DNB Group

Annual report 2021

DNB will be a driving force for
sustainable transition

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About the report

In this integrated annual report for 2021, we show how we work to create value in the short and long term for our employees, shareholders and society as a whole. 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). The sustainability data has been verified by a statutory auditor.

The Sustainability Factbook, found at the back of the report, 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.

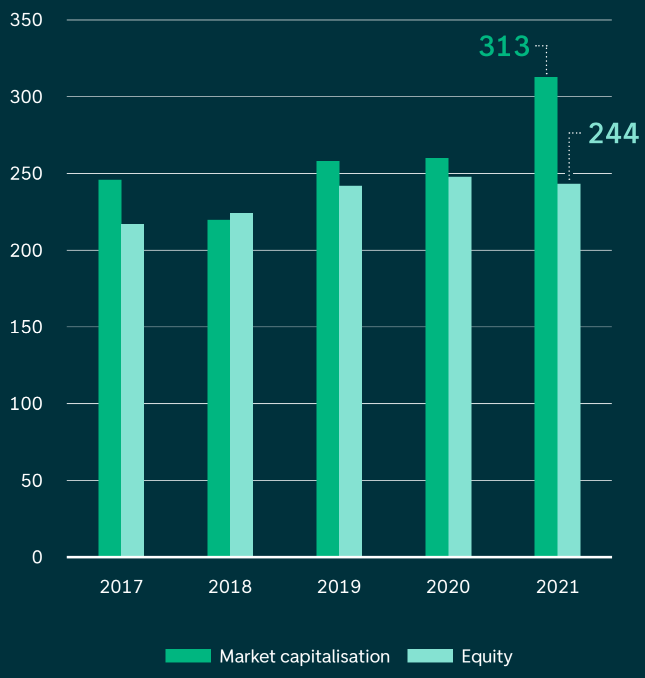
Under 'About us' on our website dnb.no, you will find more relevant news, and on dnb.no/sustainability-reports, you will find reports and results, key figures and other useful documents.

The annual report is available in English and Norwegian and can be downloaded as a PDF from our investor web pages, ir.dnb.no. Here you will also find our Pillar 3 report, which contains more information on risk and capital management, as well as the annual report in a machine-readable format according to ESEF (European Single Electronic Format).

Financial highlights

The DNB Group's market capitalisation and equity

NOK billion, at year-end



Earnings per share:

15.74

NOK

Customer satisfaction (CSI), personal customers:

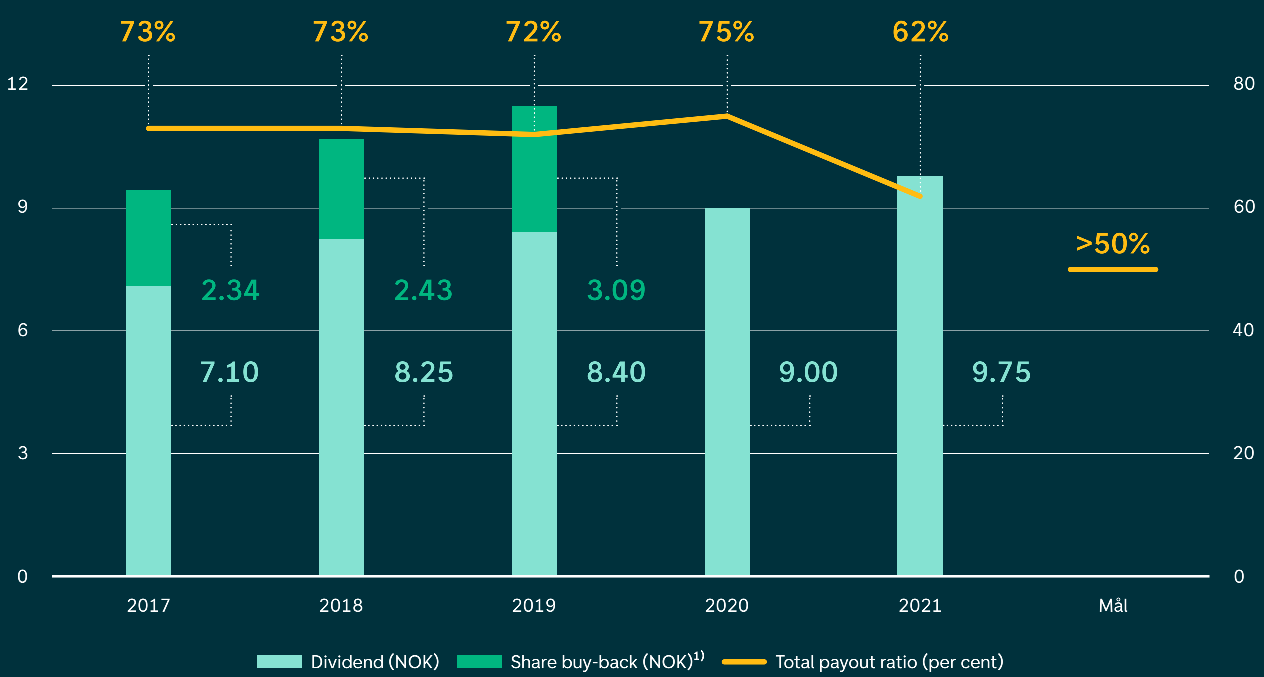
73.3

points

Share dividend and payout ratio

NOK per share

Per cent



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

Income statement

DNB Group

Amounts in NOK million

	2021	2020	2019	2018	2017
Net interest income	**38 690**	38 623	39 202	36 822	35 422
→ Net commissions and fees	**11 011**	9 500	9 716	9 310	8 448
→ Net gains on financial instruments at fair value	**3 621**	5 902	3 183	1 342	4 548
→ Net financial and risk result, life insurance	**790**	659	1 129	969	1 295
→ Net insurance result, non-life insurance				622	683
→ Other operating income	**1 803**	1 714	1 628	1 302	744
Net other operating income, total	**17 225**	17 776	15 655	13 546	15 718
Total income	**55 915**	56 399	54 857	50 368	51 140
Operating expenses	**(23 834)**	(22 759)	(22 608)	(21 490)	(21 429)
Restructuring costs and non-recurring effects	**(200)**	(643)	(525)	(567)	(1 165)
Pre-tax operating profit before impairment	**31 881**	32 998	31 724	28 311	28 547
Net gains on fixed and intangible assets	**(82)**	767	1 703	529	738
Impairment of financial instruments	**868**	(9 918)	(2 191)	139	(2 428)
Pre-tax operating profit	**32 667**	23 847	31 235	28 979	26 858
Tax expense	**(7 462)**	(4 229)	(5 465)	(4 493)	(5 054)
Profit from operations held for sale, after taxes	**150**	221	(49)	(204)	(1)
Profit for the year	**25 355**	19 840	25 721	24 282	21 803

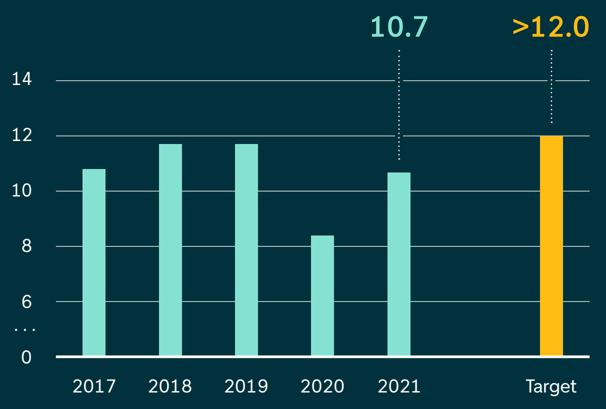
Balance sheet

DNB Group

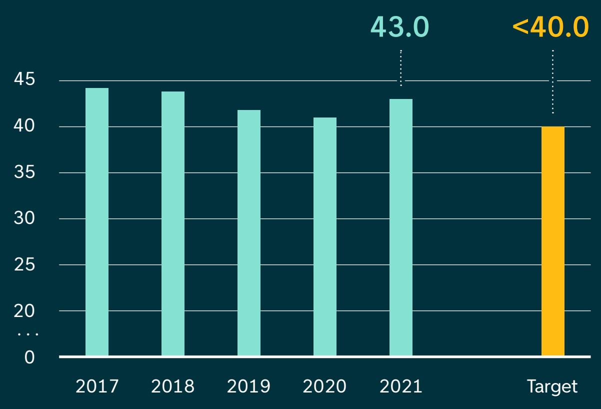
Amounts in NOK million

	2021	2020	2019	2018	2017
Total assets	**2 919 244**	2 918 943	2 793 294	2 634 903	2 698 268
Loans to customers	**1 744 922**	1 693 811	1 667 189	1 597 758	1 545 415
Deposits from customers	**1 247 719**	1 105 574	969 557	927 092	971 137
Total equity	**243 912**	248 396	242 255	223 966	216 897
Average total assets	**3 404 104**	3 230 354	2 906 775	2 771 998	2 856 988
Total combined assets	**3 463 482**	3 363 166	3 176 655	2 950 748	3 026 065

