 1971)

Group Executive Vice President of Personal Banking since 2018.

Prior positions in DNB: Head of mobile and telephone services, head of sales for internet and mobile banking, Executive Vice President for eBusiness. Worked in DNB from 2007 to 2015 and returned in 2018.

Key positions of trust: Chair of the Board of DNB Eiendom and board member in Fremtind Forsikring.

Other professional experience: Senior Vice President of Global Products at Telenor, Chief Operating Officer in Microsoft and various management positions at Ericsson. Many years' experience from board positions in various industries.

Education: Master of Science in Business ('Siviløkonom') from BI Norwegian Business School.

No. of shares: 11 037¹⁾

1) Shareholdings in DNB as at 31 December 2020. Shares held by the shareholder's immediate family and by companies in which the shareholder has decisive influence are also included.

The Board of Directors' report on corporate governance

Corporate governance in DNB is about how the Board of Directors and DNB's management exercise their roles to preserve and develop the company's values in the best possible way. Good governance is essential for sustainable and responsible operations and for ensuring that DNB's business operations are conducted responsibly and profitably, in the best interests of customers, owners, employees and other stakeholders. Good corporate governance strengthens people's trust in DNB.

The Board of Directors' overall reporting on corporate governance has the following structure:

- This chapter describes the Board's main priorities, and any significant changes in or deviations from the recommendation from the Norwegian Corporate Governance Board (NUES), 'the Norwegian Code of Practice for Corporate Governance' (hereafter 'the Code of Practice').
- The document 'Implementation of and reporting on corporate governance' describes and explains DNB's corporate governance, and is prepared in accordance with the Code of Practice and section 3-3b, second subsection of the Norwegian Accounting Act. This document is available at ir.dnb.no.

THE BOARD'S OVERALL ASSESSMENT OF CORPORATE GOVERNANCE

In its corporate governance work, DNB primarily follows the Code of Practice. The Board of Directors has identified the following deviations from section 6 General meetings and section 14 Takeovers:

Section 6 General Meetings:

- *Shareholders should be able to vote on each issue, including voting for individual candidates in elections:* voting for individual candidates in elections has so far not been allowed, as the need to take into consideration the overall skills mix has outweighed other considerations.

Section 14 Takeovers:

- *The Board should have set out key principles for how to respond in the event of a takeover bid:* the Board has chosen not to prepare any explicit guiding principles for responding to takeover bids. The reason for this exception is that the Norwegian state owns a 34 per cent stake in DNB. The

purpose of the state ownership of DNB is, among other things, to ensure that DNB has a Norwegian head office, which makes such principles less relevant.

No cases of significant control failure were identified in 2020. It is the Board's view that DNB has the appropriate systems, procedures and measures in place to ensure proper corporate governance and internal control.

THE BOARD'S MAIN PRIORITIES – CORPORATE GOVERNANCE AND COMPLIANCE

Strategic priorities and the Group's financial ambitions continued to be among the Board's most important tasks in 2020. Efforts to ensure a good understanding of risk at all times, including monitoring the regulatory framework conditions, were also an important focus area, as was compliance.

Among the Board's main priorities with regard to corporate governance and compliance were to:

- monitor the anti-money laundering

work and support the authorities in the fight against financial crime;

- manage the coronavirus pandemic, the Board's main priority being to help our customers at a difficult time, secure the Group's operations and take care of employees;
- evaluate and subsequently simplify the group structure, which will, among other things, lead to financial savings;
- monitor the organisation's implementation of, and compliance with, external and internal requirements, by reviewing the compliance reporting of managers and the second and third lines of defence, and implementing the necessary measures;
- monitor compliance by reviewing reports from the first, second and third lines of defence, and taking the necessary steps;
- assess the IT strategy and outsourcing of ICT activities in relation to the requirements of the Norwegian ICT regulations – with regard to outsourcing, this involved reviewing agreements, risk assessments and the plan for how the enterprise the service



is to be outsourced to will deliver as agreed;

- approve the revised corporate governance principles, including the establishment of a role with responsibility for monitoring external rules and legislation;
- assess the EU action plan on sustainable finance and evaluate necessary measures;
- follow-up of security, including risk assessment related to increasing digitalisation and technological developments, the internal control process that has been established and any need for measures;
- consider initiatives relating to the organisation and its employees through, inter alia, dealing with consequences of the pandemic, making organisational changes to bring IT closer to the customer environments, sick leave follow-up and Group Management succession planning – see also the discussion on handling the coronavirus pandemic.

The Board's monitoring of anti-money laundering initiatives is discussed in

greater detail below, as is the coronavirus pandemic, the assessment of the new Group structure and the assessment of the EU action plan on sustainable finance.

MONITORING OF ANTI-MONEY LAUNDERING INITIATIVES

In 2020, the Board once again focused heavily on anti-money laundering efforts, including monitoring the status of efforts to reduce compliance risk and the steps taken. The fight against financial crime is an important part of DNB's corporate responsibility. This has long been an area of high priority for the Board as well as the organisation, and one which DNB spends considerable resources following up. Criminals are using increasingly sophisticated methods, which means that DNB needs to constantly improve its routines, expertise and systems in this area.

Among the measures that were fully implemented in 2020 was the transfer of certain anti-money laundering functions (AML functions) to a specialist environment headed by the Group

AML Officer. This environment helps customer units identify indications of money laundering or terrorist financing. In addition, many parts of the organisation are involved in the continuous development of electronic monitoring processes and systems.

The Group AML Officer is responsible for Group-wide processes, the standardisation of routines, the exchange of information and for compliance with the duty to investigate and report, and, as of the first quarter of 2020, prepare a combined report on the status and progress of anti-money laundering work in the first line of defence. The Board also considered reports on assessments and measures from the Group's second- and third-line functions.

The Board specifically followed up analyses and measures in the wake of the so-called Samherji case. This case included allegations of corruption in Namibia tied to an Icelandic fisheries company that was a DNB customer. Økokrim (the Norwegian National Authority for Investigation

and Prosecution of Economic and Environmental Crime) began an investigation of DNB in connection with this case at the end of 2019. In February 2021, the investigation was concluded and the case was dismissed.

Anti-money laundering is a key area of expertise in DNB. Training is given continuously via e-learning courses, classroom teaching and seminars. Completion rates are monitored.

DEALING WITH THE CORONAVIRUS PANDEMIC

The coronavirus pandemic hit Norway with full force in March 2020, and throughout the year the Board considered what measures were necessary. DNB is a systemically important financial institution and plays an important part in society. This is a responsibility that becomes particularly clear in difficult times, and one that we are committed to fulfilling. The Board has balanced the expectations of customers, owners and the authorities in a responsible way.

Helping customers through what for many of them was a tough period has been at the top of the Board's agenda. The starting point for DNB's work, and a motivational factor for the entire organisation, is the fact that, in this situation, Norwegian banks have been a part of the solution, for example by:

- helping businesses and private individuals;
- supporting the authorities;
- contributing to the development of the technical solution for the three-week financial support scheme; and
- providing analyses and insight regarding the developments.

The Board is pleased to note that DNB has managed to maintain normal operations for our customers throughout this period, and to ensure the necessary funding in markets affected by uncertainty.

The Board monitored developments in sickness absence, and was particularly pleased to see the numbers decline throughout the year. We have reason to believe that home-based work, which provides more flexibility in situations that would otherwise result in absence from the workplace, is one of the main reasons for the low figures.

As a result of the coronavirus pandemic, the Norwegian authorities have asked Norwegian banks to postpone their decisions to pay out dividends and repurchase own shares until the significant uncertainty linked to economic developments has subsided. At an extraordinary general meeting on 30 November 2020, the Board was authorised to decide on the distribution of dividends for 2019 in 2021.

ASSESSMENT OF THE SIMPLIFIED GROUP STRUCTURE

As recommended by the Board, the General Meeting decided on a new structure for the DNB Group. DNB ASA is to be merged with DNB Bank ASA, and DNB Bank ASA will become the Group's new parent company. DNB Livsforsikring AS and DNB Asset Management Holding AS will remain subsidiaries. Among other things, the new Group structure will simplify the reporting and management structure, and reduce costs and risk. In July 2020, the Ministry of Finance agreed in principle to allow DNB Bank ASA to become the Group's new parent company, but the implementation of the merger also requires certain other

permissions from the Ministry. The merger is due to be completed in mid-2021, but will take effect from 1 January 2021 for accounting purposes.

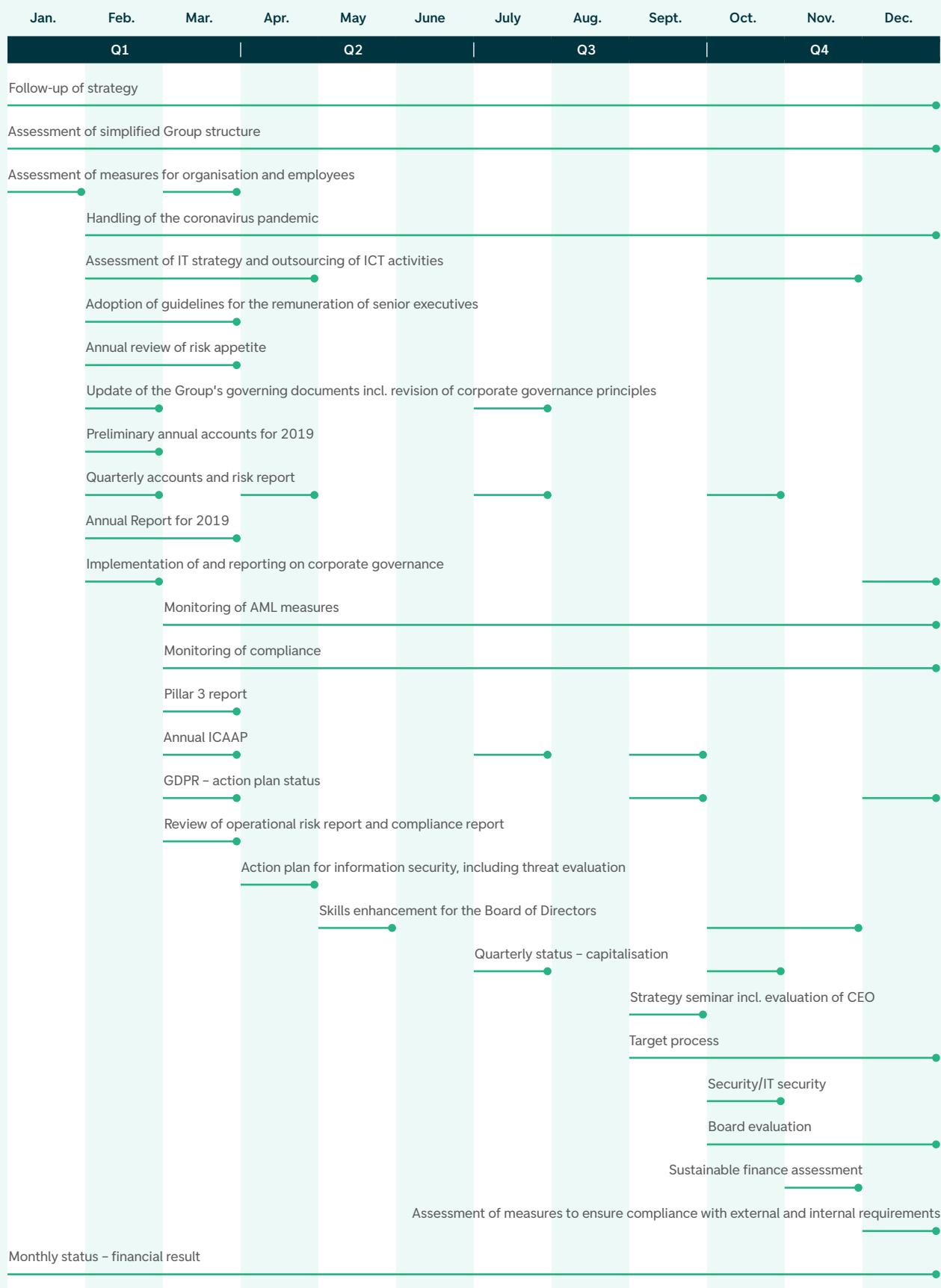
ASSESSMENT OF THE EU ACTION PLAN ON SUSTAINABLE FINANCE

DNB defines sustainability as long-term value creation in accordance with the expectations of our key stakeholders. This is operationalised by identifying the most significant topics relating to environmental, social and governance (ESG) factors, setting clear targets, and integrating ESG factors into the strategy and corporate governance.

The EU action plan on sustainable finance is a package of initiatives, rules and legislation aimed at redirecting the flow of capital in Europe towards more sustainable investments, making the economy more resilient to climate risk and promoting transparency and long-term viability in financial markets. Norway has endorsed the EU's climate targets. The rules and legislation that are part of the EU action plan will also apply in Norway due to the EEA Agreement.

The Board considered the consequences of the EU action plan on sustainable finance in 2020, and will follow up the measures necessary for enabling DNB to meet the requirements and expectations set out in the rules and legislation. A separate Group project on climate risk was established in the autumn of 2020, and the Board will follow up how DNB identifies, deals with and reports on climate risk.

Overview of the Board of Directors' activities in 2020



Governing bodies of DNB ASA

As at 31 December 2020

Number of shares held in DNB ASA including shares held by the shareholder's immediate family and companies in which the shareholder has decisive influence. Cf. section 7-26 of the Norwegian Accounting Act.

Board of Directors

Members	31.12.20	31.12.19
Olaug Svarva, Oslo (Chair)	14 500	7 000
Svein Richard Brandtzæg, Oslo (Vice Chair)	556	0
Gro Bakstad, Oslo	4 000	0
Lillian Hattrem, Langhus ¹⁾	1 178	752
Jens Petter Olsen, Oslo	3 070	3 070
Stian Tegler Samuelsen, Svelvik ¹⁾	791	578
Jaan Ivar Semlitsch, Stabekk	25 200	21 300

Deputies for the employee representatives

	31.12.20	31.12.19
Sigmund Hollerud, Oslo ¹⁾	838	412
Ann-Mari Sæterlid, Horten ¹⁾	177	49

Election Committee

Members	31.12.20	31.12.19
Camilla Grieg, Bergen (leder)	0	0
Jan Tore Føsund, Oslo	0	0
Ingebret Hisdal, Oslo	0	0
André Støylen, Oslo	16 750	9 500

Risk Management Committee

Members	31.12.20	31.12.19
Jens Petter Olsen, Oslo (Chair)	3 070	0
Gro Bakstad, Oslo	4 000	0
Svein Richard Brandtzæg, Oslo	556	0
Lillian Hattrem, Langhus ¹⁾	1 178	752

Audit Committee

Members	31.12.20	31.12.19
Gro Bakstad, Oslo (Chair)	4 000	0
Svein Richard Brandtzæg, Oslo	556	0
Lillian Hattrem, Langhus ¹⁾	1 178	752
Jens Petter Olsen, Oslo	3 070	0

Compensation and Organisation Committee

Members	31.12.20	31.12.19
Olaug Svarva, Oslo (Chair)	14 500	7 000
Lillian Hattrem, Langhus ¹⁾	1 178	752
Jaan Ivar Semlitsch, Stabekk	25 200	21 300

Group Management

Members	31.12.20	31.12.19
Group Chief Executive Officer (CEO) Kjerstin R. Braathen	48 076	31 878
Chief Financial Officer (CFO) Ottar Ertzeid	275 219	240 577
Group Executive Vice President Personal Banking Ingjerd Blekeli Spiten	11 037	4 758
Group Executive Vice President Corporate Banking Harald Serck-Hanssen	46 667	41 324
Group Executive Vice President Wealth Management Håkon Hansen	19 602	9 890
Group Executive Vice President Markets Alexander Opstad	27 812	16 441
Group Executive Vice President Payments & Innovation Rasmus Figenschou	14 453	10 568
Group Executive Vice President People Kari Bech-Moen	2 096	474
Group Executive Vice President Group Risk Management Ida Lerner	6 672	4 255
Group Executive Vice President Technology & Services Maria Ervik Løvold	4 450	1 822
Group Executive Vice President Group Compliance Mirella E. Grant	1 475	858
Group Executive Vice President Communications & Sustainability Thomas Midteide	27 177	15 034

Group Audit

Members	31.12.20	31.12.19
Tor Steinfeldt-Foss	0	0

Statutory auditor

Members	31.12.20	31.12.19
Ernst & Young AS (EY)	0	0

1) Not independent.

Open and ethical business management

To earn the trust of the world around us, it is important that we maintain a high ethical standard in all our operations, so that DNB as a financial services group is perceived as open, transparent, clear, and with a high level of integrity. Our employees and business partners must comply with our ethical principles (Code of Conduct), and we must be open and clear in our communication and reporting.

ETHICAL PRINCIPLES (CODE OF CONDUCT)

In order to live up to our purpose and values and achieve DNB's strategic goals and ambitions, everyone in DNB must act in a way that safeguards the interests of the bank's customers, owners, employees and other stakeholders, now and in the future. This way, we will continue to build trust – the bank's most important asset. The trust of our customers, owners and the market in general is essential if DNB is to be able to maintain sustainable operations over time.

The Code of Conduct is one of DNB's governance principles and our main ethics framework. It sets out how permanent and temporary employees in the DNB Group, hired consultants, board members and other elected officers are expected, obliged and required to act. The Code of Conduct reflects the Group's values and culture. The framework includes guidelines in areas such as corporate responsibility, customer service, communication, HSE, discrimination and harassment, confidentiality and protection of information, privacy protection, whistleblowing, conflicts of interest, tax, inside information, substance abuse, anti-corruption and anti-money laundering. Knowledge of and compliance with

the Code of Conduct is mandatory for all employees and is therefore part of the introduction programme for new employees and a permanent part of the training of new managers in DNB. Breaches of this governance principle may trigger liability under labour law. The Code of Conduct has been adopted by the Board of Directors of DNB ASA and is available in the sustainability library on DNB's website.

WHISTLEBLOWING

The Code of Conduct states that employees must report unacceptable circumstances without delay to their immediate superior, his or her superior, their contact person in the HR department or the HSE officer. In cases of unacceptable circumstances relating to the working environment, the safety representative may also be notified. If this does not lead anywhere, or if an employee is not comfortable addressing the issue through any of these channels, it is always possible to submit a notification using DNB's whistleblowing channel. The internal whistleblowing channel is an electronic, confidential channel that is designed for anonymous reporting. If the employee wishes to speak to a trusted, independent person before deciding whether or not to submit a notification, this can be done within DNB (via the Group Chief Audit Executive) or outside DNB (via the external advisory and auditing firm BDO Norway). DNB has designed the whistleblowing channel for receiving both internal and external notifications. The whistleblowing channel may also be used by hired temporary personnel and

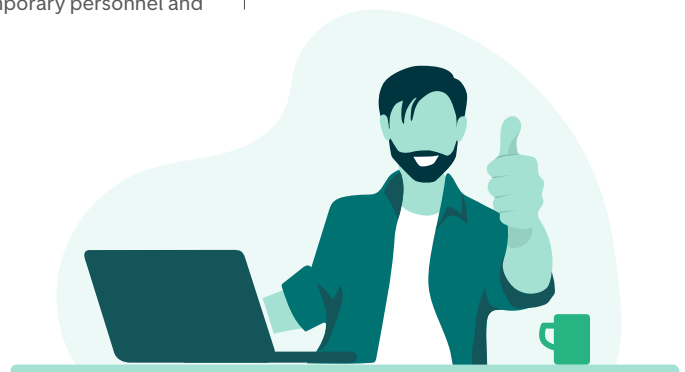
consultants. In whistleblowing cases, the whistleblower must have access to personal support and guidance from an independent party. If appropriate, DNB must also implement suitable measures to prevent retaliation against the whistleblower. The whistleblowing rules do not apply to matters relating to individual employees' employment relationship, such as personnel conflicts or disputes concerning the employment contract.

In 2020, eight internal notifications were registered in DNB's whistleblowing channel, compared with 15 cases in 2019. As in previous years, the majority of the issues reported were linked to the working environment. In three of the cases in 2020, the whistleblower chose to remain anonymous.

TRANSPARENCY AND TAXES

The principles that form the basis for all communication regarding DNB's income tax and tax reporting are openness, transparency and consistency, and these principles are in line with the guidelines set out in the Code of Conduct. The document 'DNB's tax footprint' describes DNB's tax contributions and general approach to tax matters. Furthermore, the annual country-by-country reporting is an important tool for achieving greater tax transparency vis-à-vis the tax authorities in the countries where DNB operates. DNB's contribution to taxes and fees is described on page 101. Read more in 'DNB's tax footprint' in the sustainability library (link page 2).

It is important that DNB as a financial services group is perceived as open, transparent, clear, and with a high level of integrity.



In 2020, DNB in Norway purchased goods and services for approximately NOK 9.3 billion.



Responsible purchasing

In 2020, DNB in Norway purchased goods and services for approximately NOK 9.3 billion¹⁾. We have around 4 400 suppliers, 114 of which accounted for approximately 80 per cent of the Group's purchasing costs. Important purchase categories for the bank are the development and operation of IT solutions, marketing and consulting services, and goods and services related to properties and office equipment. Most of our suppliers are from the Nordic countries, Western Europe and North America.

Our ability to create value for our customers depends on good deliveries from – and constructive cooperation with – our suppliers. It is important to us that our purchases are of good quality, delivered at a competitive price and produced in a responsible manner, in keeping with our requirements and expectations. We are constantly seeking to reduce sustainability-related risk in our supply chain, while at the same time we want to contribute to raising our suppliers' level of awareness in this area and help them make improvements. As service deliveries make up the majority of our purchases, topics relating to working conditions are often a focus area, but we also work with matters relating to the environment, ethics and the supply chain. Our work on sustainability

in the supply chain is followed up by a separate steering committee established for the area.

WHAT WAS DONE IN 2020?

In order to ensure a fair and transparent procurement process, purchases in DNB are conducted in accordance with the Group's principles and guidelines for procurement. Assessments and measures relating to sustainability are an integral part of the procurement process, both before the decision to choose a supplier is made and during the contract period. What DNB expects from suppliers should be specified in the tender documents and in the contracts, which also include the DNB Code of Responsible Business Conduct for Suppliers. This code of conduct for suppliers is based on international guidelines²⁾ and sets clear requirements regarding human rights and labour standards, environmental management and the ethical performance of suppliers' own activities, as well as a requirement that suppliers convey similar principles to their own supply chains. In 2020, the code of conduct for suppliers was reviewed and updated, and we started to use an adjusted version in early 2021. The code of conduct can be found in the sustainability library – see the link on page 2.

In DNB, we use various tools to help us assess our suppliers in the area of sustainability. In 2020, DNB launched a new third-party risk management (TPRM) tool to be used in risk assessments of all of the bank's third parties, except customers, who are followed up in separate systems. Using this tool, we assess the risk associated with the third parties, including suppliers, in a number of different areas (e.g. financial risk, data protection risk, tax risk and IT security risk). Sustainability is one of the topics included in the tool. Third parties from higher-risk industries or countries, or who are considered to pose a higher risk for other reasons, must undergo a more thorough assessment in this area before they can be approved as a potential business partner or supplier for DNB.

The aim of our responsible purchasing efforts is to reduce risk and contribute to improvements being made in the supply chain. We are not able to follow up all our suppliers in the same way, so we have to prioritise and decide which ones we should focus on the most. Here, the inherent risk posed by a supplier (see above) is important, but the purchase cost and the strategic importance of the supplier can also be decisive in determining which suppliers we choose to examine more closely.

1) The calculation basis has been changed. The corresponding purchasing volume for 2019 was approx. NOK 10.5 billion.

2) For example, the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the ILO Core Conventions.

In addition to on-site audits, DNB uses assessments carried out by third parties to evaluate and follow up our suppliers' work on sustainability. Through the EcoVadis assessment platform, both we and the supplier are given detailed feedback on what is satisfactory, along with input on what can be improved. The results of the assessment are taken into account when selecting new suppliers, and they provide a useful basis for discussion and follow-up in supplier meetings. At the end of 2020, suppliers accounting for a total of 57 per cent of DNB's relevant supplier expenses had been assessed in this way. The corresponding figure for 2019 was 64 per cent. The proportion of suppliers that have been assessed will vary over time as new suppliers, with different associated purchase costs, are taken on, while other contracts are terminated. We expect all our suppliers to work to improve – or, if they already have a very good score, maintain – their level during the contract period. Although suppliers may find it difficult to complete the questionnaire that forms the basis of the assessment, in our experience the tool and the dialogue it leads to help to raise awareness and bring about improvements. In addition, EcoVadis is a shared platform, which means that a supplier can share its rating with multiple users on the platform. As the number of users of the platform increases, we see that more of our suppliers are taking advantage of this opportunity, which is motivating for them and simplifies the process for everyone.

In 2020, DNB carried out three on-site audits of suppliers in cooperation with an external auditor. We carried out audits of two of our major IT partners, as well as of a supplier from the building and construction industry. So far, our experience with audits has been positive. Audits are a good tool for promoting improvements and learning, particularly in cases where we manage to achieve constructive follow-up and dialogue afterwards.

Increasingly, we are also setting topic-specific requirements for suppliers, that

is, sustainability-related requirements that are particularly relevant to the service or goods to be delivered. This usually happens in connection with the tender process, but in many cases, we also have dialogue with the suppliers during the contract period with a view to achieving improvements. One example is the supplier's work relating to gender equality, which we have included as a topic in several major tender processes in the last couple of years. For the suppliers selected, the status of their gender equality efforts becomes one of several topics to be followed up in supplier meetings during the contract period. For example, it is regularly on the agenda in meetings with our main IT partners. A major procurement of a software solution is another example in which requirements were set concerning a specific topic. Here, relevant sustainability topics included energy consumption and greenhouse gas emissions from the data centres linked with the use of the software, and we requested information about these issues and included them in the assessment. It is difficult to gain a complete overview or obtain a guarantee that everything is in line with our expectations, but we are working continuously to become better at setting requirements and cooperating with our partners on these topics, too, so as to enhance our ability to choose the right suppliers and exert a positive influence.

2020 was a different and challenging year for most people, and some of our suppliers were more affected by the COVID-19 pandemic than others. One example is our suppliers of cleaning and canteen services, who experienced significant changes in the demand for their services when a great many of DNB's employees started working from home. Here we worked closely together with our suppliers on adapting as well as we could to the 'new normal'. New HSE measures were introduced to safeguard both DNB employees and the employees of our suppliers. Many of our suppliers' employees were relocated within DNB's premises, to where the needs were

greatest, which helped keep as many people as possible in work. Another example is our Indian IT partners, who together with DNB's IT team spent some intense weeks handling operational problems in connection with the lockdown in India. Business continuity plans were then implemented, and a number of tasks were moved temporarily to Norway. The situation was demanding and highlighted the importance of having good structures for cooperation and dialogue in place, so as to be able to adapt as quickly and as well as possible to an ever-changing context, with consequences both at the technical and human level. A third example was the decision to push forward payment of invoices from our smaller suppliers to give them some extra support in the early months of the pandemic. We want to have a close relationship with our suppliers and maintain a constructive dialogue, even in difficult times.

THE WAY FORWARD

We are experiencing rising expectations concerning how we take sustainability into account in the supply chain, in the form of questions from customers, questionnaires from rating companies used by investors, and new legal requirements from authorities. The rules and legislation relating to responsible supply chains and third-party risk are evolving constantly in a number of countries, including Norway. We will take this into account in our further work.

Our efforts to develop a responsible supply chain are reported to and approved by our internal steering committee for sustainability in the supply chain. The steering committee is pleased with how this work is progressing, and our efforts in 2021 will therefore continue along the same lines as in 2020, with an extra focus on developments in rules and legislation, and with an ambition to make further improvements and place increased emphasis on safeguarding sustainability in our relations with our suppliers.

Working conditions

In DNB, we make every effort to provide good working conditions and to strike a balance between the needs and expectations of our employees and those of DNB. Our employees are the Group's most important resource and must therefore be given ample opportunity to develop, build competence and take on increased responsibility. We are dependent on retaining and recruiting valuable employees if we are to reach our financial targets and succeed in fully implementing the Group's strategy.

In order for us to perform better, encourage more good initiatives and promote further development, we need individuals and teams that function well together. When our employees feel valued and seen, they become more committed and prouder of working in DNB. A good working environment and stimulating working conditions are ensured by cooperating closely with the trade unions and the safety representative function.

By working together across units and adopting new working methods, we will play our part in creating good customer experiences and reaching the Group's other targets.

WHAT WAS DONE IN 2020?

Not surprisingly, 2020 was strongly influenced by the coronavirus pandemic,

which has had extremely negative consequences for Norwegian society in general, and for DNB and DNB's customers. Through good staffing management in DNB, we have been able to transfer employees from units with less activity to units with pressing tasks, for example assisting customers in the personal and corporate customer market. This process has been carried out in close cooperation with the trade unions in DNB and the employees themselves, and it has been an important contribution to solving significant societal and business-related challenges, while also helping to ensure stable working conditions for DNB employees.

After 12 March, we implemented measures in the offices to prevent the spread of infection, in accordance with applicable infection control rules, to ensure the safety of critical personnel who needed to be at work. From March onwards, we also implemented a number of measures to facilitate the use of home office solutions to a greater extent. Most employees were given access to the remote collaboration tool Teams, and training sessions were completed to ensure constructive interaction and effective meetings. In addition, we initiated a scheme for borrowing screens and keyboards, offered a number of online exercise classes and provided support in the form of counselling. We

developed relevant skills enhancement measures on an ongoing basis, for instance digital courses and podcasts about self-management and leadership from a distance. Both managers and employees were reminded that, when working from home, there are special requirements for ensuring data security and the safety of employees. Employees who needed to work in the offices for physical, mental and/or social reasons, were given the opportunity to apply for an office space designated for employees with HSE-related needs, referred to as an HSE office space. After the summer, it also became possible to borrow office chairs for use at home. In September and October, when the levels of infection were somewhat lower, we implemented a rotation scheme to enable all employees to visit the offices weekly, within the constraints set by the authority's requirements and recommendations.

Throughout the pandemic period, we have provided managers with reminders, tips and advice on how to closely follow up their employees working from home. In addition, we have informed the employees of the opportunities for psychological support available to them, both within and outside DNB.

In the period April–September, we carried out two surveys on the topic of working away from the office, to identify the

Our employees are the Group's most important resource and must therefore be given ample opportunity to develop, build competence and take on increased responsibility.



need for measures, and to gauge the employees' response to the implemented measures. In the surveys on working away from the office, DNB employees reported that they had a positive view of their work situation, even though they had worked away from the office for quite some time. Almost nine out of ten were of the view that their department had solutions that worked well given the way the working situation was, giving them the opportunity to meet digitally. More than nine out of ten said they were getting the support they needed from their manager. Eight out of ten agreed completely or partially with the statement that their own productivity was at least as good as it was before the pandemic. The ergonomic working conditions were reported as the most challenging aspect of working from home.

In December 2020, we completed the annual health, safety and environment survey (the HSE survey). The survey was expanded in 2020 to include psychosocial factors as an integral part of the overall organisational survey. Social environment, management and level of commitment were areas that had high average scores. At the lower end of the scale, we found the results for the questions about ergonomic adjustments and the employees' reactions to not seeing their colleagues over a long period of time.

Employees were more proud of working in DNB last year, with an increase from 82 points in 2019 to 86 points in 2020. This score is the calculated average on a scale of 0–100 where 100 means 'totally agree' with the statement "I am proud to work in DNB". We saw the same positive trend for the statement "I would recommend DNB as an employer".

In 2020, the sickness absence rate for DNB in Norway was 3.4 per cent, which was a marked reduction from the previous year, when the rate was 4.0 per cent. The decrease can largely be ascribed to the fact that most employees mainly worked from home during the pandemic, and that illnesses in the general population

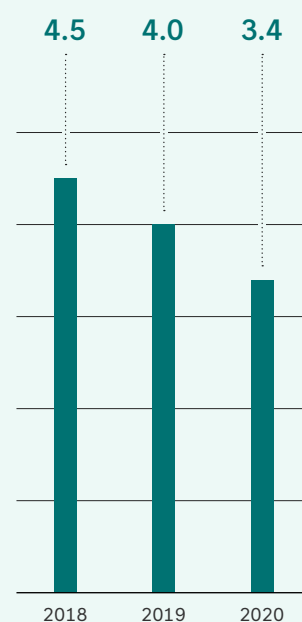
were reduced as a result of the infection control measures. In relative terms, the largest decrease was in short-term sickness absence. The threshold for sickness absence due to light cases of illness is thought to be higher when it is possible to work from home and avoid having to travel to work. Maintaining an open dialogue on well-being and working environment issues is necessary if we are to identify and manage relevant risk factors affecting the working environment and sickness absence. During the course of the year, managers were given the opportunity to build competence on leadership from a distance, which mainly involves digital communication. For DNB's international offices, sickness absence in 2020 ended at 2.2 per cent, an increase compared to sickness absence for 2019, which was 1.7 per cent.

The sickness absence team, which is made up of four full-time equivalent positions, continued its work in 2020, following up employees on long-term sick leave throughout Norway. As in 2019, the number of cases was around 500. In these processes, support from managers and co-workers is essential for ensuring close follow-up, which in turn increases the likelihood of employees on long-term sick leave returning to full-time employment. During the pandemic, we discovered the opportunities that lie in increased use of home-based work as part of a gradual return to full-time work.

THE WAY FORWARD

DNB is a competence-based company, and the office as a place to work and meet, has been, and will again become, perhaps the most important arena for interaction, culture and competence-building. At the same time, we see that working life after the pandemic will to a greater extent be characterised by individual flexibility and the possibility to work from places other than permanent office spaces, for tasks where this is safe and appropriate. In 2021 we will, using new tools and processes and through a project that started at the end of 2020, highlight personal effectiveness, easier

Sickness absence rate in DNB's Norwegian operations
Per cent



interaction, increased flexibility and hybrid ways of working – with a view to enabling collaboration to a greater extent to take place regardless of time and place. This will be beneficial for employees and provide increased flexibility, which will also help DNB become an even more attractive employer. The measures relating to follow-up of employees working from home will be continued and further developed in accordance with findings from our internal investigations and management follow-up.

In 2021, DNB's organisational surveys will be used even more actively as tools for evaluating whether the Group is developing in line with its strategy, and whether the measures we implement are having the desired effect. As of 2021, the surveys will cover areas such as commitment, management, working environment, 'employeeship' and issues relating to hybrid working life.

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Directors' report

Despite a pandemic, the most far-reaching measures introduced in Norway in peacetime, zero interest rates and a major restructuring of the Norwegian economy, DNB has shown itself to be very robust. During the course of 2020, the Group has built up capital and is now in a stronger position than ever, while customer confidence is record-high. In contrast to many banks in Europe, DNB is seeing healthy growth, good results and a high level of trust among its customers, and is operating in an economy that has fared well so far through the pandemic.

Strategy and targets

DNB's overarching goals are to create the best customer experiences, to ensure compliance and to deliver on its financial targets. Several strategic priorities and ambitions have been drawn up to ensure target attainment. Read more about this in Strategic Report from page 22.

Corporate responsibility and sustainability

Corporate responsibility and sustainability in DNB is about how the Group creates value by considering both risks and opportunities in a long-term perspective, and form a natural part of the company's operations and activities. Environmental, social and governance (ESG) factors are integrated into the Group's corporate governance, and through an integrated annual report and reporting in accordance with GRI (Global Reporting Initiative), DNB meets the authorities' requirements for corporate responsibility reporting.

Read more about DNB's sustainability ambitions and how sustainability is taken into account and safeguarded in all our activities in Strategic Report from page 22. More detailed information can be found in the Sustainability Factbook at the back of the report.

Operations in 2020

DNB recorded profits of NOK 19 840 million in 2020, a reduction of NOK 5 881 million compared with 2019. The decrease in profit can be attributed to higher impairment of financial instruments and lower net interest income as a consequence of the COVID-19 pandemic and lower oil prices.

Return on equity was 8.4 per cent, compared with 11.7 per cent in the year-earlier period, and earnings per share ended at NOK 12.04, down from NOK 15.54 in 2019.

The common equity Tier 1 (CET1) capital ratio was 18.7 per cent, up from 18.6 per cent in 2019.

Net interest income decreased by NOK 579 million from the same period last year, driven by reduced margins and lower interest on equity.

Net other operating income increased by NOK 2 121 million from 2019, mainly due to positive exchange rate effects on additional Tier 1 (AT1) capital and basis swaps. Net commissions and fees decreased by NOK 215 million, or 2.2 per cent, compared with the previous year. The reduction was mainly due to lower income from money transfer and banking services as a result of the COVID-19 situation.

Total operating expenses were down NOK 268 million from 2019.

Impairment of financial instruments amounted to NOK 9 918 million in 2020, an increase of NOK 7 727 million from 2019. The increase was caused by the impact on the economy, both in Norway and globally, of the COVID-19 pandemic, combined with the effect of the sharp decline in the oil price. Around 93 per cent of the impairment provisions were in stage 3. Oil-related industries accounted for 69 per cent of the total impairment provisions, while the remaining impairment was spread across the other industries affected by the COVID-19 outbreak. For the personal customers industry segment, there were increases in stage 3 that were offset by reversals in stage 2, resulting in a small impairment for the full year.

Due to the outbreak of the coronavirus pandemic and an uncertain economic outlook, the distribution of dividends for 2019 were postponed. Based on the authorisation from the extraordinary general meeting in November 2020, the Board of Directors decided in February 2021 to pay a dividend of NOK 8.40 per share for 2019. The Board of Directors will also ask the Annual General Meeting in April 2021 for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020.

Read more about dividends in Dividends and allocation of profits.

The extraordinary general meeting also adopted the merger plan for the new Group structure. DNB ASA is to be merged with DNB Bank ASA, and DNB Bank ASA will become the Group's new parent company. The Norwegian Ministry of Finance has agreed in principle to allow DNB Bank ASA to become the Group's new parent company, but the implementation of the merger also requires certain other permissions from the Ministry. The merger is due to be completed in mid-2021, but will take effect from 1 January 2021 for accounting purposes.

Review of the annual accounts

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the accounts have been prepared on a going concern basis and that the going concern assumption applies.

Pursuant to Section 3-9 of the Norwegian Accounting Act, DNB prepares consolidated annual accounts in accordance with IFRS,

International Financial Reporting Standards, approved by the EU. The statutory accounts of DNB ASA have been prepared in accordance with the Norwegian regulations concerning annual accounts for banks.

NET INTEREST INCOME

Amounts in NOK million

	2020	2019
Lending spreads, customer segments	32 326	28 096
Deposit spreads, customer segments	1 267	4 808
Amortisation effects and fees	3 622	3 370
Operational leasing	2 042	1 731
Contributions to the deposit guarantee and resolution funds	(1 064)	(1 106)
Other net interest income	429	2 304
Net interest income	38 623	39 202

Net interest income decreased by NOK 579 million, or 1.5 per cent, from 2019. This was mainly due to lower interest on equity capital and reduced margins reflecting the effect of repricing after Norges Bank's key policy rate cuts as a result of the outbreak of the COVID-19 pandemic. However, increased volumes and currency effects contributed positively.

There was an average increase in the healthy loan portfolio of NOK 52.4 billion, or 3.4 per cent, parallel to a NOK 112.4 billion, or 11.8 per cent, increase in average deposit volumes from 2019. Combined spreads narrowed by 6 basis points compared with the year-earlier period. Average lending spreads for the customer segments widened by 21 basis points, while deposit spreads narrowed by 39 basis points.

NET OTHER OPERATING INCOME

Amounts in NOK million

	2020	2019
Net commissions and fees	9 500	9 716
Basis swaps	526	270
Exchange rate effects additional Tier 1 capital	855	(143)
Net gains on other financial instruments at fair value	4 521	3 057
Net financial and risk result, life insurance	659	1 129
Net profit from associated companies	402	410
Other operating income	1 312	1 218
Net other operating income	17 776	15 655

Net other operating income increased by NOK 2 121 million from 2019, mainly due to positive exchange rate effects on additional Tier 1 (AT1) capital and basis swaps. Net commissions and fees decreased by NOK 215 million, or 2.2 per cent. The reduction was mainly due to lower income from money transfer and banking services as a result of the COVID-19 situation.

OPERATING EXPENSES

Amounts in NOK million

	2020	2019
Salaries and other personnel expenses	(12 793)	(12 534)
Restructuring expenses	(81)	(69)
Other expenses	(7 208)	(7 472)
Depreciation of fixed and intangible assets	(3 327)	(2 850)
Impairment of fixed and intangible assets	7	(207)
Operating expenses	(23 401)	(23 133)

Total operating expenses were up NOK 268 million, partly due to higher salaries and other personnel expenses. In addition, a provision was made for a possible administrative fine from Finanstilsynet (the Financial Supervisory Authority of Norway) of NOK 400 million in 2020.

The cost/income ratio was 41.5 per cent in 2020, down from 42.2 per cent in 2019.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

Amounts in NOK million

	2020	2019
Personal customers	(65)	(354)
Commercial real estate	(146)	(124)
Shipping	(351)	105
Oil, gas and offshore	(6 845)	(274)
Other industry segments	(2 511)	(1 544)
Total impairment of financial instruments	(9 918)	(2 191)

Impairment of financial instruments was greatly influenced by the COVID-19 outbreak and ended at NOK 9 918 million for the full year 2020 compared with NOK 2 191 million in 2019, which is an increase of NOK 7 727 million.

The personal customers industry segment showed impairment provisions of NOK 65 million, which is mainly explained by an increase in stage 3, offset by reversals in stage 2.

The commercial real estate industry segment impairment for the year ended close to the same level as in 2019, at NOK 146 million.

The shipping industry segment experienced impairment provisions of NOK 351 million in 2020 compared with reversals of NOK 105 million in 2019. The increase was apparent in both stage 2 and stage 3, and was primarily driven by a negative credit development for specific customers.

Impairment of financial instruments for the oil, gas and offshore industry segment amounted to NOK 6 845 million in 2020. This represents an increase of NOK 6 571 million compared with 2019. The increase can primarily be explained by a large increase in impairment provisions for customers in stage 3 within the offshore industry segment. The significant increase in impairment provisions were closely related to the drop in the oil price in the first quarter and the subsequent negative impact on this segment.

Other industry segments showed impairment provisions of NOK 2 511 million, which was an increase of NOK 967 million compared with 2019. The increase was partly driven by a negative development for specific customers within stage 3, in different industry segments including power and renewables and travel-related industries, as well as a negative impact from the macro outlook within stages 1 and 2 due to the COVID-19 pandemic.

Net stage 3 loans and financial commitments amounted to NOK 25 billion at end-December 2020 which is an increase of NOK 7 billion from the previous year.

Overall, the macro outlook for most industry segments worsened from the end of 2019 to the end of 2020. In general, there was an improvement during the latter part of the year and the forecasts are expected to move towards pre-pandemic levels for key macro drivers in the time ahead.

TAXES

The DNB Group's tax expense for 2020 is estimated at NOK 4 229 million, representing 17.7 per cent of pre-tax operating profit.

Funding, liquidity and balance sheet

The first half of the year was greatly affected by the coronavirus pandemic, which led to high levels of uncertainty in the market for a while. A healthy pre-pandemic liquidity and financing situation gave DNB a good starting position, and the bank was able to wait until the market calmed down, activity levels increased, and funding prices approached more normal levels. Interest rate cuts and substantial injections of capital by central banks across the globe contributed to good access to liquidity for banks. Prices fell as summer approached and throughout the second half-year, and DNB had ample access to liquidity at attractive prices.

The long-term funding markets had a positive start to the year and many transactions were issued at all-time-low prices, before the pandemic contributed to a marked deterioration towards the end of the first quarter. Credit risk premiums increased significantly for all bonds, peaking in mid-April. After the summer, activity levels continued to rise in all long-term funding markets, with prices stabilising at pre-pandemic levels. DNB issued large volumes of senior bonds in the fourth quarter of 2019 in preparation for the fulfilment of the upcoming Minimum Requirement for Own funds and Eligible Liabilities (MREL), and the need for long-term funding has therefore been low in 2020. In the subordinated senior bonds market, activity levels were high during the autumn, and DNB successfully issued its first subordinated senior bond in USD in this period. Long-term funding costs remained stable throughout the second half-year, and DNB had good access to funding in all markets.

The nominal value of long-term debt securities issued by the Group was NOK 618 billion at end-December 2020, compared with NOK 654 billion a year earlier. Average remaining term to maturity for long-term debt securities issued was 3.5 years at end-December 2020, compared with 3.7 years a year earlier.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the year and stood at 148 per cent at end-December 2020.

Total combined assets in the DNB Group were NOK 3 363 billion at year-end 2020, up from NOK 3 177 billion a year earlier. Total assets in the Group's balance sheet were NOK 2 919 billion at the end of the year, and NOK 2 793 billion a year earlier. Of this, total assets in DNB Livsforsikring amounted to NOK 355 billion and NOK 340 billion, respectively.

Net average loans to customers increased by NOK 26.6 billion, or 1.6 per cent, compared with the previous year. Customer deposits were up NOK 136.0 billion, or 14.0 per cent, during the same period. The ratio of customer deposits to net loans to customers was 67.3 per cent at the end of the year, up from 57.5 per cent a year earlier.

Capital

DNB's capital position remained strong and was well above the regulatory requirements throughout 2020.

The DNB Group's common equity Tier 1 (CET1) capital ratio was 18.7 per cent at the end of December 2020, up from 18.6 per cent at year-end 2019. Retained earnings for the year contributed to an increase in the CET1 capital of around NOK 3.8 billion, while payments to holders of AT1 capital and an increased investment in Fremtind Forsikring AS reduced the CET1 capital by NOK 1.6 billion and NOK 1.9 billion, respectively.

The dividends for 2019 and 2020 are included as part of the Group's equity, but have been deducted from the CET1 capital. The Board of Directors will ask the Annual General Meeting in April 2021 for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020, for distribution after September 2021, or when the economic outlook suggests that there is a basis for doing so. In total, the CET1 capital was reduced by NOK 27 billion as a result of the proposed dividends for 2019 and 2020.

The capital requirement for DNB was 15.0 per cent as at end-December 2020, while the CET1 capital ratio expectation from the supervisory authorities was 16.0 per cent, including Pillar 2 Guidance.

Risk-weighted assets increased by NOK 6.5 billion from 2019 to NOK 967 billion at the end of 2020. Exchange rate effects contributed around NOK 4.8 billion, while an increase in operational risk and counterparty risk amounted to NOK 7.6 billion. Positive migration within the healthy portfolio reduced risk-weighted assets by NOK 17.5 billion, while risk-weighted assets on the defaulted portfolio (group 3) increased by NOK 11.3 billion from December 2019 to December 2020.

The leverage ratio was 7.1 per cent at end-December, down from 7.4 per cent from the year-earlier period. DNB meets the minimum requirement of 6 per cent by a wide margin.

In 2020, Finanstilsynet conducted its annual supervisory review and evaluation process (SREP) in collaboration with the supervisory authorities of the DNB College without this resulting in any changes in capital requirements.

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).

Capital adequacy	2020	2019
Common equity Tier 1 capital ratio, per cent	18.7	18.6
Tier 1 capital ratio, per cent	20.1	20.8
Capital ratio, per cent	22.1	22.9
Risk-weighted assets, NOK billion	967	961
Leverage ratio, per cent	7.1	7.4

As the DNB Group consists of both a credit institution and an insurance company, DNB has to satisfy a cross-sectoral calculation test to demonstrate that it complies with sectoral requirements: the capital adequacy requirement, in accordance with CRR/CRD IV, and the Solvency II requirement. At end-December 2020, DNB complied with these requirements by a good margin, with excess capital of NOK 44.5 billion.

Read more about capitalisation in the Group's Pillar 3 report at ir.dnb.no.

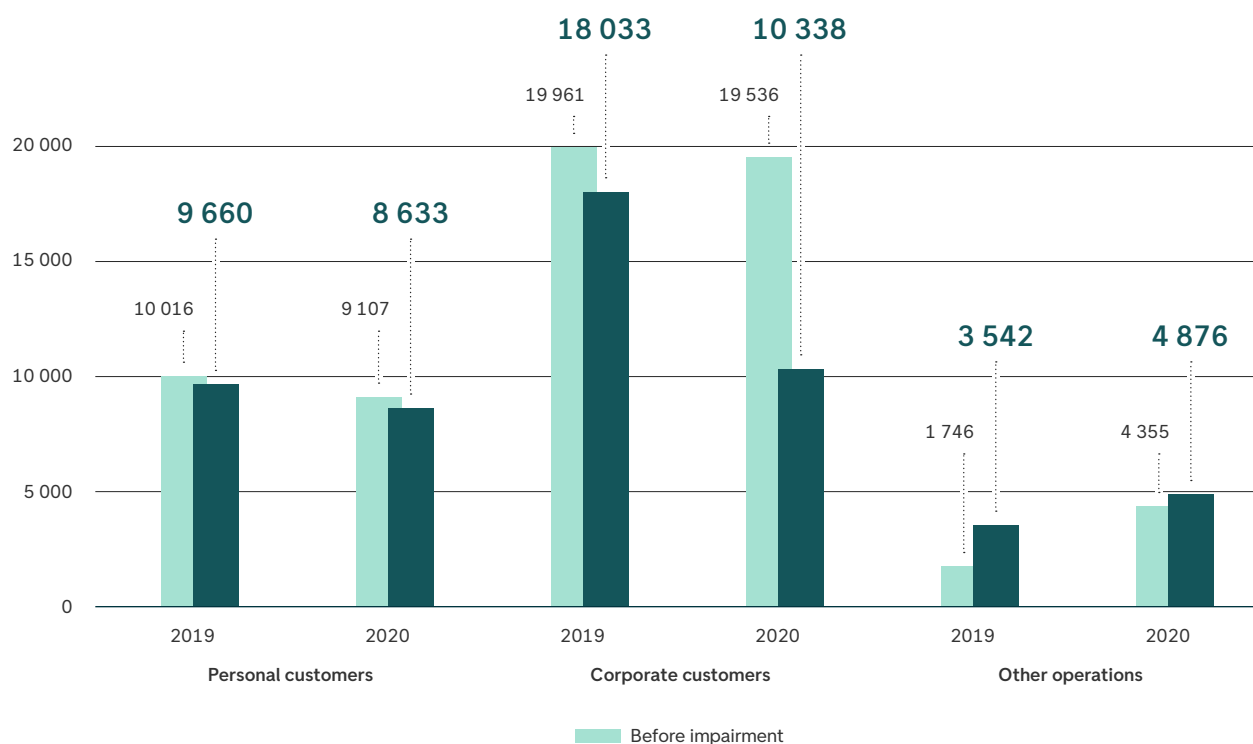
Segments

Financial governance in DNB is adapted to the different customer segments. The follow-up of total customer relationships and segment profitability are two important dimensions when making strategic priorities and deciding on where to allocate the Group's resources. Reported figures reflect the Group's total sales of products and services to the relevant segments.

Due to the reorganisation of the Group in the autumn of 2019, segment reporting was changed as of the first quarter of 2020.

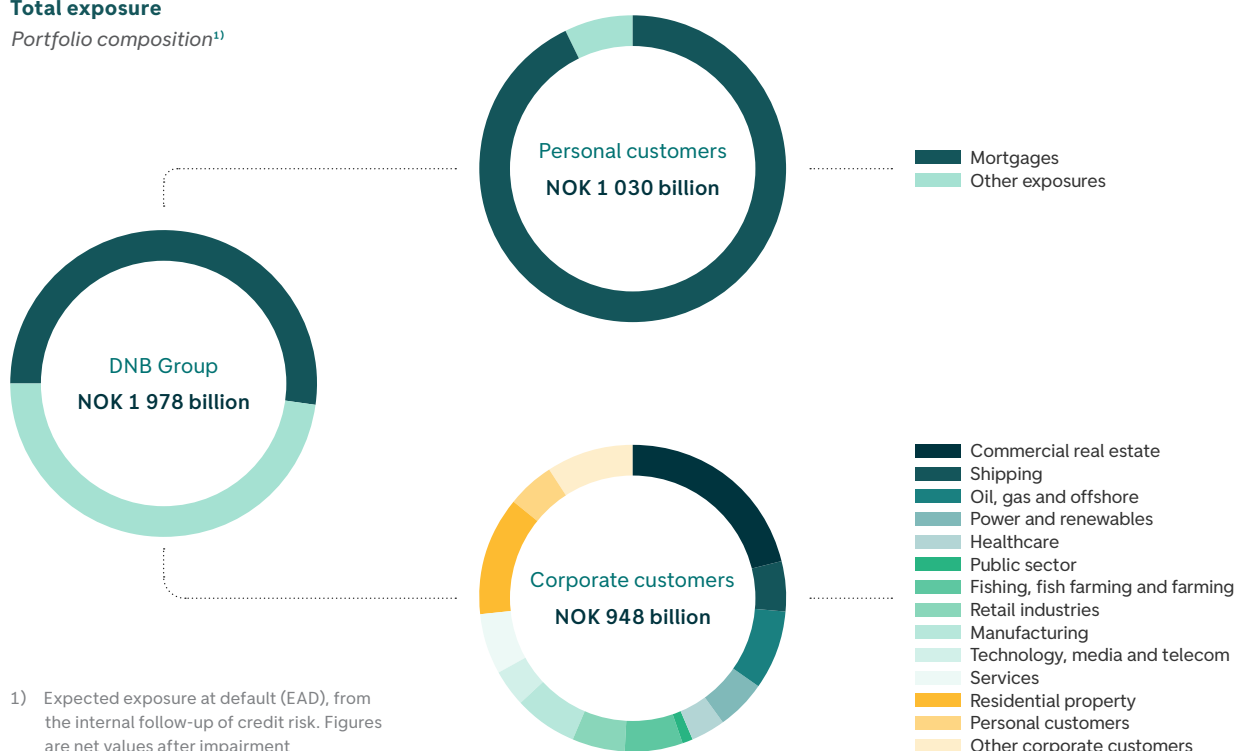
Pre-tax operating profit

NOK million



Total exposure

Portfolio composition¹⁾



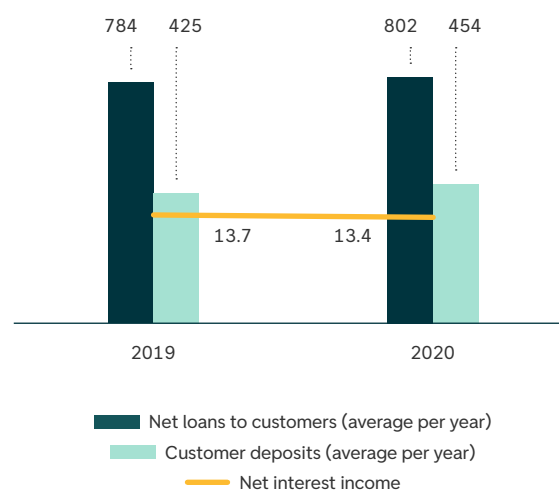
PERSONAL CUSTOMERS

This segment includes the Group's more than 2 million personal customers in Norway. The personal customers segment showed satisfactory profitability in 2020, with a pre-tax operating profit of NOK 8 633 million and a return on allocated capital of 13.2 per cent. The ratio of deposits to net loans showed a healthy increase of 2.4 percentage points to 56.5 per cent during the period.

Income statement in NOK million	2020	2019
Net interest income	13 395	13 703
Net other operating income	4 604	4 896
Total income	17 999	18 599
Operating expenses	(8 892)	(8 583)
Pre-tax operating profit before impairment	9 107	10 016
Net gains on fixed and intangible assets		(4)
Impairment of financial instruments	(473)	(353)
Pre-tax operating profit	8 633	9 660
Profit for the year	6 475	7 245
Average balance sheet items in NOK billion		
Net loans to customers	802.3	784.3
Deposits from customers	453.6	424.6
Key figures in per cent		
Return on allocated capital	13.2	15.1

Developments in loans, deposits and net interest income

NOK billion



The development in net interest income from ordinary operations remained virtually stable from 2019. Combined spreads on loans and deposits narrowed by 0.04 percentage points in the period. The growth in net loans averaged 2.3 per cent from the previous year, and deposits increased significantly by 6.8 per cent on average.

The transfer of the personal risk products from DNB Livsforsikring to Fremtind, effective from 1 January 2020, affected both income and costs compared with 2019, as the personal risk insurance products in DNB Livsforsikring in 2019 were consolidated into the personal customer segment. As of 2020, the segment's profit from personal risk products consists of sales commissions from Fremtind.

Net other operating income was affected by the ongoing pandemic. The drop in revenues from the 2019 level was mainly associated with the payment services area, where factors such as the low level of travel activity resulted in falling revenues from card use abroad, while at the same time the demand for cash was reduced. Income from real estate and securities trading contributed positively. Real estate broking had a good year despite the coronavirus pandemic, partly due to an 8.7 per cent growth in house prices, which contributed to higher income.

Operating expenses increased by 3.6 per cent from 2019. This development is explained by higher IT costs and increased activity in DNB Eiendom. In addition, streamlining of the distribution network and termination of the agreement with Posten Norway (the Norwegian postal service) contributed to reducing costs in the period.

Impairment of financial instruments amounted to NOK 473 million in 2020, corresponding to 0.06 per cent of average net loans. The impairment provisions were mainly associated with the Private Banking segment. Default on both mortgages and unsecured credit showed a declining trend in 2020.

The market share of credit to households was 23.0 per cent at the end of September 2020, down from 23.4 per cent compared with the end of December 2019. The market share of total household savings was 30.1 per cent at the end of September 2020. DNB Eiendom had an average market share of 18.3 per cent in 2020, down from 18.5 per cent a year earlier.

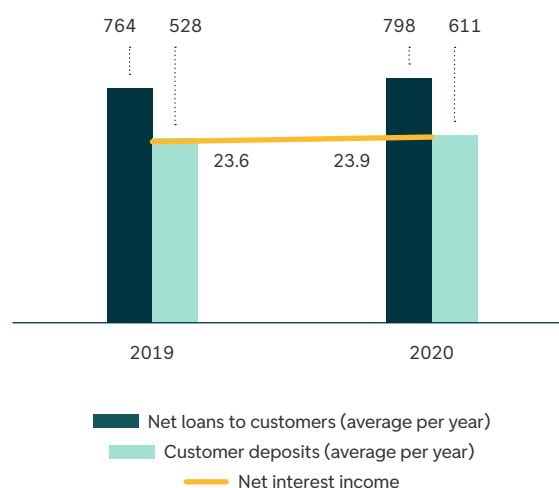
DNB experienced increasing demand for mortgages, especially in the second half of 2020, and turnover in DNB Eiendom was record high. The savings area also showed sound development, helped by the #huninvesterer ('#girlsinvest') campaign and the follow-up campaign #huninvesterer i fremtiden ('#girlsinvest in the future'), which generated increased awareness of the topics savings and pensions. DNB has an ambition to achieve continued profitable growth in the personal customers segment and will continue its efforts to adapt products, solutions, customer service and cost levels to the competitive situation of the future.

CORPORATE CUSTOMERS

The segment covers all of the Group's corporate customers, both in Norway and abroad. Despite a challenging year, customer activity was at a high level, but the effects of the coronavirus pandemic and the fall in oil prices had a negative impact on impairment provisions. The stable income and an increase in operating expenses reduced operating profit before impairment by 2.1 per cent. The segment delivered a total return on allocated capital of 7.5 per cent in 2020, compared with 14.0 per cent in 2019.

Income statement in NOK million	2020	2019
Net interest income	23 878	23 636
Net other operating income	7 983	7 870
Total income	31 861	31 506
Operating expenses	(12 325)	(11 544)
Pre-tax operating profit before impairment	19 536	19 961
Net gains on fixed and intangible assets	(1)	15
Impairment of financial instruments	(9 438)	(1 835)
Profit from repossessed operations	241	(109)
Pre-tax operating profit	10 338	18 033
Profit for the year	7 754	13 626
Average balance sheet items in NOK billion		
Net loans to customers	798.3	764.2
Deposits from customers	610.5	527.5
Key figures in per cent		
Return on allocated capital	7.5	14.0

Developments in loans, deposits and net interest income NOK billion



Net loans to customers increased on average by 4.5 per cent from 2019. Deposits from customers increased by 15.7 per cent mainly because the majority of customers have deferred the distribution of dividends and built up liquidity buffers. Higher volumes and increased margins on loans contributed to an increase in ordinary net interest income. However, the low interest rate that caused reduced interest income on deposits and allocated capital had the opposite effect, so that total net interest income ended at 1.0 per cent higher than 2019. Net other operating income showed an increase of 1.4 per cent from 2019, primarily driven by higher income from investment banking services.

Operating expenses increased by 6.8 per cent from 2019. The main reasons for this increase were a change in the principles for cost distribution in the Group, a general wage and price growth, and changes in exchange rates. Depreciation linked to increased operational leasing grew by 18.7 per cent, which is directly

linked to the volume growth in DNB Finans. Restructuring costs totalled NOK 35 million in 2020 compared with NOK 48 million in 2019. Operating expenses excluding depreciation relating to operational leasing and restructuring increased by 4.9 per cent.

Impairment of financial instruments in 2020 totalled NOK 9 438 million, compared with NOK 1 835 million in 2019. Measured in relation to average loans, impairment of financial instruments amounted to 1.18 per cent in 2020. The impairment provisions in 2020 were mainly related to oil and offshore-related industries.

DNB is experiencing an increasing use of and demand for digital services and channels, and in 2020 the Group started a modernisation of the main channels and infrastructures used in relation to the corporate market. At the end of 2020, SpareBank 1 and DNB announced an acquisition of Uni Micro¹⁾, one of Norway's leading players in ERP and accounting systems. This is a strategically important acquisition that will strengthen DNB's position at the intersection between banking and accounting. The transaction is subject to the approval of Finanstilsynet.

In 2020, the Originate-and-Distribute model was further strengthened. This model results in higher turnover in the portfolio, and ensures lower final hold on DNB's books, while increasing other operating revenues. DNB will continue to develop the model in the time ahead, and will attach importance to using the Group's strong industry expertise to offer priority customers a wide range of financial services and modern technological solutions. DNB is well positioned for achieving further profitable growth in the corporate market, and the focus going forward will be more directed towards small and medium-sized enterprises and the green shift.

OTHER OPERATIONS

The segment comprises the business activities in the risk management operations in Markets and traditional pension products in DNB Livsforsikring, in addition to several group items not allocated to the segments.

Income statement in NOK million	2020	2019
Net interest income	1 350	1 863
Net other operating income	7 953	5 251
Total income	9 302	7 113
Operating expenses	(4 947)	(5 367)
Pre-tax operating profit before impairment	4 355	1 746
Net gains on fixed and intangible assets	769	1 691
Impairment of financial instruments	(7)	(4)
Profit from repossessed operations	(241)	109
Pre-tax operating profit	4 876	3 542
Tax expense	514	1 356
Profit from operations held for sale, after taxes	221	(49)
Profit for the year	5 611	4 849
Average balance sheet items in NOK billion		
Net loans to customers	134 . 2	128 . 1
Deposits from customers	64 . 3	37 . 2

Profits in the segment are affected by several Group items which vary greatly from year to year.

Pre-tax operating profit was NOK 4 876 million in 2020, an increase of 38 per cent from the previous year. Mark-to-market effects related to changes in basis swaps spreads and exchange rate effects on additional Tier 1 capital contributed positively.

Income relating to risk management was somewhat reduced due to changed credit spreads, while income from trading in fixed-income instruments and repurchase agreements (repo trading) was at a satisfactory level.

For traditional pension products with a guaranteed rate of return, net other operating income reached a level of NOK 1 320 million in 2020, down NOK 289 million from 2019, mainly due to lower profits both in the corporate portfolio and in the common portfolio. The lower results also reflect a lower risk result. As a result of the ongoing transition from defined-benefit pensions to defined-contribution pensions, premiums for defined-benefit pensions fell by 21 per cent over the last 12 months. Pension capital associated with defined-contribution pensions grew by 13 per cent in the same period, and this is reflected in the results for the customer segments. The solvency margin with the transitional rules was 194 per cent as of 31 December 2020. Without the transitional rules, the solvency margin was 125 per cent as at 31 December 2020.

DNB's share of the profit in associated companies (most importantly Luminor, Vipps and Fremtind) is included in this segment. The income from associated companies was stable compared with last year.

Corporate governance

The management of DNB is based, inter alia, on the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance (the NUES recommendation). Sound corporate governance is DNB's 'licence to operate' and a prerequisite for creating long-term value for shareholders, and for ensuring sustainable business operations over time.

Read more about this in the Board of Directors' report on corporate governance on page 112 and in the document Implementation of and reporting on corporate governance in the sustainability library (link page 2).

Risk management

The main purpose of risk management in DNB is to achieve an optimal balance between risk and earnings in a long-term perspective. Through sound risk management, the Group should always be able to identify, manage, monitor and report risks that have a bearing on DNB's target attainment.

During the coronavirus pandemic, the Group's risk management framework was put to the test. The notification mechanisms worked as intended, enabling the organisation to stay ahead of developments at all times, with good plans for handling the unprecedented situation.

1) The transaction is subject to the approval of Finanstilsynet.

Read more about developments in 2020 and how DNB manages, measures and reports risks in the Group's risk and capital management report (the Pillar 3 report), as well as in the Board of Directors' report on corporate governance on page 112 and in the document Implementation of and reporting on corporate governance on ir.dnb.no.

Compliance

Ensuring compliance is one of DNB's strategic goals, and the fight against money laundering and financial crime is one of the Group's most important tasks in terms of its corporate responsibility.

Read more about what the Group did in this area in 2020 in Strategic Report from page 22, in the Board of Directors' report on corporate governance on page 112 and in the document Implementation of and reporting on corporate governance on ir.dnb.no.

Employees and competence

Handling the outbreak of the COVID-19 pandemic and adapting to a new form of working life characterised organisational and leadership development in 2020. Digital solutions for customer service and for providing advisory services and facilitating work from home were key priorities to ensure a quick adaptation of the organisation. In parallel to this, the Group continued its systematic efforts to ensure that it has the right competencies and to promote change capacity, adaptability and employee engagement.

The sickness absence rate in DNB's Norwegian operations was 3.4 per cent in 2020.

Read more about the priorities that are considered to be essential to ensuring the right competencies on page 42, about working conditions on page 120 and about equality and diversity on page 56. More detailed information can be found in note 22 Salaries and other personnel expenses in the annual accounts.

New regulatory framework

LOAN GUARANTEE PROGRAMME EXTENDED UNTIL THE SUMMER OF 2021

In connection with the COVID-19 pandemic, the Norwegian Government has introduced a number of schemes, programmes and regulatory changes for employees, employers and self-employed persons. The loan guarantee programme means that the Government provides a guarantee for 90 per cent of the amount when new bank loans are issued to companies facing an acute liquidity crisis as a direct or indirect consequence of the pandemic.

On 13 November 2020, the Norwegian Ministry of Finance decided that the loan guarantee programme was to be extended until 30 June 2021. Furthermore, the Ministry indicated that it may allow terms of up to six years for guaranteed loans, and that banks may give their loan customers interest-only periods of up to three years.

NEW COMPENSATION SCHEME AS OF JANUARY 2021

The Storting (the Norwegian parliament) has decided to introduce a new compensation scheme for companies experiencing significantly reduced turnover as a result of the COVID-19 pandemic. The compensation scheme applies to the same industries as the previous scheme and is available to enterprises that have experienced a drop in turnover of more than 30 per cent due to the pandemic. The Brønnøysund Register Centre is managing the new scheme, and the application portal opened on 18 January 2021. All companies that qualify for support and that have made the necessary preparations in advance will receive the money 2–3 working days after submitting an application.

COUNTER-CYCLICAL CAPITAL BUFFER REQUIREMENT REMAINS UNCHANGED

On 13 March 2020, the Ministry of Finance decided to reduce the counter-cyclical capital buffer requirement from 2.5 per cent to 1 per cent. The reduction was made in connection with the COVID-19 pandemic and the infection control measures that had led to a sharp decline in activity in the Norwegian economy.

On 17 December 2020, the Ministry decided to keep the requirement unchanged at 1 per cent. These decisions were made on the advice of the Norwegian central bank, Norges Bank. Norges Bank's current assessment of economic developments, projected losses and banks' expected lending capacity indicates that advice will be given on increasing the buffer requirement in the course of 2021, effective 12 months later. In a somewhat longer perspective, Norges Bank envisages that the buffer requirement will once again be back at the 2.5 per cent level.

REGULATION OF BANKS' LENDING PRACTICES

Banks' lending practices towards households are currently regulated by the Home Mortgage Regulations and the Consumer Loan Regulations. On 9 December 2020, the Government decided to extend the applicable provisions of these regulations for a new period of four years, with a mid-term evaluation after two years. However, the two separate regulations will be combined into one common set of regulations on lending. The Government decided against following Finanstilsynet's recommendation to expand the regulatory scope to include loans secured by collateral other than property. However, this will be assessed in the evaluation to be performed in the autumn of 2022.

CHANGES IN CAPITAL REQUIREMENTS FOR BANKS AS OF 1 JANUARY 2021

The EU's capital requirements legislation, CRR/CRD IV, entered into effect in Norway on 31 December 2019. This meant, among other things, the removal of the Basel I floor. To counteract this easing of the capital requirements, the systemic risk buffer requirement was increased from 3 to 4.5 per cent with effect from 31 December 2020. However, the new systemic risk buffer requirement has only been made applicable to exposures in Norway, and not to all exposures as before, and therefore the net increase in the buffer requirement for DNB is only 0.2 percentage points. The smaller banks have until 31 December 2022 to meet the increased requirement.

In order to ensure that risk weights for home mortgages and commercial property loans are not set too low, the Ministry of Finance has introduced temporary floors of 20 and 35 per cent, respectively, for the average risk weighting of such loans. This measure is also aimed at foreign banks with operations in Norway and is important for ensuring equal terms of competition. DNB's risk weights are already above these levels and are thus not affected.

DNB is still considered a systemically important financial institution in Norway, and as such the Group must meet a special buffer requirement of 2 per cent (O-SII buffer requirement). The change means that the systemic importance buffer becomes a separate requirement, in line with CRR/CRD IV, and not an add-on to the systemic risk buffer as it was before.

The relevant EU/EEA authorities, the Standing Committee of the EFTA States and the European Systemic Risk Board (ESRB) have endorsed the Ministry's justification for the increased buffer requirement. In the Ministry's view, no corresponding assessment is required from the EU/EEA authorities for the other changes. The Ministry has requested the ESRB to recommend that other countries' authorities approve the Norwegian systemic risk buffer and floor requirements, so that they may also be made applicable for foreign banks in Norway (reciprocity).

PILLAR 2 PROCESS TO BE EVALUATED BY FINANSTILSYNET

In a letter dated 8 December 2020, the Ministry of Finance asked Finanstilsynet to evaluate the determination of the Pillar 2 capital requirement for banks. In particular, the Ministry pointed out the importance of maintaining transparency and ensuring a systematic structuring of the Pillar 2 requirement, and that it may be appropriate to regulate the framework for the Pillar 2 process through legislation. The Ministry also made clear that Finanstilsynet should show how a bank's overall Pillar 2 requirement is made up of requirements for offsetting different risks, and how and to what extent Pillar 2 add-ons have been based on supervisory discretion. The letter of assignment highlighted several aspects of the determination of Pillar 2 requirements and what is referred to as Pillar 2 Guidance (P2G). In addition, the Ministry asked Finanstilsynet to compare its methods for setting the Norwegian Pillar 2 requirements, including their levels, with those of a selection of relevant European countries.

Draft legislation on securitisation submitted to the Storting
On 4 December 2020, the Ministry of Finance presented a proposal for new statutory provisions on securitisation. The new statutory provisions implement the EU's securitisation regulation and are intended to give banks more flexibility in their risk management and financing of lending activities. In addition, they will enable more borrowers to access financing in the securities market, for example smaller companies that cannot issue bonds themselves.

The EU regulation has been effective in the EU since 1 January 2019 but has not yet been incorporated into the EEA Agreement. The draft legislation also covers the implementation of new rules on creditor hierarchies in the EU's Bank Recovery and Resolution Directive (BRRD).

REVISED MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

On 18 December 2020, Finanstilsynet set a requirement that means the DNB Group must have total MREL capital equivalent to 35.54 per cent of its risk-weighted assets. The requirement for subordination (lower priority) of debt instruments that can be included to fulfil the MREL must be fully met by 1 January 2024. Finanstilsynet has removed the requirement that senior debt must be issued before 1 January 2020 in order to be included. This phasing-in mechanism is being replaced by a requirement for a linear phasing-in of the subordination requirement over the years 2021, 2022 and 2023. This means that DNB, during the course of 2021, must at a minimum phase in one third of the remaining need for subordination in the phasing-in period 2021–2023, calculated as at 31 December 2020.

When calculating the need for MREL-eligible instruments, the expected adjusted risk-weighted assets on 1 January 2024 are to be used as the basis.

NEW ACT ON SUSTAINABILITY-RELATED DISCLOSURES CIRCULATED FOR PUBLIC COMMENT

The EU has adopted two regulations relating to sustainability, one on sustainability-related disclosures in the financial services sector and one on the establishment of a framework for a classification system (taxonomy) to facilitate sustainable investment. The requirements are comprehensive and detailed, and it is assumed that they will result in a significant increase in the financial service industry's use of resources.

The regulations have not yet been incorporated into the EEA Agreement, but Finanstilsynet has, at the request of the Ministry of Finance, looked into how they can be introduced in Norway, so that their entry into force can follow the EU timeline. Finanstilsynet proposes that the disclosure requirements and reporting obligations are put into effect through a new act on sustainability-related disclosures. The purpose of gathering all the requirements in one act is to achieve a better overview of the various rules in this area, and greater harmonisation. In addition, a new act will reflect the increased societal importance of disclosures of this kind and clarify the connection between the various disclosure requirements and reporting obligations.

NEW FINANCIAL CONTRACTS ACT ADOPTED BY THE STORTING

The new Financial Contracts Act was adopted by the Storting in December 2020. The Act is expected to enter into force on 1 January 2022. The new Act is based on the current one, with comprehensive amendments. Due to the scope and complexity of the Act, DNB had already established a fast-working Group project in the summer of 2020, to identify the need for adjustments to systems, products and services.

OWN PENSION ACCOUNT SCHEME INTRODUCED IN 2021

The statutory provisions introducing the own pension account scheme entered into force on 1 January 2021. However, the actual realisation and consolidation of pension funds will be carried out in accordance with deadlines set throughout the year. Nearly 1.5 million pension capital certificates are to be

moved and combined. The Ministry of Finance has established supplementary regulations and transitional rules that allow the transactions to be made over a period stretching from 1 May until the end of 2021.

Macroeconomic developments

Last spring, the coronavirus pandemic led to severe restrictions on economic activity, which in turn resulted in a dramatic downturn in the global economy.

In response to the crisis, powerful economic measures were introduced, in both fiscal and monetary policy. Central banks injected large amounts of liquidity into the markets, increased purchases of securities and reduced interest rates wherever possible. As things stand, it would seem that the monetary policy stimuli will to a large extent be maintained throughout 2021. In due course, as the pandemic is gradually brought under control, the time will come when the central banks can reduce the stimuli.

The Norwegian economy recovered rapidly after the sharp fall in the second quarter, but will experience a slightly lower rate of growth in early 2021 due to the recent increase in COVID-19 infection rates. Growth in the third quarter was stronger than expected, with an increase of 5.2 per cent. In the fourth quarter, new infection control measures were introduced, and this had a dampening effect on the activity level. The infection control measures are likely to last for some time in the first half of 2021 and are expected to result in a sluggish start to the year, before a reopening, supported by the vaccination programme, will contribute to a strong second half. Preliminary figures for mainland GDP showed a decrease of 2.5 per cent for the year 2020.

Service consumption fell sharply in 2020, but there was an increase in the consumption of goods. In connection with the reopening and normalisation of society during 2021 and 2022, households' opportunities for consumption are expected to increase. The shift in the consumption pattern in 2020 is expected to be reversed gradually during 2021 and 2022. Overall, there was low, but positive, growth in households' disposable income last year. A fall in total consumption thus led to a substantial rise in saving. This increase in saving paves the way for higher consumption growth in the time ahead.

The prices of consumer goods rose by just 1.3 per cent last year. This could mainly be ascribed to a fall in electricity prices. Core inflation ended at 3.0 per cent in 2020, peaking at 3.7 per cent in August. A marked weakening of the Norwegian krone was an important contributing factor. At the start of 2021, the import-weighted krone had gained in strength compared with the weak levels of last spring, but it was still 3.4 per cent weaker than at the start of 2020.

A significant decrease in interest rates has contributed to the rapid increase in the prices of existing homes. Overall, house prices rose by 8.7 per cent from December 2019 to December 2020. The level of activity in the housing market has also been high, with a record-high turnover.

The structural, oil-adjusted budget deficit in 2020 of NOK 392.5 billion was estimated to account for 3.9 per cent of the capital of the Government Pension Fund Global (known as the oil fund). The fiscal impulse was estimated at 4.5 per cent from 2019 to 2020 and was clearly higher than the impulse during the financial crisis. Purely economic measures in connection with the COVID-19 pandemic were estimated to amount to NOK 131 billion. For 2021, the deficit is projected to decrease to NOK 331 billion, equivalent to 3.2 per cent of the oil fund, due to a reduced need for support measures. However, recent weeks' developments in the pandemic will cause the budget deficit for this year to increase more than the agreed deficit figure.

As early as in June 2020, Norges Bank signalled that interest rates could be raised towards the end of 2022 or in early 2023. In December, it predicted that interest rate hikes were highly probable from early 2022. It therefore looks as if Norges Bank will be ahead of the central banks of other industrialised countries when it comes to interest rate hikes.

Future prospects

A return on equity (ROE) above 12 per cent is maintained as the overall financial target for DNB for the period 2021 to 2023. However, due to the COVID-19 pandemic and the subsequent developments in the macroeconomic environment, the ROE target is unlikely to be achieved in 2021. However, the following factors will help DNB to reach the ROE target in the course of the target period: increased net interest income as a result of increasing NOK interest rates and growth in loans and deposits; growth in commissions and fees from capital-light products; and reduced impairment provisions combined with cost control measures and greater capital efficiency.

In the period 2021 to 2023, the annual increase in lending volumes is expected to be between 3 and 4 per cent while maintaining a sound deposit-to-loan ratio. According to Norges Bank's own forecasts, the key policy rate is expected to increase from 0.0 per cent to 0.5 per cent next year, and then to 1.0 per cent in 2023.

During the same period, DNB has an ambition to increase net commissions and fees by 4 to 5 per cent annually and to achieve a cost/income ratio below 40 per cent.

The tax rate is expected to be 22 per cent going forward.

The supervisory expectation for the common equity Tier 1 (CET1) capital ratio for DNB was 16.0 per cent at end-2020, including a capital requirement margin (Pillar 2 Guidance) of 1.0 per cent, while the actual value achieved was 18.7 per cent. In its capital planning, DNB takes into account an increase in the counter-cyclical buffer requirement of up to 2.5 per cent in Norway, and aims to have a common equity Tier 1 capital ratio of over 17.1 per cent. The EU Banking Package, CRR II/CRD V, is expected to be implemented in Norway later in 2021, with only minor effects on the CET1 ratio.

Dividends and allocation of profits

DNB's Board of Directors has approved a dividend policy which aims to provide an attractive and competitive return for shareholders through a combination of increases in the share price and dividend payments. The Group shall have a dividend ratio of more than 50 per cent in cash dividends and has an ambition of increasing nominal dividend per share each year. In addition to dividend payments, repurchases of own shares will be used as a flexible tool for allocating excess capital to DNB's owners.

DNB is well capitalised and fulfils the regulatory requirements in addition to having an adequate buffer.

The decision on the distribution of dividends for 2019 was postponed due to the outbreak of the coronavirus pandemic and an uncertain economic outlook. At an extraordinary general meeting in November 2020, the Board of Directors was authorised to consider this matter. In January 2021, the Ministry of Finance recommended limiting dividends for 2019 to 30 per cent of the accumulated profit for 2019 and 2020. In light of this, the Board of Directors decided in February 2021 to pay a dividend of NOK 8.40 per share for distribution at the beginning of March 2021. For the 2020 dividend, the Board of Directors will ask the Annual General Meeting in April 2021 for an authorisation to pay a dividend of up to NOK 9.00 per share, for distribution after September 2021, or when the economic outlook suggests that there is a basis for doing so. The authorisation will be valid until the Annual General Meeting in 2022.

The proposed dividend for 2020 means that DNB ASA will pay a total of NOK 13 953 million in dividends for 2020. The payout ratio represents 75 per cent of profits.

ALLOCATIONS

DNB ASA recorded a loss of NOK 11 584 million in 2020, compared with a profit of NOK 28 455 million in 2019. The negative result in 2020 is mainly due to a reduction in the 2019 dividend from DNB Bank ASA of NOK 11 950 million. Due to the COVID-19 pandemic and an uncertain economic outlook, the distribution of dividends for 2019 was postponed. Following the authorities' recommendation in January 2021, DNB Bank ASA paid a dividend of NOK 12 478 million, rather than the proposed dividend of NOK 24 428 million. In addition, the dividend from DNB Livsforsikring was reversed in full and the dividend from DNB Asset Management was reduced.

It is proposed that DNB ASA's loss for 2020 is covered by other equity.

The Board of Directors of DNB Bank ASA will ask the Annual General Meeting for an authorisation to distribute dividends for 2020, corresponding to the authorisation given to the Board of Directors of DNB ASA. This will ensure that the DNB Group will be able to distribute dividends after the merger has been completed, as discussed at the beginning of this report

The Board of Directors is of the opinion that, after the proposed authorisation and dividend payment of up to NOK 9.00 per share for 2020, the Group will have adequate financial strength and flexibility to provide sufficient support to operations in subsidiaries and meet the Group's expansion requirements and changes in external parameters.

Oslo, 10 March 2021

The Board of Directors of DNB ASA



Olaug Svarva
(Chair of the Board)



Svein Richard Brandtzæg
(Vice Chair of the Board)



Gro Bakstad



Lillian Hattrem



Jens Petter Olsen



Stian Tegler Samuelsen



Jaan Ivar Semlitsch



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

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DNB Group

Income statement

		DNB Group	
<i>Amounts in NOK million</i>	Note	2020	2019
Interest income, amortised cost	18	50 660	60 225
Other interest income	18	4 636	5 123
Interest expenses, amortised cost	18	(11 511)	(23 661)
Other interest expenses	18	(5 161)	(2 486)
Net interest income	18	38 623	39 202
Commission and fee income	20	13 289	13 484
Commission and fee expenses	20	(3 789)	(3 768)
Net gains on financial instruments at fair value	21	5 902	3 183
Net financial result, life insurance	1	418	696
Net risk result, life insurance		241	433
Profit from investments accounted for by the equity method	36	402	410
Net gains on investment properties	35	(61)	92
Other income		1 373	1 126
Net other operating income		17 776	15 655
Total income		56 399	54 857
Salaries and other personnel expenses	22	(12 873)	(12 603)
Other expenses	23	(7 208)	(7 472)
Depreciation and impairment of fixed and intangible assets	24	(3 320)	(3 058)
Total operating expenses		(23 401)	(23 133)
Pre-tax operating profit before impairment		32 998	31 724
Net gains on fixed and intangible assets		767	1 703
Impairment of financial instruments	8, 9, 10	(9 918)	(2 191)
Pre-tax operating profit		23 847	31 235
Tax expense	1, 26	(4 229)	(5 465)
Profit from operations held for sale, after taxes		221	(49)
Profit for the year		19 840	25 721
Portion attributable to shareholders		18 712	24 603
Portion attributable to non-controlling interests		(15)	(5)
Portion attributable to additional Tier 1 capital holders		1 143	1 123
Profit for the year		19 840	25 721
Earnings/diluted earnings per share (NOK)	48	12.04	15.54
Profit for the year as a percentage of total assets		0.61	0.88

Comprehensive income statement

<i>Amounts in NOK million</i>	DNB Group	
	2020	2019
Profit for the year	19 840	25 721
Actuarial gains and losses	(324)	(3)
Property revaluation	578	278
Items allocated to customers (life insurance)	(578)	(278)
Financial liabilities designated at FVTPL, changes in credit risk	33	232
Tax	72	(63)
Items that will not be reclassified to the income statement	(218)	165
Currency translation of foreign operations	3 519	462
Hedging of net investment	(3 246)	(459)
Financial assets at fair value through OCI	103	59
Tax	786	(208)
Items that may subsequently be reclassified to the income statement	1 161	(147)
Other comprehensive income for the year	943	19
Comprehensive income for the year	20 783	25 740

Balance sheet

		DNB Group	
Amounts in NOK million	Note	31 Dec. 2020	31 Dec. 2019
Assets			
Cash and deposits with central banks	27, 28, 29	283 526	304 746
Due from credit institutions	9, 10, 27, 28, 29, 30	78 466	102 961
Loans to customers	9, 10, 27, 28, 29, 30	1 693 811	1 667 189
Commercial paper and bonds	27, 28, 29, 33	439 231	376 323
Shareholdings	27, 29, 31, 33	29 360	36 247
Financial assets, customers bearing the risk	27, 29, 34	116 729	98 943
Financial derivatives	15, 27, 29, 30	186 740	125 076
Investment properties	35	18 087	17 403
Investments accounted for by the equity method	36	18 389	16 559
Intangible assets	37	5 498	5 454
Deferred tax assets	26	4 377	1 224
Fixed assets	38	20 474	19 098
Assets held for sale		2 402	1 274
Other assets	40	21 852	20 798
Total assets		2 918 943	2 793 294
Liabilities and equity			
Due to credit institutions	27, 28, 29, 30	207 457	202 782
Deposits from customers	27, 28, 29, 30, 41	1 105 574	969 557
Financial derivatives	15, 27, 29, 30	174 979	115 682
Debt securities issued	27, 28, 29, 42	786 352	870 170
Insurance liabilities, customers bearing the risk	17, 34	116 729	98 943
Liabilities to life insurance policyholders	17	200 422	206 876
Payable taxes	26	7 556	10 710
Deferred taxes	26	48	48
Other liabilities	27, 44	31 522	39 125
Liabilities held for sale		1 016	423
Provisions		2 096	1 726
Pension commitments	25	4 476	3 903
Subordinated loan capital	27, 28, 29, 43	32 319	31 095
Total liabilities		2 670 547	2 551 038
Additional Tier 1 Capital		18 362	26 729
Non-controlling interests		119	45
Share capital		15 503	15 706
Share premium		22 609	22 609
Other equity		191 804	177 167
Total equity	45	248 396	242 255
Total liabilities and equity		2 918 943	2 793 294

Statement of changes in equity

	DNB Group							
<i>Amounts in NOK million</i>	Non-controlling interests	Share capital ¹⁾	Share premium	Additional Tier 1 capital	Net currency translation reserve	Liability credit reserve	Retained earnings ¹⁾	Total equity ¹⁾
Balance sheet as at 31 December 2018		15 944	22 609	16 194	5 063	(176)	164 333	223 966
Profit for the year	(5)			1 123			24 603	25 721
Actuarial gains and losses							(3)	(3)
Financial assets at fair value through OCI							59	59
Financial liabilities designated at FVTPL, changes in credit risk						232		232
Currency translation of foreign operations	0				462			462
Hedging of net investment					(459)			(459)
Tax on other comprehensive income					(194)	(58)	(20)	(271)
Comprehensive income for the year	(4)			1 123	(191)	174	24 638	25 740
Additional Tier 1 capital issued				10 474			(39)	10 436
Interest payments additional Tier 1 capital				(1 052)				(1 052)
Currency movements taken to income				(10)			10	
Non-controlling interests DNB Auto Finance OY	49							49
Repurchased under share buy-back programme		(238)					(3 540)	(3 778)
Dividends paid for 2018 (NOK 8.25 per share)							(13 105)	(13 105)
Balance sheet as at 31 December 2019	45	15 706	22 609	26 729	4 872	(2)	172 297	242 255
Profit for the year	(15)			1 143			18 712	19 840
Actuarial gains and losses							(324)	(324)
Financial assets at fair value through OCI							103	103
Financial liabilities designated at FVTPL, changes in credit risk						33		33
Currency translation of foreign operations	4				3 515			3 519
Hedging of net investment					(3 246)			(3 246)
Tax on other comprehensive income					812	(8)	55	858
Comprehensive income for the year	(11)			1 143	1 081	25	18 545	20 783
Interest payments additional Tier 1 capital				(1 578)				(1 578)
Additional Tier 1 capital redeemed ²⁾				(10 024)				(10 024)
Currency movements interest payment and redemption additional Tier 1 capital				2 092			(1 971)	122
Non-controlling interests Pearl Holdco AS	86							86
Repurchased under share buy-back programme		(202)					(3 036)	(3 238)
Net purchase of treasury shares		(1)					(8)	(9)
Balance sheet as at 31 December 2020	119	15 503	22 609	18 362	5 952	23	185 829	248 396

1) *Of which treasury shares, held by DNB Markets for trading purposes:*

Balance sheet as at 31 December 2019

Net purchase of treasury shares (1) (8) (9)

Reversal of fair value adjustments through the income statement (8) (8)

Balance sheet as at 31 December 2020 (1) (16) (17)

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

Cash flow statement

	DNB Group	
Amounts in NOK million	2020	2019
Operating activities		
Net payments on loans to customers	(26 092)	(71 034)
Interest received from customers	48 628	57 236
Net receipts on deposits from customers	133 573	41 353
Interest paid to customers	(6 597)	(11 181)
Net receipts on loans to credit institutions	32 784	41 486
Interest received from credit institutions	227	3 640
Interest paid to credit institutions	(1 381)	(4 286)
Net payments on the sale of financial assets for investment or trading	(70 650)	(17 531)
Interest received on bonds and commercial paper	3 280	5 049
Net receipts on commissions and fees	9 523	9 414
Payments to operations	(20 291)	(18 136)
Taxes paid	(9 211)	(2 022)
Receipts on premiums	14 313	14 446
Net payments on premium reserve transfers	(4 204)	(625)
Payments of insurance settlements	(13 704)	(13 523)
Other net payments	(5 626)	(4 313)
Net cash flow from operating activities	84 573	29 974
Investing activities		
Net payments on the acquisition of fixed assets	(3 835)	(2 599)
Net receipts/(payments) on investment properties	54	(271)
Net disposal/(investment) in long-term shares	(1 370)	3 260
Dividends received on long-term investments in shares	428	1 140
Net cash flow from investing activities	(4 723)	1 530
Financing activities		
Receipts on issued bonds and commercial paper (see note 43)	1 152 054	1 097 101
Payments on redeemed bonds and commercial paper (see note 43)	(1 225 085)	(954 715)
Interest payment on issued bonds and commercial paper	(13 193)	(16 908)
Receipts on the raising of subordinated loan capital (see note 44)	4 056	9
Redemptions of subordinated loan capital (see note 44)	(4 207)	(9)
Interest payments on subordinated loan capital	(504)	(413)
Net receipts/(payments) on issue or redemption of additional Tier 1 capital	(10 024)	10 436
Interest payments on additional Tier 1 capital	(1 578)	(1 052)
Lease payments	(502)	(442)
Repurchased shares	(3 247)	(3 778)
Dividend payments		(13 105)
Net cash flow from financing activities	(102 232)	117 123
Effects of exchange rate changes on cash and cash equivalents	3 723	(174)
Net cash flow	(18 659)	148 453
Cash as at 1 January	307 751	159 298
Net receipts/payments of cash	(18 659)	148 453
Cash as at 31 December ¹⁾	289 092	307 751

*) Of which: Cash and deposits with central banks 283 526 304 746
Deposits with credit institutions with no agreed period of notice ¹⁾ 5 566 3 006

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

NOTE 1 Accounting principles

1. Corporate information
2. Basis for preparation
3. Changes in accounting principles
4. Consolidation
5. Segment information
6. Recognition in the income statement and in other comprehensive income
7. Financial instruments
8. Investment property and fixed assets
9. Intangible assets
10. Impairment of fixed and intangible assets
11. Liabilities to policyholders
12. Pensions
13. Income tax
14. Provisions
15. Leasing
16. Cash flow statements
17. Dividends
18. Approved standards and interpretations that have not entered into force
19. Important accounting estimates, judgments and assumptions

1. Corporate information

DNB ASA is a Norwegian public limited company listed on the Oslo Stock Exchange (Oslo Børs). The consolidated financial statements for 2020 were approved by the Board of Directors on 10 March 2021.

The DNB Group offers banking services, securities and investment services, real estate broking services, insurance and asset management services in the Norwegian and international retail and corporate markets.

The visiting address to the Group's head office is Dronning Eufemias gate 30, Bjørvika, Oslo, Norway.

2. Basis for preparation

DNB has prepared the consolidated financial statements for 2020 in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

The consolidated financial statements are based on the historic cost principle, with the exception of financial assets and liabilities measured at fair value and investment properties. The consolidated financial statements are presented in Norwegian kroner. Unless otherwise specified, all amounts are rounded to the nearest million.

The Group's consolidated balance sheets are primarily based on an assessment of the liquidity of the assets and liabilities.

3. Changes in accounting principles

With effect from 1 January 2020, the Group has changed the composition of reportable segments. The former segments Small and medium-sized enterprises and Large corporates and International customers have been combined into the reportable segment Corporate customers. For further information, see note 2 Segments.

4. Consolidation

The consolidated financial statements for DNB ASA ("DNB") include DNB Bank ASA, DNB Livsforsikring AS and DNB Asset Management Holding AS, all including subsidiaries.

The accounting principles are applied consistently when consolidating ownership interests in subsidiaries and are based on the same reporting periods as those used for the parent company.

When preparing the consolidated financial statements, intra-group transactions and balances, along with gains and losses on transactions between group units, are eliminated.

Subsidiaries

Subsidiaries are defined as companies in which DNB, directly or indirectly, has control. Control over an entity is evidenced by the Group's ability to exercise its power in order to affect any variable returns that the Group is exposed to through its involvement with the entity. When assessing whether to consolidate an entity the Group evaluates a range of control factors, including:

- the purpose and design of the entity
- the relevant activities and how these are determined
- whether the Group's rights result in the ability to direct the relevant activities
- whether the Group has exposure or right to variable returns, and
- whether the Group has the ability to use its power to affect its return.

Where voting rights are relevant, the Group is deemed to have

NOTE 1 Accounting principles (continued)

control where it holds, directly or indirectly, more than half of the voting rights in an entity, unless DNB through agreements does not have corresponding voting rights in relevant decision-making bodies. With respect to companies where the Group's holding represent less than half of the rights, DNB makes an assessment of whether other factors indicate de facto control.

Subsidiaries are fully consolidated from the date on which control is obtained and until control ceases.

The non-controlling interests that do not meet the definition of equity are classified as financial liabilities in the balance sheet (Other liabilities).

Consolidation of structured entities

The Group engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

DNB (represented by DNB Livsforsikring) invests in both investment funds where DNB Asset Management is the fund manager and investment funds managed by unrelated asset managers. The principal uses of structured entities are to provide customers with access to specific portfolios of assets, especially in the insurance business. Fund managers apply various investment strategies to accomplish their respective investment objectives. Most of the investment funds finance their operations by issuing redeemable shares which are redeemable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets. DNB's investment strategy entails trading in funds on a regular basis, with the objective to achieve long-term capital growth.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicate that the structured entities are controlled by the Group due to contractual arrangements.

See note 31 Shareholdings for information about unconsolidated structured entities.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. Acquisition costs incurred are expensed and included in the Group's operating expenses.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. Refer to section 9 Intangible assets for measurement of acquired goodwill.

Associated companies and joint arrangements

Associated companies are companies in which DNB has a significant influence, that is the power to participate in the financial and operating policy decisions of the companies, without being in control or joint control of the companies. DNB assumes that significant influence exists when the Group holds between 20 and 50 per cent of the voting share capital or primary capital in another entity. Associated companies are recognised in the consolidated financial statements according to the equity method.

Joint arrangements are classified as either joint ventures or joint operations. When accounting for joint ventures, the equity method is applied. For joint operations, the parties recognise their rights to assets and liabilities in their balance sheets and recognise their share of income and costs incurred jointly in their income statements. DNB's joint arrangements are determined to be joint ventures.

Under the equity method of accounting, the investment is recognised at cost at the time of acquisition. Any goodwill is included in the acquisition cost. The Group's share of profits or losses, net of taxes, are added to the cost price of the investment along with other changes in equity which have not been reflected in the income statement. The investment is also adjusted for amortisation and any impairment of the Group's carrying amount, based on the cost at date of acquisition. The Group's share of losses is not reflected in the income statement if the carrying amount of the investment will be negative, unless the Group has taken on commitments or issued guarantees for the commitments of the associated company or joint venture.

At the end of each reporting period the Group assess whether any indication of impairment exists. If such indication exists, the investment will be tested for impairment. The carrying value of the investment will be compared with the recoverable amount (the higher of fair value less costs to sell and value in use). If necessary, the carrying value will be written down to the recoverable amount.

The Group's share of unrealised gains on transactions between the Group and its associated companies or joint ventures is eliminated. The same applies to unrealised losses unless the transaction indicates an impairment of the transferred assets.

Conversion of transactions in foreign currency

The presentation currency in the Group's consolidated financial statements is Norwegian kroner. The most significant subsidiary in the Group, DNB Bank ASA, has Norwegian kroner as its functional currency. Balance sheet items of foreign branches and subsidiaries in other functional currencies are translated into the presentation currency, Norwegian kroner, according to the exchange rates prevailing on the balance sheet date, while profit or loss items are translated according to exchange rates on the transaction date. Changes in net assets resulting from exchange rate movements are recognised in other comprehensive income.

Monetary assets and liabilities in foreign currency are translated into the entities' functional currency at the exchange rates prevailing on the balance sheet date. Changes in the carrying amount of such assets due to exchange rate movements between the transaction date and the balance sheet date are recognised within the line item "Net gains on financial instruments at fair value" in the income statement.

5. Segment information

Financial governance in DNB is adapted to the different customer segments. The follow-up of total customer relationships and segment profitability are two important dimensions when making strategic priorities and deciding where to allocate the Group's resources. Reported figures for the various segments reflect the Group's total sales of products and services to the specific segment.

The segment information has been prepared on the basis of internal financial reporting to the group management team (chief operating decision-making body) for an assessment of developments and the allocation of resources. Figures for the operating segments are based on DNB's management model and the Group's accounting principles. The figures are based on a number of assumptions, estimates and discretionary distributions.

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. All of the Group's customer activities are divided among the operating segments, along with the related balance-sheet items, income and expenses.

Excess liquidity and liquidity deficits in the operating segments are placed in or borrowed from the Group Treasury at market

NOTE 1 Accounting principles (continued)

terms, where interest rates are based on duration and the Group's financial position.

When operating segments cooperate on the delivery of financial services to customers, internal deliveries are based on market prices.

Services provided by group services and staff units are charged to the operating segments in accordance with service agreements. Joint expenses which are indirectly linked to activities in the operating segments, are charged to the operating segments on the basis of distribution formulas.

A number of key functions and profits from activities not related to the operating segments' strategic operations are presented within Other operations. This item comprises income and expenses relating to the Group's liquidity management, income from investments in equity instruments not included in the trading portfolio, interest income assigned to the Group's unallotted capital, ownership-related expenses and income from the management of the bank's real estate portfolio.

Net profits from repossessed operations which are fully consolidated in the Group are presented as "Profit from repossessed operations" in the segment reporting. The effect of consolidation of the repossessed companies is presented within Other operations.

Return on capital is estimated on the basis of internal measurement of risk-adjusted capital requirements. See note 2 Segments for further information about the principles for allocation of capital.

6. Recognition in the income statement and in other comprehensive income

Interest income is recognised using the effective interest method. This implies that interest is recognised when incurred, with the addition of amortised front-end fees and any other fees which are regarded as an integral part of the effective interest rate.

The effective interest rate is set by discounting contractual cash flows based on the expected life of the asset. Cash flows include front-end fees and direct transaction costs which are not paid directly by the customer.

Interest is recognised according to the effective interest method with respect to both balance sheet items measured at amortised cost and balance sheet items measured at fair value in the income statement, with the exception of front-end fees on loans at fair value, which are recognised when earned. Interest on impaired loans ("stage 3") corresponds to the effective interest rate on the book value, net of impairment.

"Net other operating income" includes, among others, fees and commissions relating to money transfers, financial guarantees, asset management services including performance/success fees, credit broking, real estate broking, corporate finance, securities services and sale of insurance products. Credit broking commissions include syndication income in the form of fees and commissions from transactions where DNB arranges the loans without retaining parts of the loan itself or participates in a loan syndicate and receives compensation in excess of the effective interest received by the other participants. Fees that are not included in the effective interest rate calculation, as well as commissions, are recognised over time when the services are rendered or at point in time when the transactions are completed.

Variable performance/success fees are only recognised to the extent it is highly probable that a significant reversal of the amount of cumulative revenue will not occur.

Fees related to credit broking, real estate broking and corporate finance services include issuing services, are recognised when the transactions are completed.

Dividends on investments are recognised at the date the dividends are approved at the general meeting.

Income from financial instruments carried at fair value through

profit or loss is described under 7. Financial instruments while net income from investment property is described under 8. Investment property and fixed assets.

Items of income and expense in other comprehensive income are grouped based on whether or not they can be reclassified to the income statement, at a future date.