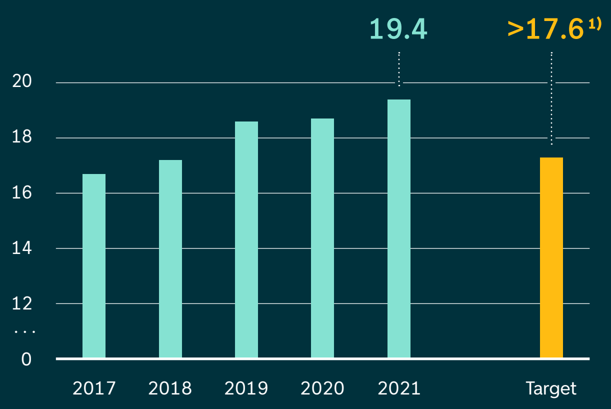
Return on equity
Per cent



Cost/income ratio
Per cent

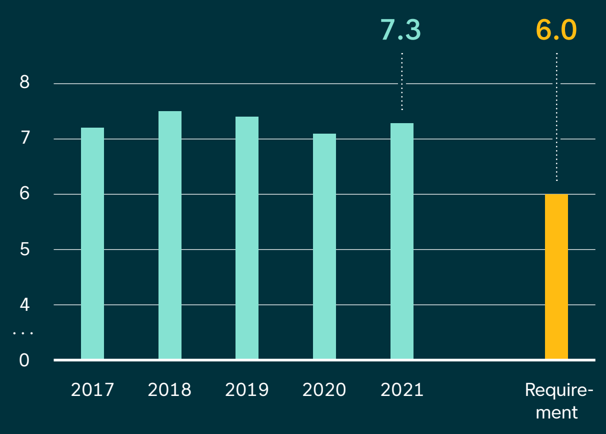


CET1 capital ratio
Per cent, at year-end

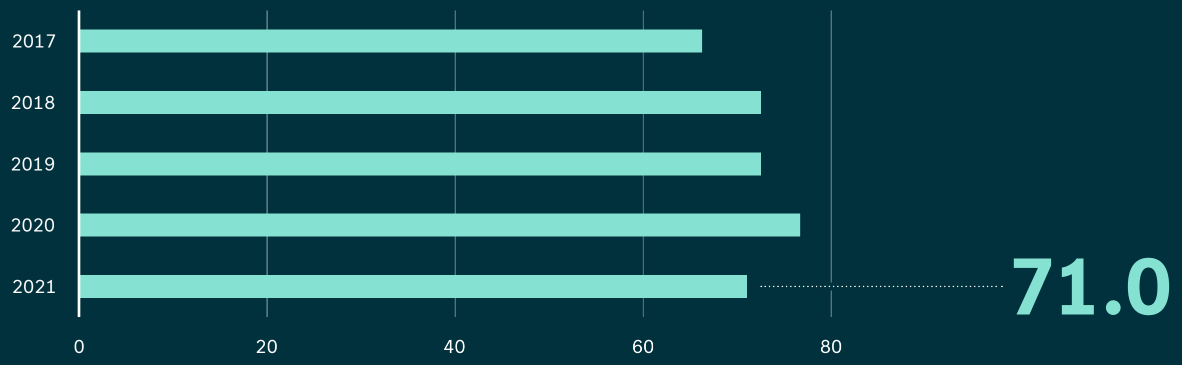


1) Expectations from the supervisory authorities as at 31 December 2021, including counter-cyclical buffer requirement at the same level as before the pandemic

Leverage ratio
Per cent, at year-end



Reputation[1)]
Points



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

Key figures and alternative performance measures

DNB Group

	2021	2020	2019	2018	2017
Return on equity, annualised (per cent) [1]	**10.7**	8.4	11.7	11.7	10.8
Earnings per share (NOK)	**15.74**	12.04	15.54	14.56	12.84
Combined weighted total average spread for lending and deposits (per cent) [1]	**1.17**	1.27	1.33	1.30	1.30
Average spread for ordinary lending to customers (per cent) [1]	**1.94**	2.04	1.84	1.94	2.07
Average spread for deposits from customers (per cent) [1]	**0.14**	0.12	0.51	0.29	0.17
Cost/income ratio (per cent) [1]	**43.0**	41.5	42.2	43.8	44.2
Ratio of customer deposits to net loans to customers at end of period, adjusted (per cent)[1]	**74.2**	67.3	57.5	57.4	60.5
Net loans at amortised cost and financial commitments in stage 2, per cent of net loans at amortised cost [1]	**8.30**	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**	1.55	1.13	1.51	1.12
Impairment relative to average net loans to customers at amortised cost (per cent) [1]	**0.05**	(0.60)	(0.14)	0.01	(0.15)
Common equity Tier 1 capital ratio at end of period (per cent)	**19.4**	18.7	18.6	17.2	16.7
Leverage ratio (per cent)	**7.3**	7.1	7.4	7.5	7.2
Share price at end of period (NOK)	**202.00**	168.00	164.00	138.15	152.10
Price/book value [1]	**1.38**	1.13	1.20	1.06	1.23
Dividend per share (NOK)	**9.75**	9.00	8.40	8.25	7.10
Score from RepTrak's reputation survey in the fourth quarter (points)	**71.0**	76.7	72.5	72.5	66.3
Dialogues with companies where various ESG-related topics have been discussed (number)	**241**	229	209	176	176
Customer satisfaction index, CSI, personal customers in Norway (score)	**73.3**	73.6	72.8	74.7	69.5
Number of full-time positions at end of period	**9 410**	9 050	9 020	9 225	9 144
Female representation at management levels 1-4 (%)	**39.8**	39.5	38.0	38.1	37.0

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

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

CEO's statement

"The trends we have seen coming in recent years are gaining momentum"

2021 was the year when exceptional circumstances became routine, and when we began to explore a new normal. All in all, it went better than many people feared. We are on our way back. And DNB is better equipped than ever.

2021 was the second year affected by the pandemic. The end of the year was marked by new shutdowns and increased infection rates, but the year also contained several bright spots. In Norway, the entire adult population has now been offered a vaccine, employment is back at pre-pandemic levels, and economic activity has picked up. At the time of printing this report, all measures have been lifted and we are on our way back. Albeit to a new normal, which will also be affected by the geopolitical situation..

There are many reasons why we have fared well in Norway. Resolute action by the authorities in charge, rapid vaccination of large sections of the population and a high degree of trust meant that the implemented restrictions had their intended effect. Great freedom of action in Norwegian fiscal and monetary policy and a high level of digital maturity have also been contributing factors.

Another crucial factor has been the Norwegian business community's adaptability. During the past year, DNB has had the opportunity to help many of its customers. Customers who have had to deal with uncertainty and bleak future prospects, and customers who have been exploring new opportunities. It is inspiring to see how the Norwegian business community is able to find solutions in the face of new challenges. This makes me confident that we will also be able to tackle future challenges, and not least seize the many opportunities we know will arise. Both DNB

"It is inspiring to see how the Norwegian business community is able to find solutions in the face of new challenges."

and society as a whole are well equipped for meeting 2022 and the years to come.

DNB's results testify to an economy that is faring well and to strong achievements by many. We are continuing to deliver on our dividend policy, and good results give us the scope of action to continue to grow and create effective solutions, together with our customers.

At the start of the pandemic, DNB was ranked the 18th largest bank in Europe in terms of market capitalisation. Today, we are the 11th largest. The fact that a bank in one of Europe's smallest countries is almost up there with the continent's 10 biggest banks is motivating, and it reflects the tireless efforts of DNB's employees while the pandemic has been raging.