**7. Financial instruments
Recognition and derecognition**Initial recognition

Financial assets are recognised in the balance sheet either on the trade date or the settlement date. Trade date accounting is applied for financial assets measured at fair value through profit or loss, while settlement date accounting is applied for financial assets measured at amortised cost.

Financial liabilities are recognised in the balance sheet on the date when the Group becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets

Financial assets are derecognised when the right to receive and retain cash flows from the asset has expired or been transferred, and also if modifications lead to derecognition. The Group enters into certain transactions where it transfers assets recognised on its balance sheet, but retains either all or parts of the risks and rewards of the transferred asset. If all or substantially all of the risks and rewards are retained, the transferred financial asset is not de-recognised from the balance sheet.

Derecognition of financial liabilities

Financial liabilities are derecognised when the contractual obligations have been discharged, cancelled or have expired.

Modifications

An assessment of whether or not a modification of a financial asset leads to de-recognition and recognition of new asset is based on the following considerations:

- Differentiate between modifications to cash flows or other significant items in line with terms in the contract and modifications outside of the contract.
- An assessment of whether or not a modification is substantial. A substantial modification is defined as a full credit process, a pricing decision and the signing of a new contract.
- An assessment of whether the modification is caused by distress or made on commercial terms.
- An assessment if the discounted cash flows after modification, discounted using the original effective interest rate, is changed more than 10 percent compared to the discounted value of the original contractual cash flows.

A modification resulting from a distressed restructuring will in most cases not result in de-recognition and recognition of a new financial instrument as the modified cash flows normally reflect the expected cash flows before restructuring.

Repurchase and reverse repurchase agreements

Securities purchased under agreements to resell are generally not recognised in the financial statements as the risk and returns are normally not taken over by the Group. This is done irrespective of whether the Group has the right to sell or repledge the securities. Upon the sale of securities received, the Group recognises an obligation in the balance sheet. For more information, see note 33 Securities received which can be sold or repledged.

NOTE 1 Accounting principles (continued)

Securities sold under agreements to repurchase are generally not derecognised as the risk and returns are normally not transferred. This is done irrespective of whether the recipient is entitled to sell or repledge the securities. These securities are presented as securities in the Group's balance sheet and are specified in note 32 Transferred assets or assets with other restrictions.

Securities borrowing and lending agreements

Transactions mainly include equity borrowing or lending. Agreements on securities borrowing and lending are generally based on collateral in the form of cash or securities.

Equities which have been received or transferred in such transactions, are generally not recognised or derecognised, as risks and returns associated with ownership of the assets are normally not taken over or transferred.

Equities received, including equities received as collateral, are registered off the balance sheet irrespective of whether the Group has the right to sell or repledge the securities. Upon the sale of securities received, the Group will recognise an obligation in the balance sheet. For more information, see note 33 Securities received which can be sold or repledged.

Transferred equities and collateral which the recipient is entitled to sell or repledge, are presented as equities or securities in the Group's balance sheet and are specified in note 32 Transferred assets or assets with other restrictions.

Classification and presentation

Financial assets are classified in one of the following measurement categories:

- amortised cost
- fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVTPL)

The classification of financial assets depends on two factors:

- the business model of the portfolio to which the financial asset belongs
- the contractual cash flow characteristics of the financial asset

When determining the business model, the Group assesses at portfolio level how the business is managed, sales activities, risk management and how information is provided to the executive management. The business model assessment has been performed for each business area. The portfolios belonging to the customer areas are held within a business model whose objective is to hold the assets and collect the contractual cash flows, while there are several different business models for the portfolios belonging to the product area Markets. For instance, the business model for the liquidity portfolio in Markets is to both hold the assets to collect the contractual cash flows and to sell the assets. However, the portfolio is designated at fair value through profit or loss in order to reduce an accounting mismatch.

A contractual cash flow characteristics test is performed on initial recognition of financial assets. Financial assets with cash flows that are solely payments of principal and interest (SPPI) pass the test if the interest only compensates for the time value of money, credit risk, liquidity risk, servicing and administrative costs and a profit margin.

Financial liabilities are classified at amortised cost, except for financial liabilities that are required to be measured at fair value through profit or loss or designated at fair value through profit or loss.

Financial assets may irrevocably be designated at fair value through profit or loss on initial recognition if the following criterion is met:

- The classification eliminates or significantly reduces measurement or recognition inconsistency that otherwise would arise from measuring financial assets or recognising the gains and losses on them on different bases.

Financial liabilities may also irrevocably be designated at fair value through profit or loss on initial recognition if the criterion above is fulfilled or one of the following:

- The financial instruments are part of a portfolio that is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The host contract contains one or more embedded derivatives.

Financial assets measured at amortised cost

Investments in financial assets, which are not designated at fair value through profit or loss, are measured at amortised cost if both of the following conditions are met:

- The assets are held within a business model whose objective is to hold the asset and collect the contractual cash flows.
- The contractual cash flows represent solely payment of principal and interest.

Financial assets measured at amortised cost are initially recognised at fair value plus any directly attributable transaction costs. Subsequent measurement follows the effective interest method, less impairment. Impairment losses and reversals are measured based on a three-stage expected credit loss model. This model is described under Expected credit loss measurement.

A change in expected credit loss allowance for financial assets measured at amortised cost on the balance sheet date is presented under "Impairment of financial instruments" in the income statement.

Interest income on financial instruments classified in this category is presented under "Interest income, amortised cost" using the effective interest method.

This category mainly comprises loans to customers, cash and deposits, receivables, reverse repurchase agreements and bond investments.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are initially recognised at fair value minus any directly attributable transaction costs. Interest expenses on such instruments are presented under "Interest expense, amortised cost" using the effective interest method.

This category includes deposits from customers and credit institutions, repurchase agreements, issued commercial paper and bonds, subordinated loan capital and perpetual subordinated loan capital securities.

Financial assets measured at fair value through other comprehensive income

Investments in financial assets, which are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income if both of the following conditions are met:

- The assets are held within a business model whose objective is to both hold the asset to collect the contractual cash flows and to sell the asset.
- The contractual cash flows represent solely payment of principal and interest.

NOTE 1 Accounting principles (continued)

At initial recognition, financial assets measured at fair value through other comprehensive income are recognised at fair value plus any directly attributable transaction costs. Subsequent measurement is fair value through other comprehensive income. Changes in fair value are recognised in other comprehensive income and accumulated within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains or losses are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss recognised in other comprehensive income, is recycled over profit or loss and recognised in "Net gains on financial instruments at fair value". Impairment losses and reversals are measured based on a three-stage expected credit loss model, which is described under Expected credit loss measurement.

This category comprises a portfolio of bond investments.

Financial instruments measured at fair value through profit or loss

The following instruments are recognised in this category:

- derivatives
- equity instruments
- financial instruments held for trading
- financial assets managed at fair value
- financial instruments designated at fair value through profit or loss on initial recognition
- financial assets with contractual cash flows that do not represent solely payment of principal and interest

Instruments in this category are initially recognised at fair value, with transaction costs recognised in profit or loss as they occur. Subsequent measurement is fair value with gains and losses recognised in the income statement.

Changes in the fair value of the financial instruments are presented under "Net gains on financial instruments at fair value" in the income statement. Changes in the fair value of financial instruments within life insurance are presented under the line item "Net financial result, life insurance". Financial derivatives are presented as an asset if the fair value is positive and as a liability if the fair value is negative.

Interest income and interest expenses from interest-bearing financial instruments, including financial derivatives, are presented under "Net interest income", except for interest income and interest expenses from financial instruments belonging to the trading portfolio.

The trading portfolio consists of instruments, which are acquired primarily for the purpose of selling or repurchasing in the short term. This includes financial derivatives, shareholdings and bond portfolios. Interest income and interest expenses from financial instruments belonging to the trading portfolio are presented as "Net gains on financial instruments at fair value".

Financial assets designated at fair value through profit or loss on initial recognition, mainly consist of bonds and fixed-rate mortgage loans in Norwegian kroner.

Financial liabilities designated at fair value through profit or loss on initial recognition mainly consist of fixed-rate securities issued in Norwegian kroner. The change in fair value related to changes in the Group's credit risk is calculated using relevant credit spread curves from Nordic Bond Pricing. Fair value of changes in credit risk on other financial liabilities is limited due to the short term nature of the instruments. Changes in credit risk on the DNB Group's long-term borrowings in Norwegian kroner designated at fair value through profit or loss do not create or enlarge an accounting mismatch and are therefore separated and recognised in other comprehensive income. Refer to the statement of changes in equity for a presentation of the effects.

Reclassifications

Financial assets are only reclassified when there is a significant change in the business model for those assets. Such changes are expected to be very infrequent. Financial liabilities are not reclassified.

Issued financial guarantees

Contracts resulting in the Group having to reimburse the holder for a loss incurred because a specific debtor fails to make payments when due, are classified as issued financial guarantees.

On initial recognition, issued financial guarantees are recognised at the consideration received for the guarantee. Issued financial guarantees are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less the cumulative amount of any revenue recognised in the income statement.

When issuing financial guarantees, the consideration for the guarantee is presented under the line item "Provisions" in the balance sheet. Income from issued financial guarantees and expenses from bought financial guarantees, are amortised over the duration of the instruments and presented as "Commission and fee income" or "Commission and fee expense".

Change in expected credit loss is recognised under the line item "Impairment of financial instruments" in the income statement.

Loan commitments

An expected credit loss is calculated for loan commitments and presented under the line item "Provisions" in the balance sheet. Any change in the expected credit loss allowance is recognised under the line item "Impairment of financial instruments" in the income statement.

For instruments containing both a drawn and an undrawn component, the expected credit loss is split pro rata between the loss allowance and provisions in the balance sheet based on the relative parts of the exposure.

Financial instruments with the characteristics of equity

Issued additional Tier 1 capital instruments are instruments where DNB has a unilateral right not to repay interest or the principal to the investors. As a consequence of these terms, the instruments do not meet the requirements for a liability and are therefore presented within the line "Additional Tier 1 Capital" within the Group's equity. Transaction expenses and accrued interest are presented as a reduction in "Other equity", while the advantage of the tax deduction for the interest will give an increase in "Other equity".

Equity in foreign currency shall be converted to Norwegian kroner based on the exchange rate on the transaction date and is not subject to subsequent revaluation.

Offsetting

Financial assets and financial liabilities are offset and presented net in the balance sheet when the Group has a legally enforceable right to offset recognised amounts and has agreed to settle the balances on a net basis or to realise the asset and settle the liability simultaneously. Master netting agreements or similar agreements give the right to offset in the event of default. Such agreements reduce the Group's exposure in the event of default, but do not on their own qualify for offsetting in accordance with IFRS, as there also needs to be an intention to settle the contractual cash flows net on an ongoing basis. See note 30 Offsetting for details about the financial assets and financial liabilities subject to offsetting agreements.

NOTE 1 Accounting principles (continued)

Determination of fair value

Fair value is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities in active markets are measured at the price within the bid-ask spread that is most representative of the fair value at the measurement date. In most cases bid or asking prices for these instruments are the most representative price for assets and liabilities respectively. Derivatives which are carried net are recognised at midmarket prices at the balance sheet date.

Financial instruments measured at fair value are valued on a daily basis with the exception of a few financial instruments that are valued on a monthly or quarterly basis. As far as possible, directly observable market prices are used. Valuations of the various types of financial instruments are based on well-acknowledged techniques and models. The prices and input parameters used are controlled and assessed based on established routines and control procedures.

The control environment for fair value measurement of financial instruments is an integrated part of the company's financial reporting. A number of controls are carried out on a daily basis, including controls of the day-one results on traded positions and controls of the key input parameters in the valuation. At the end of each month and quarter, extended controls are carried out to ensure that the valuations are consistent with the accounting policy for fair value including variation analyses. Special emphasis is placed on valuations in the level 3 in the valuation hierarchy, where the effects may be significant or particularly challenging.

Instruments traded in an active market

With respect to instruments traded in an active market, quoted prices are used, obtained from a stock exchange, a broker or a price-setting agency.

A market is considered active if it is possible to obtain external, observable prices, exchange rates or interest rates and these prices represent actual and frequent market transactions.

Some investments in equities and commercial paper and bonds are traded in active markets.

Instruments not traded in an active market

Financial instruments not traded in an active market are valued according to different valuation techniques and are divided into two categories:

Valuation based on observable market data:

- recently observed transactions in the relevant instrument between informed, willing and independent parties
- instruments traded in an active market which are substantially similar to the instrument that is valued
- other valuation techniques where key parameters are based on observable market data

Valuation based on other factors than observable market data:

- estimated cash flows
- valuation of assets and liabilities in companies
- models where key parameters are not based on observable market data
- possible industry standards

In the valuation of OTC derivatives, a fair value adjustment is made for the counterparty's credit risk (CVA) and for the Group's own credit risk (DVA). In addition, an adjustment is made for expected funding costs (FVA). Adjustments are made based on the net exposure towards each counterparty for CVA and DVA,

and towards a funding netting set for FVA.

The Group estimates CVA as a function of a simulated expected positive exposure, the counterparty's probability of default and loss given default. The majority of the Group's derivative counterparties have no market-implied credit spread and no external rating. Internal ratings are therefore combined with historical credit default swap (CDS) spreads as well as current CDS index prices to arrive at the counterparty's estimated CDS spreads. This means that the Group uses its own credit models and their discriminatory power, but calibrates against pricing levels for similar credit risk in the market. The DVA is based on the same approach, using an assessment of DNB's credit spread.

FVA reflects the estimated present value of the future funding costs associated with funding uncollateralised derivative exposures. It is calculated by applying a market funding spread to the expected exposure. Funding benefits are not estimated for positions for which DNB calculates DVA.

For financial instruments measured by using valuation techniques, a gain or loss might from time to time occur at initial recognition when the estimated fair value is different from the actual transaction price. When the measurement is based on non-observable input parameters (level 3), the gain or loss is deferred and therefore not recognised at day one. Fair value changes in later period are only recognised to the extent the change is caused by factors that market participants would take into account.

Expected credit loss measurement (ECL)

The expected credit loss model estimates impairment on the following instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments
- lease receivables
- issued financial guarantee contracts
- loan commitments.

The Group measures ECL at each reporting date for these instruments, reflecting:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- the time value of money
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The Group measures a loss allowance at an amount reflecting lifetime ECL for all instruments that have been subject to a significant increase in credit risk since initial recognition. Instruments for which there has been no significant change in risk, a 12-month expected credit loss is recognised.

Please refer to note 5 Measurement of expected credit loss for more information on the methodology for estimating expected credit loss.

Repossession of assets

Assets which are repossessed as part of the management of defaulted loans are recognised at fair value at the time of acquisition. Such assets are recognised in the balance sheet according to the nature of the asset. Any difference between the carrying amount of the loan and the fair value of the asset is presented within the line item "Impairment of financial instruments" in the income statement. Subsequent valuations and presentation of the impact to the income statement follow the principles for the relevant balance sheet item.

NOTE 1 Accounting principles (continued)**Hedge accounting**

The Group applies hedge accounting according to IFRS 9 Financial instruments.

In the DNB Group both derivative and non-derivative instruments are used to manage exposures to interest rate risk and foreign exchange risk. Hedge accounting is applied to economic hedge relationships in order to reduce or eliminate an accounting mismatch. Fair value hedge accounting is applied to hedges of interest rate risk on issued debt in foreign currency and a portfolio of bond investments. Net investment hedge is applied to currency translation of investments in foreign operations. See note 15 Financial derivatives and hedge accounting for more information.

Fair value hedge of interest rate risk

DNB uses interest rate swaps to protect against changes in the fair value of fixed-rate issued bonds and subordinated debt in foreign currency, as well as a portfolio of bond investments caused by movements in market interest rates. The hedges are entered into at the same time as the debt is issued in order to achieve a match in the terms of the derivative and the debt instrument. For bond investments, the hedge is also entered into at the same time as the investment is made.

Fair value hedge accounting is applied to the economic hedge relationships that qualify for hedge accounting. When hedge accounting is applied, there is a qualitative assessment of the economic relationship between the debt instrument or bond investment and the derivative that is documented at the inception of the hedge. Thereafter, it is periodically assessed whether the derivatives designated as hedging instruments have been effective in offsetting changes in fair value of the hedged item. The accumulated fair value changes related to interest rate risk on the debt instruments is compared with the accumulated fair value changes related to movements in the interest rate swaps.

DNB's fair value hedges of interest rate risk on issued debt and bond investments are expected to be highly effective. However, hedge ineffectiveness can arise if the terms of the derivative and the debt instrument are not fully aligned.

Hedging instruments are measured at fair value in the financial statements and changes in the fair value are presented under "Net gains on financial instruments at fair value" in the income statement. Interest income and expense from financial instruments designated as hedging instruments are presented as "Net interest income".

The changes in the fair value of the hedged item attributable to the hedged risk is recognised as an addition to or deduction from the balance sheet value of financial liabilities and presented under "Net gains on financial instruments at fair value" in the income statement.

If the hedge relationship ceases to exist or adequate hedge effectiveness cannot be verified, the accumulated change in fair value of the hedged item is amortised over the remaining time to maturity.

Net investment hedge of investments in foreign operations

DNB hedges investments in foreign subsidiaries to eliminate the foreign currency exposure that arises when a subsidiary has a different functional currency from that of the Group. The amount of the investment varies as a result of fluctuations in spot exchange rates between the functional currency of the subsidiaries and the Group's functional currency. This risk is hedged, since it may have significant financial impact on the Group's financial statements.

Foreign currency borrowings are used as hedging instruments. At the inception of the hedge, there is a qualitative assessment of hedge effectiveness. Hedge designations are reassessed on a quarterly basis. Hedge effectiveness is periodically assessed by comparing changes in the carrying amount of the foreign currency

borrowings that are attributable to a change in spot rate, with changes in the investment in the subsidiary due to movement in the spot rate. The hedges are expected to be highly effective, since the investments are hedged with instruments in the same currency and with an amount corresponding to the size of the investment.

Gains or losses after taxes on the hedging instruments are recognised directly in the Group's equity and presented in the statement of changes in equity as "Net investment hedge reserve" and in the comprehensive income statement as "Hedging of net investment".

If a foreign operation is disposed of, the cumulative gains or losses of the hedging instruments recognised in equity is reclassified to the income statement.

8. Investment property and fixed assets

Properties held to generate profits through rental income or for an increase in value, are presented in the balance sheet as investment property. Properties which are mainly used for own operations, are presented as owner-used properties.

Other tangible assets are presented as fixed assets in the balance sheet.

On initial recognition, investment properties and owner-used properties are measured at cost including acquisition costs.

In subsequent periods, investment properties are measured at fair value by discounting the expected net future cash flows to its present value. Therefore, no annual depreciation is made on an investment property. Internal and external expertise is used for valuations. A selection of external appraisals are obtained and compared with internal valuations for control purposes. In addition, analyses are made of changes from the previous period, as well as sensitivity analyses of key assumptions which are included in the overall evaluation of the fair value measurement. Providers of valuations are also followed up on an ongoing basis through dialogue and enquiries concerning the valuation of individual properties. Changes in fair value of investment property within life insurance are recognised within the line item "Net financial result, life insurance". Changes in fair value of other investment property in the Group are presented within the line item "Net gains on investment property" in the income statement.

Buildings which are owned by DNB Livsforsikring as part of the company's common portfolio and used by the Group, are recognised according to the revaluation model.

Other tangible assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenses directly related to the acquisition of the asset. Subsequent expenses are capitalised on the relevant assets when it is probable that future economic benefits associated with the expenditure will flow to the Group and can be measured reliably. Expenses for repairs and maintenance are recognised in the income statement as they occur. The residual values and useful lives of the assets are reviewed annually and adjusted if required.

Gains and losses on the sale of fixed assets are recognised within the line item "Net gain on fixed and intangible assets" in the income statement.

9. Intangible assets**Goodwill**

Goodwill is initially measured at the acquisition date, as the excess of the aggregate of the consideration transferred and the amount recognised for any non-controlling interest over the fair value of the identifiable assets acquired and liabilities assumed in a business combination. Goodwill acquired is allocated to each cash generating unit, or group of units, expected to benefit from the combination's synergies. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

NOTE 1 Accounting principles (continued)

Development of IT systems and software

Acquired software is recognised at cost with the addition of expenses incurred to make the software ready for use. Identifiable costs for internally developed software controlled by the Group where it is probable that economic benefits will cover development expenses at the balance sheet date, are recognised as intangible assets. When assessing capitalisation the economic benefits are evaluated on the basis of profitability analyses. Development expenses include expenses covering pay to employees directly involved in the project, materials and a share of directly related overhead expenses. Expenses relating to maintenance of software and IT systems are recognised in the income statement as they occur. Software expenses recognised in the balance sheet are depreciated according to a straight line principle over their expected useful life, usually five years. The assessment for whether there is a need for impairment is considered according to the principles described below.

10. Impairment of fixed and intangible assets

At end of each reporting period the Group considers whether any indication of impairment of fixed or intangible assets exists. If such indication exists, the recoverable amount of the asset is calculated to estimate possible impairment. Goodwill and intangible assets with an indefinite useful life are tested for impairment minimum once a year. DNB has chosen to perform this annual test in the fourth quarter.

The recoverable amount represents the higher of an asset's fair value less costs to sell and its value in use. If the asset's carrying amount exceeds the estimated recoverable amount, the asset is written down to its recoverable amount. See note 37 Intangible assets for description of impairment testing.

The following relevant criteria are considered when assessing whether indications of impairment exists:

- a decline in the asset's market value
- changes in the long-term return requirement which may affect the discount rate used in the calculation of the asset's value in use
- plans to restructure or liquidate the asset
- the asset generates less income than anticipated

Calculations of value in use are based on historical results and plan figures approved by management. On the basis of plan figures for the cash-generating units, a future cash flow is estimated, defined as the potential return to the owner. The return includes profits from the cash-generating unit adjusted for the need to build sufficient capital to meet expected future capital adequacy requirements. Higher capital requirements due to expanded operations could make it necessary to retain part of the profits or to inject more capital from the owner, if profits from the cash-generating unit are not adequate to build the necessary capital. Beyond the plan period, which is three years, cash flow trends are assumed to reflect market expectations for the type of operations carried out by the cash-generating unit. Future expected cash flows are established for a ten year period where the Gordons growth formula is used to estimate the terminal value to be included.

The required rate of return is based on an assessment of the market's required rate of return for the type of operations carried out by the cash-generating unit. The required rate of return reflects the risk of the operations.

11. Liabilities to policyholders

Products offered by DNB Livsforsikring include group pension insurance, group association insurance, individual endowment insurance, individual annuity and pension insurance, products with

a choice of investment profile, group life insurance and occupational injury insurance. In addition, DNB Livsforsikring offers individual risk non-life insurance, mainly statutory occupational injury insurance and appurtenant coverage.

Technical insurance reserves in life insurance

Technical insurance reserves, as defined in the Act on Insurance Activity, include the premium reserve, additional allocations, the market value adjustment reserve, the claims reserve, the risk equalisation fund and other technical reserves. In addition, the premium fund, deposit fund and the pensioners' surplus fund are included in insurance provisions. Apart from the risk equalisation fund, which is classified as equity, all insurance provisions are classified as liabilities to policyholders.

The premium reserve is a reserve to secure future insurance liabilities to policyholders and insured persons. The premium reserve represents the technical cash value, i.e. the net present value, of the company's total insurance liabilities including costs, less the cash value of future agreed premiums.

Additional allocations are a conditional allocation to policyholders where changes during the year are recognised in the income statement. The Insurance Act includes stipulations on the use and volume of additional allocations. According to these stipulations, maximum additional allocations per contract cannot exceed 12 per cent of the premium reserve for the contract. Actual allocations for the individual years are determined in connection with year-end adjustments. Additional allocations can be used to cover any rate-of-return shortfall if the annual return is lower than the guaranteed return.

The market value adjustment reserve represents the sum total of unrealised gains on current financial assets included in the common portfolio. If the portfolio of current financial assets shows a net unrealised loss, the market value adjustment reserve is set at zero. Unrealised gains and losses arising from exchange rate movements on derivatives used for currency hedging of properties, loans and bonds in foreign currency are not included in the market value adjustment reserve.

The claims reserve shall cover the company's anticipated indemnity payments for insurance claims which have not been settled or advanced against the company at the end of the accounting year. The claims reserve represents only the funds that would have been disbursed during the accounting year if the processing of the insurance claims had been completed.

The risk equalisation fund can be used to cover negative risk results and to strengthen premium reserves in connection with changes in demographic assumptions in the calculation base. Each year, up to 50 per cent of the company's total risk result can be allocated to the risk equalisation fund for the products defined-benefit pension and paid-up policies. The annual return is reviewed in connection with year-end adjustments. The risk equalisation fund is classified as equity in the balance sheet.

The premium fund contains premiums prepaid by policyholders within individual and group pension insurance. A share of annual profits is allocated to the pensioners' surplus fund. The fund is used to strengthen the premium reserve for pensioners in connection with adjustments in pension payments.

Liabilities, customers bearing the risk

Allocations relating to insurance liabilities for which customers bear the risk represent the market value of invested policyholders' funds at any given time. The reserve covers a share of the surplus on the risk result and the guaranteed rate of return on the portfolio of products with a choice of investment profile and should correspond to expected payments from the company to customers reaching retirement age.

NOTE 1 Accounting principles (continued)Assessment of liabilities to policyholders

Liabilities should be in reasonable proportion to the associated risk. This is ensured through continual monitoring of existing contracts. Furthermore, all premium rates charged by the company shall be reported to the Financial Supervisory Authority of Norway (Finanstilsynet), which has overall responsibility for controlling that adequate premiums are applied. Prevailing premium rates are continually reviewed.

The basis for calculating disability risk is more recent, taking into account the increase in disability observed in society at large. The base rate is used to calculate the present value of future premiums, payments and insurance provisions. The maximum base rate is stipulated by Finanstilsynet, based on the yield on long-term government bonds. The maximum base rate within pension products will be 2.0 per cent for new rights earned.

Adequacy test

The Group carries out a quarterly adequacy test to assess whether its premium reserves are adequate to cover its liabilities to policyholders. The test is described in more detail in note 17 Insurance risk.

Recognition of changes in liabilities to policyholders

Insurance premiums and insurance settlements are recognised by the amounts earned and accrued during the year. Accrual of premiums earned takes place through allocations to the premium reserve in the insurance fund.

Insurance contracts transferred from other companies are recognised at the time the insurance risk is transferred. If the risk is transferred as at 31 December, it is reflected in the financial statement for the subsequent year. Transfer amounts include the policies' shares of additional allocations, the market value adjustment reserve and profits for the year.

Recognition in the income statement

The line item "Net financial result, life insurance" includes returns and gains less all losses, adjusted for allocations to or elimination of the market value adjustment reserve. In addition, it includes the company's guaranteed rate of return on policyholders' funds and policyholders' share of profits including changes in additional allocations. If changes in the value of owner-used properties owned by DNB Livsforsikring as part of the company's common portfolio are recognised in other comprehensive income, a corresponding share of changes in liabilities to policyholders is recognised in other comprehensive income.

The line item "Net risk result, life insurance" includes risk premiums and the cost of claims for own account, plus claims handling costs. Claims include gross claims payments and changes in gross claims reserves, excluding the reinsurance share.

Administrative expenses are charged to policyholders through premium payments, returns and the dissolution of reserves, and included in "Commission and fee income etc.". Operating expenses and commission expenses are recognised in the consolidated financial statements according to type of expense.

12. Pensions

DNB has country-specific pension schemes for its employees. In Norway, DNB has a defined-contribution pension scheme. See note 25 Pensions for more information.

Defined-contribution pension schemes

Under defined-contribution pension schemes, the Group does not commit itself to paying specified future pension benefits, but makes annual contributions to the employees' pension savings. Future pensions will depend on the size of annual contributions

and the annual return on pension savings. After paying annual contributions, the Group has no further commitments linked to employees' work performance. The expenses following from the defined-contribution pension schemes are recognised in the income statement

Defined-benefit pension schemes

Pension expenses are calculated based on a linear distribution of pension entitlements measured against estimated accumulated commitments at the time of retirement. Pension commitments are matched against the pension funds in the schemes. Pension commitments are estimated based on the present value of estimated future pension payments at the balance sheet date. The calculation of the pension commitments is based on actuarial and economic assumptions about life expectancy, rise in salaries and early retirement. The discount rate used is determined by reference to the yield on covered bonds at the balance sheet date, plus an add-on that reflects the relevant duration of the pension commitments.

13. Income tax

Taxes for the year comprise payable taxes for the financial year, any payable taxes for previous years and changes in deferred taxes on temporary differences. Temporary differences are differences between the carrying amount of an asset or liability and the taxable value of the asset or liability

Deferred taxes are calculated on the basis of tax rates and tax rules that are applied on the balance sheet date or are highly likely to be approved and are expected to be applicable when the deferred tax asset is realised or the deferred tax liability settled.

The Group recognises liabilities related to the future outcome of tax dispute based on estimates of changed income taxes. When assessing the recognition of uncertain tax liabilities it is considered if the liability is probable.

Deferred tax assets are recognised in the balance sheet to the extent that it is probable that future taxable income will be available against which they can be utilised. Deferred taxes and deferred tax assets within the same tax group are presented net in the balance sheet.

Taxes payable and deferred taxes relating to elements of other comprehensive income are presented net along with the related income or cost in the comprehensive income statement.

14. Provisions

Provisions are recognised when it is probable that the DNB Group will need to settle a present obligation in connection with a past event, and it can be reliably estimated.

If restructuring plans that change the scope of DNB's operations or the way DNB carries out its operations are approved and communicated to the affected employees, the need for restructuring provisions is considered. This includes provisions for agreements on severance packages with employees when used as part of the restructuring.

Provisions are measured at best estimate, reviewed on each reporting date and adjusted as necessary.

**15. Leasing
DNB as lessor**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Other leases are classified as operating leases.

Operating leases

Operating leases are leases where a not insignificant share of the risk and rewards relating to the investment in the leased object accrues to DNB at the end of the lease period. Operating assets are recognised as fixed assets in the balance sheet. Income from

NOTE 1 Accounting principles (continued)

operating leases is recognised over the lease term on a straight-line basis and presented within the line item "Net interest income" in the income statement. Depreciation of the fixed assets is presented as ordinary depreciation in the income statement.

Financial leases

Financial leases are presented as lending in the balance sheet, and at inception the lease is measured at an amount equal to the net investment in the lease. The net investment represents minimum lease payments, unguaranteed residual values and any direct expenses incurred by the lessor in negotiating the lease, discounted by the implicit interest rate (internal rate of return). Leasing income is recognised in the income statement according to the annuity method, where the interest component is recognised within the line item "Net interest income" while instalments reduce the balance sheet value of the loan.

DNB as lessee

On contract inception, it is assessed whether the contract contains a lease. A lease entails that DNB is given control of an identified asset for a specific period of time against lease payment and receives substantially all the economic benefits of the asset in this period. On contract inception it is also assessed whether parts of the contract relates to non-lease components. For DNB, this will typically be overhead costs and taxes related to the leasing of commercial real estate. Further, DNB has elected not to recognise leases with low value. These are primarily related to office equipment.

On the lease commencement date, a right-of-use asset and a lease liability is recognised. The right-of-use asset is measured at cost on initial recognition. Cost equals the lease liability on initial recognition adjusted for prepayments made before rent commencement, lease incentives received related to the lease agreement, initial direct cost and any prospective cost of restoring the asset to its original state.

After initial recognition, the right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Periodical assessments of indicators of impairment are performed on the right-of-use asset. The right-of-use asset will also be adjusted for certain changes in the lease liability and primarily through the annual index adjustment of lease payments.

At initial recognition, the lease liability is measured as the present value of future lease payments discounted using the incremental borrowing rate. Lease payments consist of fixed payments and variable payments related to index adjustment of the lease. When establishing the lease period, it is assessed whether it can be determined with reasonably certainty if any extension or termination options will be exercised. The incremental borrowing rate reflects the currency of the lease payments and the length of the contract. DNB has elected to use the incremental borrowing rate for leases with similar characteristics such as equal type of asset, equal lease period and similar economic environment.

After initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured following changes in lease payments due to index adjustments, or if DNB changes the assessment of the likelihood that a termination or extension option will be exercised. Adjustments to the lease liability following re-measurement will also adjust the right-of-use asset. If the right-of-use asset is zero, the adjustment is recognised in the income statement.

Right-of-use assets are classified as fixed assets in the balance sheet, while the lease liabilities are classified as other liabilities. In the income statement depreciation from the right of use asset is included in the line item "Depreciation and impairment of fixed and intangible assets". Interest cost from the lease liability

is included in the line item "Interest expenses, amortised cost". Subleased right of use assets classified as operating leases are classified and measured as investment properties in the balance sheet with changes in fair value presented in the line item "Net gains on investment properties in the income statement".

16. Cash flow statements

The cash flow statements show cash flows grouped according to source and use. The cash flows are presented as operating activities, investment activities or funding activities. Cash is defined as cash, deposits with central banks and deposits with credit institutions with no agreed period of notice. The cash flow statement has been prepared in accordance with the direct method.

17. Dividends

Proposed dividends are part of equity until approved by the general meeting. At that time, the dividend is presented as liability in the financial statement. Proposed dividends are not included in capital adequacy calculations.

18. Approved standards and interpretations that have not entered into force

By the end of 2020 the IASB had published a number of amendments to current regulations which have not entered into force. Below is a description of the amendments which may have impact on the Group's future reporting.

IFRS 17 Insurance contracts

IFRS 17 Insurance contracts will replace IFRS 4 Insurance contracts and establishes principles for recognition, measurement, presentation and disclosure of insurance contracts. The objective of the new standard is to eliminate inconsistent accounting practices for insurance contracts.

In principle, IFRS 17 shall be applied retrospectively, but a modified retrospective approach or the fair value approach may be applied if retrospective application is impracticable.

The standard has been approved by the IASB and is effective from 1 January 2023. The standard has not yet been endorsed by the EU.

DNB is working on the implementation IFRS 17, but it is too early to give a reliable estimate of the expected implementation effect on the Group's financial statements.

Interest Rate Benchmark Reform

The IASB has made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as a response to the to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks. The amendments were effective from 1 January 2021.

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships. Furthermore, the amendments focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate due to the reform.

DNB has substantial volumes of loans, deposits and derivatives in multiple currencies that will be affected by the Interest Rate Benchmark Reform. The transition project aims to reduce potential open interest positions related to the transfer to a minimum.

DNB uses hedge accounting for fixed interest rate borrowing in foreign currencies and fixed interest rate investments in foreign currency debt securities classified as Fair Value through Other Comprehensive Income. The benchmark reform is not expected to have material effects on hedge efficiency, the market value of the hedging instruments or the fair value of the hedged interest rate

NOTE 1 Accounting principles (continued)

risk in the hedged items. The majority of the hedging relationships are expected to be continued.

The transition project is preparing the IT infrastructure to handle new reference rates, change the fallback wording in existing and new contracts for loans and derivatives, and prepare new loan agreements and communication with customers. The project is prepared to implement the amendments effective for the annual period beginning on 1 January 2021.

19. Important accounting estimates, judgments and assumptions

When preparing the consolidated financial statements, management makes estimates, judgment and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, incomes, expenses and information on potential liabilities. 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.

Impairment of financial instruments

See note 4 Credit risk management for information about the management and follow-up of credit risk and note 5 Measurement of expected credit loss for information about methodology for estimating impairment including an assessment of measurement uncertainty.

Fair value of financial derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using different valuation techniques. The Group considers and chooses techniques and assumptions that as far as possible are based on observable market data representing the market conditions on the balance sheet date. When measuring financial instruments for which observable market data are not available, the Group makes assumptions regarding what market participants would use as the basis for valuing similar financial instruments. The valuations require application of significant judgment when calculating liquidity risk, credit risk and volatility among others. Changes in these factors would affect the estimated fair value of the Group's financial instruments. For more information see note 29 Financial instruments at fair value.

Measurement of liabilities under insurance contracts in DNB Livsforsikring

With respect to technical insurance reserves in DNB Livsforsikring, risks and uncertainties are mainly related to the likelihood of death and disability, as well as the interest rate level. Higher life expectancy affects future expected insurance payments and provisions. For more information see note 17 Insurance risk.

Valuation of properties within DNB Livsforsikring

Investment property is measured at fair value by discounting the expected net future cash flows to its presented value. Establishment of the future cash flows requires high degree of judgment and the fair value depends to a large extent upon the selection of assumption about the future, as example required rate of return and the level of future rental rates. The assumptions used in calculating the fair value of the property portfolio in DNB Livsforsikring can be found in note 35 Investment properties.

Income taxes, including deferred tax assets and uncertain tax liabilities

The Group is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining the income tax in the consolidated financial statements, including assessments of recognised deferred tax assets and uncertain tax liabilities.

Deferred tax assets are recognised to the extent it is probable that the Group will have future taxable income against which they can be utilised. Extensive assessments must be made to determine the amount which can be recognised, including the expected time of utilisation, the level of profits computed for tax purposes as well as strategies for tax planning and the existence of taxable temporary differences.

There will be uncertainty related to the final tax liability for many transactions and calculations. The Group recognises liabilities related to the future outcome of tax disputes based on estimates of changed income taxes. When assessing the recognition of uncertain tax liabilities it is considered if the liability is probable. If the final outcome of the tax disputes deviates from the amounts recognised in the balance sheet, the deviations will impact the income tax expense in the income statement for the applicable period. For more information see note 26 Taxes.

Provisions

Judgement is involved in determining whether a present obligation exists, and in estimating the probability, timing and amount of any outflows. Provisions for claims in civil lawsuits and regulatory matters typically require a higher degree of judgement than other types of provisions. For more information see note 50 Contingencies.

NOTE 2 Segments

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

- Personal customers - includes the Group's total products and activities to private customers in all channels, both digital and physical, with the exception of home mortgages recorded under Traditional pension products, where returns accrue to the policy-holders. DNB offers a wide range of products through Norway's largest distribution network, comprising mobile banking, digital banking, branch offices, customer centres and real estate broking. In addition, external distribution of credit cards and car financing in Sweden is included in the business area. External distribution through the co-operation with Posten Norway AS (the Norwegian postal service) was phased out in the third quarter of 2020, with the transition to a solution based on the payment app Vipps.
- Corporate customers - includes all of the Group's business customers, both in Norway and abroad. Customers in the segment include everything from small business customers and start-ups to large Norwegian and international corporate customers. The product offering is tailored to the customers' different needs. DNB's services for the customer in the segment are based on sound industry knowledge and long-term customer relationships. Customers are served by offices both in Norway and abroad. In addition, customers are offered access to corporate online and mobile banking services as well as other digital services.

The income statement and balance sheet for the segments have been prepared on the basis of internal financial reporting for the functional organisation of the DNB Group into segments, as reported to group management (chief operating decision maker) for an assessment of current developments and the allocation of resources. Figures for segments are based on the group's accounting principles and DNB's management model. Allocation of costs and capital between segments involves a number of assumptions, estimates and discretionary distributions.

Capital allocated to the segments is calculated on the basis of the DNB Group's common equity Tier 1 capital and long-term capitalisation ambition. There are special capital adequacy regulations for insurance operations, and in these companies, allocated capital corresponds to recorded equity. For other group operations, the allocation of capital to all units is based on the DNB Group's adaptation to Basel III with capital requirement related to credit risk, market risk and operational risk. The allocation of capital for credit risk is based on the DNB Group's internal measurement of risk-adjusted capital requirements for credit. Capital requirements for market risk are allocated directly in accordance with risk-weighted volume, and operational risk is allocated based on the respective units' total income.

NOTE 2 Segments (continued)**Income statement****DNB Group**

<i>Amounts in NOK million</i>	Personal customers		Corporate customers		Other operations		Eliminations		DNB Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net interest income	13 395	13 703	23 878	23 636	1 350	1 863			38 623	39 202
Net other operating income	4 604	4 896	7 983	7 870	7 953	5 251	(2 763)	(2 361)	17 776	15 655
Total income	17 999	18 599	31 861	31 506	9 302	7 113	(2 763)	(2 361)	56 399	54 857
Operating expenses	(8 765)	(8 400)	(10 367)	(9 895)	(3 712)	(4 142)	2 763	2 361	(20 081)	(20 075)
Depreciation and impairment of fixed and intangible assets	(127)	(183)	(1 958)	(1 650)	(1 235)	(1 225)			(3 320)	(3 058)
Total operating expenses	(8 892)	(8 583)	(12 325)	(11 544)	(4 947)	(5 367)	2 763	2 361	(23 401)	(23 133)
Pre-tax operating profit before impairment	9 107	10 016	19 536	19 961	4 355	1 746			32 998	31 724
Net gains on fixed and intangible assets		(4)	(1)	15	769	1 691			767	1 703
Impairment of financial instruments ¹⁾	(473)	(353)	(9 438)	(1 835)	(7)	(4)			(9 918)	(2 191)
Profit from repossessed operations			241	(109)	(241)	109				
Pre-tax operating profit	8 633	9 660	10 338	18 033	4 876	3 542			23 847	31 235
Tax expense	(2 158)	(2 415)	(2 585)	(4 406)	514	1 356			(4 229)	(5 465)
Profit from operations held for sale, after taxes				(0)	221	(49)			221	(49)
Profit for the year	6 475	7 245	7 754	13 626	5 611	4 849			19 840	25 721

1) See note 10 Development in accumulated impairment of financial instruments for an analysis of the gross change in impairment for the Group.

Balance sheets**DNB Group**

<i>Amounts in NOK billion</i>	Personal customers		Corporate customers		Other operations		Eliminations		DNB Group	
	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
Loans to customers ¹⁾	817	795	775	764	133	139	(32)	(31)	1 694	1 667
Assets held for sale					2	1	(0)		2	1
Other assets	51	49	243	189	1 812	1 890	(884)	(1 002)	1 223	1 125
Total assets	869	844	1 018	953	1 948	2 029	(916)	(1 033)	2 919	2 793
Assets under management	141	113	303	271	0	(0)			444	383
Total combined assets	1 010	956	1 321	1 224	1 948	2 029	(916)	(1 033)	3 363	3 177
Deposits from customers ¹⁾	460	425	648	542	7	16	(9)	(14)	1 106	970
Liabilities held for sale					1	0	(0)	(0)	1	0
Other liabilities	361	370	269	311	1 841	1 919	(907)	(1 019)	1 564	1 581
Total liabilities	820	795	916	853	1 849	1 936	(916)	(1 033)	2 671	2 551
Allocated capital ²⁾	48	48	102	100	98	94			248	242
Total liabilities and equity	869	844	1 018	953	1 948	2 029	(916)	(1 033)	2 919	2 793

1) Loans to customers include accrued interest, impairment and value adjustments. Correspondingly, deposits from customers include accrued interest.

2) Allocated capital for the segments is calculated based on the external capital adequacy requirement (Basel III/Solvency II) which must be met by the Group. The capital allocated in 2020 corresponds to a common equity Tier 1 capital ratio of 17.6 per cent compared to 16.8 per cent in 2019. Book equity is used for the Group.

Key figures**DNB Group**

<i>Per cent</i>	Personal customers		Corporate customers		Other operations		Eliminations		DNB Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Cost/income ratio ¹⁾	49.4	46.1	38.7	36.6					41.5	42.2
Ratio of deposits to loans as at 31 December ²⁾	56.2	53.5	83.5	70.9					65.3	58.2
Return on allocated capital ³⁾	13.2	15.1	7.5	14.0					8.4	11.7

1) Total operating expenses relative to total income.

2) Deposits from customers relative to loans to customers.

3) Allocated capital for the segments is calculated based on the external capital adequacy requirement (Basel III/Solvency II) which must be met by the Group. Return on equity is used for the Group.

NOTE 3 Capitalisation policy and capital adequacy

DNB has a capital requirement margin of at least 1.0 percentage point in addition to the total regulatory CET1 capital ratio requirement. The objective of the capital requirement margin is to cushion against fluctuations in risk-weighted assets and earnings that arise from e.g. changes in exchange rates in basis swap spreads, to enable the Group to maintain normal growth in lending, and a predictable dividend policy. At year-end 2020, the total regulatory CET1 capital ratio requirement was about 16.0 per cent (incl. margin). The requirement will vary due to the counter-cyclical buffer and systemic risk buffer, which are determined based on the total exposure in each country. The capitalisation targets are based on the prevailing basis of calculation at any given time.

At year-end 2020, the DNB Group's common equity Tier 1 (CET1) capital ratio was 18.7 per cent and a capital adequacy ratio of 22.1 per cent, compared with 18.6 per cent and 22.9 per cent, respectively, a year earlier. Risk-weighted assets came to NOK 967 billion at year-end 2020, compared with NOK 961 billion the year before.

The DNB Bank Group had a CET1 capital ratio of 19.6 per cent and a capital adequacy ratio of 25.0 per cent at year-end 2020, compared with 18.3 and 24.4 per cent, respectively, a year earlier.

DNB Bank ASA had a CET1 capital ratio of 21.3 per cent at year-end 2020, compared with 19.3 per cent a year earlier. The capital adequacy ratio was 27.5 per cent at year-end 2020, compared with 26.3 per cent a year earlier.

At year-end 2020, DNB Boligkreditt AS had a CET1 capital ratio of 23.6 per cent and a capital adequacy ratio of 26.6 per cent.

Following the financial crisis, leverage ratio was introduced as a supplement to the capital adequacy regulations. It is calculated on the basis of Tier 1 capital, which, in addition to common equity Tier 1 capital, includes additional Tier 1 capital. The calculation base consists of both balance sheet items and off-balance sheet items, and the same conversion factors are used as in the standardised approach for the capital adequacy calculation. In addition, some special adjustments are made for derivatives and repo transactions. The definitions of leverage ratio and calculation base are in accordance with international rules and legislation. The Norwegian leverage ratio requirement consists of a minimum requirement of 3 per cent that will apply to all financial institutions, a mandatory 2 per cent buffer for banks and an additional mandatory buffer of 1 per cent for systemically important financial institutions. DNB is thus the only systemically important bank in Norway that will be required to have a leverage ratio of 6 per cent.

At year-end 2020, the Group's leverage ratio was 7.1 per cent, compared to 7.4 per cent a year earlier. DNB meets the total requirement of 6 per cent by a good margin.

NOTE 3 Capitalisation policy and capital adequacy (continued)

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

Own funds	DNB Bank ASA		DNB Bank Group		DNB Group	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
<i>Amounts in NOK million</i>						
Total equity	208 905	187 993	236 161	229 619	248 396	242 255
Effect from regulatory consolidation			(250)	(198)	(6 014)	(4 963)
Additional Tier 1 capital instruments included in total equity	(17 995)	(26 048)	(17 995)	(26 048)	(17 995)	(26 048)
Net accrued interest on additional Tier 1 capital instruments	(276)	(510)	(276)	(510)	(276)	(510)
Common equity Tier 1 capital instruments	190 635	161 434	217 641	202 862	224 112	210 734
Deductions						
Goodwill	(2 427)	(2 376)	(2 992)	(2 946)	(4 697)	(4 651)
Deferred tax assets that are not due to temporary differences	(453)	(457)	(970)	(868)	(970)	(868)
Other intangible assets	(1 014)	(1 016)	(1 583)	(1 626)	(1 583)	(1 626)
Dividends payable etc. ¹⁾	(13 953)		(26 949)	(25 000)	(26 976)	(17 625)
Significant investments in financial sector entities ²⁾					(6 018)	(4 254)
Expected losses exceeding actual losses, IRB portfolios	(788)	(1 633)	(1 781)	(2 502)	(1 781)	(2 502)
Value adjustments due to the requirements for prudent valuation (AVA)	(683)	(532)	(855)	(810)	(855)	(810)
Adjustments for unrealised losses/(gains) on debt measured at fair value	29	57	(23)	2	(23)	2
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(527)	(460)	(94)	(96)	(94)	(96)
Common Equity Tier 1 capital	170 819	155 017	182 393	169 016	181 115	178 304
Additional Tier 1 capital instruments	17 995	26 048	17 995	26 048	17 995	26 048
Deduction of holdings of Tier 1 instruments in insurance companies ³⁾					(1 500)	(1 500)
Non-eligible Tier 1 capital, DNB Group ⁴⁾					(2 920)	(2 561)
Tier 1 capital	188 814	181 065	200 388	195 064	194 689	200 291
Perpetual subordinated loan capital	5 640	5 774	5 640	5 774	5 640	5 774
Term subordinated loan capital	26 320	24 943	26 320	24 943	26 320	24 943
Deduction of holdings of Tier 2 instruments in insurance companies ³⁾					(5 750)	(5 761)
Non-eligible Tier 2 capital, DNB Group ⁴⁾					(6 711)	(5 032)
Additional Tier 2 capital instruments	31 960	30 717	31 960	30 717	19 499	19 925
Own funds	220 774	211 783	232 348	225 781	214 188	220 216
Risk-weighted assets	801 447	804 721	930 384	924 869	967 146	960 691
Minimum capital requirement	64 116	64 378	74 431	73 990	77 372	76 855
Common Equity Tier 1 capital ratio (%)	21.3	19.3	19.6	18.3	18.7	18.6
Tier 1 capital ratio (%)	23.6	22.5	21.5	21.1	20.1	20.8
Capital ratio (%)	27.5	26.3	25.0	24.4	22.1	22.9

1) Dividends from DNB ASA for 2019 of 8.40 per share were paid in March 2021. The Board of Directors in DNB ASA and DNB Bank ASA will ask the Annual General Meeting in April 2021 for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020, for distribution after September 2021.

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

3) 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.

4) 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.