Several of the trends we have seen in recent years have gathered increased momentum during the pandemic and have now really gained a foothold: greater focus on sustainability, increased digitalisation and fiercer competition for the brightest talents.

Sustainability has long been high on the agenda in DNB, and in 2021 we launched an updated sustainable strategy. DNB will be a driving force for sustainable transition, and will assist its customers in making the transition to a more sustainable future. First and foremost, by financing and facilitating sustainable activities worth NOK 1 500 billion by 2030. That equates to almost all of DNB's current lending, or Norway's entire national budget for 2022.

We know that the business community and the financial industry will play a decisive role in the green transition. As the bank for every third Norwegian company, we have a particular responsibility to do our bit. Both by helping established customers cut emissions in their existing operations, and by offering advice to growing companies that are developing sustainable products and solutions for the future. In addition to our concrete financing targets for sustainable activities, we have our own targets for reducing emissions intensity, both at portfolio level and in key sectors, by 2030.

Sustainability also includes work relating to diversity, inclusion and compliance. DNB has been actively working to promote diversity for several years, and the work has yielded results. By the end of 2021, 39.8 per cent of managers at the Group's top four management levels were women. The *Financial Times* ranks DNB number 7 of Europe's 850 most inclusive companies, and gives the Group the top ranking in banking and finance. Even so, we still have a way to go. In the time ahead, DNB will work to gain even greater breadth of diversity. This will give us access to a bigger talent pool and more perspectives in decision-making processes. We will also continue to work to capitalise on the value creation potential that lies in diversity, to the benefit of our customers.

Contributing to the fight against financial crime is an essential part of our corporate responsibility. In 2021, we were given an administrative fine of NOK 400 million by Finanstilsynet (the Financial Supervisory Authority of Norway). Not for money laundering, but because of inadequate routines and processes. The work to combat financial crime is wide-ranging and complex. It is a task with no defined end date that continues to be one of our top priorities going forward.

Digitalisation continues to gain speed. In Norway, we have a well-developed digital infrastructure, and the population has a very high level of digital literacy. This digital competence has allowed Norway to develop and adopt solutions few other countries have been able to, and it has been crucial for Norway's handling of the pandemic.

Over the past year, DNB has strengthened its digital position and further developed its product offering for the benefit of its customers. We have Norway's most widely used mobile banking app. It is cloud-based, which means new and improved solutions reach the customers faster. The number of customers using the savings app Spare increased by over 62 per cent in 2021. We have witnessed a significant increase in contactless payment and online purchases, which has generated tremendous growth for the mobile payment app Vipps. Vipps is now venturing outside Norway's borders and is teaming up with Mobilpay and Pivo to create one of Europe's biggest digital wallets.

In the years to come, our toughest competitors may well be other players than traditional banks. Large international and fully digital players are entering the market and challenging banks' position in parts of the value chain. If we are to meet this competition, we must also develop our expertise and infrastructure, and increase our pace of innovation.

The competition for talent is becoming fiercer. In DNB, we work hard to attract and develop the best people. In 2021, Universum's surveys named DNB Norway's most attractive workplace among both professionals and students with a business background.

Given the fast rate of change we are seeing in society, it is crucial that we continue to develop our expertise all the time. Employees with a high level of financial expertise will always be important in a bank such as DNB, but in the face of international competition and new players, and in the fight against money laundering, the need for specialists in other subjects, such as technology and law, is increasing. Ensuring that more people with this kind of background want to work in DNB is vital to us, and it is something we are focusing strongly on.

Ultimately, our focus on sustainability, digitalisation and maintaining and attracting talent is all about helping our customers. About being able to develop and offer our products and services. About giving good advice. And about finding new solutions together.

We are still here. So you can stay ahead. Both this year and in the years to come.

Kjerstin R. Braathen
Konsernsjef

Chair of the Board's statement

"A solid bank must build capital and maintain an appropriate pace, in good times and bad"

Like 2020, the year 2021 was an unusual one, both for DNB and for society as a whole. It is, and has always been, important to the Board of Directors that the Group is able to deliver on its purpose even during periods of decline: that DNB fulfils its role in society, helps customers through challenging times and pays out dividends to its owners in line with its long-term dividend policy.

Fortunately, the immediate paralysis that hit the business community and the economy back in 2020 is a thing of the past. And all things considered, we fared better than many feared. Emergency preparedness and defensive capabilities, both in DNB and elsewhere in society, have been invaluable. Both the DNB Group and Norwegian society have passed the test so far, and have gained valuable experience. We are well equipped for handling future crises.

DNB plays a critical role in society, in good times as well as in bad times. In times of prosperity, most companies are able to deliver good results. But it is also in times of prosperity that the foundation for robust and resilient value creation has to be laid. A solid bank must build capital and maintain an appropriate pace, in good times and bad. The year 2021 showed that customers, owners, employees and society all benefit from adopting a time horizon that extends beyond quarterly and annual results.

Whether the arrows are pointing upwards or downwards, dividends and corporate responsibility are not mutually exclusive. Delivering stable dividends builds trust in the stock market and gives enhanced access to capital. This, in turn, provides increased scope

of action both for innovation and for exercising corporate responsibility. Withholding dividends may disturb this cycle and have consequences for this scope of action in the longer term.

In 2008, the financial sector was the cause of what was dubbed the 'financial crisis'. During the COVID-19 pandemic, the financial industry has been able to help and be part of the solution to the problems facing society. Over a period of time, players in the financial industry have been assigned, and have also taken on, tasks in society that lie outside their traditional core activities. This expanded social mission is a reflection of people's trust in the industry's ability to offer more than credit and financial services, and to contribute, for example, in the fight against organised crime and money laundering.