NOTE 3 Capitalisation policy and capital adequacy (continued)

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

Specification of risk-weighted assets and capital requirements

DNB Group

	Nominal exposure	EAD ¹⁾	Average risk weights in per cent	Risk- weighted assets	Capital requirements	Capital requirements
<i>Amounts in NOK million</i>	31 Dec. 2020	31 Dec. 2020	31 Dec. 2020	31 Dec. 2020	31 Dec. 2020	31 Dec. 2019
IRB approach						
Corporate exposures	1 006 402	808 754	47.0	380 065	30 405	31 040
<i>Of which specialised lending (SL)</i>	13 993	13 330	48.4	6 449	516	503
<i>Of which small and medium sized entities (SME)</i>	216 347	190 445	45.5	86 636	6 931	6 695
<i>Of which other corporates</i>	776 062	604 980	47.4	286 979	22 958	23 843
Retail exposures	958 732	942 020	21.7	204 641	16 371	15 546
<i>Of which other retail</i>	88 301	71 589	25.1	18 001	1 440	1 653
<i>Of which secured by mortgages on immovable property</i>	870 431	870 431	21.4	186 641	14 931	13 893
Total credit risk, IRB approach	1 965 134	1 750 774	33.4	584 706	46 776	46 586
Standardised approach						
Central governments and central banks	325 091	324 183	0.1	232	19	6
Regional governmentst or local authorities	47 184	41 859	2.6	1 099	88	102
Public sentor entities	1 455	1 024	38.3	393	31	27
Multilateral development banks	27 265	27 263	0.0	4		
Internal organisations	5 933	5 933				
Institutions	118 172	91 089	20.2	18 367	1 469	1 802
Corporate	177 212	153 126	68.6	105 028	8 402	9 293
Retail	163 965	60 264	74.2	44 744	3 580	2 812
Secured by mortgages on immovable property	29 149	28 137	60.7	17 069	1 366	2 245
Exposures in default	2 960	2 355	123.5	2 909	233	216
Items associated with particular high risk	7 420	5 343	150.0	8 015	641	80
Covered bonds	43 558	43 558	10.0	4 356	348	396
Collective investment undertakings	1 745	1 745	29.7	518	41	18
Equity positions	20 785	20 784	235.1	48 854	3 908	3 754
Other assets	21 904	21 902	90.1	19 737	1 579	1 064
Total credit risk, standardised approach	993 799	828 566	32.7	271 325	21 706	21 814
Total credit risk	2 958 933	2 579 340	33.2	856 031	68 483	68 400
Market risk						
Position and general risk, debt instruments				9 345	748	842
Position and general risk, equity instruments				648	52	30
Currency risk				48	4	1
Commodity risk				1		
Total market risk				10 042	803	873
Credit value adjustment rsik (CVA)				5 741	459	354
Operational risk				95 331	7 627	7 228
Total risk-weighted assets and capital requirements				967 146	77 372	76 855

1) EAD, exposure at default.

NOTE 4 Credit risk management

Credit risk or counterparty risk is the risk of financial losses due to failure by the Group's customers/counterparties to meet their payment obligations towards DNB. Credit risk refers to all claims against customers/counterparties, mainly loans, but also commitments in the form of other extended credits, guarantees, interest-bearing securities, unutilised credit lines, derivative trading and interbank deposits. Credit risk also includes residual value risk and concentration risk. Residual risk is the risk that the value of securing an exposure is lower than expected. Concentration risk includes risk associated with large exposures to a single customer or concentration within geographical areas, within industries or related to homogeneous customer groups.

Credit risk management and measurement is described in detail in the Risk and Capital Management (Pillar 3) report. The group guidelines for credit activity are approved by the Boards of Directors of DNB Bank ASA. The principal objective of credit activity is to ensure that the quality and composition of the loan portfolio provide a good basis for the Group's short and long-term profitability. The quality of the portfolio should be consistent with DNB's aim of maintaining a low risk profile.

The Board of Directors of DNB ASA sets long-term targets for the risk profile through the risk appetite framework. The aim of this framework is to ensure that risk is managed and integrated with the Group's governance processes. The risk appetite framework should provide a holistic and balanced view of the risk in the business and defines maximum limits for credit exposure. Limits have been set for annual growth in lending, risk concentrations, total credit risk exposure and predicted expected loss. An upper limit for growth, measured in terms of exposure at default (EAD), is set for each business area. To limit concentration risk, limits are set for exposure on individual customers and certain industries. The limit for expected losses applies to all types of credit risk and is measured by means of the Group's internal credit models. The risk appetite framework is operationalised through credit strategies for the individual customer segments. In addition, risk indicators are established and used for monitoring managers on all levels.

Credit risk exposure

The maximum credit risk exposure will be the carrying amount of financial assets plus off-balance sheet exposure, which mainly includes guarantees, unutilised credit lines and loan offers. The group's maximum credit risk exposure and related collateral at year end are presented in note 6 Credit risk exposure and collateral.

Classification

DNB's internal models for risk classification of customers are subject to continual improvement and testing. The models are adapted to different industries and segments and are updated if calibrations show that their explanatory power has diminished over time. The Internal ratings based advanced (IRBA) approach is used for most of the customers in the corporate and personal customer portfolios to which the DNB Bank Group has exposure. IRBA entails that internal models for PD, LGD and EAD are used to estimate the bank's capital requirements. The standardised approach is used for housing cooperatives, newly-founded businesses and exposures in Poland.

All corporate customers with granted credit must be classified according to risk in connection with every significant credit approval and, unless otherwise decided, at least once a year. In the personal banking market, where there are a large number of customers, the majority of credit decisions are made on the basis of automated scoring and decision support systems. Risk classification should reflect long-term risk associated with each customer and the customer's credit commitment.

The risk classification systems are used for decision support, monitoring and reporting. The risk parameters used in the classification systems are an integrated part of the credit process and ongoing risk monitoring, including the follow-up of credit strategies.

Probability of default, PD, is used to measure credit quality. The group divides its portfolio into ten risk classes. Risk class is determined based on the IRB PD for each credit commitment. This is presented in the table below. Credit-impaired exposures (exposures in stage 3) are assigned a PD of 100 per cent. The group's portfolio divided into risk grades and IFRS 9 stages is presented in note 7 Credit risk exposure per risk grade.

DNB's risk classification ¹⁾

Risk class	Probability of default (per cent)		External rating	
	As from	Up to	Moody's	S&P Global
1	0.01	0.10	Aaa – A3	AAA – A-
2	0.10	0.25	Baa1 – Baa2	BBB+ – BBB
3	0.25	0.50	Baa3	BBB-
4	0.50	0.75	Ba1	BB+
5	0.75	1.25	Ba2	BB
6	1.25	2.00		
7	2.00	3.00	Ba3	BB-
8	3.00	5.00	B1	B+
9	5.00	8.00	B2	B
10	8.00	default	B3, Caa/C	B-, CCC/C

1) DNB's risk classification system, where 1 represents the lowest risk and 10 the highest risk.

Guidelines for credit activity

DNB's guidelines and processes for approving credits are described in the group guidelines for credit activity. The guidelines describe how DNB shall grant and follow up credit exposures in the various segments. Detailed descriptions are given of the assessment of new customers, follow-up of performing credit exposures, customers in financial difficulty and procedures for handling credit-impaired loans.

NOTE 4 Credit risk management (continued)

The granting of credit in DNB is based on authorisation and approval matrices. As a fundamental principle, one person makes a recommendation and another one approves it. The matrices are differentiated on the basis of volume, risk and, if relevant, industry. While only two employees may be involved in recommending and approving a low-risk exposure in the form of a home mortgage, recommendations for large/complex exposures must also be endorsed by a senior credit officer. In addition, advice will be sought from credit committees and the involvement of industry specialists may be required.

A decisive element when granting credit is the customers' debt servicing capacity in the form of incoming future cash flows, such as earned income or income from the business operations which are being financed. The bank seeks to further mitigate the risk of future losses by requiring that collateral are furnished. Collateral can be in the form of physical assets, guarantees, cash deposits or netting agreements. As a rule, physical collateral shall be insured. Negative pledges, whereby customers undertake to keep their assets free from encumbrances vis-à-vis other lenders, are also used as a risk-mitigating measure.

In addition to collateral, most corporate credit agreements will include financial covenants, which represent an additional risk-mitigating element to ensure that DNB becomes aware of and involved in any financial challenges at an early stage. Examples of financial covenants are minimum net cash flow and equity ratio requirements.

Monitoring credit riskPerforming customers

The annually updated risk classification of customers is a complete review of all risks identified by DNB relating to each customer. A new evaluation of all collateral provided is an integral part of the review. The decision-making and authorisation matrices shall also be used in connection with the renewal of all existing credits and thus ensure that personnel with relevant expertise are always involved when considering large and complicated exposures. Performing customers also include customers that have experienced significant increase in credit risk.

Personal customers are followed up through a systematic portfolio management system. Exposures are followed up individually if increased credit risk has been identified.

Watchlist

The watchlist is the Group's primary tool for following up corporate customers when credit risk has increased. If customers breach financial covenants or a loss event has occurred, it will be considered to include the exposure on the watchlist. Loss events include serious financial problems or major changes in market conditions. In addition it is an integral part of credit activity to consider whether to place high-risk customers (risk grades 8-10) on the watchlist. Watchlisted customers are subject to special monitoring. More frequent, often quarterly risk assessments are required, including an updated valuation of collateral. In addition, DNB must prepare an action plan to manage the risk situation that has arisen. The particularly close follow-up of customers facing greater challenges is based on the bank's experience that special monitoring both reduces the risk that losses will occur and minimises the losses that actually materialise. Each time watchlisted exposures are reviewed, the need for individual assessment of impairment losses will be performed.

Forbearance

If a customer gets into financial difficulties, DNB may in some cases grant voluntary concessions in the form of less stringent financial covenants or reduced/deferred interest and instalment payments. Such measures are offered in accordance with the Group's credit guidelines, thus aiming to help customers through a tough financial period when it is expected that they will meet their obligations on a later date. This is part of DNB's strategy to reduce losses.

Following the business-related and financial impacts of the COVID-19 outbreak, DNB has offered several customers payment waivers in order to provide temporary relief from the current situation, primarily by granting reduced or deferred instalment payments. In the first two quarters of 2020 DNB offered several customers payment waivers directly related to the COVID-19 outbreak. Combined with an otherwise healthy financial situation for the customer, the waivers do not result in forbearance classification. However, when payment waivers are combined with high credit risk and an expectation that the forbearance measures are not temporary, reclassification to the forbearance category should still be performed.

The DNB Group's total forbearance exposures, in accordance with the definition of forbearance in CRD IV, are shown in the following table:

Forbearance	DNB Group					
	31 December 2020 ¹⁾			31 December 2019		
Amounts in NOK million	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total
Gross carrying amount and loan commitments	23 729	13 417	37 146	22 831	11 638	34 469
Expected credit loss	430	5 770	6 200	317	4 503	4 820

1) The figures have been updated after the quarterly report due to manual registration of forbearance measures in connection with the COVID-19 pandemic.

Credit-impaired portfolio

In the event of credit impairment, customers are closely monitored. In the bank's experience, other supplementary resources are required during this stage than for performing customers. Customer exposures which fall into this category will either be transferred in their entirety to a separate unit with special expertise, or persons from this unit will join the customer team.

NOTE 4 Credit risk management (continued)

Reposessed companies and assets

In connection with the follow-up of defaulted exposures, DNB will in some cases take over assets provided as collateral for loans and guarantees. All acquired assets are normally followed up by the Group Investment unit, whose main target is to secure/recover values for DNB's shareholders through financial restructuring when companies or other assets are reposessed due to default. At the time of acquisition, such assets are valued at their estimated realisable value. Any deviations from the carrying amount of the exposures at the time of acquisition are classified as impairment of loans and guarantees in the income statement. Reposessed assets are recognised in the balance sheet and measured after initial recognition according to the rules that apply for the foreclosed assets.

Counterparty risk for derivatives

DNB enters into derivative transactions on the basis of customer demand and to hedge positions resulting from such activity. In addition, derivatives are used to hedge positions in the trading portfolio and take positions in the interest rate, currency, commodity and equity markets. Derivatives to hedge currency and interest rate risk arising in connection with funding and lending. Derivatives are generally traded "over the counter" (OTC), which means that individual contracts are agreed upon by the parties. The credit risk that arises in connection with derivative trading is included in the DNB Group's overall credit risk measurement.

Netting agreements and bilateral guarantee agreements are used as a means of minimising counterparty risk associated with individual counterparties. These agreements make it possible to net the positive and negative market values linked to contracts with individual counterparties. CSA (Credit Support Annex) agreements are another type of risk-mitigating measure. CSA agreements have been entered into with most major bank counterparties and other financial counterparties, as well as a steadily increasing number of non-financial counterparties. Under these agreements, the market value of all derivative contracts between DNB and the counterparty is settled either daily or weekly, which largely eliminates counterparty risk. These transactions are mostly settled in cash, though government bonds and covered bonds are used as well. The agreements are not normally dependent on the credit quality of the counterparty, but some of them stipulate that the maximum exposure level before collateral is required (the threshold value) will be reduced if the counterparty is downgraded.

The different interest rate products (interest rate swaps and Forward Rate Agreements (FRAs) in currencies) are settled through clearing houses like LCH. DNB's counterparty risk on an individual counterparty is thus transferred to the clearing house. Equity forward contracts, securities loans and currency trading for personal customers are monitored and increases/decreases in value are settled daily.

NOTE 5 Measurement of expected credit loss

DNB applies a three-stage approach when measuring expected credit loss (ECL) on loans to customers, loan commitments, financial guarantees and other financial instruments subject to the IFRS 9 impairment rules:

- A financial instrument that is not purchased or originated credit impaired is classified as stage 1 with 12-month ECL.
- If a significant increase in credit risk since initial recognition is identified the financial instrument is moved to stage 2 with lifetime ECL measurement.
- An increase in credit risk reflects both customer-specific circumstances and developments in relevant macro risk drivers for the segment where the customer belongs. The assessment of what is considered to be a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and backstops.
- If credit risk deteriorates further, and the financial instrument is assessed to be credit impaired, the financial instrument is moved to stage 3 with lifetime ECL measurement. As opposed to stages 1 and 2, the effective interest rate is calculated on amortised cost instead of the gross carrying amount. For definition of credit impaired see further description below.

The expected credit loss measurement is based on the following principles:

- 12-month ECL is measured as an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months.
- The loss provision for financial assets in stage 1 and stage 2 is calculated as the present value of exposure at default (EAD) multiplied by the probability of default (PD) multiplied by loss given default (LGD), and discounted by using the effective interest rate (EIR). PD, LGD and EAD use the IRB framework as a starting point, but are converted to be point in time and forward-looking as opposed to through the cycle and conservative.
- Past, present and forward-looking information is used to estimate ECL. For this purpose, DNB's loan portfolio is split into 22 segments based on geography and industry. All customers within a segment are exposed to the same risk drivers.
- For stage 3 individual assessments are performed for credit impaired financial instruments.
- For stage 1 and 2, a model is used to calculate ECL.

Key components for the ECL measurement, summarised

IFRS 9 stage	Credit risk development	Customer status	ECL measurement	ECL measurement method	Effective interest calculation
Stage 1	No significant increase	Performing	12-month	ECL model	Gross carrying amount
Stage 2	Significant increase	Performing	Lifetime	ECL model	Gross carrying amount
Stage 3	Defaulted	Credit impaired	Lifetime	Individual measurement per customer	Amortised cost

Measurement of expected credit loss in stages 1 and 2 (ECL model)

The model used for stage 1 and stage 2 follows five steps: segmentation, determination of macro scenarios, determination of credit cycle index, calculation of ECL and staging. In the following each step will be described in more detail.

Segmentation, macro scenarios and credit cycle index

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

In order to reflect the effect of macro drivers in a reasonable and supportable manner DNB's portfolio has been divided into 22 segments with shared credit risk characteristics. The segmentation is based on industry and geographical location, but about half of the industry segments are exposed to global markets and are influenced by global risk drivers.

Based on a statistical regression analysis, key risk drivers impacting PD are identified for the different segments. The assessments used to select the different risk drivers have been based on several criteria; the statistical model's explanatory power, a qualitative reasonableness check (e.g. if it makes sense to include the risk driver) and an aim not to have too many factors as this would unnecessarily increase the complexity. Relevant macro drivers are shown in the table below. Their impact on ECL will vary by financial instrument. Forecasts of each of the relevant risk drivers (the base economic scenario) are primarily prepared on a quarterly basis and provide the best estimate of developments in the risk drivers for the forecast period. The forecast periods incorporated in the segments vary between three and four years, and forecasts are prepared for each year in the forecast period. The macroeconomic forecasts for each segment have been carefully considered in the expert credit judgement forum to ensure that they reflect the expected impact of the economic consequences of the COVID-19 outbreak. Macro forecasts are usually obtained from DNB Markets and supplementary internal sources. Following the rapid change in the economic situation during 2020, forecasts from various external sources have also been considered. When selecting the macroeconomic forecasts, consideration has been given to both the reliability of the source and the timeliness of the update.

NOTE 5 Measurement of expected credit loss (continued)

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

The macro forecasts are incorporated in the credit cycle index (CCI). The CCI shows the relationship between the historically observed defaults and relevant macro factors established from statistical regression analysis. The position on the index indicates whether the current state of the economy for a given segment is better or worse than normal, and the forecasts are used to project the development of the index in the forecast period. After the forecast period, the CCI is assumed to be mean reverting. This means that the credit cycle for each segment returns to a normal state (long-term mean).

The CCI is further used to generate a base line PD curve for each instrument that follows the development of the CCI. When the CCI moves towards better times, the PD will everything else equal be reduced and vice versa.

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

Multiple scenarios

In order to capture the non-linear relationship between negative credit risk development and ECL, multiple scenarios are incorporated when determining significant increase in credit risk and measuring ECL. DNB use the base scenario for each risk driver as a starting point when deriving CCI and PD curves as described above. Alternative scenarios are translated into alternative paths of a probability fan around the baseline. This method means that each scenario represents one percentile on a probability fan with each percentile representing a possible development in credit risk depending on the macroeconomic development.

The width of the fan for the individual segment is determined by the past volatility in the correlation between developments in the risk drivers and developments in credit risk and ECL. This results in a correlation where the higher the volatility in a segment resulting from changes in the risk drivers, the larger the gap between the baseline and the outer percentiles of the fan.

Sensitivity

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

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

DNB has simulated an alternative adverse scenario for relevant macro forecasts. The scenario represents a possible downside compared with the scenario used for calculating the ECL recognised in the financial statements. Each macroeconomic variable is given alternative weaker expectations for each period in the forecast period. The table below shows the average change in the macro variables in the alternative scenario compared with the base scenario in the forecast period, in per cent. In the simulated alternative scenario, the ECL in stages 1 and 2 would increase by approximately 44 per cent compared with the ECL in stages 1 and 2 that is recognised in the financial statements at 31 December 2020.

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

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

	Base case financial statements			Base case alternative scenario		
	2020	2021	2022	2020	2021	2022
Global GDP, year-to-year growth	(3.9)	5.0	3.7	(3.9)	(0.3)	3.7
Emerging countries' GDP, year-to-year growth	(2.6)	6.1	4.5	(2.6)	0.0	4.5
Swedish GDP, year-to-year growth	(4.8)	2.8	2.5	(4.8)	0.3	2.8
Oil price, USD per barrel	42	53	65	42	36	42
Norwegian house price index, year-to-year growth	4.5	8.0	4.0	4.5	(10.0)	4.0
Norwegian registered unemployment rate	5.0	3.6	3.1	5.0	5.0	3.7
NIBOR 3-month interest rate	0.7	0.4	0.6	0.7	0.5	0.7

NOTE 5 Measurement of expected credit loss (continued)

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

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

	Change
Global GDP (percentage points)	(1.3)
Emerging countries' GDP (percentage points)	(1.5)
Oil price (per cent)	(26.6)
Norwegian mainland GDP (percentage points)	(0.4)
Norwegian consumer price index (percentage points)	(0.2)
Norwegian house price index (percentage points)	(4.5)
Norwegian registered unemployment rate (percentage points)	0.6
NIBOR 3-month interest rate (percentage points)	0.1
Swedish GDP (percentage points)	(0.5)
Norwegian commercial real estate rental price (per cent)	(1.3)
Salmon price (per cent)	(25.6)
Floater spot rate (per cent)	(10.1)
Rig utilisation rate (per cent)	0.0
Very large crude carriers spot rate (per cent)	(24.5)
Capesize spot rate (per cent)	(30.3)
Very large gas carrier spot rate (per cent)	0.0

One of the most significant exposures in stages 1 and 2 is lending to personal customers. The lending includes mortgage lending, credit card and consumer financing. In addition to specific customer attributes, the portfolio's ECL is forecasted based on the Norwegian house price Index, the Norwegian interest rate, household debt level and the unemployment rate. In the simulated alternative scenario, where all of these input parameters cause more adverse projections, the ECL in stages 1 and 2 would increase by approximately 66 per cent for the personal customer portfolio compared with the ECL measured at 31 December 2020 for the same portfolio and stages.

DNB has furthermore investigated the effect of non-linearity in the ECL for stage 1 and stage 2. If the base scenario alone is used to calculate expected credit losses, thereby excluding the fan that represents the range of alternative scenarios, the ECL at 31 December 2020 would decrease by 10 per cent.

Calculation of ECL

The determination of a significant increase in credit risk and the measurement of ECL are based on parameters already used in credit risk management and for capital adequacy calculations: PD, LGD and EAD. The parameters have been adjusted in order to give an unbiased estimate of ECL.

Probability of default (PD)

DNB applies a range of different models to determine a customer's PD. The choice of model depends on whether it is a personal or corporate customer and on which industry the customer operates in. The development in the customer's PD is a key component in DNB's monitoring of credit risk in the portfolio, see note 4 Credit risk management, and an adjusted IRB PD is used both in calculating the ECL and in assessing whether a significant increase in credit risk has occurred since initial recognition. For determining PD in capital adequacy calculations, DNB has been granted permission to use the Internal Ratings Based (IRB) approach. These models are conservative and only reflect a limited degree of cyclicity. For the ECL measurement, there is a need to generate a PD which is forward-looking and reflects all available relevant information. This is necessary in order to provide an unbiased probability-weighted estimate of ECL. In order to apply PDs for ECL measurement, four modifications have been made to the PDs generated using the IRB approach:

- incorporation of macroeconomic scenarios
- conversion to an unbiased, forward-looking PD
- conversion of 12-month PD to lifetime PD
- removal of margin of conservatism in the PD estimate.

These modifications imply that the PD used for the ECL measurement reflects management's current view of expected cyclical changes and that all PD estimates are unbiased.

NOTE 5 Measurement of expected credit loss (continued)

Two types of PDs (IFRS modified) are generated and used in the ECL calculation:

- A 12-month PD is the probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate the 12-month ECL.
- A lifetime PD is the annualised probability of a default occurring over the remaining life of the financial instrument. This is used to evaluate if there has been a significant increase in credit risk since initial recognition and to calculate lifetime ECL.

Loss given default (LGD)

LGD represents the percentage of EAD which the Group expects to lose if customers fail to meet their obligations, taking the collateral provided by the customer, future cash flows and other relevant factors into consideration.

Similar to PDs, DNB uses IRB LGDs for capital adequacy calculations. In order to convert the IRB LGDs to IFRS LGDs four modifications have been made:

- incorporation of macroeconomic scenarios
- use of the effective interest rate to discount future estimated cash flows
- removal of the margin of conservatism to produce unbiased projections rather than downturn projections, and to exclude regulatory floors
- removal of the estimated indirect costs of realising collateral.

These modifications imply that the LGDs used for the ECL measurement should reflect management's current view of the cyclical changes and that all LGD estimates are unbiased.

Exposure at default (EAD)

EAD is the share of the approved credit that is expected to be drawn at the time of any future default. The EAD is adjusted to reflect contractual payments of principal, interest and estimated early repayment. The proportion of undrawn commitments expected to be drawn at the time of default is reflected in the EAD by using a credit conversion factor.

Significant increase in credit risk (staging)

The assessment of a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and back stops. A significant increase in credit risk has occurred when one or more of the criteria below are met.

Quantitative criteria

A significant increase in credit risk is determined by comparing the remaining lifetime PD for an instrument at the reporting date, as expected at initial recognition, with the actual lifetime PD at the reporting date. If the actual lifetime PD is higher than what it was expected to be, an assessment is made of whether the increase is significant.

An increase in lifetime PD with a factor of 2.5 or more from initial recognition is assessed to be a significant increase in credit risk. This threshold is based on an assessment of the increase in credit risk that would lead to closer customer follow-up in order to ensure that proper credit risk management and business decisions are made.

Further, the change in PD must be a minimum of 0.6 percentage points for the deterioration in credit risk to be considered to be significant. In the high end of the risk scale a change of 7.5 percentage points or more is considered to be a significant deterioration in credit risk even if this is less than a change of 2.5 times lifetime PD. These limits reflect the high sensitivity to change in the low end of the risk scale and the low sensitivity to change in the high end of the scale.

As part of DNB's credit risk management policy the group applies a risk scale where all customers and instruments are rated on a coherent scale meaning that a risk grade has the same explanatory power independent of segment, geography and product. DNB therefore uses a common threshold for all financial instruments with respect to what constitute a significant increase in credit risk. For further information about DNBs risk scale and classification see note 4 Credit risk management.

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

Qualitative criteria

Qualitative information is normally reflected in the respective PD models for each group of customers.

NOTE 5 Measurement of expected credit loss (continued)

Back stop

Back stops are used and a significant increase in credit risk has occurred if:

- the customer's contractual payments are 30 days past due
- the customer has been granted forbearance measures due to financial distress, though it is not severe enough for the financial instrument to be classified as credit impaired.

Sensitivity

DNB has performed a sensitivity analysis on the threshold of the significant increase in credit risk used to measure ECL in stages 1 and 2. If a threshold of 1.5 times lifetime PD is used for determining the significant increase in credit risk, as an alternative to the 2.5 threshold, more exposures would migrate from stage 1 to stage 2 and the ECL in stage 1 and 2 would increase by 2 per cent compared with the ECL measured at year-end 2020. If a threshold of 3.5 times lifetime PD is used instead, the ECL would decrease by 1 per cent compared with the ECL measured at year-end 2020.

Expert credit judgement

For many of the input parameters in the ECL-measurement significant professional judgment is applied. The assessment of the macro prognoses and the impact to the forecasted credit cycle index are key judgments and DNB has established an advisory forum for the Group's Chief Financial Officer to address this. The forum's purpose is to assess if the predicted Credit Cycle Index for each segment reflects the management's view on the expected future economic development.

Definition of default and credit impaired exposures in stage 3

The definition of credit impaired is fully aligned with the regulatory definition of default.

A financial instrument is defined to be in default if a claim is more than 90 days overdue, the overdue amount exceeds NOK 2 000 and the default is not due to delays or accidental circumstances on the part of the debtor.

A commitment is also defined to be in default if the group:

- significantly writes down the commitment as a result of a weakening of the debtor's creditworthiness
- agrees to changes in the terms and conditions because the debtor is having problems meeting payment obligations, and this is assumed to significantly reduce the value of the cash flow
- sells the debt for an amount that is significantly lower than the nominal value as a result of an impairment of the debtor's creditworthiness
- has reasons to assume that the debtor will be subject to debt settlement or bankruptcy/involuntary liquidation proceedings, or be placed in receivership
- has other reasons to assume that the payment obligation will not be met (anticipated default).

A commitment is defined to represent anticipated default if it is considered likely that the customer, based on its regular business activities, does not have debt payment ability for its total obligations (unlikeliness to pay).

From 1 January 2021 a new definition of default will be applicable. DNB will continue the alignment between credit impaired and defaulted under the new definition. For customers in the return to non-default period under the new definition the model described above for calculation of life-time expected credit losses will be used.

Measurement of expected credit loss for credit-impaired financial instruments

In DNB, the ECL for credit-impaired financial instruments with exposure above NOK 5 million is calculated individually per customer and without the use of modelled inputs. When a customer becomes credit impaired (stage 3) the probability of default is set to 100 percent. The ECL provision is estimated as the difference between the carrying amount and the net present value of the estimated future cash flows discounted by the original effective interest rate. The estimated future cash flows are based on developments in the customer's exposure, past experience with the customer, the probable outcome of negotiations and expected macroeconomic developments that will influence the customer's expected cash flow. The business-related and financial impacts of the COVID-19 outbreak and the oil price fall, as well as the estimated relief expected to be provided through established Government programmes, are incorporated into the net present value of the discounted estimated future cash flows. If the exposure is collateralised, the value of the collateral in going concern scenarios is included in the estimated future cash flows regardless of whether foreclosure is probable or not. When establishing the estimated collateral value, weighting of at least two possible scenarios for the development in future cash flows from the collateral in a going concern scenario are incorporated. In some cases a liquidation scenario is included in the valuation of the collateral.

For credit impaired exposures below NOK 5 million a portfolio approach is used to estimate ECL.

Sensitivity

If the value of collaterals on all stage 3 exposures were reduced by 10 per cent, the stage 3 ECL as at 31 December 2020 would increase by approximately NOK 2 billion.

NOTE 5 Measurement of expected credit loss (continued)

DNB's write-off policy

DNB writes off and thereby reduces the carrying amount of a financial asset when there is no reasonable expectation of recovery. This might for example be the case when a court of law has reached a final decision, a decision has been made to forgive the debt, or a scheme of composition has been confirmed. Write-off can relate to the entire asset or a portion of the asset and can constitute a derecognition event. DNB maintains the legal claim towards the customer even though a write-off has been recognised. For corporate customers, there is a difference between internal write-offs and debt forgiveness. In the latter, DNB does not maintain a legal claim.

Measurement uncertainty

The measurement of the expected credit loss involves increased complexity, and management must apply its professional judgement for many of the key assumptions used as input in the measurement. For stage 1 and 2, estimation uncertainty in the ECL calculation relates to the determination of PD, LGD and EAD. This is both in terms of using historic data in the development and calibration of models and the judgement performed in relation to setting these parameters as part of the credit process. Furthermore, the determination of how to do the segmentation of the loan portfolio, the identification of relevant risk drivers for each segment and the forecasts for each of the risk drivers also create estimation uncertainty.

Other areas with significant estimation uncertainty are the creation of multiple future economic scenarios, estimation of expected lifetime, assessment of significant increases in credit risk and determination of whether the criterion for default are satisfied.

For exposures in stage 3 where ECL is measured individually per customer, significant judgement is applied when determining assumptions used as input for the customer's future cash flow and assumptions related to valuation of collateral, including the point in time when collateral is potentially taken over.

Sensitivities are disclosed separately above.

NOTE 6 Credit risk exposure and collateral

Credit risk exposure and collateral as at 31 December 2020

DNB Group

<i>Amounts in NOK million</i>	Maximum exposure to credit risk	Secured by real estate	Collateralised by securities	Other collateral ¹⁾
Deposits with central banks	282 785		10 880	
Due from credit institutions	78 466		63 395	2
Loans to customers	1 693 811	1 074 834	82 141	258 713
Commercial paper and bonds	439 231			
Financial derivatives	186 740		494	124 275
Other assets	21 070			
Total maximum exposure to credit risk reflected on the balance sheet	2 702 104	1 074 834	156 911	382 989
Guarantees	11 111	52		5 842
Unutilised credit lines and loan offers	632 349	134 712		84 381
Other commitments	89 603	3 977		10 869
Total maximum exposure to credit risk not reflected on the balance sheet	733 062	138 741		101 091
Total	3 435 166	1 213 574	156 911	484 080
<i>Of which subject to expected credit loss:</i>				
Deposits with central banks	282 785		10 880	
Due from credit institutions	78 466		63 395	2
Loans to customers	1 638 438	1 021 029	82 141	258 649
Commercial paper and bonds	175 383			
Total maximum exposure to credit risk reflected on the balance sheet	2 175 072	1 021 029	156 417	258 650
Guarantees	11 111	52		5 842
Unutilised credit lines and loan offers	632 349	134 707		84 381
Other commitments	89 603	3 977		10 869
Total maximum exposure to credit risk not reflected on the balance sheet	733 062	138 736		101 091
Total	2 908 134	1 159 765	156 417	359 742
<i>Of which stage 3:</i>				
Loans to customers	19 989	3 947		15 898
Total maximum exposure to credit risk reflected on the balance sheet	19 989	3 947		15 898
Guarantees	1 581			1 581
Unutilised credit lines and loan offers	2 892	90		1 429
Other commitments	951	31		325
Total maximum exposure to credit risk not reflected on the balance sheet	5 423	121		3 335
Total	25 412	4 068		19 234

1) Other collateral includes the assessed fair value of movables, sureties, ships and cash as well as other credit enhancements, such as netting agreements and guarantees received.

Financial assets of NOK 5 727 million in stage 3 have no credit loss due to collateralisation.

NOTE 6 Credit risk exposure and collateral (continued)

Credit risk exposure and collateral as at 31 December 2019				DNB Group
<i>Amounts in NOK million</i>	Maximum exposure to credit risk	Secured by real estate	Collateralised by securities	Other collateral ¹⁾
Deposits with central banks	303 720		40 014	
Due from credit institutions	102 961		84 877	59
Loans to customers	1 667 189	1 043 330	82 404	256 442
Commercial paper and bonds	376 323			
Financial derivatives	125 076		200	92 113
Other assets	20 062			
Total maximum exposure to credit risk reflected on the balance sheet	2 595 331	1 043 330	207 496	348 613
Guarantees	15 638	12		6 863
Unutilised credit lines and loan offers	595 323	120 979	6	79 651
Other commitments	87 248	4 737		12 568
Total maximum exposure to credit risk not reflected on the balance sheet	698 209	125 728	6	99 083
Total	3 293 540	1 169 058	207 501	447 696
<i>Of which subject to expected credit loss:</i>				
Deposits with central banks	303 720		40 014	
Due from credit institutions	102 961		84 877	59
Loans to customers	1 606 012	983 801	82 404	256 618
Commercial paper and bonds	140 130			
Total maximum exposure to credit risk reflected on the balance sheet	2 152 823	983 801	207 296	256 677
Guarantees	15 638	12		6 863
Unutilised credit lines and loan offers	595 323	120 974	6	79 651
Other commitments	87 248	4 737		12 568
Total maximum exposure to credit risk not reflected on the balance sheet	698 209	125 723	6	99 083
Total	2 851 032	1 109 524	207 302	355 760
<i>Of which stage 3:</i>				
Loans to customers	15 403	4 034		9 567
Total maximum exposure to credit risk reflected on the balance sheet	15 403	4 034		9 567
Guarantees	583			314
Unutilised credit lines and loan offers	1 602	165		176
Other commitments	614	42		99
Total maximum exposure to credit risk not reflected on the balance sheet	2 799	207		589
Total	18 202	4 241		10 156

1) Other collateral includes the assessed fair value of movables, sureties, ships and cash as well as other credit enhancements, such as netting agreements and guarantees received.

Financial assets of NOK 2 035 million in stage 3 have no credit loss due to collateralisation.

The table above includes on and off-balance sheet items which entail credit risk and the assessed value of related collateral. If available, fair values are used. In general, fair values are estimated according to different techniques depending on the type of collateral. With respect to properties, models estimating the value of collateral based on market parameters for similar properties, are used. Corresponding techniques are used for other non-financial collateral. In order to reflect the effective available collateral value, the fair value of collateral included in the table is limited to the maximum credit exposure of the individual loan or exposure.

Comments to the main items as at 31 December 2020:

- **Deposits with central banks:** Deposits with Norges Bank totalled NOK 33 million. DNB engages only in short-term transactions with central banks outside Norway, mainly in OECD countries.
- **Loans to customers:** See further description under "Guidelines for credit activity" in note 4 Credit risk management.
- **Commercial paper and bonds:** The Group's investments in commercial paper and bonds, are within market risk limits approved by the Board of Directors.
- **Financial derivatives:** Other collateral represents netting opportunities against other outstanding balances with customers and cash collateral received.
- **Guarantees:** See further description under "Guidelines for credit activity" in note 4 Credit risk management.
- **Unutilised credit lines and loan offers:** Offers of loans, credits and credit lines totalling NOK 155 741 million were included in the maximum credit exposure. No formal collateral has been established for such exposure, and the assessed value is not included in the table. Collateral is established once the offers are accepted by the customers. The assessment of the value of any collateral established in connection with such offers follows the procedure and criteria described under "Guidelines for credit activity" in note 4 Credit risk management.

NOTE 7 Credit risk exposure by risk grade

In the tables below, all loans to customers and financial commitments to customers are presented by risk grade. The amounts are based on the gross carrying amount and the maximum exposure before adjustments for impairments.

Loans as at 31 December 2020

					DNB Group
<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Risk grade based on probability of default					
1 - 4	1 145 090	26 902		44 000	1 215 992
5 - 7	310 258	66 465		10 701	387 424
8 - 10	27 639	44 083		623	72 345
Credit impaired			32 020	47	32 067
Total	1 482 987	137 450	32 020	55 372	1 707 829

Loans as at 31 December 2019

					DNB Group
<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Risk grade based on probability of default					
1 - 4	1 154 880	3 494		47 326	1 205 700
5 - 7	323 889	40 197		13 111	377 197
8 - 10	24 840	44 656		697	70 192
Credit impaired			24 308	45	24 353
Total	1 503 609	88 347	24 308	61 178	1 677 441

Financial commitments as at 31 December 2020

					DNB Group
<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3		Total
Risk grade based on probability of default					
1 - 4	543 328	8 310			551 637
5 - 7	105 031	12 005			117 036
8 - 10	9 075	16 164			25 239
Credit impaired			6 024		6 024
Total	657 434	36 478	6 024		699 937

Financial commitments as at 31 December 2019

					DNB Group
<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3		Total
Risk grade based on probability of default					
1 - 4	514 100	721			514 821
5 - 7	99 074	7 824			106 898
8 - 10	8 420	15 249			23 669
Credit impaired			3 343		3 343
Total	621 594	23 794	3 343		648 730

NOTE 8 Impairment of financial instruments

									DNB Group
	2020				2019				
<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Originated and purchased	(72)	(17)		(89)	(62)	(5)		(66)	
Increased expected credit loss	(1 755)	(4 043)	(12 631)	(18 429)	(464)	(2 071)	(6 568)	(9 103)	
Decreased expected credit loss	1 201	3 996	5 112	10 309	539	2 516	4 381	7 436	
Derecognition	30	14	76	120	37	85	40	162	
Write-offs			(1 949)	(1 949)		(2)	(755)	(757)	
Recoveries on loans previously written off			119	119			138	138	
Total impairment	(596)	(50)	(9 272)	(9 918)	50	523	(2 765)	(2 191)	

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity, was NOK 98 million as at 31 December 2020 (NOK 100 million as at 31 December 2019).

NOTE 9 Development in gross carrying amount and maximum exposure

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

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

Loans to customers at amortised cost

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	DNB Group Total
Gross carrying amount as at 1 January 2019	1 435 014	82 321	27 846	1 545 180
Transfer to stage 1	67 730	(66 890)	(840)	
Transfer to stage 2	(91 994)	96 661	(4 668)	
Transfer to stage 3	(3 846)	(5 356)	9 202	
Originated and purchased	473 915	4 767		478 682
Derecognition	(377 761)	(23 346)	(7 327)	(408 434)
Exchange rate movements	362	190	95	647
Other	188			188
Gross carrying amount as at 31 December 2019	1 503 609	88 347	24 308	1 616 264
Transfer to stage 1	124 598	(123 026)	(1 572)	
Transfer to stage 2	(224 195)	227 746	(3 551)	
Transfer to stage 3	(4 367)	(18 366)	22 733	
Originated and purchased	454 549	17 735		472 284
Derecognition	(380 599)	(55 268)	(9 720)	(445 587)
Exchange rate movements	9 392	282	(178)	9 497
Other				
Gross carrying amount as at 31 December 2020	1 482 987	137 450	32 020	1 652 457

Financial commitments

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	DNB Group Total
Maximum exposure as at 1 January 2019	627 302	29 462	4 152	660 916
Transfer to stage 1	20 580	(20 331)	(249)	
Transfer to stage 2	(25 073)	25 600	(528)	
Transfer to stage 3	(1 164)	(1 010)	2 175	
Originated and purchased	397 213			397 214
Derecognition	(397 978)	(10 062)	(2 198)	(410 238)
Exchange rate movements	715	135	(10)	840
Other				
Maximum exposure as at 31 December 2019	621 594	23 794	3 343	648 730
Transfer to stage 1	40 614	(40 382)	(233)	
Transfer to stage 2	(75 629)	76 330	(701)	
Transfer to stage 3	(1 553)	(8 426)	9 979	
Originated and purchased	430 229	3 451		433 680
Derecognition	(362 758)	(18 486)	(6 314)	(387 557)
Exchange rate movements	4 938	197	(51)	5 084
Other				
Maximum exposure as at 31 December 2020	657 434	36 478	6 024	699 937

NOTE 10 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.
- Changes in allowance due to the origination of new financial instruments during the period.
- 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 derecognition of financial instruments during the period.
- Write-offs, exchange rate effect from consolidation and other changes affecting the expected credit loss.

Loans to customers at amortised cost	DNB Group			
<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2019	(352)	(1 225)	(8 321)	(9 898)
Transfer to stage 1	(351)	319	32	
Transfer to stage 2	58	(276)	218	
Transfer to stage 3	3	86	(90)	
Originated and purchased	(170)	(145)		(315)
Increased expected credit loss ¹⁾	(212)	(1 221)	(6 103)	(7 535)
Decreased (reversed) expected credit loss ¹⁾	686	1 003	3 510	5 198
Write-offs			1 838	1 838
Derecognition	33	423	61	516
Exchange rate movements	(1)	(6)	(49)	(55)
Accumulated impairment as at 31 December 2019	(306)	(1 042)	(8 905)	(10 252)
Transfer to stage 1	(639)	601	38	
Transfer to stage 2	204	(404)	200	
Transfer to stage 3	1	423	(424)	
Originated and purchased	(369)	(270)		(639)
Increased expected credit loss	(998)	(2 432)	(12 292)	(15 722)
Decreased (reversed) expected credit loss	1 271	1 366	4 656	7 292
Write-offs			4 587	4 587
Derecognition	72	549	76	697
Exchange rate movements	(0)	(5)	24	18
Accumulated impairment as at 31 December 2020	(765)	(1 214)	(12 039)	(14 018)

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

NOTE 10 Development in accumulated impairment of financial instruments (continued)

Financial commitments				DNB Group
<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2019	(149)	(1 001)	(569)	(1 719)
Transfer to stage 1	(187)	152	35	
Transfer to stage 2	46	(50)	4	
Transfer to stage 3		9	(9)	
Originated and purchased	(158)	(14)		(172)
Increased expected credit loss ¹⁾	(83)	(653)	(1 173)	(1 909)
Decreased (reversed) expected credit loss ¹⁾	375	697	1 155	2 228
Derecognition	8	201		209
Exchange rate movements		(8)		(9)
Other			14	14
Accumulated impairment as at 31 December 2019	(146)	(667)	(543)	(1 357)
Transfer to stage 1	(227)	224	4	
Transfer to stage 2	82	(93)	11	
Transfer to stage 3	1	314	(315)	
Originated and purchased	(351)	(92)		(443)
Increased expected credit loss	(388)	(1 602)	(1 663)	(3 654)
Decreased (reversed) expected credit loss	734	1 049	1 906	3 689
Derecognition	12	312	0	325
Exchange rate movements	1	(11)	(0)	(11)
Other				
Accumulated impairment as at 31 December 2020	(284)	(566)	(601)	(1 451)

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

NOTE 11 Loans and financial commitments to customers by industry segment

Loans to customers as at 31 December 2020
DNB Group

<i>Amounts in NOK million</i>	Gross carrying amount	Accumulated impairment			Loans at fair value	Total
		Stage 1	Stage 2	Stage 3		
Bank, insurance and portfolio management	72 151	(17)	(34)	(353)		71 747
Commercial real estate	199 171	(107)	(56)	(389)	107	198 726
Shipping	41 633	(45)	(227)	(327)		41 033
Oil, gas and offshore	57 588	(113)	(224)	(7 671)		49 580
Power and renewables	31 866	(38)	(4)	(248)		31 576
Healthcare	16 857	(4)	(0)			16 853
Public sector	11 764	(16)	(0)	(0)		11 748
Fishing, fish farming and farming	51 680	(56)	(68)	(145)	119	51 531
Retail industries	35 653	(29)	(79)	(430)	16	35 131
Manufacturing	37 539	(37)	(68)	(132)		37 303
Technology, media and telecom	25 325	(23)	(12)	(15)	3	25 279
Services	79 749	(57)	(111)	(612)	24	78 993
Residential property	102 951	(32)	(22)	(143)	296	103 050
Personal customers	823 608	(141)	(141)	(559)	54 791	877 558
Other corporate customers	64 923	(53)	(166)	(1 017)	16	63 703
Total ¹⁾	1 652 457	(765)	(1 214)	(12 039)	55 372	1 693 811

1) Of which NOK 54 166 million in repo trading volumes.

Loans to customers as at 31 December 2019
DNB Group

<i>Amounts in NOK million</i>	Gross carrying amount	Accumulated impairment			Loans at fair value	Total
		Stage 1	Stage 2	Stage 3		
Bank, insurance and portfolio management	92 336	(8)	(8)	(23)	5	92 303
Commercial real estate	185 586	(10)	(37)	(384)	145	185 299
Shipping	47 957	(47)	(94)	(285)		47 531
Oil, gas and offshore	64 934	(44)	(376)	(4 384)		60 131
Power and renewables	31 254	(8)	(3)	(46)		31 197
Healthcare	20 989	(7)	(3)			20 979
Public sector	13 952	(7)	(0)	(0)		13 945
Fishing, fish farming and farming	41 198	(6)	(29)	(143)	161	41 182
Retail industries	40 551	(10)	(34)	(457)	58	40 108
Manufacturing	42 216	(21)	(35)	(204)	19	41 976
Technology, media and telecom	24 540	(21)	(6)	(25)	25	24 513
Services	72 108	(24)	(38)	(847)	191	71 391
Residential property	89 719	(6)	(13)	(121)	362	89 941
Personal customers	782 720	(72)	(308)	(641)	60 143	841 842
Other corporate customers	66 203	(17)	(59)	(1 345)	69	64 852
Total ¹⁾	1 616 264	(306)	(1 042)	(8 905)	61 178	1 667 189

1) Of which NOK 56 049 million in repo trading volumes.

NOTE 11 Loans and financial commitments to customers by industry segment (continued)**Financial commitments as at 31 December 2020****DNB Group**

<i>Amounts in NOK million</i>	Maximum exposure	Accumulated impairment			Total
		Stage 1	Stage 2	Stage 3	
Bank, insurance and portfolio management	37 166	(10)	(3)	(0)	37 153
Commercial real estate	25 561	(17)	(2)	(3)	25 539
Shipping	9 830	(15)	(14)	(7)	9 794
Oil, gas and offshore	47 598	(70)	(301)	(294)	46 933
Power and renewables	42 141	(28)	(0)		42 112
Healthcare	23 556	(4)	(0)		23 553
Public sector	10 266	(0)	(0)		10 266
Fishing, fish farming and farming	17 366	(14)	(6)	(9)	17 337
Retail industries	34 807	(18)	(37)	(14)	34 738
Manufacturing	54 314	(24)	(61)	(3)	54 226
Technology, media and telecom	20 871	(8)	(6)	(0)	20 857
Services	28 780	(19)	(54)	(21)	28 687
Residential property	38 147	(17)	(2)	(5)	38 124
Personal customers	272 061	(21)	(11)	0	272 029
Other corporate customers	37 474	(20)	(69)	(245)	37 140
Total	699 937	(284)	(566)	(601)	698 486

Financial commitments as at 31 December 2019**DNB Group**

<i>Amounts in NOK million</i>	Maximum exposure	Accumulated impairment			Total
		Stage 1	Stage 2	Stage 3	
Bank, insurance and portfolio management	30 438	(5)	(1)	(0)	30 432
Commercial real estate	26 052	(2)	(1)	(4)	26 045
Shipping	10 409	(11)	(30)		10 368
Oil, gas and offshore	57 026	(48)	(463)	(268)	56 247
Power and renewables	28 403	(5)	(19)		28 378
Healthcare	29 100	(8)	(0)		29 091
Public sector	11 086	(0)	(0)		11 085
Fishing, fish farming and farming	17 835	(2)	(0)	(6)	17 826
Retail industries	30 429	(5)	(17)	(35)	30 373
Manufacturing	50 321	(11)	(32)	(2)	50 276
Technology, media and telecom	16 138	(10)	(3)		16 125
Services	25 494	(11)	(16)	(21)	25 445
Residential property	33 412	(2)	(1)	(3)	33 405
Personal customers	241 498	(14)	(67)	(0)	241 416
Other corporate customers	41 089	(10)	(17)	(203)	40 859
Total	648 730	(146)	(667)	(543)	647 373

NOTE 12 Market risk

Market risk is the risk of losses or reduced future income due to fluctuations in market prices or exchange rates. The risk arises as a consequence of the Group's unhedged transactions and exposure to the foreign exchange, property, interest rate, commodity, credit and equity markets. The risk level reflects market price volatility and the size of the exposure.

DNB quantifies risk by calculating economic capital for individual risk categories and for the DNB Group's overall risk, see note 4 Risk management. Economic capital for market risk should cover potential market risk losses at the 99.9 per cent confidence level over a one year horizon. Exposures included in the model could be either actual exposures or limits.

Economic capital for total market risk in the DNB Group decreased from NOK 11.2 billion at the end of 2019 to NOK 10.9 billion at the end of 2020. The decrease is largely due to the risk associated with DNB Livsforsikring being separated from the estimation of economic capital for market risk. Inclusion of CVA risk in the calculation and increased ownership in Fremtind in turn increased economic capital for market risk.

Market risk, excluding strategic ownership, represented 6.7 per cent of total economic capital at year-end 2020, which is within the limit of the Group's risk appetite.

NOTE 13 Interest rate sensitivity

Interest rate sensitivity for different time intervals

The value of items on and off the balance sheet is affected by interest rate movements. The table shows potential losses for DNB Group excluding DNB Livsforsikring and DNB Poland resulting from parallel one percentage point changes in all interest rates. The calculations are based on a hypothetical situation where interest rate movements in all currencies are unfavourable for DNB relative to the Group's positions. Also, all interest rate movements within the same interval will be unfavourable for the Group. The figures will thus reflect maximum losses for DNB.

The calculations are based on the Group's positions as at 31 December and market rates on the same date. The table does not include administrative interest rate risk and interest rate risk tied to non-interest-earning assets.

Amounts in NOK million	DNB Group ¹⁾					Total
	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	
31 December 2020						
NOK	758	216	417	153	200	172
USD	94	44	25	33	73	153
EUR	78	45	23	13	149	171
GBP	3	6			1	9
SEK	33	8	16	5	2	32
Other currencies	5	28	7	6	3	38
31 December 2019						
NOK	10	447	489	596	98	465
USD	1	118	81	100	9	72
EUR	4	50	5	20	87	109
GBP	3	4	10	2		11
SEK	40	7	24	10	3	36
Other currencies	8	23	27	5	2	55

1) Applies to the DNB Group excluding DNB Livsforsikring and DNB Poland.

NOTE 13 Interest rate sensitivity (continued)**Interest rate sensitivity for different time intervals – DNB Livsforsikring**

The table shows interest rate sensitivity associated with financial assets in DNB Livsforsikring, excluding commercial paper and bonds held to maturity. The interest rate sensitivity of a security shows potential changes in the security's value resulting from a one percentage point change in interest rates.

Amounts in NOK million	DNB Livsforsikring					Total
	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	
31 December 2020						
NOK	7	77	58	492	454	1 089
USD	2	12	2	103	403	499
EUR	1	17	1	81	144	218
GBP				3	51	53
Other currencies		1	16		27	10
31 December 2019						
NOK	11	69	72	451	334	937
USD	4	9	3	44	173	209
EUR	2	5	1	51	94	143
GBP		1		2	12	13
Other currencies		3	12		5	10

Interest rate sensitivity – liabilities to insurance policyholders

DNB Livsforsikring carries the risk of meeting liabilities in relation to policyholders. The return on financial assets must be sufficient to meet the guaranteed rate of return specified in insurance policies. Otherwise, inadequate returns will have to be covered by applying the market value adjustment reserve, additional allocations, equity or subordinated loan capital.

The guaranteed rate of return must be complied with on a yearly basis. Measured in relation to customer funds the company's total guaranteed rate of return averages 3 per cent.

Note 17 Insurance risk gives a description of a liability adequacy test prepared in compliance with IFRS 4 Insurance Contracts concerning liabilities to policyholders as at 31 December 2020.

NOTE 14 Currency positions

The table shows net currency positions as at 31 December, including financial derivatives as defined by Norges Bank. Foreign exchange risk related to investments in subsidiaries is included in the currency position by the amount recorded in the accounts.

In DNB Livsforsikring foreign currency exposure arises when the company invests parts of its securities portfolio and property portfolio in the international securities market. Under DNB Livsforsikring's current foreign currency hedging strategy, the total foreign currency exposure is reduced to a minimum.

Amounts in NOK million	DNB Livsforsikring		DNB Group excl. DNB Livsforsikring	
	Net currency positions		Net currency positions	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
USD	123	49	163	1 174
EUR	124	(331)	1 173	(620)
GBP	9	23	(932)	(40)
SEK	(129)	340	(173)	(73)
DKK	15	9	468	14
CHF	3	24	5	5
JPY	8	20	(30)	(31)
Other	135	177	132	227
Total foreign currencies	287	311	806	657

NOTE 15 Financial derivatives and hedge accounting

The majority of derivative transactions in DNB relate to transactions with customers, where DNB enables them to transfer, modify, take or reduce prevailing or expected risk. Derivatives are also used to hedge currency and interest rate risk arising in connection with funding and lending. In addition, Markets conducts derivative trading for their own account and also acts as market maker. A market maker is obliged to furnish both offer and bid prices with a maximum differential between offer and bid price, together with a minimum volume. Market makers always trade for their own account.

DNB uses a range of financial derivatives for both trading and hedging purposes. "Over the counter" (OTC) derivatives are contracts entered into outside an exchange, where terms are negotiated directly with the counterparties. OTC derivatives are usually traded under a standardised International Swaps and Derivatives Association (ISDA) master agreement between DNB and its counterparties. Exchange-traded derivatives are derivative contracts with standardised terms for amounts and settlement dates, which are bought and sold on regulated exchanges.

	31 December 2020			31 December 2019		
	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
<i>Amounts in NOK million</i>						
Derivatives held for trading						
Interest rate-related contracts						
Forward rate agreements	1 208 065	1 002	851	1 475 226	331	321
Swaps	2 787 741	52 642	57 200	2 745 961	30 854	40 679
OTC options	105 181	449	413	102 568	560	552
Total interest rate-related contracts	4 100 987	54 093	58 463	4 323 755	31 745	41 552
Foreign exchange-related contracts						
Forward contracts	102 952	11 165	11 536	61 394	7 066	6 616
Swaps	1 567 294	27 115	42 824	1 280 976	17 681	15 674
OTC options	18 455	1 303	1 100	21 527	1 290	982
Total foreign exchange-related contracts	1 688 700	39 583	55 461	1 363 897	26 038	23 273
Equity-related contracts						
Forward contracts	2 490	1 405	1 216	4 896	2 379	1 032
Other	2 430	343	327	3 293	372	476
Total OTC derivatives	4 920	1 748	1 543	8 188	2 751	1 508
Futures	2 444	0	0	6 324	0	1
Other	3 427	23	59	5 041	82	82
Total exchange-traded contracts	5 871	23	59	11 365	82	83
Total equity-related contracts	10 791	1 771	1 602	19 553	2 833	1 591
Commodity-related contracts						
Swaps and options	81 234	5 051	4 619	66 679	3 573	2 970
Total commodity related contracts	81 234	5 051	4 619	66 679	3 573	2 970
Total financial derivatives trading	5 881 712	100 498	120 145	5 773 885	64 188	69 385
Derivatives held for hedge accounting						
Fair value hedges of interest rate risk						
Interest rate swaps	575 005	31 558	3 119	566 753	28 121	1 390
Total financial derivatives hedge accounting	575 005	31 558	3 119	566 753	28 121	1 390
Collateral pledged/received on financial derivatives						
Total cash collateral pledged/received		54 684	51 715		32 767	44 906
Total financial derivatives	6 456 716	186 740	174 979	6 340 638	125 076	115 682

Risk related to financial derivatives

Derivatives are traded in portfolios which also include balance sheet products. The market risk on derivatives is handled, monitored and controlled as an integral part of the market risk of these portfolios. See note 12 Market risk. Derivatives are traded with many different counterparties and most of these are also engaged in other types of business with DNB. The credit risk arising in connection with derivatives trading is included in the total credit risk measurement of the DNB Group. Netting agreements or bilateral agreements on collateral are entered into with a number of counterparties, thus reducing credit risk. The authorities' capital adequacy requirements take into account netting agreements and similar bilateral agreements, resulting in a reduction of capital adequacy requirements. See note 4 Credit risk management for a description of counterparty risk.

DNB uses basis swaps and cross currency interest swaps to convert foreign currency borrowings into the desired currency. As a typical example, DNB raises a loan in euro and converts it into US dollars through a basis swap. In this example DNB pays a US dollar interest rate based on a swap curve and receives a euro interest rate reduced or increased by a margin. The basis swaps are financial derivatives measured at fair value. There may be significant variations in the value of the basis swaps from day to day, due to changes in basis swap spreads. This unhedged risk causes unrealised gains and losses. For the year 2020, there was a NOK 526 million increase in value (positive effect on profits), compared with a NOK 270 million increase in value in 2019.

NOTE 15 Financial derivatives and hedge accounting (continued)**Use of financial derivatives in DNB Livsforsikring**

The purpose of employing financial derivatives in DNB Livsforsikring is to be able to invest and allocate funds in accordance with the company's expectations of market trends, through swift and cost-effective asset and market exposure. In addition, the application of derivatives facilitates active risk management and adjustments in equity, interest rate and foreign exchange risk. DNB Livsforsikring does not apply hedge accounting. See notes 13 Interest rate sensitivity and 14 Currency positions for a further description.

Hedge accounting

DNB applies fair value hedge of interest rate risk on investments in fixed rate commercial papers and bonds in currency, issued bonds and subordinated debt with fixed interest in currency and net investment hedge of investments in foreign operations in order to reduce or eliminate accounting mismatches. Both derivative and non-derivative instruments are designated as hedging instruments in the hedge relationships that qualify for hedge accounting. See note 1 Accounting principles for information about hedge accounting and the presentation of financial derivatives in the financial statements.

In fair value hedges of interest rate risk, the interest rate exposure on fixed-rate borrowings and investments is converted to floating rates. Only the interest rate component is hedged. It is determined as the change in fair value arising from changes in the interbank swap interest rate.

The critical terms of the hedging instruments and the hedging objects are set to match at the inception of the hedge and the hedge ratio is 1:1. Consequently, there was no significant hedge ineffectiveness during the year.

Fair value hedges of interest rate risk as at 31 December 2020

			DNB Group	
<i>Amounts in NOK million</i>	Balance sheet item	Carrying amount	Accumulated fair value adjustment of the hedged item	Value changes used for calculating hedge ineffectiveness
Hedged exposure				
Investments in bonds	Commercial paper and bonds	70 936	1 709	1 959
Issued bonds	Debt securities issued	514 618	25 555	(486)
Subordinated debt	Debt securities issued	27 949	163	188
Hedging instrument				
Interest rate swaps	Financial derivatives			(1 118)

Fair value hedges of interest rate risk as at 31 December 2019

			DNB Group	
<i>Amounts in NOK million</i>	Balance sheet item	Carrying amount	Accumulated fair value adjustment of the hedged item	Value changes used for calculating hedge ineffectiveness
Hedged exposure				
Investments in bonds	Commercial paper and bonds	46 666	(20)	(20)
Issued bonds	Debt securities issued	533 843	22 358	(4 554)
Subordinated debt	Debt securities issued	19 405	162	(202)
Hedging instrument				
Interest rate swaps	Financial derivatives			4 925

The accumulated amount of fair value hedge adjustments remaining in the balance sheet for hedged items that have ceased to be adjusted for hedging gains and losses is NOK 32 million as at end-December 2020.

NOTE 15 Financial derivatives and hedge accounting (continued)

Residual maturity of interest rate swaps held as hedging instruments as at 31 December 2020

DNB Group

<i>Amounts in NOK million</i>	Maturity				
	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Fair value hedges of interest rate risk, nominal values					
Investments in bonds	254	314		62 329	5 746
Hedges of issued bonds	17 590	22 613	31 098	309 784	107 831
Hedges of subordinated debt				17 446	

Residual maturity of interest rate swaps held as hedging instruments as at 31 December 2019

DNB Group

<i>Amounts in NOK million</i>	Maturity				
	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Fair value hedges of interest rate risk, nominal values					
Investments in bonds				40 765	5 975
Hedges of issued bonds	4 890	286	51 925	332 597	112 856
Hedges of subordinated debt			945	16 516	

In net investment hedges of foreign operations foreign currency deposits and foreign currency borrowings are used as hedging instruments. These instruments are presented as deposits from customers and debt securities issued in the balance sheet. Instruments in EUR, USD, GBP and SEK are used to hedge the investments in the Group's subsidiaries with functional currencies of EUR, USD, GBP, SEK and DKK.

The total hedged exposure in the net investment hedges amounted to NOK 64 864 million at 31 December 2020. There was no significant hedge ineffectiveness during the year, since the foreign currency gains and losses on the hedged items are offset by the foreign currency gains and losses on the hedging instruments. The effects of the net investment hedge can be seen in the statement of changes in equity.

Any reclassifications from net investment hedge reserve to the income statement, due to for instance sales of subsidiaries, can be seen in the comprehensive income statement and the statement of changes in equity.

NOTE 16 Liquidity risk

Liquidity risk is the risk that the DNB Group will be unable to meet its payment obligations. Overall liquidity management in the DNB Group implies that DNB Bank ASA is responsible for funding domestic and international group entities. Liquidity risk is managed and measured by means of various measurement techniques.

The Board of Directors has approved internal limits which restrict the short-term maturity of liabilities within different time frames. The various maturities are subject to stress testing based on a bank-specific crisis, a systemic crisis and a combination thereof, and a contingency plan has been established to handle market events. In addition, limits have been set for structural liquidity risk, which implies that lending to customers should largely be financed through customer deposits, subordinated capital and long-term funding. Ordinary senior bond debt and covered bonds are the major sources of long-term funding. The Group's ratio of deposits to net loans was 67.3 per cent at end-December 2020, down from 57.5 per cent a year earlier.

The first half of the year was greatly affected by the coronavirus pandemic, which led to high levels of uncertainty in the market for a while. A healthy pre-pandemic liquidity and financing situation gave DNB a good starting position, and the bank was able to wait until the market calmed down, activity levels increased, and funding prices approached more normal levels. Interest rate cuts and substantial injections of capital by central banks across the globe contributed to good access to liquidity for banks. Prices fell as summer approached and throughout the second half-year, and DNB had ample access to liquidity at attractive prices.

The long-term funding markets had a positive start to the year and many transactions were issued at all-time-low prices, before the pandemic contributed to a marked deterioration towards the end of the pandemic. Credit risk premiums increased significantly for all bonds, peaking in mid-April. After the summer, activity levels continued to rise in all long-term funding markets, with prices stabilising at pre-pandemic levels. DNB issued large volumes of senior bonds in the fourth quarter of 2019 in preparation for the fulfilment of the upcoming Minimum Requirement for Own funds and Eligible Liabilities (MREL), and the need for long-term funding has therefore been low in 2020. In the subordinated senior bonds market, activity levels were high during the autumn, and DNB successfully issued its first subordinated senior bond in USD in this period. Long-term funding costs remained stable throughout the second half-year, and DNB had good access to funding in all markets.

The nominal value of long-term debt securities issued by the Group was NOK 618 billion at the end of December 2020, compared with NOK 654 billion a year earlier. The average remaining term to maturity for these long-term debt securities was 3.5 years at the end of December 2020, compared with 3.7 years a year earlier.

The short-term liquidity requirement, the Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the year and stood at 148 per cent at the end of December 2020.

NOTE 16 Liquidity risk (continued)

Residual maturity as at 31 December 2020
DNB Group

<i>Amounts in NOK million</i>	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Cash and deposits with central banks	262 852		20 674				283 526
Due from credit institutions	57 707	19 076	1 284	406			78 473
Loans to customers	232 104	99 289	115 431	337 226	909 962		1 694 012
Commercial paper and bonds	13 420	12 593	50 997	215 460	69 142	73 238	434 850
Shareholdings						46 611	46 611
Total	566 083	130 958	188 386	553 092	979 104	119 849	2 537 472
Liabilities							
Due to credit institutions	109 733	64 420	12 650	20 653			207 456
Deposits from customers	1 105 571						1 105 571
Debt securities issued	51 443	62 225	140 845	393 858	111 859		760 230
Other liabilities etc.	28 452	22	1 016	294	1 784		31 568
Subordinated loan capital		192		26 320	5 640		32 152
Total	1 295 199	126 859	154 511	441 125	119 283		2 136 977
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	465 790	398 015	259 340	472 947	163 849		1 759 941
Outgoing cash flows	471 367	407 182	267 902	475 023	164 351		1 785 825
Financial derivatives, net settlement	1 239	1 018	2 865	10 757	8 884		24 763
Total financial derivatives	(4 338)	(8 149)	(5 697)	8 681	8 382		(1 121)
Credit lines, commitments and documentary credit	349 414	8 819	75 363	182 570	107 442		723 608

Residual maturity as at 31 December 2019
DNB Group

<i>Amounts in NOK million</i>	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Cash and deposits with central banks	301 047		3 699				304 746
Due from credit institutions	61 902	35 926	5 064	70			102 962
Loans to customers	261 981	91 455	105 724	324 435	886 266	(1 333)	1 668 528
Commercial paper and bonds	2 965	2 292	26 559	198 661	72 766	72 042	375 285
Shareholdings						49 552	49 552
Total	627 895	129 673	141 046	523 166	959 032	120 261	2 501 073
Liabilities							
Due to credit institutions	152 505	37 361	12 493	424			202 783
Deposits from customers	969 562						969 562
Debt securities issued	58 053	104 578	130 318	436 947	117 524		847 420
Other liabilities etc.	26 864	2 853	3 631	3 871	1 791		39 009
Subordinated loan capital		214		24 943	5 774		30 931
Total	1 206 984	145 006	146 442	466 185	125 089		2 089 705
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	425 264	343 538	189 932	488 922	197 005		1 644 660
Outgoing cash flows	430 419	347 469	194 239	501 263	200 637		1 674 028
Financial derivatives, net settlement	1 304	2 444	2 724	15 811	10 965		33 248
Total financial derivatives	(3 852)	(1 488)	(1 583)	3 470	7 333		3 880
Credit lines, commitments and documentary credit	316 361	6 466	69 293	194 761	104 578		691 459

Nominal future interest payments in excess of accrued interest are not included on the balance sheet date.

NOTE 17 Insurance risk**Insurance risk in life insurance**

Risk in DNB Livsforsikring AS includes financial risk and insurance risk, in addition to operational risk and business risk. Financial risk comprises credit and market risk, which is the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies (see description in notes 12-14). Insurance risk relates to changes in future insurance payments due to changes in life expectancy and disability rates.

**Analysis of insurance liabilities, customers
bearing the risk, and liabilities to policyholders**

	DNB Livsforsikring AS		DNB Livsforsikring AS Group ¹⁾	
	Insurance liabilities, customers bearing the risk	Liabilities to policyholders	Insurance liabilities, customers bearing the risk	Liabilities to policyholders
<i>Amounts in NOK million</i>				
Balance sheet as at 31 December 2018	77 241	204 286		
Deposits	9 948	3 384		
Return	14 735	11 868		
Inflow of reserves	2 853	302		
Outflow of reserves	(3 562)	(178)		
Insurance payments	(1 457)	(12 299)		
Other changes	(815)	(479)		
Balance sheet as at 31 December 2019	98 943	206 884	103 849	208 627
Deposits	10 110	2 586	10 687	2 669
Return	7 524	2 778	7 711	2 821
Inflow of reserves	2 906	280	3 227	287
Outflow of reserves	(6 211)	(403)	(6 313)	(406)
Insurance payments	(1 597)	(12 366)	(1 620)	(12 442)
Other changes	(814)	(1 282)	(813)	(1 280)
Balance sheet as at 31 December 2020	110 860	198 476	116 729	200 276

1) Including DNB Bedriftspensjon AS.

Description of the insurance products

The company offers traditional life and pension insurance, unit-linked insurance and non-life insurance. A calculation rate is used to determine provisions and premiums. The calculation rate is the annual guaranteed rate of return on policyholders' funds. In most unit-linked insurance products, policyholders bear the financial risk. Non-life insurance policies are products generating payments related to policyholders' life and health. These products are not subject to profit sharing and are repriced annually.

Group contracts

Under group defined-benefit pensions, pension payments are disbursed from an agreed age and until the death of the policyholder. It can also be agreed that the pension payments cease at a certain age. A defined-benefit pension may include a retirement pension, disability pension, spouse's pension, cohabitant's pension and child's pension. Policyholders pay an annual premium for interest rate risk, insurance risk and administration in advance. The company is entitled to change the premium annually. Interest in excess of the guaranteed rate of return is awarded to policyholders in its entirety. If the interest is between zero and the guaranteed rate of return, the company can use additional allocations to meet the guaranteed rate of return, otherwise the company must cover the deficit. A positive risk result may either be used to increase the risk equalisation fund or be distributed to the policyholders. No more than 50 per cent of annual profits may be allocated from the risk result to the risk equalisation fund. The company must cover any remaining losses after the risk equalisation fund has been used. The administration result is allocated in its entirety to the company. For one year agreements with disability pensions and dependent's pensions without savings, the risk result is transferred directly to the company.

When a member terminates a pension agreement or a pension agreement ends, he or she is entitled to a paid-up policy. Rights earned on the termination date are continued in paid-up policies. Paid-up policies have a separate profit model where a minimum of 80 per cent of the interest result is distributed to policyholders. Any surplus on the risk result can be used either to increase the risk equalisation fund or be allocated to policyholders. No more than 50 per cent of annual profits can be transferred from the risk result to the risk equalisation fund. The administration result is allocated in its entirety to the company.

Group association insurance is pension insurance taken out by associations for their members. Association insurance can comprise retirement pensions, disability pensions, spouse's pensions and child's pensions. Profits for distribution between policyholders and the company include the interest result, the risk result and the administration result. No less than 65 per cent of annual profits must be distributed to policyholders.

Individual contracts

Individual annuity and pension insurance policies are savings schemes whereby the company disburses monthly amounts up until the death of the policyholder, or until the policyholder reaches an agreed age. This usually comprises a retirement pension, disability pension, spouse's pension and child's pension.

NOTE 17 Insurance risk (continued)

Individual endowment insurance policies are contracts whereby the company disburses an agreed amount upon the death of the policyholder or when the policyholder attains an agreed age. Individual endowment insurance may also include disability cover, which is a one-off benefit for permanent disability.

For individual contracts sold prior to 1 January 2008, total profits are distributed between policyholders and the company. Profits for distribution include the interest result, the risk result and the administration result. No less than 65 per cent of total profits must be distributed to policyholders. The new regulations apply to contracts sold after 1 January 2008, with annual pricing of each profit element, which is in accordance with the regulations for group defined-benefit pensions.

Contracts in the unit-linked portfolio

Defined-contribution pensions are group pension schemes where the employees bear the financial risk. However, full or partial hedging of the paid amount can be bought. If a member is disenrolled from the pension agreement, a pension capital certificate is issued, which secures the retirement pension capital.

Individual unit-linked insurance policies are endowment insurance policies or annuity insurance policies where policyholders bear the financial risk.

Other sectors

Group life insurance policies are life level term insurance policies taken out by employers or associations for their employees or members and, where applicable, also for their spouses and children. The amount recoverable under the policy is disbursed upon the death of the policyholder. Group life insurance may also comprise disability cover, which is a one-off benefit for permanent disability.

Employer's liability insurance is a one-year risk product which companies link to their pension agreements. This may be corporate group life insurance or accident insurance. Occupational injury insurance is mandatory for all enterprises.

Personal risk products for personal customers are one-year risk products which include monthly disability benefits and lump-sum compensation payments in the event of death, disability or critical illness. DNB Livsforsikring also offers child and youth insurance, which ensures financial security in the event of accidents, serious illness or incapacity for work.

Specification of liabilities to policyholders recorded in the balance sheet as at 31 December 2020DNB Group ¹⁾

	Group life insurance - defined-benefit pensions		Individual annuity and pension insurance		Group life insurance	Non-life insurance	Total 2020	Total 2019
	Private sector	Group association insurance	Annuity and pension insurance	Endow- ment insurance				
<i>Amounts in NOK million</i>								
Premium reserve	255 056	2 824	17 853	28 967	290	1 761	306 752	291 859
Additional allocations	5 342	47	381	473			6 244	7 083
Market value adjustment reserve	1 950	54	183	420	2	19	2 627	5 557
Premium fund	528	4		43			575	652
Pensioners' profit fund	605						605	580
Other technical reserves						204	204	96
Liabilities to policyholders	263 482	2 928	18 417	29 903	292	1 983	317 005	305 827
Unrealised gains on bonds held to maturity ²⁾							7 525	5 266

1) Refers only to DNB Livsforsikring AS Group.

2) Unrealised gains on bonds held to maturity are not included in balance sheet values.

Insurance risk

Within life insurance, insurance risk is mainly related to the likelihood of death and disability.

Insurance risk in DNB Livsforsikring is divided, in varying degrees, between policyholders and the company. With respect to the non-life insurance products employers' liability insurance and certain pure risk products, the company is exposed to insurance risk. For individual pension and endowment insurance products sold after 1 January 2008 and group pension agreements, the company's risk represents its obligation to cover a possible negative risk result. The company is credited up to 50 per cent of any positive risk result in the form of allocations to the risk equalisation fund.

The risk result arises when empirical data for mortality, disability and exit risk deviate from the assumptions underlying the calculation base for premiums and provisions. When the risk result generates a surplus, the surplus can be allocated to the risk equalisation fund. The risk equalisation fund cannot exceed 150 per cent of the company's total risk premiums for the accounting year. If there is a deficit on the risk result, the risk equalisation fund can be used. The risk equalisation fund does not apply to risk contracts with a maximum term of one year, disability pensions and dependent's pensions with no accrued entitlement or individual contracts sold prior to 1 January 2008.

Risk for DNB Livsforsikring related to changes in mortality rates is twofold. With respect to mortality risk coverage, mainly spouse's and child's pensions, lower mortality rates will give an improved risk result and a more limited need for provisions. For pensions that are currently payable, lower mortality rates will result in extended disbursement periods and thus require greater provisions, called pure endowment risk. It will be possible to cover the required increase in reserves relating to insurance risk by future surpluses on investment results. The company's insurance risk mainly comprises pure endowment risk and disability risk.

NOTE 17 Insurance risk (continued)

Disability risk is more exposed to short-term changes. Allocations covering incurred, unsettled insurance claims are under continuous review. No further needs for strengthening existing provisions relating to disability pensions or other disability products have been identified.

With respect to existing contracts, insurance risk is subject to continual review by analysing and monitoring risk results within each business sector. In addition, the company applies reinsurance as an instrument to reduce insurance risk. The company's current reinsurance contracts cover catastrophes and significant individual risks within group and individual insurance. The reinsurance agreements imply that DNB Livsforsikring is responsible for risk up to a certain level while the reinsurer covers excess risk up to a maximum defined limit.

In order to reduce insurance risk exposure, it is mandatory that policyholders undergo a health check before entering into a contract for individual risk products. Individual health checks are also required under small-scale group schemes. In connection with the sale of disability pensions, policyholders are divided into risk categories based on a concrete risk assessment in each individual case.

DNB Livsforsikring's operations are concentrated in Norway.

Risk result

The table shows the effect on the risk result for 2020 of given changes in empirical mortality or disability data.

DNB Livsforsikring

<i>Amounts in NOK million</i>	Group life insurance - defined-benefit pensions		Individual annuity and pension insurance		Other sectors	Total 2020	Total 2019
	Private sector	Group association insurance	Annuity and pension insurance	Endow- ment insurance			
Risk result							
Risk result in 2020 ^{*)}	193	11	25	18	(7)	240	
Risk result in 2019	314	5	45	118	(48)		433
Sensitivites - effect on risk result in 2020							
5 per cent reduction in mortality rate	(34)	(1)	(10)	1	(2)	(46)	(42)
10 per cent increase in disability rate	(106)	(0)	(9)	(3)	(1)	(118)	(144)
^{*)} Of which: <i>Mortality risk</i>	42	10	12	14	0	77	81
<i>Longevity risk</i>	(15)	(6)	(14)	(2)	(1)	(38)	16
<i>Disability rate</i>	156	5	18	(1)	(6)	173	275
<i>Employer's liability insurance</i>	(53)			0		(53)	26
<i>Other</i>	63	2	8	7	0	81	35

Permanent changes in the calculation assumptions will require changes in premiums and provisions. Higher premium reserve requirements can be financed by the risk result for the year, risk equalisation fund or by the year's and future required rates of return. When calculation assumptions are changed, the company's financing plan must be approved by Finanstilsynet.

Calculation assumptions

The table shows the effect of changes in key calculation assumptions on gross premium reserves.

DNB Livsforsikring

<i>Amounts in NOK million</i>	Change in per cent	Effect on gross premium reserve
Mortality	(5)	+1 342
Disability	10	+824

Mortality and disability

The table shows the net annual risk premium for a sum assured of NOK 100 000. For spouse's pensions, the premium shown is for an annual spouse's pension of NOK 10 000 paid from the death of the primary policyholder until the spouse reaches the age of 77. For disability pensions, the premium shown is for an annual disability pension of NOK 10 000, payable after a 12-month waiting period, until 67 years of age. All premiums relating to individual schemes are gender neutral.

DNB Livsforsikring

<i>Amounts in NOK</i>	Men			Women		
	30 years	45 years	60 years	30 years	45 years	60 years
Individual life insurance	84	216	924	84	216	924
Individual disability lump sum	260	892		260	892	
Individual disability pension	490	1 433	4 301	490	1 433	4 301
Spouse's pensions in group schemes	14	102	417	12	62	175
Disability pensions in group schemes	211	425	1 296	301	1 049	2 209

NOTE 17 Insurance risk (continued)

Interest rate sensitivity – liabilities to policyholders

DNB Livsforsikring carries the risk of fulfilling the company's commitments in contracts with policyholders. The return on financial assets must be sufficient to meet the guaranteed rate of return specified in insurance policies. Otherwise, inadequate returns will have to be covered by applying the market value adjustment reserve, additional allocations, equity or subordinated loan capital. The guaranteed rate of return must be complied with on a yearly basis. Measured in relation to customer funds, the company's total guaranteed rate of return averages 3.0 per cent.

The table shows long-term developments in the average guaranteed rate of return for each sector. The guaranteed rate of return is shown as a percentage of the premium reserve, premium fund and additional allocations, and is measured as at 31 December. The interest rate guarantee is gradually reduced each year.

Per cent	DNB Livsforsikring			
	2020	2019	2018	2017
Group pension insurance, private sector	3.0	3.0	3.1	3.1
Individual pension insurance	3.2	3.3	3.4	3.4
Individual endowment insurance	2.1	2.1	2.2	2.2
Group association insurance	3.8	3.9	4.0	4.0
Total	3.0	3.0	3.1	3.1

Liability adequacy test

The company conducts a quarterly adequacy test in accordance with IFRS 4 phase 1, in which provisions are assessed in keeping with Chapter 3 of the Norwegian Act on Insurance Activity. The company's technical insurance provisions are considered to be sufficient as of 31 December 2020.

Solvency capital

The solvency capital consists of the market value adjustment reserve, additional allocations, risk equalisation fund, equity, subordinated loan capital and unrealised gains on bonds held to maturity. All these elements, with the exception of the risk equalisation fund, can be used to meet the guaranteed rate of return on policyholders' funds.

Amounts in NOK million	DNB Livsforsikring	
	31 Dec. 2020	31 Dec. 2019
Market value adjustment reserve	2 627	5 557
Additional allocations	6 134	7 083
Risk equalisation fund	808	715
Equity	23 609	22 493
Subordinated loan capital	7 000	7 000
Unrealised gains on bonds held to maturity	7 525	5 266
Total available capital	47 704	48 114
Guaranteed return on policyholders' funds ¹⁾	5 834	6 097

1) One-year guaranteed rate of return on insurance contracts at end of period.

NOTE 17 Insurance risk (continued)**Capital requirements and solvency capital**

New regulatory capital requirements for European insurance companies are specified in the Solvency II Directive, which entered into force on 1 January 2016. The directive has been implemented in Norwegian law in the Financial Institutions Act and the Solvency II regulations. In addition to capital and capital requirements, the directive includes rules for capital management and internal control, supervisory review and evaluation, and market discipline in the form of requirements for public disclosure and supervisory reporting. The Solvency II regulations set a minimum requirement for primary capital to cover the solvency capital requirement (SCR) and the minimum capital requirement (MCR). The solvency capital requirement is set at a level to ensure that there is a 99.5 per cent probability that total losses, including insurance and financial losses, over a period of 12 months do not exceed the estimated capital requirement. The calculations take risk-mitigating measures and systems into consideration. The minimum requirement is set at a level to ensure that there is an 85 per cent probability that total losses over a period of 12 months will not exceed the estimated capital requirement. The capital is divided into three groups according to quality. Minimum 50 per cent of the SCR must be covered by capital group 1. Capital group 3 cannot cover more than 15 per cent of the solvency capital requirement. Capital group 1 must constitute minimum 80 per cent of the MCR requirement. The new regulations allow the use of transitional rules when calculating solvency capital. In December 2015, DNB Livsforsikring was given permission by Finanstilsynet to use the transitional rules for insurance provisions. Thus, the company is allowed to use recorded insurance provisions instead of the market value of the liabilities. The transitional rules apply for 16 years, and will be reduced linearly, initially on 1 January 2017. As at 31 December 2020, DNB Livsforsikring had a solvency margin according to the transitional rules of 194 per cent. Without the transitional rules, the solvency margin was 125 per cent.

Solvency capital

	DNB Livsforsikring	
Amounts in NOK million	31 Dec. 2020	1 Jan. 2020
Capital group 1		
Share capital	1 641	1 750
Share premium reserve	6 016	6 016
Subordinated loans	1 500	1 500
Reconciliation reserve ¹⁾	21 394	16 569
Including effect of the transitional rules ²⁾	13 116	4 928
Total capital group 1	30 551	25 835
Capital group 2		
Subordinated loan capital	5 500	5 500
Risk equalisation fund	808	715
Total capital group 2	6 308	6 215
Capital group 3		
Deferred taxes	0	0
Total capital group 3	0	0
Total solvency capital	36 859	32 050
Total solvency capital without the transitional rules	23 743	27 122

- 1) Retained earnings are included in the reconciliation reserve. In addition, changes in capital due to the transition to market values for assets and liabilities will be a part of the reconciliation reserve.
- 2) In addition to using recorded provisions when calculating liabilities, DNB Livsforsikring avails itself of the opportunity to apply reduced stress for equities acquired prior to 1 January 2016. Such reduced equity stress applies for a period of seven years, with a linear increase in the stress from 22 per cent to 39 per cent. According to the solvency capital regulations, government bonds issued in the home country are not subject to spread risk. During a transitional period, this also applies to government bonds issued by EEA states. The exception applies through 2018, while there will be an escalation period in 2019, and the exception will no longer apply as of 1 January 2020.

Solvency capital requirement

	DNB Livsforsikring	
Amounts in NOK million	31 Dec. 2020	1 Jan. 2020
Market and counterparty risk	27 832	30 963
Insurance risk	10 728	10 288
Operational risk	1 077	1 130
Diversification ¹⁾	(7 238)	(7 207)
Loss absorption, deferred taxes	(4 776)	(4 093)
Loss absorption, technical insurance reserves	(8 608)	(15 176)
Solvency capital requirement	19 015	15 905
Minimum capital requirement	7 764	7 157

- 1) Diversification between market and counterparty risk and insurance risk.

Solvency margin

	DNB Livsforsikring	
Figures in per cent	31 Dec. 2020	1 Jan. 2020
Solvency margin with transitional rules	194	202
Solvency margin without transitional rules	125	169

NOTE 18 Net interest income

Amounts in NOK million	2020				2019			
	Measured at FVTPL	Measured at FVOCI	Measured at amortised cost ¹⁾	Total	Measured at FVTPL	Measured at FVOCI	Measured at amortised cost ¹⁾	Total
Interest on amounts due from credit institutions			156	156			3 468	3 468
Interest on loans to customers	1 345	0	45 048	46 392	1 383	(0)	52 334	53 717
Interest on commercial paper and bonds	2 952	599	90	3 641	3 673	478	97	4 249
Front-end fees etc.	4		390	393	5		341	346
Other interest income	853		3 861	4 714	57		3 512	3 569
Total interest income	5 153	599	49 544	55 296	5 118	478	59 753	65 349
Interest on amounts due to credit institutions	1		(1 106)	(1 105)	(2)		(4 278)	(4 280)
Interest on deposits from customers	(350)		(4 898)	(5 249)	(312)		(9 576)	(9 888)
Interest on debt securities issued	(857)		(3 839)	(4 696)	(2 024)		(8 147)	(10 171)
Interest on subordinated loan capital	(6)		(414)	(420)	(75)		(293)	(368)
Contributions to the deposit guarantee and resolution funds			(1 064)	(1 064)			(1 106)	(1 106)
Other interest expenses ²⁾	(3 948)		(191)	(4 139)	(72)		(261)	(334)
Total interest expenses	(5 161)		(11 511)	(16 673)	(2 486)		(23 661)	(26 147)
Net interest income	(9)	599	38 033	38 623	2 631	478	36 092	39 202

1) Includes hedged items.

2) Other interest expenses include interest rate adjustments resulting from interest rate swaps. Derivatives are measured at FVTPL.

NOTE 19 Interest rates on selected balance sheet items

	DNB Group ¹⁾			
	Average interest rate in per cent ²⁾		Average volume in NOK million	
	2020	2019	2020	2019
Assets				
Due from credit institutions	0.03	0.73	574 851	473 942
Loans to customers	2.77	3.33	1 681 223	1 621 550
Commercial paper and bonds	1.33	1.95	273 452	217 325
Liabilities				
Due to credit institutions	0.32	1.76	344 277	243 045
Deposits from customers	0.48	1.02	1 098 342	973 486
Debt securities issued	0.53	1.14	877 763	892 084

1) Applies to the DNB Group excluding DNB Livsforsikring.

2) Average interest rate in per cent is calculated as total interest in NOK for the specific products in relation to the appurtenant average capital.

NOTE 20 Net commission and fee income

	DNB Group	
<i>Amounts in NOK million</i>	2020	2019
Money transfer and interbank transactions	2 674	3 366
Guarantee commissions	944	895
Asset management services	2 125	1 937
Custodial services	420	354
Securities broking	621	498
Corporate finance	1 445	1 352
Credit broking	358	467
Sale of insurance products	2 548	2 545
Real estate broking	1 272	1 203
Other commissions and fees	882	865
Total commission and fee income	13 289	13 484
Money transfer and interbank transactions	(1 333)	(1 577)
Guarantee commissions	(44)	(75)
Asset management services	(646)	(614)
Custodial services	(241)	(197)
Securities broking	(154)	(118)
Corporate finance	(281)	(219)
Sale of insurance products	(224)	(242)
Other commissions and fees	(867)	(727)
Total commission and fee expenses	(3 789)	(3 768)
Net commission and fee income	9 500	9 716

NOTE 21 Net gains on financial instruments at fair value

	DNB Group	
<i>Amounts in NOK million</i>	2020	2019
Foreign exchange and financial derivatives	2 776	2 028
Commercial paper and bonds	813	1 022
Shareholdings	205	271
Financial liabilities	78	22
Net gains on financial instruments, mandatorily at FVTPL	3 873	3 344
Loans at fair value ¹⁾	1 130	(192)
Commercial paper and bonds ²⁾	622	(635)
Financial liabilities ³⁾	(252)	514
Net gains on financial instruments, designated as at FVTPL	1 500	(313)
Financial derivatives, hedging	(1 118)	4 925
Commercial paper and bonds FVOCI, hedged	1 959	(20)
Financial liabilities, hedged items	(298)	(4 756)
Net gains on hedged items ^{4) 5)}	542	149
Dividends	(12)	4
Net gains on financial instruments at FVTPL	5 902	3 183

1) The change in fair value due to credit risk amounted to a NOK 3 million loss during the year and a NOK 84 million loss cumulatively. Credit risk reflected in fair value measurements is based on normalised losses and changes in normalised losses in the relevant portfolio.

2) The change in fair value due to changes in credit spreads amounted to a NOK 21 million loss during the year and a NOK 176 million gain cumulatively.

3) For liabilities designated as at FVTPL, changes in fair value due to credit risk are recognised in other comprehensive income.

4) With respect to hedged liabilities, the hedged risk is measured at fair value, while the rest of the instrument is measured at amortised cost. Derivatives used for hedging are measured at fair value. Changes in fair value arising from hedged risk are presented under Financial derivatives, hedging. Net gains on hedged financial liabilities include amortization of fair values on discontinued hedging relationships.

5) The DNB Group uses hedge accounting for long-term borrowings in foreign currency in DNB Boligkreditt and DNB Bank ASA. Loans are hedged 1:1 through external contracts where there is a correlation between currencies, interest rate flows and the hedging instrument. At the time the loans are raised, Markets considers whether to enter into a hedging transaction for the relevant loan based on the Group's foreign currency positions and the underlying interest rate exposure for the loan.

NOTE 22 Salaries and other personnel expenses

	DNB Group	
<i>Amounts in NOK million</i>	2020	2019
Salaries *)	(9 022)	(8 597)
Employer's national insurance contributions	(1 590)	(1 551)
Pension expenses	(1 467)	(1 610)
Restructuring expenses	(81)	(69)
Other personnel expenses	(714)	(776)
Total salaries and other personnel expenses	(12 873)	(12 603)
*) <i>Of which: Ordinary salaries</i>	<i>(7 301)</i>	<i>(6 904)</i>
<i>Performance-based pay</i>	<i>(1 376)</i>	<i>(1 395)</i>

Number of employees/full-time positions

	DNB Group	
	2020	2019
Number of employees as at 31 December	9 311	9 336
- of which number of employees abroad	1 312	1 364
Number of employees calculated on a full-time basis as at 31 December	9 050	9 020
- of which number of employees calculated on a full-time basis abroad	1 296	1 341
Average number of employees	9 238	9 304
Average number of employees calculated on a full-time basis	8 950	8 975

NOTE 23 Other expenses

	DNB Group	
<i>Amounts in NOK million</i>	2020	2019
Fees	(540)	(593)
IT expenses ¹⁾	(3 807)	(3 886)
Postage and telecommunications	(148)	(151)
Office supplies	(29)	(30)
Marketing and public relations	(693)	(821)
Travel expenses	(73)	(266)
Reimbursement to Norway Post for transactions executed	(117)	(171)
Training expenses	(42)	(61)
Operating expenses on properties and premises ²⁾	(415)	(429)
Operating expenses on machinery, vehicles and office equipment	(59)	(69)
Other operating expenses	(1 286)	(995)
Total other expenses	(7 208)	(7 472)

1) Systems development fees totalled NOK 1 497 million in 2020 and NOK 1 555 million in 2019.

2) Costs relating to leased premises were NOK 784 million in 2020 and NOK 853 million in 2019.

NOTE 24 Depreciation and impairment of fixed and intangible assets

	DNB Group	
<i>Amounts in NOK million</i>	2020	2019
Depreciation of machinery, vehicles and office equipment	(1 980)	(1 691)
Depreciation of right of use assets	(523)	(564)
Other depreciation of tangible and intangible assets	(824)	(595)
Impairment of capitalised systems development		(33)
Other impairment of fixed and intangible assets	7	(174)
Total depreciation and impairment of fixed and intangible assets	(3 320)	(3 058)

See note 37 Intangible assets and note 38 Fixed assets.

NOTE 25 Pensions

Description of the pension schemes

The DNB Group has a defined-contribution pension scheme for all employees in Norway, with the exception of around 247 employees from the former Postbanken who are covered by a closed, group pension plan in the Norwegian Public Service Pension Fund.

The contribution rates are:

- Salary equivalent to 0 to 7.1 times the National Insurance basic amount, G: 7 per cent
- Salary equivalent to 7.1 to 12 times G: 15 per cent
- The Group has no defined-contribution pension scheme for salaries exceeding 12G (apart from the closed scheme for employees from before 2008).

Employees who were enrolled in the former defined-benefit pension schemes (terminated between 2015 and 2017) are also covered by a compensation scheme that is structured as a supplementary, contribution-based direct pension scheme.

Based on the terms and conditions approved at the time of conversion, the savings plan in the compensation scheme aims to give the individual employee a total pension capital when reaching the age of 67 corresponding to what he or she would have received if the defined-benefit pension scheme had been retained. Both the pension entitlements and the return on the pension funds are funded through operations.

The DNB Group has a disability pension scheme for all employees in Norway. The disability pension represents:

- 3 per cent of pensionable income up to 12G
- 25 per cent of G, maximum 6 per cent of pensionable income, up to 12G
- 66 per cent of pensionable income in the interval between 6G and 12G

The Norwegian companies in the Group are part of the contractual early retirement pension (AFP) scheme for the private sector. In addition, the Group has an agreement on contractual early retirement pension according to public sector rules for employees who are members of the Norwegian Public Service Pension Fund.

The private early retirement pension scheme will be funded through an annual premium established as a percentage of salaries between 1 and 7.1G.

Employer's contributions and financial activities tax are included in pension expenses and commitments.

Subsidiaries and branch offices outside Norway have separate schemes for their employees, mainly in the form of defined-contribution pension schemes. Pension expenses for employees outside Norway represented NOK 219 million.

NOTE 25 Pensions (continued)

Economic assumptions applied in calculating pension expenses and commitments are in accordance with the guidance from the Norwegian Accounting Standards Board per 31 December 2020.

Pension expenses		DNB Group	
<i>Amounts in NOK million</i>		2020	2019
Net present value of pension entitlements		(444)	(619)
Interest expenses on pension commitments		(70)	(84)
Calculated return on pension funds		34	40
Curtailment			(43)
Administrative expenses		(1)	(1)
Total defined benefit pension schemes		(481)	(708)
Contractual pensions, new scheme		(114)	(114)
Risk coverage premium		(50)	(49)
Defined contribution pension schemes		(821)	(739)
Net pension expenses		(1 466)	(1 610)

Pension commitments		DNB Group	
<i>Amounts in NOK million</i>		2020	2019
Opening balance		6 005	5 993
Correction for previous years according to actuarial calculation ¹⁾			(553)
Accumulated pension entitlements		444	619
Interest expenses		70	84
Actuarial losses/(gains), net		269	92
Changes in the pension schemes		(66)	(64)
Curtailments		2	98
Pension payments		(265)	(298)
Exchange rate differences		118	33
Closing balance		6 578	6 005

Pension funds		DNB Group	
<i>Amounts in NOK million</i>		2020	2019
Opening balance		2 103	2 504
Correction for previous years according to actuarial calculation ¹⁾			(441)
Expected return		34	40
Actuarial gains/(losses), net		4	(21)
Curtailments		(2)	(55)
Premium paid		91	97
Pension payments		(96)	(93)
Administrative expenses		(1)	(1)
Exchange rate differences		(30)	71
Closing balance		2 102	2 103

Net defined benefit obligation		4 476	3 903
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1) The correction is made due to a scheme that is no longer recognised in the balance sheet.

Sensitivity analysis for pension calculations

The following estimates are based on facts and conditions prevailing per 31 December 2020, assuming that all other parameters are constant. Actual results may deviate significantly from these estimates.

		DNB Group						
		Discount rate		Annual rise in salaries/basic amount		Annual rise in pensions		Life expectancy
<i>Change in percentage points</i>		+1%	-1%	+1%	-1%	+1%	0% reg.	+1 year -1 year
Percentage change in pensions								
Pension commitments		10-16	16-18	20-25	20-22	12-14	0	3 3
Net pension expenses for the period		18-20	19-21	22-25	20-22	10-12	0	3 3

NOTE 26 Taxes

Tax expense on pre-tax operating profit	DNB Group	
<i>Amounts in NOK million</i>	2020	2019
Current taxes	(7 322)	(9 931)
Changes in deferred taxes	3 093	4 466
Tax expense	(4 229)	(5 465)

Reconciliation of tax expense against nominal tax rate

<i>Amounts in NOK million</i>		
Pre-tax operating profit	23 847	31 235
Estimated tax expense at nominal tax rate 22 per cent	(5 246)	(6 872)
Tax effect of financial tax in Norway	(460)	(578)
Tax effect of different tax rates in other countries	30	59
Tax effect of debt interest distribution with international branches	288	1 140
Tax effect of tax-exempt income from shareholdings ¹⁾	380	517
Tax effect of other tax-exempt income and non-deductible expenses	951	102
Tax effect of changed tax rate for deferred taxes recognised in the balance sheet	(10)	(54)
Excess tax provision previous year	(162)	221
Tax expense	(4 229)	(5 465)
Effective tax rate	18%	17%

Income tax on other comprehensive income

<i>Amounts in NOK million</i>		
Items that will not be reclassified to the income statement	(38)	85
Hedges of net investments	(812)	194
Total income tax on other comprehensive income	(850)	279

1) In Norway, a company's income from share investments is normally exempt from tax. As a rule, this applies to investments in companies domiciled in the EU/EEA. The tax exemption applies to both dividends and gains/ (losses) upon realisation. However, 3 per cent of dividends from tax-exempt investments is included in taxable income.

Financial tax in Norway

The financial activities tax is an additional tax imposed on companies within the financial services sector. This tax represents an increased income tax rate of 3 percentage points for financial institutions,

Tax effect of debt interest distribution with international branch offices

According to Norwegian tax legislation, external interest expenses shall be distributed proportionally among operations in Norway and international branches based on the respective units' total assets. This could result in additions or deductions from income in Norway.

DNB has been notified in 2019 of changes in the tax assessment provisions for the years 2015–2017, related to the calculation of debt interest deduction. The changes considered by the tax authorities in the notification amount to approximately NOK 3.6 billion in increased taxable income for the period in question. DNB disagrees with the tax authorities' interpretation of the regulations, and has submitted a reply that counters all points in the notification. Against this background, allocations have not been made for the claim in the notification at the end of 2020.

Tax-exempt income from shareholdings

Part two of the merger and the establishment, together with SpareBank 1 of the non-life insurance company Fremtind were completed in the first quarter of 2020, with a tax-exempt gain for the Group of NOK 780 million. The first part of the merger was recognised in the 2019 accounts with a tax-exempt gain for the Group of NOK 1 740 million.

Other tax-exempt income and non-deductible expenses

Realised currency movements of NOK 1 970 million on hybrid loans in USD, which were repaid at the end of March 2020, have been recognised directly against equity.

Notice of change in tax assessment for DNB Livsforsikring for 2018

DNB Livsforsikring's tax calculation for 2018 was prepared in accordance with tax rules adopted on 20 December 2018 with effect for the income year 2018. According to the new rules, taxation of income and costs related to assets in the common portfolio and the unit-linked portfolio will correspond with the accounts. The transition to new rules is regulated in 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. The interpretation of the transitional rules was unclear. Based on an overall assessment, the net tax effect associated with the transition to the new tax rules was included as a tax income of NOK 880 million for the Group. In the 2018 tax return, DNB Livsforsikring demanded a larger tax deduction than was recognised in the accounts.

NOTE 26 Taxes (continued)

In 2020, DNB Livsforsikring received notice of a change in the determination of tax for 2018. The Norwegian Tax Administration takes a different view of the calculation of transitional effects, and bases this on a statement of principles from the Norwegian Directorate of Taxes from December 2018. DNB Livsforsikring has submitted a response to the notice, in which it maintains its position on the matter as set out in the tax return. The final outcome of the case is uncertain and may result in either lower or higher tax deductions than what has been assumed in the accounts. This uncertainty was taken into consideration in the 2018 accounts, and again in the 2019 and 2020 accounts.

Expectations regarding the effective tax rate

The nominal tax rate in Norway was 22 per cent in 2020. Business operations outside Norway are subject to local tax rates in their country of operation, and nominal tax rates range from 12 to 25 per cent. The effective taxation of operations outside Norway depends on both local tax rules and on whether it is possible to avoid double taxation. Tax-exempt income from share investments contributes to a lower expected tax rate than 22 per cent. In some periods, tax losses carried forward that are not recognised in the balance sheet have caused variations in the effective tax rate. In periods when such assets have not been recognised, the effective tax rate has been higher than the long-term expectation, whereas it has been lower in periods when tax losses not recognised as assets have been utilised.

Deferred tax assets/(deferred taxes)

<i>Amounts in NOK million</i>	2020	DNB Group 2019
The year's changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	1 176	(3 220)
Changes recorded against profits	3 093	4 466
Changes recorded against comprehensive income	65	(71)
Currency translation differences on deferred taxes	(6)	1
Deferred tax assets/(deferred taxes) as at 31 December	4 328	1 176

Deferred tax assets and deferred taxes in the balance sheet relates to the following temporary differences

<i>Amounts in NOK million</i>	Deferred tax assets		Deferred taxes	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Fixed assets and intangible assets	(1 607)	(1 414)	19	13
Commercial paper and bonds	(837)	(748)	(1)	34
Debt securities issued	6 606	5 863		
Financial derivatives	(775)	(3 955)	(8)	
Net pension liabilities	1 095	952	(13)	13
Net other tax-deductible temporary differences	(1 033)	(342)	51	(12)
Tax losses and tax credits carried forward	927	868		
Total deferred tax assets/deferred taxes	4 376	1 224	48	48

A significant share of the financial instruments are measured at fair value in the accounts, while for tax purposes, the same instruments are recorded on an accrual basis in accordance with the realisation principle. This gives rise to large differences between profits stated in the accounts and profits computed for tax purposes for the individual accounting years, especially in years with significant fluctuations in interest rate levels and exchange rates. These differences are offset in the longer term.

Due to large exchange rate fluctuations in 2020 and 2019, there were significant changes in unrealised gains and losses on financial instruments used in managing the Group's currency and interest rate risk. Financial instruments are recorded in accordance with the realisation principle, while the current rate method is used for receivables and liabilities in foreign currency. These differences are expected to be reversed within a short period of time.