Our efforts to combat money laundering must be an integral and fundamental part of our business operations. Implementing new routines and fundamental changes in banking practices – which DNB has been performing for almost 200 years – is demanding, in terms of time, resources and expertise. Especially when the Group is aiming to build solutions for the future, while having to deal with ever-more sophisticated criminal methods. In this area, too, it is vital to maintain a long-term perspective while making progress on a daily basis.

Our increasingly digitalised society provides opportunities, but also an altered threat landscape. Fortunately, this scope of opportunity also allows us to contribute in the fight against organised crime. Making good use of these opportunities will be an essential part of the Group's social mission in the years to come. The same applies to environmental issues, social conditions and corporate governance, known as ESG factors.

From a banking perspective, the climate challenges represent a risk in the traditional sense. They pose a threat to value creation and stability. But of course, they are far more than just that. They affect everything and everyone, across national borders, industries and generations. Interaction across boundaries is therefore more important than ever. In the time ahead, our goal is that we, together with our customers, will be able to nudge society in a positive direction in the area of ESG.

The digitalisation of society accelerated during the pandemic. Never before has the world changed as rapidly as it has recently, and with these changes come high

“DNB is the sum total of our capital, technology, customers and employees. In 2021, people have once again been the most important factor.”

expectations of innovation, also in connection with the Group’s services. We need to move swiftly, while maintaining a long-term perspective. But the aim is not always to be first. Rationalising, reorganising and laying firm foundations for the solutions of the future are equally important. Otherwise, today’s new developments can easily turn into tomorrow’s clean-up jobs.

Keeping ahead of technological developments requires a steady supply of competence and expertise. Our aim is that as many people as possible should want to work – and continue working – in DNB. We need strong job applicants with diverse backgrounds and perspectives to help us chisel out the solutions to the challenges that lie ahead. The benefits of diversity also apply to those of us who have a role in the Group’s Board of Directors. The Norwegian model, with employees on the company Board, adds a special dynamic and element of closeness that increase the Group’s ability to adapt.

DNB is the sum total of our capital, technology, customers and employees. In 2021, people have once again been the most important factor. In the autumn, the offices were finally starting to fill up again, and the office-based working environment was re-established. All of the 9 000 employees who have worked tirelessly to help our customers, deserve both a huge thank you for their efforts in 2021 and an attractive workplace in the years to come.

We should also give credit to our customers for the efforts they put in during 2021. The resilient and adaptable business community we have in Norway is something we can be proud of. The interaction that took place throughout the pandemic has been key to getting us where we are today. A corresponding level of interaction will be required if we are to achieve the climate-related targets set by the authorities, the business community and DNB for the years ahead.

Although the Group’s tasks are increasing in scope, the most important elements will always be running profitable operations and ensuring a long-term, healthy development for our customers and shareholders. Profitable operations give us scope of action for fighting crime, contributing to the battle against climate change, promoting innovation and product development, ensuring access to capital, creating an attractive working environment and, not least, delivering good services to our customers. Everything we do revolves around our customers and our shareholders.

On behalf of the Group, I would like to thank our customers, our shareholders and society in general for the trust they have shown in us during these demanding times. No matter what the future may bring, everyone in DNB stands ready to help our customers and deliver results to our shareholders in both the short term and the long term, in good times and bad.

Olaug Svarva

Olaug Svarva
Chair of the Board of Directors

Our operations in brief

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.

We are Norway's leading financial services group with 231 000 corporate customers and 2.1 million personal customers. Nearly 1.5 million personal customers use our internet bank and 1.4 million use our mobile banking app.

A total of 266 million payment transactions were completed in 2021, and amounts equivalent to over 2 times the Norwegian national budget passed through our systems every day.

Altogether, 24 216 residential properties were sold through DNB Eiendom in 2021, which corresponds to an average market share of 17 per cent.

Spare is the largest savings app in Norway, and by the end of 2021, more than NOK 11.4 billion was invested in mutual funds via the app.

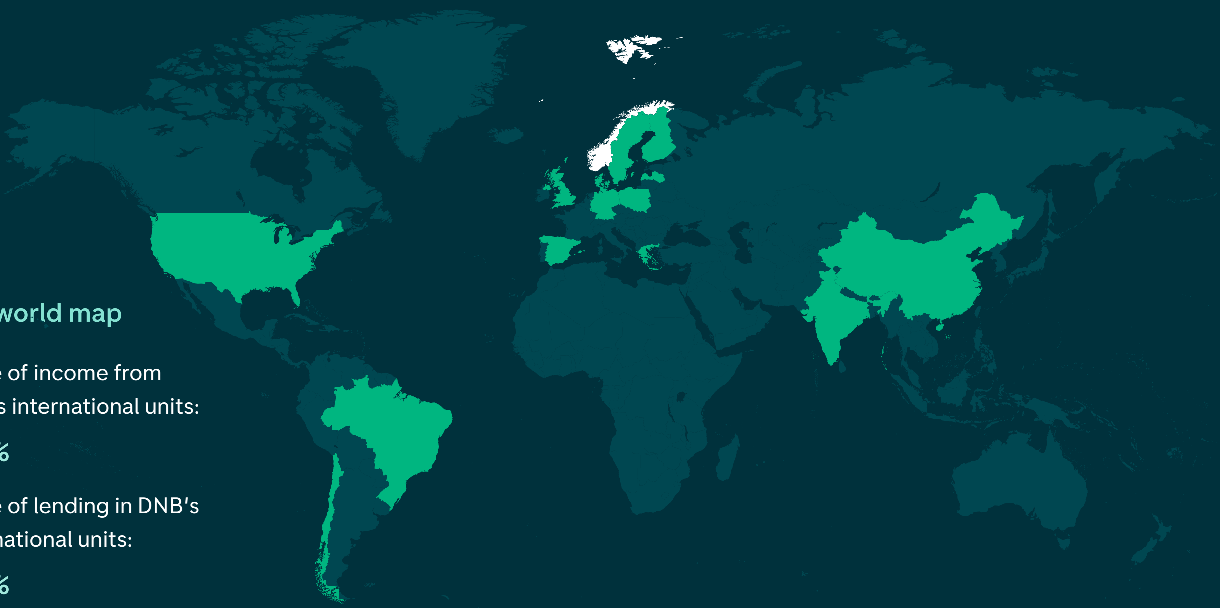
A total of 5 659 startups and growth companies received help and advice from DNB's start-up pilots in 2021. Ideas met capital at 7 small and large digital events held in connection with DNB NXT.

In 2021, we contributed NOK 217 billion to the financing and facilitating of sustainable activities, an increase of 126 per cent from the previous year.

DNB Markets participated in arranging bond and commercial paper issues worth NOK 904 billion to customers in 2021. Of this, sustainable bonds accounted for NOK 83 billion, an increase of close to 130 per cent from the previous year.

At year-end 2021, DNB Asset Management managed mutual funds and shares worth NOK 865 billion and had a market share of 37.7 per cent in the Norwegian personal customer market.

DNB Livsforsikring had just over 1.2 million personal customers with individual and group agreements and some 33 000 agreements with corporate customers at year-end 2021.



The world map

Share of income from DNB's international units:
19%

Share of lending in DNB's international units:
12%

The customer centres

No. of calls received
Personal customers:
2 813 thousand
Corporate customers:
338 thousand

No. of chat conversations
Personal customers:
370 thousand
Corporate customers:
86 thousand

No. of enquiries answered by our chatbot
Personal customers:
946 thousand
Corporate customers:
85 thousand

Market shares in Norway

Personal customer market as at 31 December 2021

Loans from financial institutions:	22%
Deposits:	29%
Home mortgages:	25%

Corporate customer market as at 31 December 2021

Loans from financial institutions:	21%
Deposits:	37%

Source: Statistics Norway

Highlights of the year

Q1

DNB announces that it intends to withdraw from Poland by gradually reducing activities there. This process is expected to take several years.

DNB is ranked best company in the world in terms of gender equality, in survey covering almost 4 000 companies.

All customers gain access to the 'own pension account' scheme (EPK) via the savings app Spare and dnb.no, and the Norwegian Consumer Council names DNB's EPK solution Norway's best.

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

Q2

DNB puts in a bid for Sbanken, which is accepted by 81.3 per cent of shareholders. The acquisition is approved by the Norwegian Ministry of Finance but stopped by the Norwegian Competition Authority. DNB files a complaint and the case is being considered by the Norwegian competition complaints board. The final response to the complaint is expected in March 2022, with 18 May 2022 as the final deadline for the acquisition.

DNB presents an updated sustainable strategy with a stronger focus on being a driving force for sustainable transition and reaching net-zero emissions by 2050.

Vipps enters into an agreement with Danish MobilePay and Finnish Pivo to merge the companies into one common digital wallet.

Q3

DNB and Aprila enter into an agreement to test the distribution of Aprila's automated financing solution for small businesses through DNB's channels.

DNB NXT is launched digitally for the second time, with record high participation — over 50 000 registered, unique users.

The merger between DNB ASA and DNB Bank ASA is completed on 1 July 2021. The shares in DNB Bank ASA are listed on Oslo Børs (the Oslo Stock Exchange) on the same date.

The acquisition of the accounting system provider Uni Micro is completed, together with SpareBank 1.

DNB becomes Norway's largest provider of defined-contribution pensions in Norway, with a market share of more than 29 per cent.

Q4

DNB is ranked the country's most attractive employer in the field of business in the Universum survey for professionals.

DNB Markets is ranked number one by Prospera on financial advice related to mergers and acquisitions.

An extensive #huninvesterer (#girlsinvest) 'tour' is carried out, with 21 stops all over Norway. Over 6 000 women participate and learn more about saving and investment.

The share

The total return on the DNB share, including reinvested dividends, was 31.8 per cent in 2021.

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.