Overview over deferred tax assets from tax losses and tax credits carried forward

<i>Amounts in NOK million</i>	31 December 2020			31 December 2019		
	Total tax losses carried forward	Of which basis for tax assets	Recognised tax asset	Total tax losses carried forward	Of which basis for tax assets	Recognised tax assets
Tax losses carried forward						
Norway	420	259	65	189		
Singapore	282	282	48	305	305	52
Denmark	1 860	1 860	409	1 868	1 868	411
Total of tax losses and tax assets	2 562	2 401	522	2 362	2 173	463
Tax credits carried forward ¹⁾			405			405
Total of deferred tax assets from tax losses and tax credits carried forward			927			868

1) All tax credits carried forward relates to tax payers in Norway.

NOTE 27 Classification of financial instruments**As at 31 December 2020****DNB Group**

<i>Amounts in NOK million</i>	Mandatorily at FVTPL		Designated as at FVTPL ²⁾	FVOCI	Amortised cost ³⁾	Carrying amount
	Trading	Other ¹⁾				
Cash and deposits with central banks					283 526	283 526
Due from credit institutions					78 466	78 466
Loans to customers		11	55 361		1 638 438	1 693 811
Commercial paper and bonds	89 246		174 603	89 481	85 901	439 231
Shareholdings	3 855	25 505				29 360
Financial assets, customers bearing the risk		116 729				116 729
Financial derivatives	155 182	31 558				186 740
Other assets					8 902	8 902
Total financial assets	248 283	173 804	229 964	89 481	2 095 234	2 836 767
Due to credit institutions					207 457	207 457
Deposits from customers			14 238		1 091 335	1 105 574
Financial derivatives	171 860	3 119				174 979
Debt securities issued			20 489		765 863	786 352
Other liabilities	2 982				10 181	13 163
Subordinated loan capital			179		32 140	32 319
Total financial liabilities ⁴⁾	174 842	3 119	34 906		2 106 976	2 319 844

1) Including derivatives used as hedging instruments.

2) For liabilities designated as at FVTPL, changes in fair value due to credit risk are recognised in other comprehensive income.

3) Including hedged liabilities.

4) Contractual obligations of financial liabilities designated as at fair value totalled NOK 34 305 million.

As at 31 December 2019**DNB Group**

<i>Amounts in NOK million</i>	Mandatorily at FVTPL		Designated as at FVTPL ²⁾	FVOCI	Amortised cost ³⁾	Carrying amount
	Trading	Other ¹⁾				
Cash and deposits with central banks					304 746	304 746
Due from credit institutions					102 961	102 961
Loans to customers		11	61 167		1 606 012	1 667 189
Commercial paper and bonds	68 416		167 777	52 013	88 117	376 323
Shareholdings	5 151	31 095				36 247
Financial assets, customers bearing the risk		98 943				98 943
Financial derivatives	96 955	28 121				125 076
Other assets					7 534	7 534
Total financial assets	170 522	158 170	228 944	52 013	2 109 370	2 719 019
Due to credit institutions			0		202 781	202 782
Deposits from customers			19 535		950 022	969 557
Financial derivatives	114 292	1 390				115 682
Debt securities issued	63		20 231		849 875	870 170
Other liabilities	10 883				9 367	20 250
Subordinated loan capital			176		30 919	31 095
Total financial liabilities ⁴⁾	125 238	1 390	39 943		2 042 965	2 209 536

1) Including derivatives used as hedging instruments.

2) For liabilities designated as at FVTPL, changes in fair value due to credit risk are recognised in other comprehensive income.

3) Includes hedged liabilities.

4) Contractual obligations of financial liabilities designated as at fair value totalled NOK 39 553 million.

NOTE 28 Fair value of financial instruments at amortised cost

<i>Amounts in NOK million</i>	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and deposits with central banks	283 526	283 526	304 746	304 746
Due from credit institutions	78 466	78 466	102 961	102 961
Loans to customers	1 638 438	1 642 646	1 606 012	1 610 797
Commercial paper and bonds	85 901	94 224	88 117	93 329
Total financial assets	2 086 332	2 098 863	2 101 836	2 111 833
Due to credit institutions	207 457	207 468	202 781	202 773
Deposits from customers	1 091 335	1 091 276	950 022	947 577
Debt securities issued	765 863	769 426	849 875	853 449
Subordinated loan capital	32 140	32 253	30 919	30 941
Total financial liabilities	2 096 795	2 100 422	2 033 597	2 034 740

	DNB Group			
	Valuation based on quoted prices in an active market	Valuation based on observable market data	Valuation based on inputs other than observable market data	
	Level 1 ¹⁾	Level 2 ¹⁾	Level 3 ¹⁾	Total
<i>Amounts in NOK million</i>				
Assets as at 31 December 2020				
Cash and deposits with central banks		283 526		283 526
Due from credit institutions		78 466		78 466
Loans to customers		754 627	888 019	1 642 646
Commercial paper and bonds		84 483	9 742	94 224
Liabilities as at 31 December 2020				
Due to credit institutions		207 468		207 468
Deposits from customers		1 091 276		1 091 276
Debt securities issued		733 573	35 852	769 426
Subordinated loan capital		25 048	7 205	32 253
Assets as at 31 December 2019				
Cash and deposits with central banks		304 746		304 746
Due from credit institutions		102 961		102 961
Loans to customers		722 352	888 445	1 610 797
Commercial paper and bonds		79 439	13 890	93 329
Liabilities as at 31 December 2019				
Due to credit institutions		202 773		202 773
Deposits from customers		947 577		947 577
Debt securities issued		817 927	35 522	853 449
Subordinated loan capital		16 279	14 662	30 941

1) See note 29 Financial instruments at fair value for a definition of the levels.

NOTE 28 Fair value of financial instruments at amortised cost (continued)

Due from credit institutions (level 2)

The value of loans to and deposits with credit institutions is assessed to equal amortised cost. The fixed-rate period is relatively short.

Loans to customers (levels 2 and 3)

When valuing loans, the loan portfolio has been divided into the following categories: Personal customers and the customer divisions in Corporate customers. In addition, separate calculations have been made for DNB Livsforsikring and Poland.

Loans in level 2 mainly consist of retail loans with floating interest rate measured at amortised cost. Since the fixed-rate period is very short amortised cost is considered to be a good estimate of fair value. All other loans measured at amortised cost are classified in level 3.

The valuations of loans in level 3 are based on average margins in December, considered relative to the business units' best estimate of the potential margin requirement at year-end 2020 if the loans had been originated at that time. Differentiated margin requirements have been calculated for each portfolio, as specified above, based on estimated costs related to lending. The margin requirement includes costs covering normalised losses, which, as opposed to impairment recorded in the annual accounts, represent a long-term assessment of loss levels.

A margin requirement is calculated for margin loans, and the difference between the margin requirement and the agreed margin is discounted over the average expected time to repricing of the loan.

With respect to impaired loans, an assessment has been made of potential cash flows for the loans discounted by the effective rate of interest adjusted for changes in market conditions for corresponding non-impaired loans. Loan rates prior to provisions being made reflect the increased credit risk of the commitment. Given the general uncertainty in fair value measurements, it is evaluated that the impaired value gives a good reflection of the fair value of these loans.

Customers will often use loan products which are carried partly at amortised cost and partly at fair value. The profitability of a customer relationship is considered on an aggregate basis, and prices are set based on an overall evaluation. Correspondingly, a possible reduction in the customer relationship value is based on an overall assessment of all products. Any decline in value apart from price changes on specific products is included in the overall assessment of credits in the relevant customer relationship. Any reduction in the total customer relationship value is measured on the basis of amortised cost and reported under impairment on loans.

Commercial paper and bonds (levels 2 and 3)

The valuation in level 2 is primarily based on observable market data in the form of interest curves, exchange rates and credit margins related to the individual credit and the characteristics of the bond or commercial paper. For papers classified as level 3, the valuation is based on models.

Due to credit institutions (level 2)

Due to credit institutions is measured in the same manner as due from credit institutions. For these instruments with short term to maturity fair value is assessed to equal amortised cost.

Deposits from customers (level 2)

For deposits from customers fair value is assessed to equal amortised cost.

Securities issued and subordinated loan capital (levels 2 and 3)

The valuation in level 2 is based on observable market data in the form of interest rate curves and credit margins when available. Securities and subordinated loan capital in level 3 are valued based on models. The items consist mainly of funding in foreign currency and floating rate securities in Norwegian kroner.

NOTE 29 Financial instruments at fair value

	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on inputs other than observable market data Level 3	DNB Group Total
<i>Amounts in NOK million</i>				
Assets as at 31 December 2020				
Loans to customers			55 372	55 372
Commercial paper and bonds	59 740	293 308	283	353 330
Shareholdings	5 073	13 501	10 787	29 360
Financial assets, customers bearing the risk		116 729		116 729
Financial derivatives	375	184 488	1 877	186 740
Liabilities as at 31 December 2020				
Deposits from customers		14 238		14 238
Debt securities issued		20 489		20 489
Subordinated loan capital		179		179
Financial derivatives	465	173 001	1 513	174 979
Other financial liabilities ¹⁾	2 982			2 982
Assets as at 31 December 2019				
Loans to customers			61 178	61 178
Commercial paper and bonds	22 432	265 418	356	288 205
Shareholdings	6 414	22 814	7 018	36 247
Financial assets, customers bearing the risk		98 943		98 943
Financial derivatives	244	122 964	1 868	125 076
Liabilities as at 31 December 2019				
Deposits from customers		19 535		19 535
Debt securities issued		20 294		20 294
Subordinated loan capital		176		176
Financial derivatives	261	113 886	1 536	115 682
Other financial liabilities ¹⁾	10 883			10 883

1) Short positions, trading activities.

The levels

Financial instruments are categorised within different levels based on the quality of the market data for the individual instruments. Transfers between levels in the fair value hierarchy are reflected as taking place at the end of each quarter. With respect to financial instruments categorised as level 2, the quality of market data may vary depending on whether the relevant instrument has been traded. Thus, it will be natural that some instruments are moved between level 2 and level 3. This applies primarily to commercial paper and bonds.

Level 1: Valuation based on quoted prices in an active market

Classified as level 1 are financial instruments valued by using quoted prices in active markets for identical assets or liabilities. Instruments in this category include listed shares and mutual funds, Treasury bills and commercial paper traded in active markets.

Level 2: Valuation based on observable market data

Classified as level 2 are financial instruments which are valued by using inputs other than quoted prices, but where prices are directly or indirectly observable for the assets or liabilities, including quoted prices in non-active markets for identical assets or liabilities.

Included in this category are, among others, interbank derivatives such as interest rate swaps, currency swaps and forward contracts with prices quoted on Reuters or Bloomberg, basis swaps between the currencies NOK, EUR, USD and GBP and cross-currency interest rate derivatives with customers with insignificant credit margins. Exchange-traded options are classified as level 2 if it is possible to scan or interpolate/extrapolate implicit volatility based on observable prices.

NOTE 29 Financial instruments at fair value (continued)

Level 3: Valuation based on other than observable market data

Classified as level 3 are financial instruments which cannot be valued based on directly observable prices. For these instruments other valuation techniques are used, such as valuation of assets and liabilities in companies, estimated cash flows and other models where key parameters are not based on observable market data.

Included in this category are loans to customers and instruments where credit margins constitute a major part of adjustments to market value.

Gains or losses, that occur when the estimated fair value is different from the transaction price (day-one gain/loss) has not had significant impact to the financial statement neither for 2020 nor 2019.

The instruments in the different levels**Loans to customers (level 3)**

Loans in level 3 consist primarily of fixed-rate loans in Norwegian kroner. The value of fixed-rate loans is determined by discounting agreed cash flows over the term of the loan, using a discount factor adjusted for margin requirements.

Commercial paper and bonds (levels 2 and 3)

The valuation in level 2 is primarily based on observable market data in the form of interest rate curves, exchange rates and credit margins related to the individual credit and the characteristics of the bond or commercial paper. For paper classified as level 3, the valuation is based on indicative prices from third parties or comparable paper.

Equities including mutual fund holdings (levels 2 and 3)

Equities in level 2 comprise mutual fund holdings where the underlying investments are quoted equities, as well as a small volume of other mutual funds. Instruments which are classified as level 3 essentially comprise property funds, limited partnership units, private equity investments, as well as hedge fund units and investments in unquoted equities.

When determining the fair value of private equity, PE, investments, an industry standard prepared by the European Private Equity & Venture Capital Association, EVCA, is used. The method is considered to represent the best basis for the best estimate of fair values for investments in not very liquid equity instruments. The value of the PE funds on the balance sheet date is reported by the fund managers after the Group has finalised its accounts. Valuations in the consolidated accounts are thus based on valuations received for previous periods, adjusted for a reporting lag of approximately three months. The time lag is determined based on developments in a weighted index consisting of a stock market parameter, using MSCI World as reference index, along with a parameter for anticipated long-term returns on PE investments.

Financial assets, customers bearing the risk (level 2)

The item applies to unit-linked products in DNB Livsforsikring, and the value development of the underlying funds is available on a daily basis.

Financial derivatives (levels 2 and 3)

Financial derivatives classified as level 2 are primarily currency forward contracts and interest rate and currency swaps. The valuation is based on swap curves, and credit margins constitute a minor part of the value. In addition, the item comprises derivatives related to commodities and forward rate agreements. These are valued based on observable market prices. Derivatives classified as level 2 also comprise equity derivatives used in Markets' market-making activities. Most of these derivatives are related to the most traded equities on Oslo Børs, and the valuation is based on the price development of the relevant/underlying equity and observable or estimated volatility. Financial derivatives classified as level 3 are primarily connected to currency options, interest rate options in Norwegian kroner, as well as index derivatives. The valuation is based on indicative prices from third parties.

Deposits from customers (level 2)

The valuation of deposits carried at fair value includes primarily fixed-rate deposits. The valuation is based on measurement in relation to a swap curve, and changes in credit margins have an insignificant effect.

Debt securities issued (level 2)

The valuation is primarily based on observable market data in the form of interest rate curves and credit margins. The item consists mainly of funding in Norwegian kroner. For fixed rate foreign currency funding, hedge accounting is used where hedges are entered into. In all other respects, debt securities issued are carried at amortised cost.

Subordinated loan capital (level 2)

Subordinated loans carried at fair value consist of one loan in Norwegian kroner, and the valuation is based on observable interest rate curves and credit margins.

NOTE 29 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

	Financial assets				DNB Group Financial liabilities
	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
<i>Amounts in NOK million</i>					
Carrying amount as at 31 December 2018	62 476	319	4 810	2 036	1 654
Net gains recognised in the income statement	(192)	(156)	401	(535)	(215)
Additions/purchases	9 696	419	2 766	1 152	849
Sales		(280)	(959)		
Settled	(10 664)			(774)	(753)
Transferred from level 1 or level 2		129			
Transferred to level 1 or level 2		(135)			
Other	(138)	60	(0)	(11)	1
Carrying amount as at 31 December 2019	61 178	356	7 018	1 868	1 536
Net gains recognised in the income statement	1 116	(75)	738	141	367
Additions/purchases	10 550	315	3 977	1 247	914
Sales		(340)	(947)		
Settled	(17 549)			(1 408)	(1 331)
Transferred from level 1 or level 2		365			
Transferred to level 1 or level 2		(371)			
Other	78	34	(0)	29	27
Carrying amount as at 31 December 2020	55 372	283	10 787	1 877	1 513

Loans to customers

The portfolio of loans carried at fair value consists primarily of fixed-rate loans in Norwegian kroner.

Fixed-rate loans

The value of fixed-rate loans is determined by discounting agreed interest flows over the term of the loan, using a discount factor adjusted for margin requirements. The discount factor used has as a starting point a swap rate based on a duration equal to the average remaining lock-in period for the relevant fixed-rate loans. The assumptions underlying the calculation of the margin requirement are based on a review of the market conditions on the balance sheet date and on an assessment of the deliberations made by external investors when investing in a corresponding portfolio. Fixed-rate loans carried at fair value totaled NOK 55 361 million at year-end 2020.

Commercial paper and bonds

Investments classified as level 3 primarily consist of corporate high-yield bonds with limited liquidity.

Equities including mutual fund holdings

Investments classified as level 3 consist of private equity funds, limited partnerships and unquoted equities. A common denominator for these investments is that there is a lag in the access to information from the units. In times of financial market turmoil, there may be considerable uncertainty related to the valuation of these investments.

Financial derivatives, assets and liabilities

Items classified as level 3 are primarily currency options, interest rate options in Norwegian kroner and derivatives related to developments in the consumer price index.

NOTE 29 Financial instruments at fair value (continued)**Breakdown of fair value, level 3****DNB Group**

<i>Amounts in NOK million</i>	31 December 2020			31 December 2019		
	Loans to customers	Commercial paper and bonds	Shareholdings	Loans to customers	Commercial paper and bonds	Shareholdings
Principal amount/purchase price	53 853	278	9 704	60 853	386	6 460
Fair value adjustment ¹⁾	1 445	1	1 083	237	(31)	558
Accrued interest	75	4		88		
Carrying amount	55 372	283	10 787	61 178	356	7 018

1) Changes in the fair value of customer loans mainly result from changes in swap rates. A corresponding negative adjustment is made in the fair value of financial instruments used for economic hedging.

Breakdown of shareholdings, level 3**DNB Group**

<i>Amounts in NOK million</i>	Property funds	Hedge-funds	Unquoted equities	Private Equity (PE) funds	Other	Total
Carrying amount as at 31 December 2020	35	2 353	1 221	2 965	4 213	10 787
Carrying amount as at 31 December 2019	42	850	934	2 276	2 917	7 018

Sensitivity analysis, level 3**DNB Group**

<i>Amounts in NOK million</i>	31 December 2020		31 December 2019	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Loans to customers	55 372	(165)	61 178	(164)
Commercial paper and bonds	283	0	356	(1)
Shareholdings	10 787		7 018	
Financial derivatives, net	365		333	

In order to show the sensitivity of the loan portfolio, the discount rate on fixed-rate loans has been increased by 10 basis points.

Level 3 bonds mainly represent investments in Norwegian industries, offshore and power companies. A 10 basis point increase in the discount rate has had insignificant effects.

Level 3 equities represent a total of NOK 9 846 million in private equity investments, property funds, hedge funds and unquoted equities in DNB Livsforsikring. The fair values of the funds are largely based on reported values from the fund managers. For private equity and property funds, the fund managers use cash flow-based models or multiples when determining fair values. The Group does not have full access to information about all elements in these valuations and thus has no basis for determining alternative values for alternative assumptions. The use of alternative values will have a limited effect on the Group's profits, as the investments are included in DNB Livsforsikring's common portfolio.

NOTE 30 Offsetting

The table below presents the potential effects of the group's netting arrangements on financial assets and financial liabilities. See note 1 Accounting principles for more information.

						DNB Group
		Amounts offset in the statement of financial position	Carrying amount	Netting agreements	Other collateral ¹⁾	Amounts after possible netting
<i>Amounts in NOK million</i>	Gross amount					
Assets as at 31 December 2020						
Cash and deposits with central banks ²⁾	10 880		10 880		10 880	
Due from credit institutions ²⁾	63 395		63 395		63 695	
Loans to customers ²⁾	81 733		81 733		81 733	
Financial derivatives ³⁾	186 740		186 740	17 876	106 894	61 971
Liabilities as at 31 December 2020						
Due to credit institutions	76 488		76 488		76 488	
Deposits from customers ²⁾	4 112		4 112		4 112	
Financial derivatives ³⁾	174 979		174 979	17 876	106 538	50 565
Assets as at 31 December 2019						
Cash and deposits with central banks ²⁾	40 014		40 014		40 014	
Due from credit institutions ²⁾	84 877		84 877		84 877	
Loans to customers ²⁾	81 733		81 733		81 733	
Financial derivatives ³⁾	125 076		125 076	14 439	77 873	32 764
Liabilities as at 31 December 2019						
Due to credit institutions	89 387		89 387		89 387	
Deposits from customers ²⁾	9 844		9 844		9 844	
Financial derivatives ³⁾	115 682		115 682	14 439	77 702	23 542

1) Includes cash collateral and securities received/transferred from/to counterparties and securities received/placed as collateral in depositories in Clearstream or Euroclear.

2) Includes repurchase and reverse repurchase agreements, securities borrowing and lending transactions.

3) Gross amounts represent the market value of the derivatives subject to master netting agreements or collateralised by cash or securities under Credit Support Annex.

NOTE 31 Shareholdings

<i>Amounts in NOK million</i>	DNB Group	
	31 Dec. 2020	31 Dec. 2019
Investments in shares, mutual funds and equity certificates, excluding DNB Livsforsikring	7 242	7 837
Investments in shares, mutual funds and equity certificates, DNB Livsforsikring	22 118	28 410
Total shareholdings	29 360	36 247

NOTE 32 Transferred assets or assets with other restrictions**Transferred assets still recognised in the balance sheet**

<i>Amounts in NOK million</i>	31 Dec. 2020	DNB Group 31 Dec. 2019
Repurchase agreements		
Commercial paper and bonds	10 846	6 377
Derivatives		
Commercial paper and bonds	65 659	17 438
Securities lending		
Shares	448	138
Total repurchase agreements, derivatives and securities lending	76 953	23 954

Liabilities associated with the assets

<i>Amounts in NOK million</i>	31 Dec. 2020	31 Dec. 2019
Repurchase agreements	10 743	6 373
Derivatives	65 659	17 438
Securities lending	470	145
Total liabilities	76 872	23 957

Restricted assets

Local statutory capital requirements might restrict the ability of the Group to access or transfer assets freely to or from other entities within the Group and to settle liabilities within the Group.

Restrictions affecting the Group's ability to use assets:

- The Group has pledged assets to collateralise its obligations (pledged securities) and issued covered bonds (cover pool). The Group has pledged collateral in connection with derivative instruments, see note 15 Financial derivatives and hedge accounting for further information.
- The assets of consolidated structured entities (investment funds) are held for the benefit of the parties that have bought the notes issued by these entities. At year-end 2020 and 2019, assets related to holdings outside the Group represented NOK 11 229 million and NOK 11 113 million, respectively, which is reflected as a corresponding liability in the balance sheet.
- Assets held by DNB Livsforsikring AS are primarily held to satisfy the obligations to the company's policy holders. At year-end 2020 assets held by the company amounted to NOK 354 643 million, compared to NOK 339 648 million at year-end 2019. These assets include Financial assets, customers bearing the risk.

Cover pool

<i>Amounts in NOK million</i>	31 Dec. 2020	DNB Boligkreditt AS 31 Dec. 2019
Pool of eligible loans	673 513	632 580
Market value of eligible derivatives	27 862	41 595
Total collateralised assets	701 375	674 176
Debt securities issued, carrying value	521 195	471 715
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(59)	(78)
Debt securities issued, valued according to regulation ¹⁾	521 137	471 637
Collateralisation (per cent)	134.6	142.9

1) The debt securities issued are bonds with preferred rights in the appurtenant cover pool. The composition and calculation of values in the cover pool are defined in Sections 11-8 and 11-11 of the Financial Institutions Act with appurtenant regulations.

NOTE 33 Securities received which can be sold or repledged

Securities received	DNB Group	
<i>Amounts in NOK million</i>	31 Dec. 2020	31 Dec. 2019
Reverse repurchase agreements		
Commercial paper and bonds	121 270	185 623
Securities borrowing		
Shares	21 081	23 886
Total securities received	142 350	209 509
<i>Of which securities received and subsequently sold or repledged:</i>		
Commercial paper and bonds	57 287	75 901
Shares	14 007	16 286

NOTE 34 Financial assets and insurance liabilities, customers bearing the risk

	DNB Group	
<i>Amounts in NOK million</i>	31 Dec. 2020	31 Dec. 2019
Mutual funds	63 858	50 379
Bond funds	34 923	31 389
Money market funds	11 388	10 912
Combination funds	5 111	4 871
Bank deposits	1 450	1 392
Total financial assets, customers bearing the risk	116 729	98 943
Total insurance liabilities, customers bearing the risk	116 729	98 943

NOTE 35 Investment properties

	DNB Group	
<i>Amounts in NOK million</i>	31 Dec. 2020	31 Dec. 2019
DNB Livsforsikring	23 624	22 299
Properties for own use	(6 209)	(5 637)
Other investment properties ¹⁾	672	741
Total investment properties	18 087	17 403

1) Other investment properties are mainly related to acquired companies.

Investment properties in DNB Livsforsikring

Investment properties in DNB Livsforsikring are part of the common portfolio and are owned with the intention to achieve long-term returns for policyholders. The property portfolio is measured at fair value on the balance sheet date. The Norwegian properties are valued by using an internal valuation model, and is thus classified at level three in the valuation hierarchy. As a supplement, external appraisals are obtained for a representative selection of properties in the portfolio at regular intervals throughout the year. This selection represents close to 93 per cent of the values in the portfolio. The Swedish properties in the portfolio and partially owned properties are valued based on external appraisals.

In the internal model, fair value is calculated as the present value of future cash flows during and after the contract period. The required rate of return stipulated in the model reflects market risk. At the end of 2020, a required rate of return of 7.6 per cent was generally used. However, certain individual assessments of the required rate of return are made at segment level. The model uses the same required rates of return for cash flow both during and after the contract period.

Specific property risk is reflected in the cash flow through contractual rent, future market rent, operating expenses, required investments, adaptations for new tenants upon expiry of the contract, vacancy risk and adjustments for future price inflation, CPI (Norges Bank's inflation target).

During 2020, total contractual rent for the wholly-owned portfolio in Norway decreased by NOK 23 million to NOK 937 million, while the estimated market rent for the same portfolio went up by NOK 3 million to NOK 996 million.

At year-end 2020, economic vacancy in the portfolio was 8.1 per cent, compared with 5.7 per cent a year earlier.

NOTE 35 Investment properties (continued)

The valuations resulted in a NOK 1 273 million positive revaluation of the property portfolio in 2020.

Valuations are particularly sensitive to changes in required rates of return and assumptions regarding future income flows. Other things equal, a 0.25 percentage point reduction in the required rate of return will change the value of the property portfolio by approximately 3.7 per cent or NOK 743 million. Correspondingly, a 5 per cent change in future contractual rents will change the value of the property portfolio by approximately 3.2 per cent or NOK 627 million.

Other investment properties

The Group's other investment properties are mainly related to acquired companies and are classified at level 3 in the valuation hierarchy.

Investment properties according to geographical location

Type of building	Location	Fair value NOK million	DNB Livsforsikring	
			Gross rental area m ²	Average rental period No. of years
Office buildings	Eastern Norway	10 088	153 869	5.1
Office buildings	Rest of Norway	3 660	123 006	5.1
Shopping centres	Norwegian cities	4 160	113 826	3.4
Hotels	Norwegian cities	1 980	64 176	8.5
Abroad	Stockholm/Gothenburg	3 736	35 840	7.0
Total investment properties as at 31 December 2020		23 624	490 717	5.4
Total investment properties as at 31 December 2019		22 299	489 792	6.0
Change in 2020		1 325	925	(0.6)
Total investment properties as at 31 December 2020		23 624	490 717	5.4

Amounts included in the income statement

Amounts in NOK million	DNB Group	
	2020	2019
Rental income from investment properties	1 053	998
Direct expenses related to investment properties	(183)	(165)
Total ¹⁾	870	833

Changes in the value of investment properties

Amounts in NOK million	DNB Group	
	Investment properties	
Carrying amount as at 31 December 2018	16 715	
Additions, purchases of new properties	340	
Additions, capitalised investments	195	
Net gains	364	
Disposals	(69)	
Exchange rate movements	(141)	
Carrying amount as at 31 December 2019	17 403	
Additions, purchases of new properties	(12)	
Additions, capitalised investments	181	
Additions, acquired companies	60	
Net gains ²⁾	80	
Disposals	(43)	
Exchange rate movements	417	
Carrying amount as at 31 December 2020	18 087	

1) Recognised in the income statement as «Net financial result, life insurance».

2) Of which NOK 61 million represented a net loss on investment properties which are not owned by DNB Livsforsikring.

NOTE 36 Investments accounted for by the equity method

Income statement

Amounts in NOK million	DNB Group											
	Luminor		Fremtind		Vipps		Eksportfinans		Other ¹⁾		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Income ²⁾	4 147	3 908			446	743	170	229				
Profits after tax ²⁾	359	513	1 187	607	(33)	(249)	44	106				
Share of profits after tax	72	102	415	212	(15)	(112)	18	42				
Depreciation and impairment of value adjustments after tax ³⁾			(243)	(110)		(126)						
Other adjustments ³⁾	19	146	2	5		59						
The Group's share of profits after tax	91	248	175	108	(98)	(178)	18	42	217	190	402	410

Balance sheets

Amounts in NOK million	DNB Group											
	Luminor		Fremtind		Vipps		Eksportfinans		Other ¹⁾		Total	
	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
Financial instruments ²⁾	154 405	134 048	21 279	13 241		104	13 068	13 618				
Goodwill and intangible assets ²⁾	70	81	3 080	2 263	2 445	2 291	7	8				
Other assets ²⁾	1 631	1 441	4 740	3 112	574	315	706	956				
Debt ²⁾	138 682	119 427	19 877	11 820	546	204	7 434	8 116				
Equity ²⁾	17 424	16 143	9 222	6 796	2 473	2 506	6 347	6 466				
The Group's share of equity	3 476	3 221	3 228	2 379	1 110	1 125	2 539	2 587				
Goodwill ³⁾			1 419	1 419								
Value adjustments after tax ³⁾			1 919	832	5	102						
Eliminations ³⁾	26		17	5	(281)	(294)						
Carrying amount	3 502	3 221	6 583	4 634	834	932	2 539	2 587	4 931	5 184	18 389	16 559

Amounts in NOK million	Head office	Industry	Ownership share (%)		Carrying amount	
			31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Luminor Holding AS	Tallinn	Financial services	20	20	3 502	3 221
Fremtind AS	Oslo	Insurance	35	35	6 583	4 634
Vipps AS	Oslo	Payment services	45	45	834	932
Eksportfinans AS	Oslo	Financial services	40	40	2 539	2 587
Other associated companies					4 931	5 184
Total					18 389	16 559

1) Other investments include investments in real estate companies in DNB Livsforsikring of NOK 4 356 million (NOK 4 457 million in 2019), owned in the common/customer portfolio.

2) Values in the accounts of associated companies. Preliminary and unaudited accounts have been used.

3) Include deferred tax positions and value adjustments not reflected in the company's balance sheet.

Transactions 2020

The second part of the Fremtind merger was completed in the first quarter, which implies that personal risk products were transferred from DNB Livsforsikring and SpareBank 1 to Fremtind with effect from 1 January.

Transactions 2019

The merger of non-life insurance operations between DNB and SpareBank 1 was approved at the end of 2018. The new company, Fremtind, was operational from 1 January 2019. DNB owns 35 per cent of the company.

On 30 September, DNB completed the sale of part of its ownership interest in the Baltic banking group Luminor to a consortium led by private equity funds managed by Blackstone. After the transaction, DNB holds a 20 per cent stake in the Luminor Group.

NOTE 37 Intangible assets

<i>Amounts in NOK million</i>	DNB Group			
	Goodwill	Capitalised systems development	Other intangible assets	Total
Cost as at 1 January 2019	8 478	5 248	983	14 709
Additions		317	49	366
Disposals	(6)	(16)	6	(16)
Exchange rate movements	(14)	(0)	(6)	(20)
Cost as at 31 December 2019	8 459	5 549	1 032	15 039
Total depreciation and impairment as at 1 January 2019	(4 203)	(4 167)	(884)	(9 254)
Depreciation		(321)	(40)	(361)
Impairment			(0)	(0)
Disposals		9	16	25
Exchange rate movements		0	6	6
Total depreciation and impairment as at 31 December 2019	(4 203)	(4 479)	(903)	(9 585)
Carrying amount as at 31 December 2019	4 256	1 069	129	5 454
Cost as at 1 January 2020	8 459	5 549	1 032	15 039
Additions		368	20	388
Additions from the aquisition/establishment of other companies		29		29
Disposals			(203)	(203)
Reclassification		21	(21)	
Exchange rate movements	55	1	24	81
Cost as at 31 December 2020	8 514	5 967	852	15 333
Total depreciation and impairment as at 1 January 2020	(4 203)	(4 479)	(903)	(9 585)
Depreciation		(367)	(22)	(389)
Impairment	(10)	(4)		(14)
Disposals			203	203
Additions from the aquisition/establishment of other companies		(29)		(29)
Exchange rate movements		0	(22)	(22)
Total depreciation and impairment as at 31 December 2020	(4 212)	(4 879)	(744)	(9 836)
Carrying amount as at 31 December 2020	4 301	1 088	108	5 498

Goodwill

The risk-free interest rate is set at 1.5 per cent, the market risk premium is set at 6.0 per cent, and the long-term growth factor is set at 2.0 per cent for all cash-generating units. Beta values are estimated separately for each cash-generating unit. Required rate of return is before tax. For a detailed description of methods and assumptions used in the calculation of the recoverable amount for goodwill, see note 1 Accounting principles.

NOTE 37 Intangible assets (continued)

Goodwill per unit

	31 December 2020		31 December 2019	
	Required rate of return	Recorded	Required rate of return	Recorded
	<i>Per cent</i>	<i>NOK million</i>	<i>Per cent</i>	<i>NOK million</i>
DNB Asset Management	11.7	1 679	11.3	1 679
Personal customers	11.9	982	11.4	982
Small and medium-sized enterprises	11.9	483	11.4	483
DNB Finans – car financing	11.9	798	11.5	753
Other	11.9	360	11.5	360
Total goodwill		4 301		4 256

DNB Asset Management

The unit includes asset management operations, mainly in Norway and Sweden. Total goodwill from units in the operational area is assessed collectively, and the cash-generating unit represents the entire operational area. Operations are integrated, and synergies and rationalisation effects have been realised throughout the organisation. The most critical assumptions for cash flows during the plan period are developments in the securities markets, net sales of mutual funds and margins.

Personal customers

This unit encompasses banking operations (loans and deposits) for personal customers in the regional network in Norway, and recorded goodwill mainly stems from the merger between DnB and Gjensidige NOR and the acquisition of Nordlandsbanken. In addition, some goodwill remains from previously acquired offices in Gjensidige NOR. Key assumptions for cash flows during the plan period are developments in margins, volumes and impairment of loans.

Small and medium-sized enterprises

This unit encompasses banking operations (loans and deposits) for corporate customers in the regional network in Norway, and recorded goodwill mainly stems from the merger between DnB and Gjensidige NOR. Key assumptions for cash flows during the plan period are developments in margins, volumes and impairment of loans.

DNB Finans – car financing

The unit encompasses DNB's car financing operations in Norway and Sweden, and goodwill stems from DNB's acquisition of Skandiabanken's car financing operations with effect from 2008. Critical assumptions for cash flows during the plan period are car sales figures and DNB Finans' ability to retain customer relations with important car dealers, along with long-term margin developments and the level of impairments of loans.

NOTE 38 Fixed assets

	DNB Group						
	Real property at historic cost	Real property at fair value	Machinery, equipment and vehicles	Fixed assets operational leases	Other fixed assets	Right of use assets	Total
<i>Amounts in NOK million</i>							
Accumulated cost as at 31 Dec. 2018	162	938	3 776	9 769	56	5 346	20 047
Reclassified fixed assets		1 702				(1 702)	
Additions		2 890	600	3 495	6	521	7 513
Revaluation		321					321
Disposals	(3)	(114)	(271)	(1 912)	(3)	(101)	(2 404)
Exchange rate movements	5		0	(69)	(0)	(24)	(88)
Cost as at 31 Dec. 2019	164	5 738	4 105	11 284	59	4 040	25 390
Total depreciation and impairment as at 31 Dec. 2018	(56)	(171)	(2 508)	(2 688)	(38)		(5 461)
Disposals		114	268	1 241	2	83	1 707
Depreciation ¹⁾	(9)	(44)	(379)	(1 500)	(4)	(600)	(2 536)
Impairment				(1)		(9)	(10)
Exchange rate movements	(2)		(2)	21	0	(10)	8
Total depreciation and impairment as at 31 Dec. 2019	(67)	(101)	(2 622)	(2 927)	(39)	(536)	(6 292)
Carrying amount as at 31 Dec. 2019	97	5 637	1 483	8 357	20	3 504	19 098
Value of property classified at fair value according to the historic cost principle		4 715					
Accumulated cost as at 31 Dec. 2019	164	5 738	4 105	11 284	59	4 040	25 390
Adustments		233	(0)				233
Additions	1	12	358	3 398	3	72	3 842
Revaluation	(0)	636					636
Disposals	(5)		(35)	(1 954)	(3)	(4)	(2 002)
Exchange rate movements	0		(3)	408	1	13	419
Cost as at 31 Dec. 2020	159	6 619	4 424	13 136	60	4 120	28 519
Total depreciation and impairment as at 31 Dec. 2019	(67)	(101)	(2 622)	(2 927)	(39)	(536)	(6 292)
Adjustments		(233)					(233)
Disposals			32	1 516	3	4	1 546
Depreciation ¹⁾	(10)	(76)	(519)	(1 790)	(2)	(543)	(2 940)
Impairment			(4)			(3)	(7)
Exchange rate movements	0		(4)	(120)	(1)	(4)	(119)
Total depreciation and impairment as at 31 Dec. 2020	(77)	(410)	(3 116)	(3 321)	(39)	(1 082)	(8 045)
Carrying amount as at 31 Dec. 2020	83	6 209	1 308	9 815	21	3 039	20 474
Value of property classified at fair value according to the historic cost principle		4 651					

1) Based on cost less any residual value, other assets are subject to straight-line depreciation over their expected useful life within the following limits:

Technical installations	10 years
Machinery	3-10 years
Fixtures and fittings	5-10 years
Computer equipment	3-5 years
Means of transport	5-7 years

The DNB Group has not placed any collateral for loans/funding of fixed assets, including property.

NOTE 39 Leasing

DNB Finans offers operational and financial leasing contracts, fleet management and loans to corporate customers, public sector entities and consumers in Norway, Sweden, Denmark and Finland. The business is conducted through vendor partnerships and direct sales, in close cooperation with the client advisers in DNB Bank where possible. Focus is on financing standard assets where there is an existing and functioning second hand market. The largest asset class in the portfolio is passenger cars and LCVs. Other large asset classes are buses, trucks and trailers and construction equipment and machinery.

Financial leases (as lessor)

<i>Amounts in NOK million</i>	31 Dec. 2020	31 Dec. 2019
Gross investment in the lease		
Due within 1 year	1 358	10 117
Due in 1-5 years	47 600	42 909
Due in more than 5 years	12 917	10 749
Total gross investment in the lease	61 875	63 776
Present value of minimum lease payments		
Due within 1 year	1 309	9 803
Due in 1-5 years	37 739	33 986
Due in more than 5 years	8 564	7 127
Total present value of lease payments	47 612	50 916
Unearned financial income	14 263	12 860
Unguaranteed residual values accruing to the lessor	97	87
Accumulated loan-loss provisions	2 826	2 542
Variable lease payments recognised as income during the period	76	68

Operational leases (as lessor)

<i>Amounts in NOK million</i>	31 Dec. 2020	31 Dec. 2019
Future minimum lease payments under non-cancellable leases		
Due within 1 year	126	1 075
Due in 1-5 years	6 397	5 339
Due in more than 5 years	451	63
Total future minimum lease payments under non-cancellable leases	6 975	6 476

Leases (as lessee)

<i>Amounts in NOK million</i>	31 Dec. 2020	31 Dec. 2019
Minimum future lease payments under non-cancellable leases		
Due within 1 year	117	129
Due in 1-5 years	558	716
Due in more than 5 years	2 663	3 340
Total minimum future lease payments under non-cancellable leases	3 338	4 185
Total minimum future sublease payments expected to be received under non-cancellable subleases	102	107

<i>Amounts in NOK million</i>	DNB Group Total lease liability
Lease liabilities as at 1 January 2019	5 436
Reclassified lease liabilities	(1 654)
Interest expense	90
Additions	520
Payments	(727)
Other	(17)
Lease liabilities as at 31 December 2019	3 648
Interest expense	84
Additions	26
Revaluation of existing lease liability	44
Payments	(584)
Other	(17)
Lease liabilities as at 31 December 2020	3 200

NOTE 40 Other assets

<i>Amounts in NOK million</i>	DNB Group	
	31 Dec. 2020	31 Dec. 2019
Accrued expenses and prepaid revenues	782	736
Amounts outstanding on documentary credits and other payment services	1 113	1 816
Unsettled contract notes	2 897	1 720
Past due, unpaid insurance premiums	425	409
Investment funds owned by non-controlling interests	11 229	11 113
Other amounts outstanding	5 406	5 004
Total other assets	21 852	20 798

NOTE 41 Deposits from customers by industry segment

<i>Amounts in NOK million</i>	DNB Group	
	31 Dec. 2020	31 Dec. 2019
Bank, insurance and portfolio management	39 041	41 803
Commercial real estate	51 641	46 874
Shipping	29 440	32 787
Oil, gas and offshore	67 933	51 364
Power and renewables	19 388	13 318
Healthcare	13 545	9 927
Public sector	56 285	53 134
Fishing, fish farming and farming	14 694	13 787
Retail industries	44 768	32 592
Manufacturing	65 368	47 969
Technology, media and telecom	26 021	18 555
Services	116 035	94 356
Residential property	20 251	17 215
Personal customers	412 499	380 217
Other corporate customers	128 665	115 658
Deposits from customers	1 105 574	969 557

NOTE 42 Debt securities issued

Changes in debt securities issued

	Balance sheet 31 Dec. 2020	Issued 2020	Matured/ redeemed 2020	Exchange rate movements 2020	Other adjustments 2020	DNB Group Balance sheet 31 Dec. 2019
<i>Amounts in NOK million</i>						
Commercial papers issued, nominal amount	137 931	1 113 162	(1 121 261)	(42 091)		188 120
Bond debt, nominal amount ^{1) 2)}	609 169	29 430	(103 824)	29 533		654 030
Senior non-preferred bonds, nominal amount	8 519	9 462		(943)		
Adjustments	30 733			17	2 697	28 019
Total debt securities issued	786 352	1 152 054	(1 225 085)	(13 483)	2 697	870 170

Maturity of debt securities issued measured at amortised cost as at 31 December 2020 ^{1) 2) 3)}

	NOK	Foreign currency	DNB Group Total
<i>Amounts in NOK million</i>			
2021		137 931	137 931
Total commercial papers issued, nominal amount		137 931	137 931
2021	13 953	89 842	103 795
2022	24 746	124 841	149 587
2023	2 800	122 356	125 156
2024	6 592	50 448	57 040
2025	9 882	33 670	43 552
2026		40 105	40 105
2027 and later	120	70 153	70 273
Total bond debt, nominal amount	58 093	531 416	589 509
2025		8 519	8 519
Total senior non-preferred bonds, nominal amount		8 519	8 519
Total debt securities issued, nominal amount	58 093	677 866	735 960

Maturity of debt securities issued measured at fair value as at 31 December 2020 ^{1) 2)}

	NOK	Foreign currency	DNB Group Total
<i>Amounts in NOK million</i>			
2021		(1)	(1)
Total commercial papers issued, nominal amount		(1)	(1)
2021	8 176		8 176
2022	4 845		4 845
2023	3 028		3 028
2024	695		695
2025	1 436		1 436
2026	1 480		1 480
2027 and later			
Total bond debt, nominal amount	19 660		19 660
Total senior non-preferred bonds, nominal amount			
Total debt securities issued, nominal amount	19 660	(1)	19 660
Adjustments	884	29 849	30 733
Debt securities issued	78 637	707 715	786 352

1) Minus own bonds. Nominal amount of outstanding covered bonds in DNB Boligkreditt totalled NOK 364.8 billion as at 31 December 2020. The cover pool market value represented NOK 673.5 billion.

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

3) Includes hedged items.

NOTE 43 Subordinated loan capital and perpetual subordinated loan capital securities

Changes in subordinated loan capital and perpetual subordinated loan capital securities						DNB Group
<i>Amounts in NOK million</i>	Balance sheet 31 Dec. 2020	Issued 2020	Matured/ redeemed 2020	Exchange rate movements 2020	Other adjustments 2020	Balance sheet 31 Dec. 2019
Term subordinated loan capital, nominal amount	26 320	4 056	(4 207)	1 528		24 943
Perpetual subordinated loan capital, nominal amount	5 640			(134)		5 774
Adjustments	359			(0)	(19)	378
Total subordinated loan capital and perpetual subordinated loan capital securities	32 319	4 056	(4 207)	1 394	(19)	31 095

						DNB Group
Year raised	Carrying amount in foreign currency		Interest rate	Maturity	Call date	Carrying amount in NOK
Term subordinated loan capital						
2016	JPY	10 000	1.00% p.a.	2026	2021	827
2017	JPY	11 500	1.04% p.a.	2027	2022	951
2017	NOK	170	3.08% p.a.	2027	2022	170
2017	SEK	750	3-month STIBOR + 1.70%	2027	2022	782
2017	SEK	1 000	1.98% p.a.	2027	2022	1 043
2017	EUR	650	1.25% p.a.	2027	2022	6 798
2017	NOK	1 400	3-month NIBOR + 1.75%	2027	2022	1 400
2018	JPY	25 000	0.75% p.a.	2028	2023	2 067
2018	SEK	300	1.61% p.a.	2028	2023	313
2018	SEK	700	3-month STIBOR + 1.06%	2028	2023	730
2018	EUR	600	1.125% p.a.	2028	2023	6 275
2018	NOK	900	3-month NIBOR + 1.10%	2028	2023	900
2020	NOK	2 500	3-month NIBOR + 2.30%	2030	2025	2 500
2020	SEK	1 500	3-month STIBOR + 2.35%	2030	2025	1 565
Total, nominal amount						26 320
Perpetual subordinated loan capital						
1985	USD	215	3-month LIBOR + 0.25%			1 832
1986	USD	200	6-month LIBOR + 0.13%			1 704
1986	USD	150	6-month LIBOR + 0.15%			1 278
1999	JPY	10 000	4.51% p.a.		2029	827
Total, nominal amount						5 640

NOTE 44 Other liabilities

		DNB Group	
<i>Amounts in NOK million</i>		31 Dec. 2020	31 Dec. 2019
Short-term funding		700	446
Short positions trading		2 982	10 883
Accrued expenses and prepaid revenues		3 676	3 856
Documentary credits, cheques and other payment services		454	1 391
Unsettled contract notes		1 930	1 379
Accounts payable		2 756	1 924
General employee bonus		254	257
Non-controlling interests		11 229	11 113
Lease liabilities		3 200	3 648
Other liabilities		4 340	4 227
Total other liabilities ¹⁾		31 522	39 125

1) Other liabilities are generally of a short-term nature.

NOTE 45 Equity**Share capital**

The Annual General Meeting held on 30 June 2020 resolved a reduction in share capital by cancelling own shares and redeeming shares held by the Norwegian government. The cancellation of the shares was registered in the Register of Business Enterprises 10 September 2020. The number of issued shares was reduced by 29 936 364 to 1 550 365 021.

The share capital of DNB ASA at 31 December 2020 was NOK 15 503 650 210 divided into 1 550 365 021 shares, each with a nominal value of NOK 10. The share capital of DNB ASA at 31 December 2019 was NOK 15 803 013 850 divided into 1 580 301 385 shares, each with a nominal value of NOK 10.

DNB ASA has one class of shares, and all shares carry voting rights. Shareholders are entitled to receive the dividend proposed at any time and have one voting right per share at the company's general meeting.

The Board of Directors was authorised by an extraordinary general meeting in November 2020 to decide on a dividend for 2019 after 1 January 2021. In January 2021, the Norwegian Ministry of Finance conveyed an expectation that the banks' total distribution of dividends should be kept within 30 per cent of the accumulated profit for the years 2019 and 2020, until September 2021. In light of this, the Board of Directors has decided to pay a dividend of NOK 8.40 per share for 2019, and with distribution in March 2021.

The Board of Directors will ask the Annual General Meeting in April 2021 for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020, applicable from 1 October 2021 until the Annual General Meeting in 2022.

Own shares

At the extraordinary general meeting on 30 November 2020, the Board was given an authorisation for a new share buy-back programme of 3.5 per cent. There have been no buy-backs under this authorisation.

Additional Tier 1 capital

The Additional Tier 1 capital is issued by DNB Bank ASA.

Changes in additional Tier 1 capital

						DNB Group
<i>Amounts in NOK million</i>	Balance sheet 31 Dec. 2020	Redeemed 2020	Interest paid 2020	Interest accrued 2020	Exchange rate movements 2020	Balance sheet 31 Dec. 2019
Additional Tier 1 capital, nominal amount	17 995	(8 053)				26 048
Adjustments	367	(1 971)	(1 578)	1 143	2 092	681
Additional Tier 1 capital	18 362	(10 024)	(1 578)	1 143	2 092	26 729

				DNB Group
Year raised	Carrying amount in currency		Interest rate	Carrying amount in NOK
2016	NOK	1 400	3-month NIBOR + 5.25%	1 400
2016	USD	750	6.50% p.a.	6 120
2019	NOK	2 700	3-month NIBOR + 3.50%	2 700
2019	USD	850	4.875% p.a.	7 774
Total, nominal amount				17 995

NOTE 46 Remunerations etc.**Pursuant to section 7-31b of the Norwegian Accounting Act, the Board of Directors will present the following statement on remunerations to senior executives to the Annual General Meeting for voting:****Information on DNB's general remunerations scheme**

Financial institutions are required to publish information about the main principles for determining remuneration, criteria for the stipulation of any variable remuneration and quantitative information on remuneration to senior executives. The information in the Board of Directors' statement on the stipulation of salaries and other remuneration to senior executives counts as necessary information under the Financial Institutions Regulations.

The Group standard for remuneration in the DNB Group applies to the total remuneration to all employees in the DNB Group and has been approved by the Board of Directors. The standard comprises total remuneration (fixed salary, short and long-term incentives and pensions) and employee benefits (personnel insurance and other employee benefits). The purpose of the Group standard is to ensure that the Group's remuneration schemes support the Group's strategy and value base and contribute to achievement of the Group's targets, as well as complying with regulatory requirements.

According to the standard, total remuneration is to be based on a total evaluation of the performance of the Group, as well as the unit's and each individual's contributions to value creation. Total remuneration should be structured to ensure that it does not expose the Group to unwanted risk. The remuneration should be competitive, but also cost-effective for the Group.

Furthermore, the standard specifies that total remuneration is to consist of fixed salary, any supplementary pay related to the relevant position, and a variable part where appropriate. Fixed salary elements, including supplementary pay related to the position or market conditions, should correspond with the responsibilities and requirements assigned to each position, as well as its complexity, while variable remuneration should encourage increased performance and desired conduct.