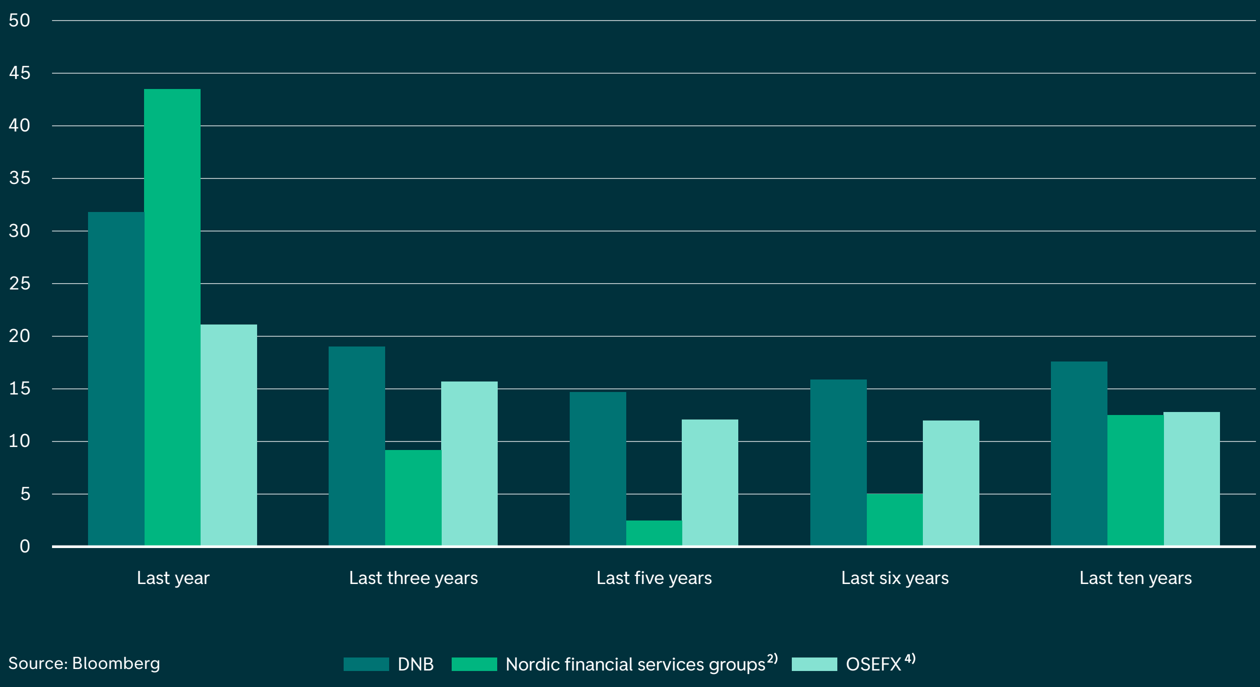
DNB was the second largest primary listed company on Oslo Børs (Oslo Stock Exchange), and the largest financial services group in Scandinavia, with a market capitalisation of NOK 313 billion at year-end 2021. For more information on the DNB share, see ir.dnb.no.

	2021	2020
Total return on the DNB share including dividends (per cent)	31.8	2.4
DNB's share price at year-end (NOK)	202.00	168.00
Highest closing price (NOK)	215.60	178.10
Lowest closing price (NOK)	157.85	94.26
P/B (price-to-book ratio) at year-end[1)]	1.4	1.1
Average total return for the other Nordic financial services groups[2)] (per cent)	43.5	(6.6)
OSEBX[3)] (per cent)	23.4	4.6
OSEFX[4)] (per cent)	21.1	7.3

Source: DNB, Bloomberg, Oslo Børs (Oslo Stock Exchange)

Total annual return as at 31 December 2021

Per cent

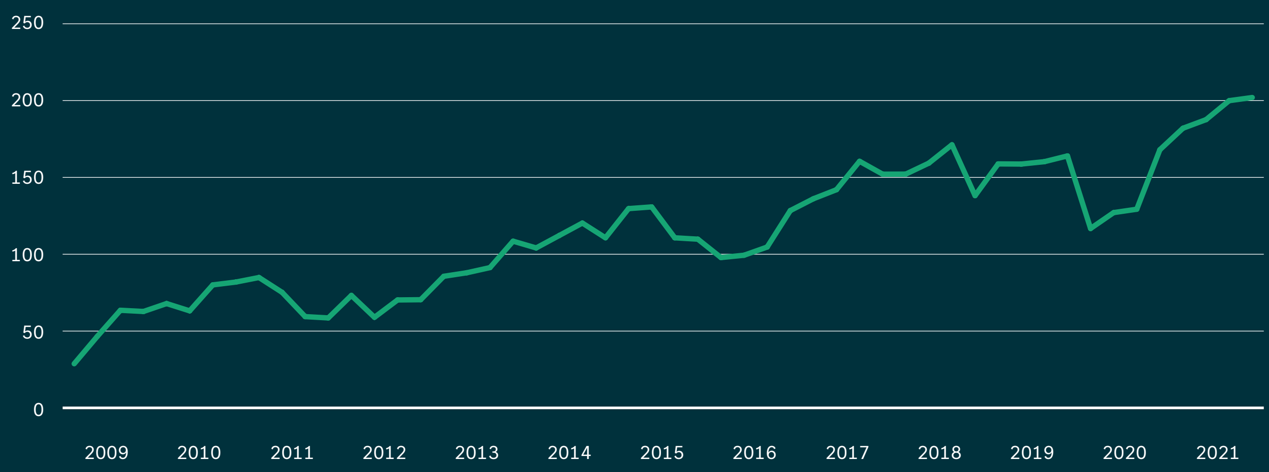


Source: Bloomberg

1) Defined as alternative performance measures (APMs). APMs are described on ir.dnb.no.
2) Nordic financial services groups: unweighted average in local currency of Nordic bank shares (Danske Bank, Nordea, SEB, Svenska Handelsbanken and Swedbank).
3) Oslo Børs Hovedindeks (Oslo Stock Exchange Benchmark Index).
4) Oslo Børs Fondsindeks (Oslo Stock Exchange Mutual Fund Index).