Variable remuneration is based on an overall performance assessment in relation to the results achieved within defined target areas for the Group, unit and individual ('what we deliver'), as well as behaviour and target attainment related to the Group's purpose, values, Code of Conduct, compliance and leadership principles ('how we deliver'). Furthermore, it should counteract excessive risk-taking and promote sound and efficient risk management in DNB. Variable remuneration may not exceed 50 per cent of fixed salary for senior executives or 100 per cent for other risk takers. Managers of independent control functions may not receive variable remuneration.

The Group standard shall ensure that the use of variable remuneration complies with the regulatory provisions that apply to the Group's various areas of operation and geographical locations. Special rules have been adopted for variable remuneration to senior executives, employees with responsibilities which are of great importance to the company's risk exposure ('risk takers'), and employees in independent control functions.

DNB's variable remuneration scheme applies globally, although non-Norwegian branch offices and subsidiaries will also be required to comply with local legislation. In cases where Norwegian regulations deviate from local legislation, the Group will seek advice from the relevant authorities and international experts to ensure that the practice is in compliance with both Norwegian and local regulations.

Remuneration structure

Fixed salary elements should normally constitute the main part of the total remuneration and be of such a size that in some years, it can be determined that no variable remuneration will be allocated. The individual salary level is determined on the basis of the responsibilities and complexity of each position, as well as the current market level for similar positions and competence.

To ensure the necessary flexibility and to be an attractive employer in the competition for sought-after competence, supplementary pay related to the position or market conditions can be added to the agreed fixed salary.

Variable remuneration

The Board of Directors will determine overall criteria, principles and the limits for variable remuneration. Variable remuneration must be allocated on the basis of a comprehensive assessment of performance in relation to financial and non-financial targets, and should as a main rule not exceed 50 per cent of the agreed fixed salary elements. The overall remuneration structure should be of such a nature that it does not contribute to unwanted risk-taking on the part of the individual employee.

For 2020, the Board of Directors decided that target attainment related to the Group's financial ambitions for return on equity and cost/income ratio should have a weighting of 60 per cent when determining variable remuneration. In addition to the financial targets, strategy-related qualitative and quantitative targets were established, which were to be weighted by a total of 40 per cent. Factors such as compliance and behaviour in line with the Group's Code of Conduct are included in the comprehensive assessment of variable remuneration. The Group's financial target figures have been broken down into relevant targets for the various business areas and staff and support units.

Special rules for risk takers

DNB has special rules for identified risk takers, employees responsible for independent control functions and senior executives, hereafter referred to as risk takers. The special rules supplement the general Group standard for remuneration and have been formulated in compliance with the provisions of the Norwegian Financial Institutions Regulations, the Regulations to the Securities Funds Act, the Regulations to the Act on the Management of Alternative Investment Funds (the AIF Regulations), and the corresponding circular from Finanstilsynet (the Financial Supervisory Authority of Norway).

In accordance with prevailing requirements, DNB has surveyed the entire organisation to identify risk takers based on the criteria derived from the circular and the EU regulation in this area.

NOTE 46 Remunerations etc. (continued)

For risk takers, the following main principles apply to variable remuneration:

- The remuneration is earned over a period of two years.
- Variable remuneration may not exceed the agreed fixed remuneration.
- Senior executives in independent control functions will receive no variable remuneration.

For risk takers, 50 per cent of the earned variable remuneration after tax is deferred and conditional and paid in the form of DNB shares. The remuneration paid in the form of shares is subject to a minimum holding period and is released in stages over three years. The deferred and conditional payments will be in compliance with the stipulations in the Financial Institutions Regulations. During the period in which the right to the shares/instruments is conditional, a subsequent risk adjustment must be made, also relating to compliance. If the assessment shows that the original risk adjustment was incorrect, the risk taker's right to conditionally allocated shares may be wholly or partly repealed. The same applies if the allocation was found to be based on incorrect grounds or insufficient information.

Shares with a minimum holding period have a lower market value than freely negotiable shares. In order to compensate for this disadvantage, additional shares are granted corresponding to the difference in the estimated market value of freely negotiable shares and shares with the applicable holding period. The calculation is performed according to recognised methodology for such pricing and in line with Norwegian tax assessment practice.

Pensions, etc.

All employees in Norway are members of the defined-contribution pension scheme pursuant to the Norwegian Occupational Pension Act.

When the defined-benefit entitlements were replaced by defined-contribution direct pension schemes as of 1 January 2016, the pension entitlements of the senior executives, calculated on the conversion date, were estimated to correspond to the technical value of the former defined-benefit scheme. Future capital entitlements now comprise annual contributions and the return on the entitlements earned. The annual contributions are calculated individually to ensure that, based on the calculation assumptions, the defined-contribution direct pension scheme will have the same value as the former defined-benefit agreement would have given at the agreed retirement age.

Remuneration to senior executives in 2020

The Group standard for remuneration, which is decided annually by the Board of Directors at the beginning of the accrual year, has been complied with. Every year, a report on compliance with the standard is drawn up. The report is assessed by the internal auditor and is considered by the Board of Directors. The Annual General Meeting of DNB ASA in 2021 will be presented with guidelines on executive pay for a binding vote.

The Group Chief Executive Officer's remuneration is determined by the Board of Directors. The Group Chief Executive Officer determines the remuneration to senior executives in agreement with the Board of Directors.

The total remuneration to senior executives consists of fixed salary (main element), any supplementary pay related to the position, share programme (if applicable), variable remuneration, benefits in kind, and pension and insurance schemes. The total remuneration is determined on the basis of the need to offer competitive terms. The remuneration should promote the Group's competitiveness in the relevant labour market without making the Group a market leader in terms of salaries, and also promote the Group's profitability, as well as the desired income and cost development. The total remuneration should take into account DNB's reputation and ensure that DNB attracts and retains senior executives with the desired skills and experience. Taking all this into account, the Board of Directors emphasises moderation in the determination of the remuneration to senior executives.

The fixed salary and supplementary pay related to the position are subject to an annual evaluation and determined based on salary levels in the labour market in general and in the financial industry in particular.

The variable remuneration to senior executives is determined based on an overall assessment of the results achieved within defined target areas. Variable remuneration may not exceed 50 per cent of fixed salary.

Benefits in kind may be offered to senior executives to the extent that the benefits have a relevant connection to the employee's function in the Group or are in line with market practice. The benefits should not be significant relative to the employee's fixed salary.

Total remuneration of the Group Chief Executive Officer (CEO)

The CEO's total remuneration consists of fixed salary (main element), share programme, benefits in kind, variable remuneration, and pension and insurance schemes. The total remuneration is determined on the basis of an overall assessment of performance where the main element of the variable part of the remuneration is based on the Group's financial targets. In addition to the financial targets, strategic targets have been established for 2020 where, among other things, developments in the customer areas, payment area, savings area and streamlining of the organisation have been assessed. In the Board of Directors' overall assessment of the CEO's variable remuneration, emphasis is also placed on compliance with external and internal regulations, ethical guidelines and leadership principles. The total remuneration to the CEO should be competitive, but not market-leading. DNB's reputation must also be taken into account.

NOTE 46 Remunerations etc. (continued)The CEO's fixed salary

The CEO's fixed salary was adjusted by the Board of Directors and set to NOK 7 920 thousand effective from 1 January 2020. The fixed salary is subject to annual evaluation and is determined based on, among other things, salary levels in the labour market in general and in the financial industry in particular, and on remuneration levels for comparable positions.

A conditional agreement has also been entered into with the CEO, that a supplement of 30 per cent of the fixed salary is to be paid in the form of shares. This scheme was approved by the Annual General Meeting on 30 June 2020. The amount is set aside throughout the year, and the net amount after tax is to be used to purchase shares in DNB ASA, with a minimum holding period for as long as the CEO holds the position. Upon leaving this position, the shares are released in stages over a period of three years. The relationship to the Norwegian Government's guidelines on executive pay is described in note 46 of the annual report for 2019.

The CEO's variable remuneration

Variable remuneration to the CEO is determined based on an overall assessment of performance in relation to pre-defined target areas. Variable remuneration may not exceed 50 per cent of fixed salary. The CEO is not awarded any performance-based benefits other than the stated variable remuneration.

At the start of 2020, the Board of Directors decided that target attainment relating to the Group's financial ambitions for return on equity and cost/income ratio should have a total weighting of 60 per cent when determining variable remuneration. In addition to the financial targets, strategy-related qualitative and quantitative targets were established, which were to have a total weighting of 40 per cent. Factors such as compliance and behaviour in line with the Group's ethical principles (set out in the Code of Conduct) are included in the comprehensive assessment of variable remuneration. Moreover, in its comprehensive assessment, the Board of Directors takes into account factors both within and outside the Group that affect the Group's overall performance, including factors that affect target attainment relating to the financial and strategic performance criteria.

DNB's annual profit for 2020 gave a return on equity of 8.4 per cent and a cost/income ratio of 41.5 per cent. The Board of Directors decided on the CEO's performance criteria for 2020 in December 2019, before the coronavirus pandemic struck. The pandemic, unforeseen economic developments and Government measures changed the underlying basis for the Group's priorities, and by extension for the CEO's performance criteria. In March 2020, the Board of Directors defined the Group's key priorities as the safe and stable operation of activities of critical importance to Norwegian society, the health of employees, and support to customers during an acute and critical phase. At year-end, the Board of Directors carried out an overall assessment of the original performance criteria decided for 2020 and of the priorities set in March 2020. In the overall assessment, the Board of Directors also took into account adjustments to the strategic performance criteria, in line with the adjusted Group strategy adopted in the third quarter of 2020.

In the Board's opinion, the CEO and the Group have, overall, delivered in accordance with the priorities set for 2020. The CEO and DNB have handled the extraordinary situation in a good way, and have strengthened the Group's position during the course of the year. As one of the few major Nordic banking groups, DNB has shown a positive value development throughout the year, while European banks on average had a negative value development of around 25 per cent. At year-end 2020, DNB was financially in a position to deliver fully on the Group's dividend policy for both 2019 and 2020. As it did in 2019, the Board of Directors has again emphasised compliance in its assessment of variable remuneration in 2020, and the CEO's target attainment has been reduced as a result of factors relating to this.

Following an overall assessment, the Board of Directors has taken as its basis that the CEO's performance in 2020 was at the same level as in 2019, although the financial performance criteria were adversely affected by the coronavirus pandemic, and the target attainment reflects this. According to chapter 15 of the Financial Institutions Regulations, the final level of the CEO's variable remuneration is to be determined on the basis of the average of the current and previous year's target attainment. Since the CEO's target attainment was higher in 2018 than in 2019, the average target attainment in 2020 is reduced compared with that of 2019. With a target attainment of 80 per cent in both 2019 and 2020, the average target attainment is 80 per cent. The variable remuneration may not exceed 50 per cent of fixed salary, which means that an average target attainment of 80 per cent gives a variable remuneration of 40 per cent of the fixed salary.

The CEO's fixed salary forms the basis for variable remuneration. In addition to the general adjustment of the CEO's fixed salary as of 1 January 2020, the size of the variable remuneration is affected by the fact that 2020 was the CEO's first full year in the position. The calculation of the variable remuneration for 2019 was based on two different salaries, with 2/3 calculated on the basis of the fixed salary in the CEO's previous position and 1/3 calculated on the basis of the fixed salary in the position as CEO. The CEO's fixed salary increased from NOK 4 375 thousand to NOK 7 665 thousand on taking up the position of CEO on 1 September 2019.

The CEO's benefits in kind

In addition to variable remuneration, the CEO may be granted benefits in kind such as company cars newspapers/periodicals and phones/communication devices. The granting of benefits in kind must be related to the CEO's function in the Group or be in line with market practice, and should not be significant in relation to the CEO's fixed salary.

The CEO's pension scheme

The CEO is a member of the defined-contribution pension scheme pursuant to the Occupational Pension Act, on a par with all other employees in Norway. The scheme's maximum pensionable income is equivalent to 12 times the National Insurance basic amount (G).

The CEO also has a defined-contribution direct pension agreement. This agreement was continued from a previous position with equal annual earnings in NOK as before becoming CEO. The annual contribution will be adjusted in line with ordinary changes in pensionable income. After the age of 67, no further contribution will be accrued in the defined-contribution direct pension agreement. The relationship to the Norwegian Government's guidelines on executive pay is described in note 46 of the annual report for 2019.

NOTE 46 Remunerations etc. (continued)

The CEO's term of notice and termination payment rights

The CEO has a term of notice of six months. In the event of a termination of the employment initiated by the employer, the CEO is entitled to a termination payment equivalent to six months' fixed salary at the end of the term of notice. If the CEO enters into another employment relationship during the termination payment period, the termination payment must be reduced by half of the new income. Supplementary benefits are retained for a period of three months. The relationship to the Norwegian Government's guidelines on executive pay is described in note 46 of the annual report for 2019.

Changes in the Group Management team

There have been no changes in the composition of the Group Management team in 2020.

Shares, subscription rights, options etc.

An amount corresponding to 50 per cent of the earned variable remuneration of the CEO, senior executives and other risk takers is invested in shares in DNB ASA, with a minimum holding period of one year for one third of the shares, two years for another third of the shares, and three years for the remaining third of the shares.

A conditional agreement has been entered into with some members of the Group Management team, specifying that an additional 30 per cent of ordinary fixed salary is to be paid in shares. This amount is set aside throughout the year, and the net amount after tax is used to purchase shares in DNB ASA after the end of the year, with a minimum holding period for as long as the person is part of the Group Management team. After leaving this position, the shares are released in stages over a period of three years.

Other shares, subscription rights, options and other kinds of remuneration only linked to shares or the development of the share price in the company or in other companies within the same Group, are not allocated to the CEO or senior executives. The CEO and senior executives are, however, given the opportunity to participate in a share subscription scheme on the same terms as other employees in the DNB Group.

The effects on the company and the shareholders of remuneration in the form of shares, subscription rights, options, etc.

An amount corresponding to 50 per cent of the gross variable remuneration earned by the CEO, senior executives and other risk takers in 2020 is invested in shares in DNB ASA. The Board of Directors believes that the awarding of shares to senior executives, in view of the total number of shares in the company, will have no negative consequences for the company or the shareholders.

Terms for the Chair of the Board of Directors

In 2020, Olaug Svarva received a remuneration of NOK 612 thousand as Chair of the Board of Directors of DNB ASA, and a remuneration of NOK 483 thousand as Chair of the Board of Directors of DNB Bank ASA.

Terms for the Group Chief Executive Officer (CEO)

Kjerstin R. Braathen had a fixed salary of NOK 7 920 thousand in 2020, compared with NOK 7 665 thousand in 2019. In addition, Braathen received a fixed salary supplement of 30 per cent, which amounted to NOK 2 376 thousand. This amount is paid out in shares with a minimum holding period as long as she is a member of the Group Management team. The Board of Directors of DNB ASA set the CEO's variable remuneration for 2020 at NOK 3 168 thousand, compared with NOK 2 230 thousand in 2019. Variable remuneration will be paid in 2021, of which 50 per cent is deferred and conditional and paid in the form of DNB shares. The share part is divided into three with a holding period of up to three years. Benefits in kind were estimated at NOK 268 thousand, compared with NOK 213 thousand in 2019. Costs of NOK 809 thousand in connection with the CEO's pension scheme were recognised for the 2020 accounting year, compared with costs of NOK 774 thousand in 2019. The costs are divided between DNB ASA and DNB Bank ASA.

Subscription rights programme for employees

There was no subscription rights programme for employees in the DNB Group at year-end 2020.

NOTE 46 Remunerations etc. (continued)

The table has been designed to show rights earned during the period.

Remunerations etc. in 2020**DNB Group**

	Fixed annual salary as at 31 Dec. 2020 ¹⁾	Remune- ration paid in 2020 ²⁾	Paid salaries in 2020 ³⁾	Variable remune- ration earned in 2020 ⁴⁾	Fixed salary supple- ment in 2020 ⁵⁾	Benefits in kind and other benefits in 2020	Total remune- ration in 2020	Loan as at 31 Dec. 2020 ⁶⁾	Accrued pension expenses in 2020 ⁷⁾
<i>Amounts in NOK 1 000</i>									
Board of Directors of DNB ASA									
Olaug Svarva (Chair) ⁸⁾		1 096				13	1 109		
Svein Richard Brandtzæg ⁹⁾ (Vice Chair, from 30.06.20)		284					284		
Tore Olaf Rimmereid (Vice Chair, until 30.06.20) ⁹⁾		280					280	969	
Karl-Christian Agerup (until 30.06.20) ⁹⁾		235					235		
Gro Bakstad ⁹⁾		581					581		
Lillian Hattrem (from 30.06.20) ^{8) 9)}	710	476	881	24		46	1 427	3 908	124
Carl A. Løvvik (until 30.06.20) ⁸⁾	764	227	768	24		20	1 039	763	61
Jorunn Løvås (until 01.05.20)	696	173	867			39	1 079	1 938	40
Jens Petter Olsen (from 30.06.20) ⁹⁾		622					622	149	
Stian Tegler Samuelsen (from 01.05.20)	589	264	589	24		29	906	1 821	69
Jaan Ivar Semlitsch ⁸⁾		449					449		
Group Management									
Kjerstin R. Braathen, CEO	7 920		7 900	3 192	2 376	268	13 736	2 039	809
Ottar Ertzeid, CFO	6 550		7 085	2 774	1 965	62	11 885		855
Kari Bech-Moen, group EVP	2 600		2 603	1 084		82	3 769	7 739	125
Rasmus Aage Figenschou, group EVP	3 350		3 474	1 364		101	4 939	13 932	125
Mirella E. Grant, group, EVP	3 975		3 979	24		79	4 082	7 346	125
Håkon Hansen, group EVP	3 720		3 799	1 554		85	5 438	7 595	268
Ida Lerner, group EVP ¹⁰⁾	4 318		4 318	24		2 164	6 506	5	
Maria Ervik Løvdold, group EVP	3 500		3 468	1 514		115	5 097	8 360	214
Thomas Midteide, group EVP	3 375		3 502	1 374		76	4 952	1 944	280
Alexander Opstad, group EVP	6 250		6 554	2 604	1 875	162	11 195	14 800	178
Harald Serck-Hanssen, group EVP	5 100		5 202	1 974		39	7 215	3 421	1 420
Ingjerd Blekeli Spiten, group EVP	3 850		3 973	1 614		93	5 680	6 462	125
Loans to other employees								20 939 886	

1) Fixed annual salary as members of the Board of Directors or the Group Management team.

2) Includes remuneration received from all companies within the DNB Group for service on Boards of Directors and committees. Board remuneration from DNB ASA was NOK 3 750 thousand in 2020. Some persons are members of more than one body.

3) Includes salary payments for the entire year and holiday pay on variable remuneration. Some employees were members of the Board of Directors or the Group Management team for only parts of the year.

4) Variable remuneration earned in 2020, excluding holiday pay. The amount includes the Group bonus of NOK 24 thousand, which is paid according to defined allocation criteria to all permanent employees as at 31 December 2020.

5) An agreement has been entered into with some members of the Group Management team concerning a fixed salary supplement, which will be allocated for share purchases (see description earlier in the note).

6) Loans to shareholder-elected representatives are extended on ordinary customer terms. Loans to DNB employees are extended on special terms, which are close to ordinary customer terms.

7) Pension rights earned during the year (SCC). The calculation of pension entitlements is based on the same economic and actuarial assumptions as those used in note 25 Pensions.

8) Also a member of the Compensation and Organisation Committee.

9) Also a member of the Audit Committee and the Risk Management Committee.

10) Ida Lerner is on international assignment from Sweden to Norway. In accordance with DNB's international assignment policy, she has assignment-related benefits in kind, such as accommodation and children's school costs. Both her salary and benefits in kind are provided as net entitlements. The amounts have been grossed up with Norwegian taxes by an external service provider. As she is not a member of the Norwegian National Insurance Scheme, no social security contributions have been included in the gross amounts.

NOTE 46 Remunerations etc. (continued)

The table has been designed to show rights earned during the period.

Remunerations etc. in 2019
DNB Group

	Fixed annual salary as at 31 Dec. 2019 ¹⁾	Remune- ration paid in 2019 ²⁾	Paid salaries in 2019 ³⁾	Variable remune- ration earned in 2019 ⁴⁾	Fixed salary supple- ment in 2019 ⁵⁾	Benefits in kind and other benefits in 2019	Total remune- ration in 2019	Loans as at 31 Dec. 2019 ⁶⁾	Accrued pension expenses in 2019 ⁷⁾
<i>Amounts in NOK 1 000</i>									
Board of Directors of DNB ASA									
Olaug Svarva (Chair) ⁸⁾		1 060				22	1 081		
Tore Olaf Rimmereid (Vice Chair) ⁹⁾		551				1	552		
Karl-Christian Agerup ⁹⁾		399				1	400		
Gro Bakstad (from 30.04.19) ⁹⁾		515				1	516	24	
Carl A. Løvvik ⁸⁾	757	367	760	24		21	1 172	793	178
Jorunn Løvås (from 15.11.19)	696		692	24		21	737	1 993	49
Vigdis Mathisen (until 15.11.19)	841	379	769	24		27	1 199	2 580	229
Jaan Ivar Semlitsch ⁸⁾		518				1	519		
Berit Svendsen (until 30.04.19) ⁹⁾		170				1	171	10 989	
Group Management									
Kjerstin R. Braathen, CEO	7 665		5 586	2 254	767	213	8 820	19	774
Rune Bjerke, CEO (until 01.09.19)	6 070		6 285	2 124		284	8 693	9 597	4 268
Ottar Ertzeid, CFO	6 200		8 763	3 499	620	249	13 131	28	831
Kari Bech-Moen, group EVP (from 23.09.19)	2 300		1 558	424		145	2 127	9 625	123
Benedicte S. Fasmer, group EVP (until 23.09.19)	3 530		3 624	1 524		545	5 693	6 243	123
Rasmus Aage Figenschou, group EVP	3 150		3 222	1 324		223	4 769	13 351	123
Håkon Hansen, group EVP	3 425		3 347	1 454		264	5 064	8 288	263
Solveig Hellebust, group EVP (until 23.09.19)	3 325		3 443	1 399		241	5 083	20	409
Ida Lerner, group EVP ¹⁰⁾	4 076		4 076	24		1 996	6 096		
Maria Ervik Løvold, group EVP (from 23.09.19)	3 200		2 344	824		192	3 360	9 188	211
Thomas Midteide, group EVP	3 170		3 268	1 324		246	4 838	2 022	276
Alexander Opstad, group EVP (from 01.09.19)	6 000		5 911	4 024	485	163	10 583	17 721	175
Alf Otterstad, group EVP (until 23.09.19)	3 200		3 325	1 124		234	4 683	2 397	123
Harald Serck-Hanssen, group EVP	4 700		4 638	1 904		261	6 803	3 571	1 304
Ingjerd Blekeli Spiten, group EVP	3 530		3 595	1 524		256	5 375	7 210	123
Mirella E. Grant, group EVP	3 625		3 525	24		248	3 797	3 726	123
Loans to other employees								19 338 150	

1) Fixed annual salary as members of the Board of Directors or the Group Management team.

2) Includes remuneration received from all companies within the DNB Group for service on Boards of Directors and committees. Board remuneration from DNB ASA was NOK 3 332 thousand in 2019. Some persons are members of more than one body.

3) Includes salary payments for the entire year and holiday pay on variable remuneration. Some employees were members of the Board of Directors or the Group Management team for only parts of the year.

4) Variable remuneration earned in 2019, excluding holiday pay. The amount includes the Group bonus, which is paid according to defined allocation criteria to all permanent employees as at 31 December 2019. For senior executives who have changed positions during 2019, the basis for the variable remuneration is calculated pro rata for the old and the new position.

5) An agreement has been entered into with some members of the Group Management team concerning a fixed salary supplement, which will be allocated for share purchases (see description earlier in the note).

6) Loans to shareholder-elected representatives are extended on ordinary customer terms. Loans to DNB employees are extended on special terms, which are close to ordinary customer terms.

7) Pension rights earned during the year (SCC). The calculation of pension entitlements is based on the same economic and actuarial assumptions as those used in note 25 Pensions.

8) Also a member of the Compensation and Organisation Committee.

9) Also a member of the Audit Committee and the Risk Management Committee.

10) Ida Lerner is on international assignment from Sweden to Norway. In accordance with DNB's international assignment policy, she has assignment-related benefits in kind, such as accommodation and children's school costs. Both her salary and benefits in kind are provided as net entitlements. The amounts have been grossed up with Norwegian taxes by an external service provider. As she is not a member of the Norwegian National Insurance Scheme, no social security contributions have been included in the gross amounts.

NOTE 46 Remunerations etc. (continued)

Remuneration to the statutory auditor <i>Amounts in NOK 1 000, excluding VAT</i>	DNB ASA		DNB Group	
	2020	2019	2020	2019
Statutory audit ¹⁾	(618)	(605)	(35 770)	(30 434)
Other certification services	(64)		(8 916)	(5 693)
Tax-related advice ²⁾			(6 675)	(7 228)
Other services			(3 176)	(2 173)
Total remuneration to the statutory auditor	(682)	(605)	(54 538)	(45 528)

1) Includes fees for interim audit.

2) Mainly refers to tax-related advice to employees on international assignments.

NOTE 47 Information on related parties

The largest owner of the DNB Group is the Norwegian government, represented by the Ministry of Trade, Industry and fisheries, which owns and controls 34 per cent of the shares in the parent company DNB ASA. See note 49 largest shareholders.

A large number of bank transactions are entered into with related parties as part of ordinary business transactions, comprising loans, deposits and foreign exchange transactions. These transactions are based on market terms. The table below shows transactions with related parties, including balance sheets at year-end and related expenses and income for the year. Related companies are associated companies plus DNB Savings Bank Foundation. See note 36 for a specification of associated companies. Loans to board members and their spouses/partners and under-age children are extended on ordinary customer terms. Loans to group management, like loans to other group employees, are extended on special terms, which are close to ordinary customer terms.

Transactions with related parties

<i>Amounts in NOK million</i>	Group management and Board of Directors		DNB Group	
	2020	2019	2020	2019
Loans as at 1 January	106	105	696	21 977
New loans/repayments during the year	(13)	(15)	(159)	(254)
Changes in related parties	(8)	17		(21 026)
Loans as at 31 December	86	106	537	696
Interest income	2	3	12	8
Deposits as at 1 January	96	118	1 802	1 340
Deposits/withdrawals during the year	1	(6)	601	150
Changes in related parties	1	(16)		312
Deposits as at 31 December	98	96	2 403	1 802
Interest expenses	(0)	(1)	(2)	(17)
Guarantees ¹⁾			879	1 462

1) DNB Bank ASA had issued guarantees for other loans in Eksportfinans. The total guarantee commitment is included in the table above.

No impairments were made on loans to related parties in 2019 and 2020. Reference is made to note 46 for information on loans to group management members and directors. Transactions with deputy members of the Board of Directors are not included in the table above. In general, DNB employee loans should be paid by automatic debit in monthly instalments in arrears. Employee loans are within the term limits applying to general customer relationships. Security is furnished for employee loans in accordance with legal requirements.

NOTE 48 Earnings per share

	DNB Group	
	2020	2019
Profit for the year (NOK million)	19 840	25 721
Profit attributable to shareholders (NOK million)	18 712	24 603
Profit attributable to shareholders excluding operations held for sale (NOK million)	18 491	24 652
Profit from operations and non-current assets held for sale, after taxes	221	(49)
Issued shares opening balance (in 1 000)	1 580 301	1 604 367
Average number of cancelled shares (in 1 000)	17 463	16 685
Average number of own shares (in 1 000)	8 299	4 682
Average number of outstanding shares (in 1 000)	1 554 540	1 582 999
Average number of outstanding shares, fully diluted (in 1 000)	1 554 540	1 582 999
Earnings/diluted earnings per share (NOK)	12.04	15.54
Earnings/diluted earnings per share excluding operations held for sale (NOK)	11.89	15.57
Earnings/diluted earnings per share, operations held for sale (NOK)	0.14	(0.03)

The main purpose of the financial ratio earnings per share is to show the return for the Group's ordinary shareholders. Accumulated interest for the period, which will be paid to those investing in the additional Tier 1 capital instruments, has therefore been deducted from Profit for the period in the calculation of the period's earnings per share.

NOTE 49 Largest shareholders

Shareholder structure in DNB ASA as at 31 December 2020	Shares in 1 000	Ownership in per cent
Norwegian Government/Ministry of Trade, Industry and Fisheries	527 124	34.0
DNB Savings Bank Foundation	130 001	8.4
Folketrygdfondet	105 091	6.8
Capital Research Global Investors	37 227	2.4
Capital World Investors	36 472	2.4
The Vanguard Group	32 707	2.1
DWS Investment	29 489	1.9
Schroder Investment Management	29 416	1.9
BlackRock	27 496	1.8
Storebrand Kapitalforvaltning	19 516	1.3
Davis Selected Advisers	19 040	1.2
DNB Asset Management	18 645	1.2
T. Rowe Price	17 048	1.1
KLP Forsikring	16 010	1.0
Fidelity	15 929	1.0
Nordea Funds	12 681	0.8
APG Asset Management	11 608	0.7
Polaris Capital Management	11 444	0.7
State Street Global Advisors	10 551	0.7
Danske Invest Asset Management	10 535	0.7
Total largest shareholders	1 118 032	72.1
Other shareholders	432 333	27.9
Total	1 550 365	100.0

The owners of shares in nominee accounts are determined on the basis of third-party analyses.

NOTE 50 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.

In 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 Council filed a group action to pursue compensation from DNB Asset Management for charging high fees for active management while actually tracking an index. The original claim amounted to NOK 690 million. The Oslo District Court rejected the claim in 2018 and DNB Asset Management was held not liable. However, the Borgarting Court of Appeal ruling in 2019 and the Norwegian Supreme Court ruling at end-February 2020 found in favour of the Norwegian Consumer Council. DNB Asset Management was sentenced to pay approximately NOK 350 million. A provision of NOK 200 million was recognised in the second quarter of 2019, and the remaining claim was recognised in the first quarter of 2020, presented as operational losses/operating expenses in DNB Asset Management's accounts.

In December, DNB received a preliminary report from Finanstilsynet following an ordinary AML inspection in February 2020. According to the report, DNB had not been complicit in money laundering, but Finanstilsynet criticised the bank for inadequate compliance with the Norwegian Anti-Money Laundering Act. On the basis of this criticism, Finanstilsynet wrote in a preliminary report that it is considering imposing an administrative fine of NOK 400 million on the bank. This constitutes about 7 per cent of the maximum amount Finanstilsynet is at liberty to impose, and 0.7 per cent of DNB's annual turnover. The maximum administrative fine it is possible to impose corresponds to 10 per cent of a company's annual turnover. A provision of NOK 400 million has been booked in the fourth quarter of 2020.

DNB ASA

Income statement

		DNB ASA	
<i>Amounts in NOK million</i>	Note	2020	2019
Interest income, amortised cost		19	82
Interest expenses, amortised cost		(471)	(547)
Net interest income		(452)	(466)
Commissions and fees payable etc.		(5)	(5)
Other income	2	(10 855)	26 984
Net other operating income		(10 860)	26 978
Total income		(11 312)	26 513
Salaries and other personnel expenses			(0)
Other expenses		(271)	(294)
Total operating expenses		(271)	(295)
Net gain on the sale of fixed and intangible assets			2 237
Pre-tax operating profit		(11 583)	28 455
Tax expense	4	(0)	
Profit/comprehensive income for the year		(11 584)	28 455
Earnings/diluted earnings per share (NOK)		(7.45)	17.98
Earnings per share excluding operations held for sale (NOK)		(7.45)	17.98

Balance sheet

		DNB ASA	
<i>Amounts in NOK million</i>	Note	31 Dec. 2020	31 Dec. 2019
Assets			
Due from DNB Bank ASA	6	1 779	4 572
Investments in associated companies		6 714	4 725
Investments in group companies	5	74 163	74 059
Receivables due from group companies	6	13 820	26 981
Other assets		1	
Total assets		96 477	110 337
Liabilities and equity			
Short-term amounts due to DNB Bank ASA	6	9	17
Other liabilities and provisions	2	13 023	14 035
Long-term amounts due to DNB Bank ASA	6	23 587	22 617
Total liabilities		36 619	36 669
Share capital		15 504	15 706
Share premium		22 556	22 556
Other equity		21 798	35 406
Total equity		59 858	73 668
Total liabilities and equity		96 477	110 337

Statement of changes in equity

<i>Amounts in NOK million</i>	DNB ASA			
	Share capital	Share premium	Other equity	Total equity
Balance sheet as at 31 December 2018	15 944	22 556	24 525	63 025
Profit for the period			28 455	28 455
Repurchase under share buy-back programme	(238)		(3 540)	(3 778)
Dividends for 2019 (NOK 9.00 proposed per share)			(14 035)	(14 035)
Balance sheet as at 31 December 2019	15 706	22 556	35 406	73 668
Profit for the period			(11 584)	(11 584)
Repurchase under share buy-back programme	(202)		(3 036)	(3 238)
Adjustment of 2019 dividend to NOK 8.40 per share			1 012	1 012
Balance sheet as at 31 December 2020	15 504	22 556	21 798	59 858

Share premium and Other equity can be used in accordance with stipulations in the Public Limited Companies Act.

The share capital of DNB ASA at 31 December 2020 was NOK 15 503 650 210 divided into 1 550 365 021 shares, each with a nominal value of NOK 10.

Cash flow statement

<i>Amounts in NOK million</i>	DNB ASA	
	2020	2019
Operating activities		
Net interest payment to subsidiaries	(461)	(460)
Payments to operations	(338)	(300)
Taxes paid	(1)	
Net cash flow from operating activities	(800)	(760)
Investing activities		
Net payments on long-term investments in shares	(843)	(1 827)
Net cash flow from investing activities	(843)	(1 827)
Financing activities		
Group contributions from subsidiaries	1 088	12 585
Dividend payments		(13 073)
Repurchased shares	(3 238)	(3 778)
Net receipts on loans from other companies	1 000	2 500
Net cash flow from financing activities	(1 150)	(1 766)
Net cash flow	(2 793)	(4 353)
Cash as at 1 January	4 572	8 925
Net receipts/payments of cash	(2 793)	(4 353)
Cash as at 31 December	1 779	4 572

NOTE 1 Accounting principles

Basis for preparation

DNB ASA is the parent company in the DNB Group. DNB ASA has prepared its financial statement according to the Norwegian Ministry of Finance's regulations on annual accounts, which implies that recognition and measurements are in accordance with IFRS. The only exception is that the regulations on annual accounts also give permission to recognise provisions for dividends and group contributions in subsidiaries as income and record the Board of Directors' proposed dividends and group contributions as liabilities on the balance sheet date. According to IFRS, dividends should be classified as equity until approved by the general meeting.

Ownership interests in group companies

Subsidiaries are defined as companies in which DNB ASA, directly or indirectly, has control. Control over an entity is evidenced by DNB ASA's ability to exercise its power in order to affect any variable return that the company is exposed to through its involvement in the entity.

Where voting rights are relevant, DNB ASA is deemed to have control where it holds, directly or indirectly, more than half of the voting rights over an entity, unless DNB ASA through agreements does not have corresponding voting rights in relevant decision-making bodies. For more information see note 5 Investments in subsidiaries as at 31 December 2020.

In the financial statement of DNB ASA, investments in subsidiaries are recognised at cost. At the end of each reporting period the company assess whether any indication of impairment exists. If such indication exists, the investment is tested for impairment.

Transactions with group companies

Transactions with subsidiaries are conducted in accordance with general business conditions and principles.

Dividends and group contributions

Dividends and group contributions from group companies are recognised in DNB ASA in the same year as provisions are made in the relevant companies. Group contributions received are classified as dividends when considered to represent return on invested capital. The Board of Directors proposed dividends and group contributions are recognised as liabilities on the balance sheet date. Provision for dividends is presented within Other liabilities and provisions in the balance sheet.

Taxes

Taxes for the year comprise payable taxes for the financial year and changes in the value of deferred taxes and deferred tax assets.

Deferred taxes are calculated on the basis of differences between the profits stated in the income statement and the profits computed for tax purposes, which will be offset in the future. Evaluations are based on the balance sheet and tax position on the balance sheet date. Taxable and tax-deductible timing differences will be netted against each other within the same time interval. Deferred tax assets can be recognised as assets in the balance sheet when it is considered probable that the tax-deductible timing differences may be realised.

NOTE 2 Dividends/group contributions from subsidiaries

		DNB ASA
<i>Amounts in NOK million</i>	2020	2019
Group contributions/dividends received from:		
DNB Bank ASA	(11 223)	25 190
DNB Livsforsikring AS	(1 341)	1 341
DNB Asset Management Holding AS	491	450
Total group contributions/dividends from subsidiaries	(12 073)	26 981

		DNB ASA
<i>Amounts in NOK million</i>	2020	2019
Proposed dividends per share (NOK)		9.00
Share dividend		14 035
Transfers to other equity	(11 584)	14 420
Total allocations	(11 584)	28 455

In 2019, DNB ASA recognised NOK 26 984 million as other income, mainly due to the proposed dividend from DNB Bank ASA at year-end 2019 of NOK 24 428 million. Due to the outbreak of the coronavirus pandemic and an uncertain economic outlook, the decision on dividends for 2019 and the payment of these were postponed. The Board of Directors was authorised by an extraordinary general meeting in November 2020 to consider this more closely on the basis of the recommendation from the authorities. In January 2021, the Norwegian Ministry of Finance conveyed an expectation that the banks' total distribution of dividends must be kept within 30 per cent of the accumulated profit for the years 2019 and 2020, until September 2021. In light of this, the Board of Directors in DNB ASA has decided to pay a dividend of NOK 13 023 million (NOK 8.40 per share) for 2019. The distribution took place in March 2021. In addition, the Board of Directors in DNB Bank ASA has decided to pay a dividend of NOK 12 478 million to DNB ASA. This distribution took place in February 2021.

In addition, the dividend recognised in 2019 from DNB Livsforsikring AS has been reversed in full, and the dividend from DNB Asset Management Holding AS has been reduced. A non-cash distribution of NOK 1 250 million from DNB Livsforsikring AS was received in the first quarter of 2020, related to the second part of the Fremtind Forsikring AS merger. This amount, net after costs associated with an option, is included in other income, but not in the table above.

The Board of Directors in DNB ASA will ask the Annual General Meeting in April 2021 for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020, for distribution after September 2021, or when the economic outlook suggests that it is possible to do so. The Board of Directors in DNB Bank ASA will ask for the same authorisation. Dividend for 2020 has not been recognised in the accounts.

Due to this, other income in DNB ASA had a net reversal of NOK 10 855 million in 2020, mainly due to the reduction of dividends for 2019 from DNB Bank ASA.

NOTE 3 Remunerations etc.

All employees in DNB ASA are also employed in one of the subsidiaries of the Group. DNB ASA is assigned personnel expenses and other administrative expenses related to the Group Management team, based on use and in accordance with the Group's distribution principles, which are relevant to the overall management of the DNB Group.

See note 46 for the DNB Group for further details on remunerations etc. See also note 7 for DNB ASA, specifying shares in DNB ASA owned by senior executives and members of governing bodies.

NOTE 4 Taxes

	DNB ASA	
Amounts in NOK million	2020	2019
Tax base		
Pre-tax operating profit in DNB ASA	(11 583)	28 455
Tax-exempt income, group contribution	12 800	(26 218)
Other tax-exempt income and non-deductible expenses	(1 216)	(2 237)
Tax base for the year	1	
Tax expense		
Payable taxes	(0)	
Tax expense	(0)	

The effective tax rate in 2020 and 2019 was 0 per cent. The difference between the effective tax rate and the nominal tax rate is due to the receipt of tax-exempt group contributions and other tax-exempt income.

NOTE 5 Investments in subsidiaries as at 31 December 2020¹⁾

				Ownership	DNB ASA
Amounts in 1 000		Share	Number	share in	Carrying
Values in NOK unless otherwise indicated		capital	of shares	per cent	amount
DNB Bank		19 379 563	1 550 365 021	100	53 998 080
DNB Capital ²⁾				100	
DNB Invest Denmark	DKK	877 579	877 578 841	100	
DNB Bank Polska	PLN	1 257 200	1 257 200 000	100	
DNB Asia ³⁾	SGD	20 000	20 000 000	100	
DNB Asia ³⁾	USD	38 226	150 000 000	100	
DNB Baltic Invest	EUR	5 000	1 000	100	
DNB Boligkreditt		5 257 000	52 570 000	100	
DNB Eiendom		10 003	100 033	100	
DNB Eiendomsutvikling		91 200	91 200 000	100	
DNB Luxembourg	EUR	70 000	70 000	100	
DNB Markets Inc.	USD	1	1 000	100	
DNB Næringsmegling		1 000	10 000	100	
DNB Sweden	SEK	100 000	100 000 000	100	
DNB (UK) Limited	GBP	1 154 200	1 154 200 000	100	
DNB Asset Management Holding		274 842	220 050	100	2 182 107
DNB Asset Management		109 680	548 402	100	
DNB Asset Management	SEK	3 921	39 206	100	
DNB Asset Management	EUR	425	5 000	100	
DNB Livsforsikring		1 641 466	64 827 288	100	17 982 795
DNB Eiendomsholding		57 110	1	100	
DNB Bedriftspensjon		28 500	250 000	100	
DNB Næringsseiendom		1 020	20 000	100	
Total investments in subsidiaries					74 162 982

1) Major subsidiaries and sub-subsidiaries in the DNB Group.

2) DNB Capital LLC, a limited liability company, has paid-in capital of USD 2.4 billion.

3) DNB Asia Ltd has part of its share capital denominated in SGD (due to local requirements) and a part of its share capital denominated in USD.

NOTE 6 Loans and deposits with other DNB Group companies

Transactions with other DNB Group companies		DNB ASA	
<i>Amounts in NOK million</i>		31 Dec. 2020	31 Dec. 2019
Receiveables DNB Group companies			
Deposits with DNB Bank ASA		1 779	4 572
Group contributions		13 820	26 981
Liabilities DNB Group companies			
Receivables due from DNB Bank ASA		23 596	22 635

All transactions with related parties are based on market terms.

NOTE 7 Shares in DNB ASA held by the Board of Directors and senior executives

	Number of shares allotted in 2020 ¹⁾	Number of shares 31 Dec. 2020
Board of Directors of DNB ASA		
Olaug Svarva, chair		14 500
Svein Richard Brandtzæg, vice chair		556
Gro Bakstad		4 000
Lillian Hattrem		1 178
Jens Petter Olsen		3 070
Stian Tegler Samuelsen		791
Jaan Ivar Semlitsch		25 200
Senior executives as at 31 December 2020		
Kjerstin R. Braathen, CEO	7 506	48 076
Ottar Ertzeid, CFO	9 602	275 219
Kari Bech-Moen, group EVP	1 005	2 096
Rasmus Figenschou, group EVP	3 268	14 453
Mirella E. Grant, CCO		1 475
Håkon Hansen, group EVP	3 595	19 602
Ida Lerner, CRO		6 672
Maria Ervik Løvold, EVP	2 011	4 450
Thomas Midteide, group EVP	3 026	27 177
Alexander Opstad, group EVP	10 754	27 812
Harald Serck-Hanssen, group EVP	4 726	46 667
Ingjerd Blekeli Spiten, group EVP	3 771	11 037
Group Audit		
Tor Steinfeldt-Foss, group EVP		

1) Including fixed salary shares. See note 46 Remunerations etc. for more information.

The figures also include shares held by the immediate family and companies in which the shareholder has such influence as stated in Section 7-26 of the Norwegian Accounting Act. The statutory auditor owns no shares in DNB ASA.

Oslo, 10 March 2021
The Board of Directors of DNB ASA



Olaug Svarva
(Chair of the Board)



Svein Richard Brandtzæg
(Vice Chair of the Board)



Gro Bakstad



Lillian Hattrem



Jens Petter Olsen



Stian Tegler Samuelsen



Jaan Ivar Semlitsch



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

Statement pursuant to section 5-5 of the Securities Trading Act

We hereby confirm that the annual accounts for the Group and the company for 2020 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company taken as a whole.

The Directors' report gives a true and fair view of the development and performance of the business and the position of the Group and the company, as well as a description of the principal risks and uncertainties facing the Group.

Oslo, 10 March 2021
The Board of Directors of DNB ASA



Olaug Svarva
(Chair of the Board)



Svein Richard Brandtzæg
(Vice Chair of the Board)



Gro Bakstad



Lillian Hattrem



Jens Petter Olsen



Stian Tegler Samuelsen



Jaan Ivar Semlitsch



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



Ottar Ertzeid
(Group Chief Financial Officer, CFO)



Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of DNB ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DNB ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement, cash flow statement and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2020, the income statement, comprehensive income statement, cash flow statement and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- > the financial statements are prepared in accordance with the law and regulations;
- > the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- > the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material



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misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment of loans and financial commitments

Loans to customers represent NOK 1 693 811 million (58 per cent) of total assets for the Group as at 31 December 2020. Financial commitments amount to NOK 699 937 million as at 31 December 2020. Total expected credit losses (ECL) on loans to customers and financial commitments amount to NOK 15 469 million, of which NOK 2 829 million is based on model calculations (stages 1 and 2) and NOK 12 640 million is based on individual assessments (stage 3).

In respect of the ECL calculation, IFRS 9 requires models, but does not prescribe a specific approach, thus requiring management to use judgement to obtain an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes. In addition, the measurement of ECL shall reflect the time value of money and reasonable and supportable information about past events, current conditions and forecasts of economic expectations as well as criteria for significant increases in credit risk at engagement or portfolio level. To calculate the provision the Group is required to make estimates and assumptions, including the probability of default, exposure at default, loss given default and forecasts of economic development. Loans subject to individual assessments (stage 3) require judgement about various assumptions, including the expected future cash flows and the value of underlying collateral. Due to the use of judgement in applying the ECL measurement criteria of IFRS 9, the complexity of the calculation and the effect on estimates, we consider ECL a key audit matter.

We assessed the Group's methodology applied for calculating ECL including the criteria for determining significant increases in credit risk. We assessed the design and tested the effectiveness of controls related to assumptions, input and calculation of ECL. We also tested IT general controls over access and change management for related IT-systems. We involved specialists on our team and assessed management's internal validation of the ECL models. We evaluated the model structure, logic and back testing results as well as management's assessments of macroeconomic data used to create forward looking estimates applied in the ECL models to derive probability of default and loss given default, including parameters and conclusions from management's expert credit judgement forum. We assessed the completeness of the identification of exposures with significant increase in credit risk. For a sample of engagements subject to individual assessment by management (stage 3), we evaluated the assumptions applied to determine the expected credit losses, including expected future cash flows and valuation of underlying collateral. Due to the ongoing pandemic, we had increased focus on the uncertainty in the estimates of future cash flows and values of collateral for companies in segments that have been significantly affected by COVID-19.

Furthermore, we assessed the adequacy of the disclosures in the financial statements related to IFRS 9 and ECL, and refer to note 4, 5, 6, 7, 8, 9, 10 and 11 in the consolidated financial statements.

Valuation of Financial Instruments

Unlisted or illiquid financial instruments measured at fair value are valued based on models that use assumptions that are not observable in the market place. The valuation of these instruments therefore have a higher risk of errors. Such instruments comprise assets of NOK 68 319 million and liabilities of NOK 1 513 million measured at fair value in the consolidated balance sheet and classified as level 3 instruments



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within the fair value hierarchy. Due to the materiality of the unlisted or illiquid instruments, and the increased risk of errors, we considered the valuation of these instruments a key audit matter.

We assessed the design and tested the operating effectiveness of internal controls over the valuation process including management's determination and approval of assumptions and methodologies used in model-based calculations as well as management's review of valuations provided by internal experts. We also assessed pricing model methodologies against industry practice and valuation guidelines. We performed independent valuations for selected instruments and used external source data where available, and compared results of our valuations to the Group's valuations.

Level 3 instruments which are presented at fair value on the balance sheet are disclosed in note 29 in the consolidated financial statements.

IT environment supporting financial reporting

The Group has a complex and automated IT environment and is dependent on IT processes for reporting of financial information. To ensure complete and accurate processing and reporting of financial data it is important that controls over appropriate access rights and system changes are designed and operate effectively. Also, controls over transaction processing need to be designed and operate effectively. The operation of the IT environment is largely outsourced to various service providers. The IT environment supporting the financial reporting process is considered a Key Audit Matter as the IT environment is critical to ensure accurate, complete and reliable financial reporting.

We obtained an understanding of the Group's IT environment, including outsourced services and controls related to financial reporting. We tested IT general controls over access management, change management and IT operations. Further we tested automated controls in the IT environment supporting financial reporting. For IT systems outsourced to service providers we evaluated third party attestation reports (ISAE 3402 reports) and assessed and tested the effectiveness of the controls. We involved specialists on our team in the understanding the IT environment and in assessing and testing the operative effectiveness of controls.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Group Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally



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accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- > identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - > obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
 - > evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - > conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
 - > evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
 - > obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
- We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Statsautoriserte revisorer
Ernst & Young AS

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 10 March 2021
Ernst & Young AS

Anders Gøbel
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)



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To the Board of Directors of DNB ASA

Independent accountant's assurance report on DNB ASAs reporting on corporate responsibility 2020

We have undertaken a limited assurance engagement of the DNB ASA's reporting on corporate responsibility for the period from 1 January 2020 to 31 December 2020. This comprise a review of DNB ASA's 15 most material corporate responsibility aspects, presented in the company's materiality matrix for corporate responsibility and is shown in the company's overview of reporting on GRI indicators (see the document GRI Index 2020 under Reporting 2020 on <https://www.dnb.no/en/about-us/csr/sustainability-library>) (the "Reporting on corporate responsibility").

Criteria applied by DNB ASA

In preparing the Reporting on corporate responsibility, DNB ASA applied relevant criteria from the Global Reporting Initiative (GRI) sustainability reporting standards, "Core" option. The Criteria can be accessed at globalreporting.org and are available to the public. Such Criteria were specifically designed for companies and other organizations that want to report their sustainability impacts in a consistent and credible way. As a result, the subject matter information may not be suitable for another purpose. We consider these reporting criteria to be relevant and appropriate to review the Reporting on corporate responsibility.

DNB ASA's responsibility

The Board of Directors and Group Chief Executive Officer (management) are responsible for the selecting the Criteria, and for presenting the Reporting on corporate responsibility in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the of Reporting on corporate responsibility, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Reporting on corporate responsibility based on the evidence we have obtained.

Our engagement was conducted in accordance with the International Standard for Assurance Engagements on Assurance Engagements Other than Audits or Reviews of Historical Financial Information ('ISAE 3000'). This standard requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Reporting on corporate responsibility is presented in accordance with the Criteria, and to issue a limited assurance report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and



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procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

The engagement consists of making enquiries, primarily of persons responsible for preparing the Reporting on corporate responsibility and related information and applying analytical and other relevant procedures.

Our procedures included:

- > Review of DNB ASA's process for preparation and presentation of the Reporting on corporate responsibility to develop an understanding of how corporate responsibility is ensured in practice within the business
- > Interviewed those in charge of Reporting on corporate responsibility to develop an understanding of the process for the preparation of the Reporting on corporate responsibility
- > Verified on a sample basis the information in the Reporting on corporate responsibility against source data and other information prepared by DNB ASA
- > Assessed the overall presentation of Reporting on corporate responsibility against the criteria in the GRI Standards including a review of the consistency of information against the GRI index.

We believe that our procedures provide us with an adequate basis for our conclusion.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to Reporting on corporate responsibility for 2020, in order for the Reporting on corporate responsibility to be in accordance with the Criteria.

Oslo, 10. March 2021
Ernst & Young AS

Anders Gøbel
State Authorised Public Accountant

(This translation from Norwegian has been made for information purposes only.)

Independent auditor's report – DNB ASA
A member firm of Ernst & Young Global Limited

Financial calendar 2021

Distribution of dividends for 2019	from 4 March
Annual General Meeting	27 April
First quarter	29 April
Second quarter	13 July
Third quarter	21 October



Annual General Meeting

The Annual General Meeting will be held digitally on 27 April 2021 at 15:00. Information on how to register attendance and items on the agenda can be found at dnb.no/en/agm.

Shareholders registered as owners in DNB ASA with the Norwegian Central Securities Depository, VPS, may opt to receive annual reports and the notice of the Annual General Meeting electronically. For more information about Investor Account Services, please contact your VPS registrar. Shareholders with VPS accounts in DNB who do not wish to receive notices by ordinary post and who do not have access to DNB's internet bank, may register at dnb.no/en/investor-account-services. Select 'New user sign-up'. Shareholders who have access to DNB's internet bank can go to the 'Savings & investments' menu. Select 'Investor account services' and follow the procedure described on the page. Customers with BankID may also log in via vps.no.

Cautionary statement regarding forward-looking statements

This report contains statements regarding the future prospects of DNB, including estimates, strategies and objectives. The risks and uncertainties inherent in all forward-looking statements can lead to actual developments and profits differing materially from what has been expressed or implied.

The Group's annual report has been approved by the Board of Directors in the original Norwegian version. This is an English translation.

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Colophon

DNB's annual report 2020 has been produced by Group Financial Reporting and Public Affairs & Sustainability.

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So you can stay ahead.**

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DNB Group

Sustainability Factbook 2020

DNB



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DNB's Sustainability
Factbook 2020 is produced
by DNB Public Affairs &
Sustainability

Translation: Marianne Perkins
and Kristin Dobinson, DNB

Design: HyperRedink

Sustainability Factbook

This part of the 2020 annual report is a supplement to the strategic section (pages 31–94), and provides a more quantitative overview of the topics that are most important for DNB's ability to achieve long-term value creation. The Factbook is based on the materiality analysis, which was completed in 2018 and shows the topics that are strategically important for the bank's long-term value creation, seen in the context of the expectations of our various stakeholders. We use this analysis as a tool to help us identify the areas where we can make the greatest difference in society and that also support our strategy. The materiality analysis was assessed in 2020 in light of market developments and developments in society in general, as well as the Group's updated strategy. A new and comprehensive update of the materiality analysis is planned for the spring of 2021.

The materiality analysis also forms the basis for the four overarching topics and associated Group ambitions that set the direction for DNB's work in the area of sustainability.

Together with the description of the topics in the strategic report, the Factbook constitutes DNB's sustainability reporting in accordance with the GRI Standards, and has been verified by the bank's statutory auditor.

Materiality matrix

Importance to DNB's stakeholders		<ul style="list-style-type: none">→ Open and ethical business management→ Pricing of products and services→ Equality and diversity	<ul style="list-style-type: none">→ Preventing financial crime and corruption→ Information security and stable IT systems/ financial infrastructure→ Privacy protection→ Responsible lending and investment→ Innovative business model and product development→ View risks and opportunities in a long-term perspective→ User-friendly products and services
		<ul style="list-style-type: none">→ Working conditions→ Responsible purchasing→ Helping startups succeed→ Financial literacy	<ul style="list-style-type: none">→ Restructuring and skills enhancement
		<p><i>The topics that ended at the bottom and at the far left have been taken out of the matrix. The topics that remain in the matrix are considered the most material and shall be reported in acc. with GRI.</i></p>	

Impact on DNB's long-term value creation

View risks and opportunities in a long-term perspective



What does it mean/why is it important?

The ability to balance risks and opportunities over time is essential to maintain our business operations, and is followed up through DNB's governance system. DNB must consider long-term risks and opportunities, not just short-term gains. We do this by, for instance, incorporating long-term trends and challenges into risk appetite, risk reporting, management and capital allocation. Sustainability considerations (ESG factors) have become an integral part of DNB's risk and opportunity scenario.

Status 2020

- An ESG assessment is integrated into the process of granting all corporate loans above NOK 8 million.
- We continued our efforts to further develop the ESG risk assessment tool, and developed industry-specific risk assessment tools for corporate customers within oil and gas, shipping, commercial real estate, and building and construction.
- Climate risk is a point of discussion in all customer dialogues, and climate risk assessment requirements are integrated into DNB's credit risk framework.
- We completed phase 2 of the TCFD UNEP FI pilot. We gave priority to more in-depth analyses of climate risk in the oil and gas sector. The analysis showed a moderate to low risk until 2030.
- We conducted both initial qualitative and quantitative climate risk analyses for the sectors shipping, renewable energy, commercial real estate and building and construction.
- CDP gave us the top grade, A, for our climate efforts for the fourth year in a row.

Responsible area:

Group Risk Management

Governing documents:

Corporate governance in DNB, Group policy for financial management (and reporting)

Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Target (if relevant)	Comments
Incentive structure for DNB's Group Management	n . a	n . a	n . a		For information on incentive structures, see note 46 to the annual accounts.
CDP score	A	A	A	A	

Responsible lending and investment

Responsible lending to corporate customers



What does it mean/why is it important?

We integrate sustainability and corporate responsibility into our lending activities because it is through these activities that DNB has the greatest impact on society, climate issues and the environment. This is also part of sound risk management. Our long-term profitability is dependent on our customers integrating sustainability into their strategic choices. We see that our customers both want to, and have to, invest in sustainability in order to streamline their operations, save costs, meet their stakeholders' expectations, gain access to capital and exploit new business opportunities – in short, to be competitive. This represents opportunities for profitable and sustainable growth for DNB. By requiring our customers to be responsible, we can both contribute to societal development and reduce our customers' risk, as well as our own.

Status 2020

- An ESG assessment has been integrated into the process of granting all corporate loans above NOK 8 million.
- We updated our framework for sustainable products (the Sustainable Product Framework) and paid out NOK 7.4 billion distributed across 14 loans to sustainable companies.
- We expanded the assessments we make concerning ESG risk in our credit decisions, and developed industry-specific risk assessment tools for the oil and gas, shipping, commercial real estate, and building and construction sectors.
- We completed phase 2 of the UNEP FI's TCFD pilot for the oil and gas sector, and conducted both initial qualitative and quantitative climate risk analysis for the sectors shipping, renewable energy, commercial real estate, and building and construction.
- Renewable energy: In 2020, we contributed NOK 72.5 to the financing of renewable energy and infrastructure.
- Green property: In 2020, we contributed more than NOK 7.0 billion to the financing of green property development.
- Responsible Ship Recycling Standard: In 2020, we met our objective of ensuring that all of our loan agreements include clauses on responsible ship recycling. The ambition was continued and expanded to include new offshore loans.
- We completed the first report on the climate-related alignment of DNB's shipping portfolio in accordance with the Poseidon Principles. Our portfolio is close to the average of the reporting banks, and 2.5 per cent above the ideal curve that supports the climate targets of the International Maritime Organization.

Responsible area:
Corporate Banking

Governing documents:
Group standard for corporate responsibility in DNB ASA's credit activities

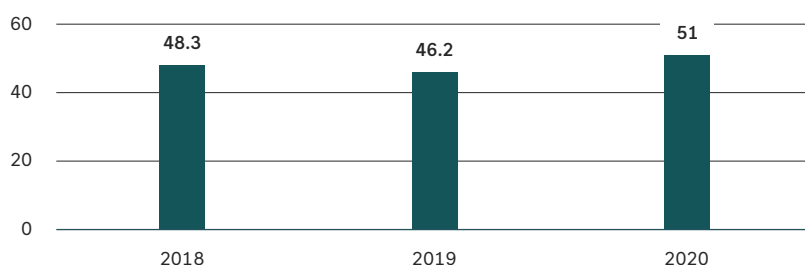
Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Comments
GRI FS8 ESG Products and services	48.3	46.2	51	Direct loans to renewable energy (solar, wind and hydropower) in NOK billion
Number of new equator projects	1	3	7	

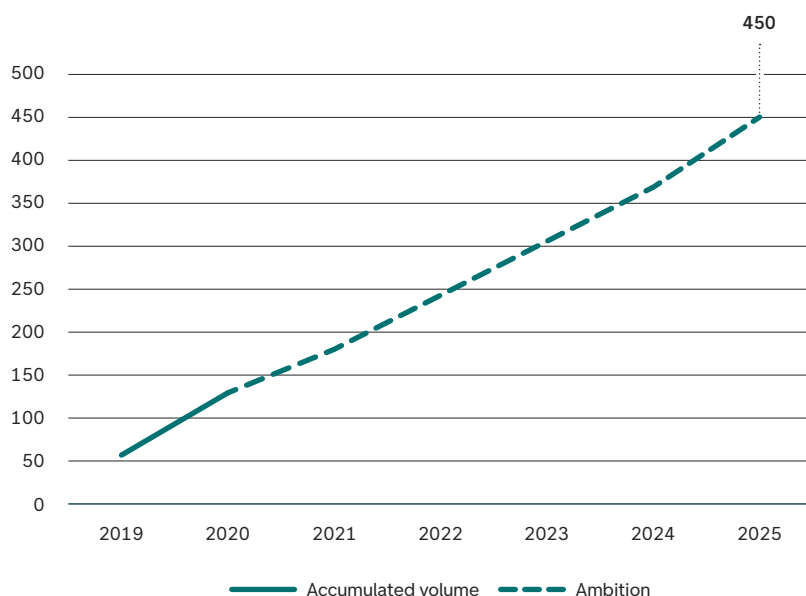
Direct loans to renewable energy

NOK billion



Status of DNB's ambition for renewable energy and infrastructure

NOK billion



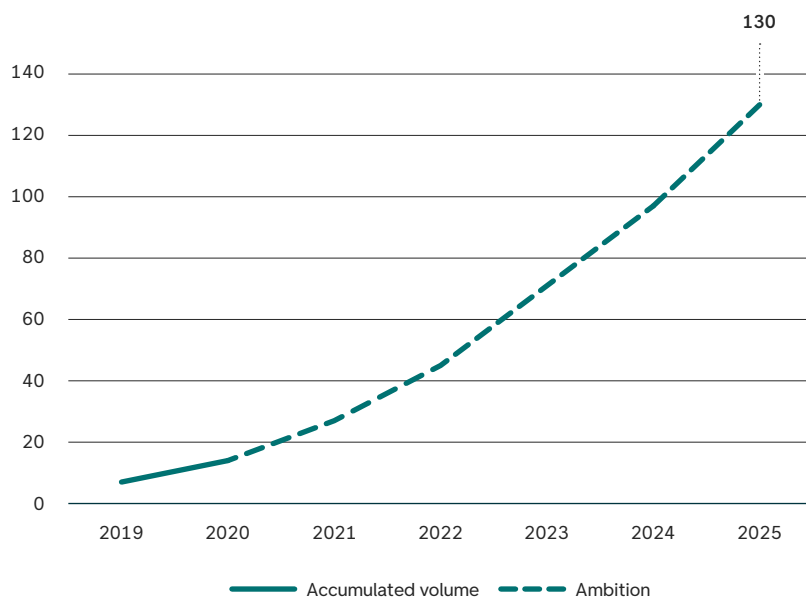
The ambitions to contribute a total of NOK 450 billion and NOK 130 billion to the financing of renewable energy and related infrastructure and green property, respectively, describe the desired development in the market from 2019 onwards. These ambitions show how DNB wants to contribute to a green restructuring of the energy system and the real estate industry. The target figures represent accumulated volumes by 2025 including loans, guarantees, bonds, capital raising and other long-term products where DNB Markets has been the arranger. The renewables ambition also includes selected funds from DNB Asset Management. In other words, the ambitions do not show DNB's total lending at any given time, or what we wish to have on our balance sheet in 2025.

The results year by year show the size of the total volumes DNB has contributed with so far. As regards the ambition for green property, we only count loans that are green according to the criteria set out in DNB's Sustainable Product Framework and bonds that hold a third-party assessment (Second Party Opinion) indicating that the bond is green according to the ICMA Green Bond Principles. The renewables ambition includes all loans, guarantees, bonds etc. that help to realise projects within renewable energy or infrastructure. For green property, the tally mainly shows new loans and bonds over time, but for renewable energy and infrastructure, the refinancing of existing loans is also included. The volume stemming from bonds is not adjusted for the number of participating banks. Similarly, we count the entire loan if DNB is the agent/arranger, even if several banks or life insurance companies are contributing to the loan.

An important prerequisite for both ambitions is that the market will gradually mature and volumes will increase exponentially. Therefore, the annual increases in accumulated volume may be relatively modest in the first few years.

Status of DNB's ambition for financing green property development

NOK billion



Responsible lending and investment

Responsible investment



What does it mean/why is it important?

The purpose of our work with responsible and sustainable investment is to achieve good long-term returns with an acceptable level of risk, contribute to sustainable development and avoid contributing to the violation of fundamental rights. Customer expectations, regulatory conditions and the financial effect of material ESG factors are putting ever-increasing demands on fund managers with regard to responsibility and sustainability.

For a full ESG report relating to responsible investment, see the 2020 Annual Report Responsible Investment, published by DNB Asset Management.

Status 2020

- In DNB, we have decided on the following ambition for asset management: *DNB aims to increase the capital in mutual funds with a sustainability profile to NOK 50 billion in 2025*
- In 2020, we paid special attention to the topics of biodiversity, sustainable oceans, supplier chains in developing countries, deforestation and land use, and product safety and quality. The long-term focus areas are human rights, climate change and water.
- In 2020, we drew up two new expectation documents within our focus areas, one for sustainable oceans and one for responsible water management. Moreover, we reinforced the expectations set out in our expectation documents relating to human rights, serious environmental harm and climate issues, in line with more stringent requirements and best practices.
- DNB Livsforsikring decided to heighten their ambition to reduce the carbon intensity of its portfolio, from 40 per cent to 55 per cent by 2030. By the end of 2020, DNB Livsforsikring had reduced the carbon intensity of its portfolio by 45 per cent (compared to the baseline which is an average of the period 2017–2019)
- Number of votes at general meetings: 153 (Norway) and 95 (international)

Responsible area:

DNB Asset Management

Governing documents:

Group standard for responsible investment

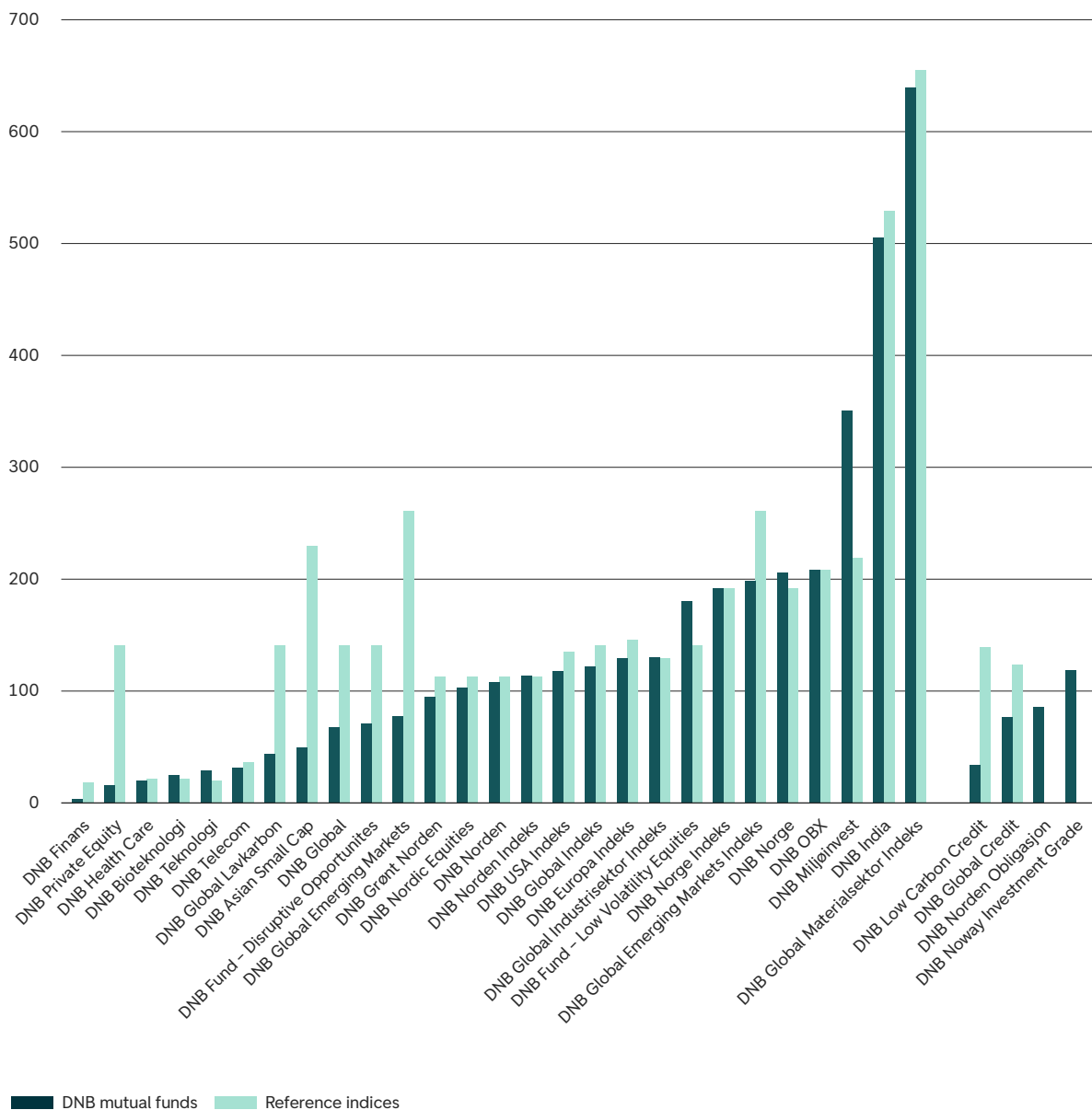
Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Comments
GRI 305-4 GHG emissions				See Carbon Footprint of equity funds (Montreal Carbon Pledge) in the sustainability library
GRI FS10 Dialogue	121	158	176	Number of meetings with companies where various topics related to E and S were discussed
GRI FS11 Positive/negative screening	0 . 83%	1 . 31%	2 . 48%	Share of total assets subject to combined negative and positive environmental and/or social screening
GRI FS8 Financial ESG products	4 . 8	8 . 8	18 . 4	Total assets invested in green mutual funds, in NOK billion
Share of total assets with negative environmental and/or social screening	100%	100%	100%	

Greenhouse gas emissions of DNB's mutual funds relative to reference indexes

Tonnes of CO₂ equivalents for every USD 1 million in revenue



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Responsible lending and investment

Sustainable bonds



What does it mean/why is it important?

If we are to meet the Paris Agreement targets and achieve the UN Sustainable Development Goals (SDGs), vast amounts of capital need to be invested in a more sustainable direction. For DNB, this entails both responsibilities and opportunities, as we are in a position to have an impact on capital allocation. Sustainability has become a key aspect for investors when evaluating potential investments, and sustainable investment strategies are gaining traction. This places new demands on companies in need of capital, and access to capital is to a greater extent influenced by the companies' sustainability profiles. In 2020, we have seen a new record for the sustainable bond market, both globally and in Norway. Globally, this development was largely driven by the increase in social bond issuance, while the Nordic market is still dominated by green bonds.

Status 2020

- DNB is the largest bank in the Norwegian market for sustainable bonds issued in Norwegian kroner, with a 35 per cent market share.
- DNB's Norwegian and international operations were involved in a total of 31 transactions with sustainable bonds worth NOK 39 billion in total.

Responsible area:

Markets

Governing documents:

Standard Procedure for Corporate Responsibility, CR – Markets

Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Comments
Market share Norway	n.a	27%	35%	
Total value of transactions	n.a	NOK 40 billion	NOK 39 billion	

Helping startups succeed



What does it mean/why is it important?

If the restructuring of the Norwegian business community is to succeed, new companies are essential. It is important both for employment and for local communities that more people dare to embark on a business venture and actually succeed in creating workplaces for both themselves and others. However, gaining access to the right competence and to capital is often perceived as challenging for companies in the early stages. We attach importance to being the best bank for those who are starting their own business. Not just because it is lucrative to be an attractive bank for new businesses, but also because we see it as part of our corporate responsibility to contribute to the establishment and success of more companies. The coronavirus pandemic has made it more important than ever to facilitate and promote innovation and growth.

Status 2020

- There was a 15 per cent increase in the number of enquiries to the start-up pilot service compared with 2019.
- We introduced regional growth experts who work closely with regional start-up and growth environments.
- The first ever fully digital NXT event drew 8 000 participants.
- DNB's growth loan scheme was put on hold in 2020, but we strengthened the loans on offer to growth companies through the growth guarantee scheme in collaboration with Innovation Norway. We allocated over NOK 225 million in growth guarantee loans to growth companies in 2020.

Responsible area:

Corporate Banking

Governing documents:

Corporate governance in DNB

Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Target	Comments
No. of enquiries to the start-up pilot service	5 061	4 231	4 879	5 000	Numbers for 2019 have been corrected in this year's Sustainability Factbook
DNB will contribute NOK 200 million in growth loans to companies in need of capital to grow	n.a.	NOK 59 million	n.a.		The growth loan scheme was put on hold in 2020. DNB is working to further develop the scheme. However, we allocated over NOK 225 million in growth guarantee loans in collaboration with Innovation Norway in 2020.

Preventing financial crime and corruption



What does it mean/why is it important?

Financial crime, such as fraud, corruption, work-related crime and money laundering, is a serious societal problem and a threat to our welfare system, and it also undermines a healthy business community. The aim of DNB's efforts to fight financial crime is to reduce financial losses for society, customers and for DNB, while maintaining trust in the bank's products and services. The fight against money laundering remains the highest priority in DNB, and significant resources are allocated to efforts to prevent our systems from being used for money laundering.

We also found that the number of customers exposed to digital fraud continued to increase in 2020, and we are seeing a general improvement in the quality of forgeries used in connection with fraud. The coronavirus pandemic has led to changes in the approaches used by criminals, and in DNB the number of investment frauds on fake online trading platforms doubled overnight when Norway closed down in March 2020.

Status 2020

- DNB prevented fraud against customers and the Group worth NOK 1 180 million in 2020 (NOK 993 million in 2019).
- DNB registered a 38.4 per cent increase in the number of customers exposed to fraud in digital channels, compared with 2019.
- We are preventing a growing number of cases of fraud and have increased the proportion of fraud attempts that are averted from 73.2 per cent in 2018 to 82.6 per cent in 2020. Over the course of the year, we reported a large number of cases of suspicious activity to EFE (the Norwegian Financial Intelligence Unit) in Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime), and 5 273 cases were investigated.
- In 2020, we published our Group-wide assessment of DNB's money laundering and terror financing risk.
- In November 2019, Økokrim launched an investigation of DNB after allegations of possible corruption and money laundering in Namibia linked to the Icelandic fisheries company Samherji, which was a customer in DNB. In February 2021, the investigation was closed, and the prosecuting authority dropped the case.

Responsible area:

Each unit is responsible for ensuring compliance with anti-money laundering rules and legislation and other rules and regulations relating financial crime applicable to its own operations. Group AML is responsible for standardising procedures and following up the implementation of procedures in the areas of anti-money laundering and sanctions. Group Compliance is responsible for advising, controlling and reporting on compliance with rules and legislation.

Governing documents:

Corporate governance in DNB, DNB's Code of Conduct, Group policy for compliance, Group standard for anti-corruption, Group instructions for the anonymous internal whistleblowing channel

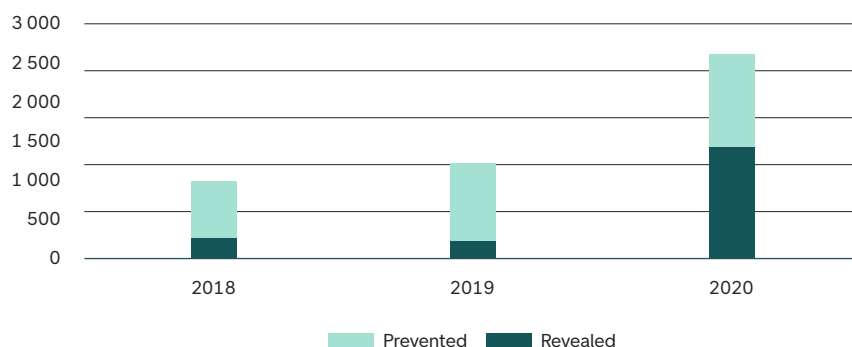
Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Comments
GRI 205-2 Anti-corruption training	79%	-	98.8	9 517 of all permanent employees completed the course in 2020.

Fraud attempts

NOK million



Information security and stable IT systems



What does it mean/why is it important?

DNB operates and manages a number of IT systems and handles large amounts of data of both a personal and commercial nature. As DNB is an important social player, we must have stable, secure and user-friendly solutions. This is important for our customers and for society in general. Operational stability is crucial, and our systematic efforts over the past few years have resulted in a significant reduction in the number of days with operating problems. In 2020, we had only 17 days of operating problems, a decrease of 37 per cent from 2019.

We are finding that the cyberattacks against DNB are becoming ever-more advanced and complex. In 2020, we registered 16 967 attacks against DNB, an increase of 61 per cent. None of the incidents had serious consequences for customers or the Group, but the development illustrates the importance of security work. In 2020, a new IT management model was introduced in the Group, and an organisational change was made to gather the security environment in one place.

Status 2020

- For the second year running, DNB was given the Fidus security award by NorSIS (the Norwegian centre for information security), for open and honest communication on security issues.
- A new IT management model was introduced in the Group. The organisation was changed so that the security environment is gathered in one powerful unit across disciplines.
- 85 per cent of our employees have completed the available online security courses.

Responsible area:

Technology & Services

Governing documents:

DNB's Code of Conduct, DNB's privacy statement, DNB's Code of Responsible Business Conduct for Suppliers, Group Policy Security

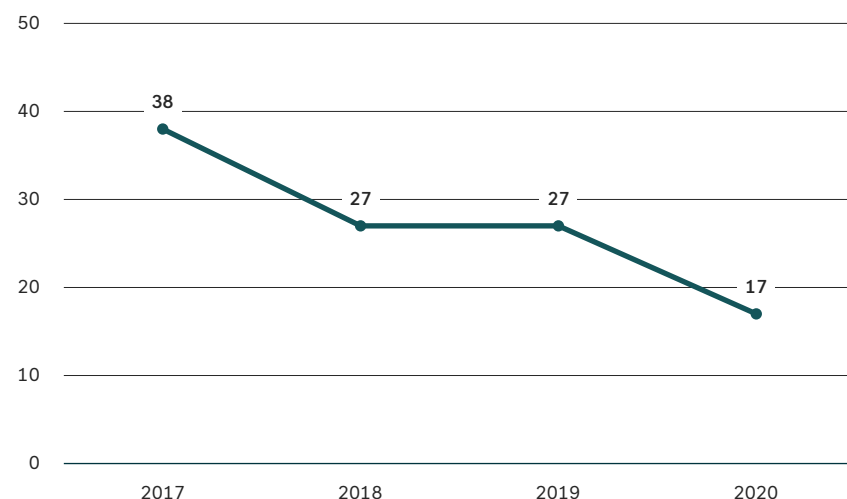
Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Comments
Days with incidents resulting in services being unavailable or having long response times	27	27	17	DNB switched IT operations providers in October 2019

Days with incidents resulting in services being unavailable or having long response times

Number of days



Privacy protection



What does it mean/why is it important?

The digital world is dependent on data, but access to data requires trust. Companies may risk losing customers by not having the necessary trust when it comes to how they process personal data. In DNB, we must ensure that privacy protection is maintained every step of the way in our processing of personal data. Legal developments also mean that we must be able to adapt our approach to the processing of personal data, for example when the EU Court of Justice (CJEU) declared the Privacy Shield framework invalid. Our customers' trust in us to not misuse their personal data is crucial to DNB's success in the future.

Status 2020

- In 2020, we revised our internal standard for personal data protection, carrying out extensive rounds of consultation, also involving our international offices.
- We launched an automatic solution for providing access to information where customers get answers quickly, and we processed a large number of transparency requests.
- In DNB, we have one of Norway's very best expert environments in the field of data protection, and new experts were hired in 2020.
- DNB's privacy protection statement and other information to customers regarding the processing of personal data will be updated, further developed and improved on a regular basis – as was also the case in 2020.
- 96.8 per cent of our permanent employees have completed the online course Privacy – This time it's personal.

Responsible area:

All business areas and staff and support units are responsible for their own processing of personal data. Within the DNB Group, subsidiaries of DNB ASA that process personal data for their own purposes are considered data controllers. Group Compliance and DNB's Data Protection Officer are responsible for advising, controlling and reporting on compliance with the data protection rules and legislation.

Governing documents:

Corporate governance in DNB, DNB's ethical principles (set out in the Code of Conduct), Group policy for compliance, Group standard for compliance, Group standard for personal data protection, DNB's global framework for personal data protection, DNB's framework for the Data Protection Officer function (DPO function) and Group instructions on the processing of employees' personal data.

Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Comments
Incurred fines or orders from the Norwegian Data Protection Authority due to GDPR violations	0	0	0	

Equality and diversity



What does it mean/why is it important?

DNB wants to promote diversity and equality, both within the Group and externally. We do this, among other things, by imposing demands on our suppliers and by influencing our customers to increase financial equality. In order to achieve high customer satisfaction and be an attractive employer, we need to reflect the society we are part of. Differences in gender, age, sexual orientation, functional ability, religious beliefs, cultural background, competence and experience give us multiple perspectives and make us better equipped to face challenges, increase our innovative power and create the best customer experiences. Diversity promotes innovation and contributes to better decisions. Equality and diversity pay off, and are also important in ethical terms.

Status 2020

- DNB was ranked as the fourth best company in Europe in terms of diversity. The ranking was conducted on behalf of the Financial Times, and assessed 850 companies from 24 different industries in 16 European countries. In the Banking and Financial Services category, we were ranked number one.
- We continued our commitment to financial equality through the huninvesterer i framtiden ('#girlsinvest in the future') campaign. In 2020, we had a particular focus on the pension gap between women and men.
- The inclusion index for 2020 gave consistently positive results, showing that most employees find the working environment to be inclusive.
- The expectation document for gender equality and diversity is the starting point for our requirements of – and dialogue with – companies related to responsible investments.
- We prepared a revised action plan for strengthening our attractiveness as a diverse and inclusive workplace.

Responsible area:
People

Governing documents:
Corporate governance in DNB,
DNB's Code of Conduct

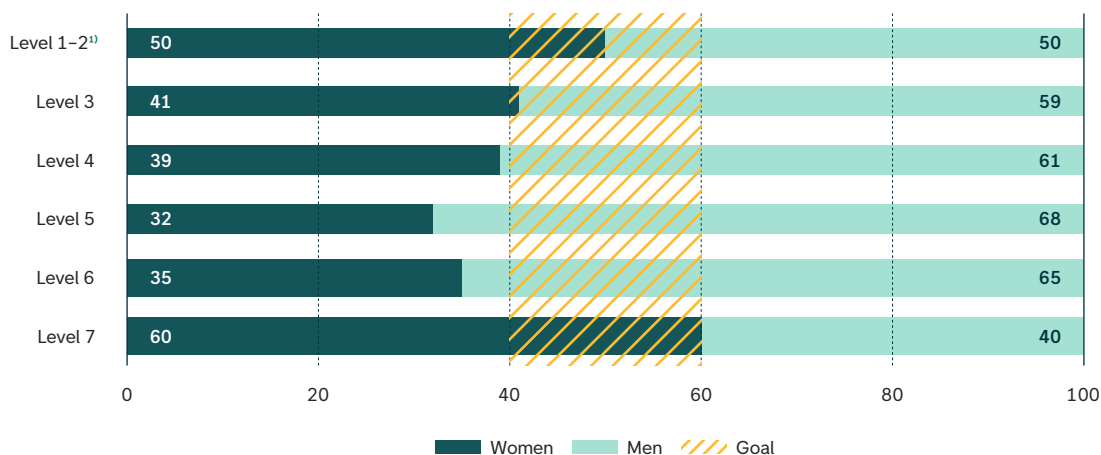
Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Target (if relevant)	Comments
GRI 405-2 Ratio of basic salary and remuneration of women to men	82.5	83.3	83.9	100%	Women's salary as a share of men's (average fixed salary)
Share of women at management levels 1–4	38.1	38.0	39.5	40%	In 2019, measurement parameters were changed to gender balance in management positions
Perceived inclusion among employees	82	83	84		

Gender balance at management levels

Per cent



1) Group Management

Financial literacy



What does it mean/why is it important?

Financial literacy is essential for making the right financial decisions. As a major player, DNB has a responsibility and a unique opportunity to help customers with this. Through our work, we therefore want to increase our customers' financial know-how so that they can develop good habits. This benefits the customer, DNB and society as a whole. Enhancing our customers' financial literacy will also increase their awareness of their own needs, which in turn creates a demand for more relevant and tailored financial services. Greater financial literacy among our customers can thus strengthen our market position, and also our position as a responsible player in Norwegian society and as a financial adviser.

Status 2020

- DNB launched the campaign #huninvesterer i framtiden ('#girlsinvest in the future') and maintained the positive trend from last year, with women making up 48 per cent of new mutual fund customers.
- An impressive 120 000 modules of A valuable lesson were completed in 2020, which is 100 000 more than in 2019.
- Around 14 000 customers aged 18–33 established savings agreements in mutual funds, an increase of 42 per cent compared with 2019. This indicates that an increasing number of young people are gaining a greater awareness about their own saving.

Responsible area:

Personal Banking, Wealth Management and Markets

Governing documents:

Corporate governance in DNB

Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Comments
Downloads of the savings app Spare (accumulated)	327 113	432 000	562 565	The number of downloads is not necessarily a goal in itself, but we see that purchases of savings products increase in step with the number of downloads

Innovative business model and product development



What does it mean/why is it important?

The market for financial services is constantly developing, and in 2020, we experienced a further acceleration due to the pandemic. Self-service increases and the digital journey requires more of banks than in the past. On top of this, we are experiencing increased competition from players both in and outside the financial sector.

To meet the expectations of our customers and the authorities, we opened up our payment services infrastructure in accordance with PSD2 last year. This makes it possible to provide services and offer products outside DNB's own distribution channels, and to seamlessly integrate the services of other providers into our own services. At the same time, the digital customer channels, such as the mobile bank, the Spare app, dnb.no and the corporate app DNB Puls have been further developed, and concepts such as Samsolgt ('co-sold') have been launched. We are constantly working to innovate and improve, and we work with third parties that can enhance DNB's insight, innovation and competitiveness.

Status 2020

- DNB won the Norwegian innovation magazine INNOMAG's ranking of Norway's most innovative companies (second place in 2019).
- DNB Eiendom won the DOGA Award for Design and Architecture for good service design in Samsolgt ('co-sold') – a new, innovative estate agent service that makes the selling process completely digital, as well as simple, affordable and streamlined.
- We launched in-store cash services.
- We arranged DNB NXT Accelerator for the fourth time together with StartupLab, and for the first with Fremtind Insurance, this time digitally.

Responsible area:

Payments & Innovation

Governing documents:

Corporate governance in DNB

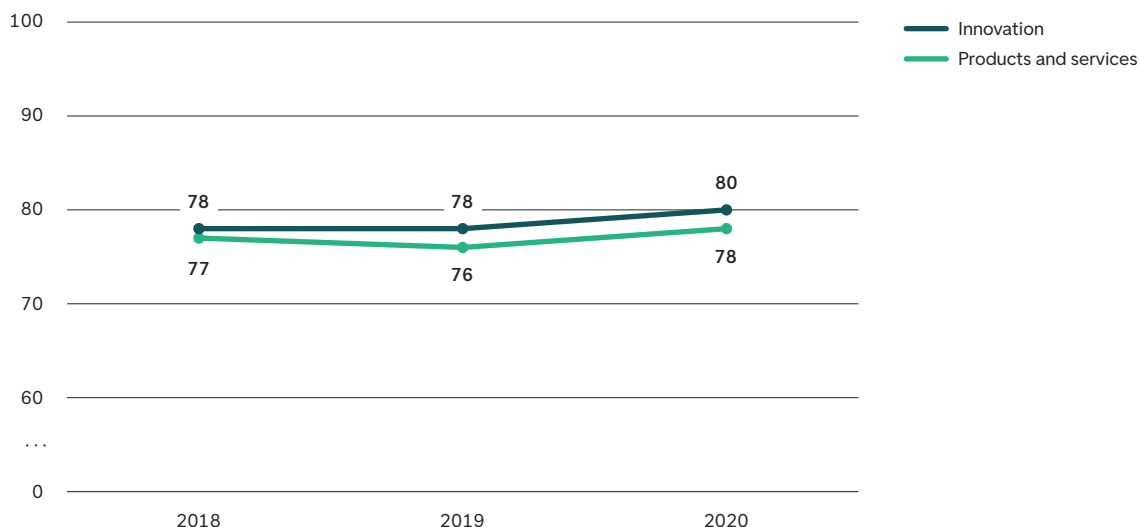
Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Target	Comments
RepTrak score on innovation in DNB	78	78	80	n.a.	
RepTrak score relating to products and services	77	76	78	n.a.	

RepTrak score on innovation

Points



Create the best customer experiences

User-friendly products and services



What does it mean/why is it important?

DNB's products and services must be accessible and easy to use for different target groups. Our customers' needs must always be the starting point for the products and services we provide. This means, among other things, offering simple and relevant solutions, being accessible, and providing transparent and competitive terms and conditions and good customer service. We want to earn our customers' trust and ensure that we deserve our customer relationships by providing good customer experiences. This is especially important at a time when we are encountering new and unknown competitors in a rapidly changing market.

In 2020, it was particularly important for us in DNB to assist concerned customers in a demanding and highly uncertain time. Our customers had to use our digital services to a greater extent than before, and we were able to set up efficient and well-adapted digital solutions in record time.

Status 2020

- We established a new live chat to help deal with a dramatic increase in the number of customer enquiries after the COVID-19 pandemic hit Norway. In addition, 25 new robots processed nearly 70 000 requests for interest-only periods.
- We developed a new service for approving payments for businesses, in collaboration with ERP providers, the industry association for accountants, Regnskap Norge, and the banking and financial service industry's infrastructure company, Bits.
- We launched electronic registration of personal property and real estate, reducing the average processing time from 14 days to 2 seconds.
- We have also increased the number of completed eSigning assignments in connection with credit applications from 1 737 to 9 765.

Responsible area:

Personal Banking, Corporate Banking

Governing documents:

Group instructions for approval of products and services

Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Target (if relevant)	Comments
Customer satisfaction score (CSI), (Personal Banking)	74.7	72.8	73.6	75	Altered from 4Q numbers to yearly average
Prospera ranking	n.a	2	3		

Openness about pricing of products and services

What does it mean/why is it important?

Our customers should feel confident that we have their best interest at heart. In this context, it is important that we are clear about what products and services cost for the individual customer. Openness is a matter of simplifying the consumer financing product range and making mutual fund savings more widely accessible. DNB's strategy of offering consumer financing in a responsible manner stands firm. During the course of 2020, we made the pricing of mutual funds more transparent, launched several new mutual funds with a sustainability profile and worked on the ongoing development and improvement of our digital savings channels.

Status 2020

- We introduced more transparent pricing of mutual funds.
- We continued working on implementing our credit strategy, and we saw a marked decrease in the default rate throughout 2020.
- We also continued our work to reduce the number of credit cards in our product range.

Responsible area:

Personal Banking, Wealth Management

Governing documents:

Group policy for communication, Group instructions for approval of products and services

Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Comments
GRI 417-2, 417-3 Compliance, marketing and communications	0	0	0	Number of fines or reactions from authorities with regard to marketing and communications
Cases considered by the Financial Services Complaints Board, in DNB's favour	85%	55%	42%	Figures for 2019 and 2020 do not include insurance. See key figures table for details

Restructuring and skills enhancement



What does it mean/why is it important?

For DNB, it is important to be able to attract, retain and develop the skills the bank will need in the future. Restructuring and skills enhancement is a matter of building a diverse and competent workforce. Technology, regulations and customer behaviour are driving forces for the changes that we see around us, and that require the bank to adapt. This means that we need a different skills mix than before. In DNB, we see great value in developing our employees so that they can enable us to meet the opportunities and needs of tomorrow. We believe that everyone needs skills enhancement, and we therefore invest a great deal in training and development opportunities for our employees. While developing our own employees, we also want to position ourselves as an attractive employer vis-à-vis those outside the Group who hold the core competence that DNB needs to obtain in the future.

Status 2020

- We were rated the most attractive employer among business students in the Universum survey for the fifth year in a row. Among IT students we were ranked no. 5, and among law students we were ranked number 10.
- The coronavirus pandemic has led to an increased need for expertise in areas such as digital remote collaboration tools, self-management and leadership from a distance.
- We continued our initiative to develop our own training programmes.
- We had 330 applicants and 40 participants in the in-house talent programme Pioneer.
- All employees in DNB have access to our digital learning platform, Motimate, and over 90 per cent are active users of the platform.
- In the autumn of 2020, we carried out a major organisational change, which meant that many employees entered a transition phase involving a change of jobs.
- We established a flexible workforce, Flexforce, which has helped employees take on new roles and develop their competence.

Responsible area:

People

Governing documents:

DNB's ethical principles (Code of Conduct), Group standard for health, safety and environment, Group standard for leadership and competence development

Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Comments
Number of employees who have completed Motimate courses	9 045	9 282	9 383	
GRI 404-2 Upgrading employee skills	n . a .	n . a .	n . a .	Includes several indicators. See page 42–44 in Strategic report.

Working conditions



What does it mean/why is it important?

DNB wants to be an attractive employer, able to attract and retain valuable employees. Our employees are the Group's most important resource and must therefore be given ample opportunity to develop, build competence and take on increased responsibility. Competitive benefits and salaries that are perceived as fair by employees and by society are also important.

Status 2020

- The coronavirus pandemic has naturally affected everyday life. Through good staffing management in DNB, we have been able to transfer employees from units with less activity to units with more pressing tasks, for example in units in direct contact with customers. This has been done in close cooperation with employees and the trade unions.
- After 12 March, we implemented measures to prevent the spread of the virus in the workplaces in accordance with applicable infection control rules. Furthermore, many employees worked from home from March onwards.
- We initiated a scheme for borrowing office equipment for use at home, offered a number of online exercise classes and provided support in the form of counselling. We gave employees access to the remote collaboration tool Teams, and provided training in the use of this tool.
- A survey showed that employees were more proud of working in DNB, with an increase from 82 points in 2019 to 86 points in 2020.
- The sickness absence rate for DNB in Norway was 3.4 per cent in 2020, which was a marked reduction from 4.0 per cent in 2019. For DNB's international offices, the sickness absence rate in 2020 was 2.2 per cent, up from 1.7 per cent the year before.

Responsible area:

People

Governing documents:

Group standard for health, safety and environment (HSE)

Link to the UN Sustainable

Development Goals:



Measurement parameter	2018	2019	2020	Comments
Percentage of employees proud to work in DNB	84	82	86	Calculated average on a scale of 0–100 where 100 means 'totally agree' with the statement "I am proud to work in DNB".
GRI 401-1 New employee hires and employee turnover*	965	826	697	*Turnover is calculated on the basis of all permanent employees who have left DNB, for whatever reason (incl. severance packages etc.)
GRI 401-1 New employee hires and employee turnover*	9.6%	8.1%	6.8%	*Turnover is calculated on the basis of all permanent employees who have left DNB, for whatever reason (incl. severance packages etc.)

Responsible purchasing



What does it mean/why is it important?

In 2020, DNB purchased goods and services for NOK 9.3 billion. 114 out of 4 400 suppliers accounted for approximately 80 per cent of the Group's purchasing costs. This is a complex universe and we are working systematically to reduce sustainability risks relating to procurement. We also want to contribute to raising our suppliers' level of awareness in this area and help them make improvements. In 2020, we reviewed and updated the Code of Responsible Business Conduct for Suppliers (equivalent to the Code of Conduct). The updated principles will be applied in 2021. We also launched a new third-party risk management tool to assess the risks associated with suppliers, including sustainability risk. In addition, we are still using EcoVadis and on-site audits for prioritising and following up our main suppliers.

Status 2020

- We launched a new third-party risk assessment (TPRM) tool.
- We reviewed and updated the Code of Responsible Business Conduct for Suppliers (Code of Conduct).
- 57 per cent of our most important suppliers (responsible for a large proportion of purchases and important for DNB's operations) have completed the EcoVadis analysis.

Responsible area:

Group Finance

Governing documents:

DNB's Code of Responsible Business Conduct for Suppliers, DNB's procurement principles, DNB's anti-corruption guide

Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Comments
Number of audits of important suppliers (based on risk and share of procurements)	3	2	3	

Open and ethical business management



What does it mean/why is it important?

Open and ethical business management is about ensuring confidence in the bank's intentions and future prospects through openness about the Group's opinions and activities. Trust in our operations is essential to ensuring long-term value creation. Our employees and business partners must comply with our ethical guidelines (Code of Conduct), and we must be open and clear in our reporting and communication. We use RepTrak's reputation survey to assess how well we are succeeding in being open and transparent. This is also reported regularly to the Board of Directors. In recent years we have seen a positive development, and we are using the reporting process to maintain this.

Status 2020

- The good development in our reputation in terms of openness and transparency continued.
- We endorsed the UN Principles for Responsible Banking.
- 9 517 employees completed the course on the Code of Conduct, which includes anti-money laundering and anti-corruption.

Responsible area:

People

Governing documents:

Corporate Governance in DNB, DNB's Code of Conduct, Group policy for compliance, Group standard for anti-money laundering and anti-terrorist financing, Principles for corporate responsibility, Group policy for communication, Group policy for tax

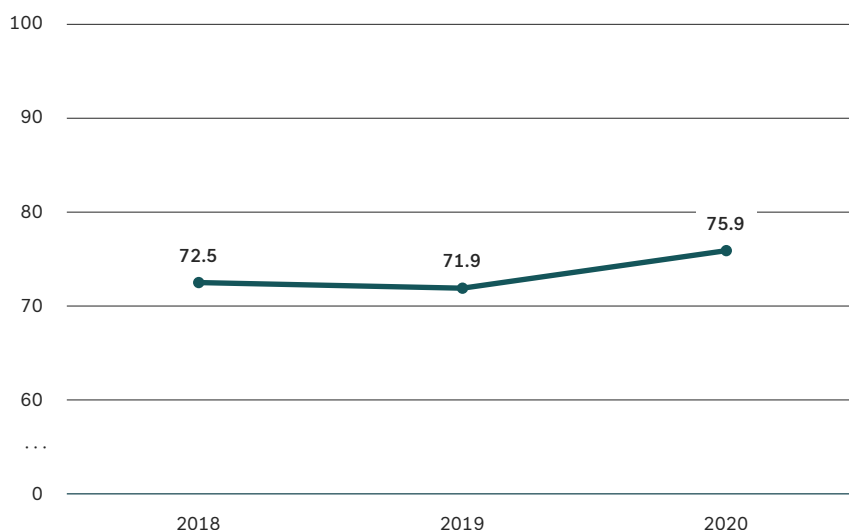
Link to the UN Sustainable Development Goals:



Measurement parameter	2018	2019	2020	Comments
RepTrak score for openness about business operations	72.5	71.9	75.9	
Third-party whistleblowing channel	21	15	8	No. of reported cases

Development in score for openness about business operations

Points

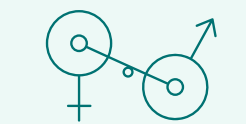


Financial ambitions

Financial ambitions	2020-2022	Achieved in 2020
Return on equity (ROE) (Overriding target)	> 12%	8.4%
Cost/income ratio (Key performance indicator)	< 40%	41.5%
Common equity Tier 1 capital ratio ¹⁾ (Capitalisation level)	> 17.1%	18.7%
Payout ratio (Dividend policy)	> 50%	75%

1. Approximate expectation from supervisory authorities as at 31 December 2020 including full Norwegian counter cyclical buffer requirement.

Sustainability ambitions



DNB is a driving force for equality and diversity

→ Read more in the annual report from page 54



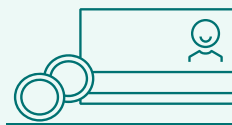
DNB finances sustainable growth through loans and investments

→ Read more in the annual report from page 62



DNB combats financial crime and contributes to a safe digital economy

→ Read more in the annual report from page 84



DNB helps its customers manage their personal finances

→ Read more in the annual report from page 94

Purpose and values

Our purpose:

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

Our values:

**We are curious, bold
and responsible.**

Our work with the UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) were adopted in 2015, as a global plan of action to end poverty, fight inequality and combat climate change and its impacts by 2030. The 2030 Agenda consists of 17 goals, each divided into a number of targets addressing the main areas that must be effectively dealt with in order to achieve the overall goals. For DNB, the SDGs have been a source of inspiration for our own sustainability work, and a valuable framework to have in our dialogue with corporate customers about how they choose to integrate sustainability into their strategies.

DNB supports all 17 SDGs, while also identifying specific goals of particular relevance to our operations. The two SDGs where we really feel that we can contribute positively, are:

- **Goal 5:** Achieve gender equality and empower all women and girls.
- **Goal 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Other goals we focus on are 7, 9, 10, 12, 13, 14 and 16. We seek to contribute positively to, and reduce the negative impact on, these goals through our role as employer, investor, lender, facilitator and provider of financial infrastructure.

You can read more about our work with the SDGs in our Sustainability Factbook and on our website.

UN Sustainable Development Goals

DNB's top priority SDGs



Other prioritised SDGs



The remaining SDGs



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

DNB

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