Development in DNB's share price

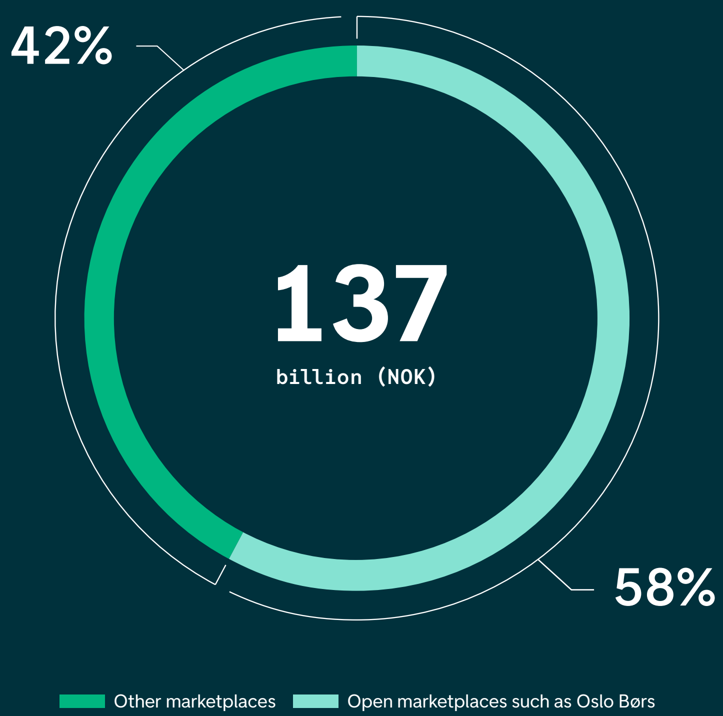
NOK



Source: Oslo Børs (Oslo Stock Exchange)

TRADING

Total value of all DNB shares traded in 2021



Average trading value per day:

568

million (NOK)

The DNB share's weighting on key indices:

OSEBX

11.3%

OSEFX

9.6%

DIVIDENDS

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.

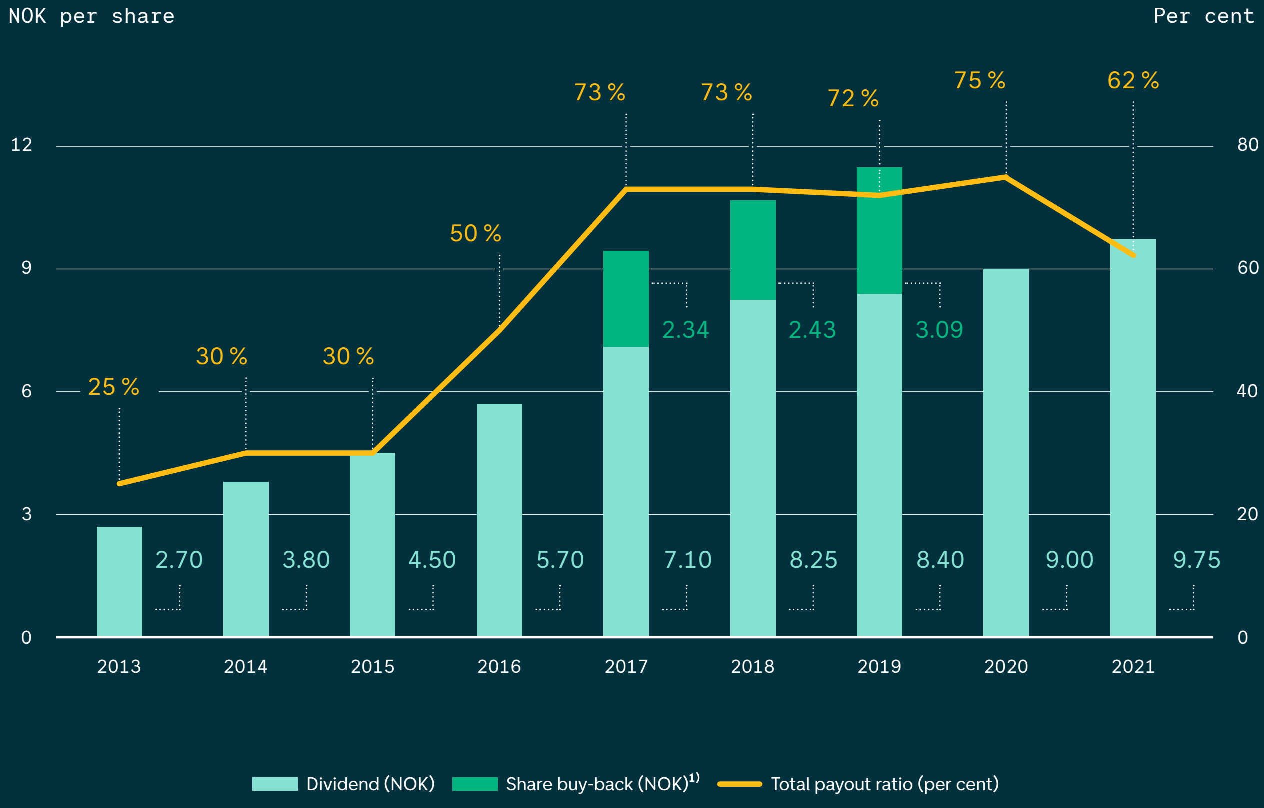
Due to the COVID-19 pandemic and uncertain economic prospects, dividends for 2019 and 2020 were paid out in March and November 2021, respectively.

SHARE CAPITAL AND SHAREHOLDER STRUCTURE

At year-end 2021, DNB's share capital was NOK 19 379 million, divided into 1 550 365 021 shares, each with a nominal value of NOK 12.50.

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.

Share dividends and dividend payout ratio



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

Largest shareholders
as of 31 December 2021[1)]

	Number of shares in 1 000	Ownership in per cent
Norwegian Government/Ministry of Trade, Industry and Fisheries	527 124	34.00
DNB Savings Bank Foundation	130 001	8.39
The Capital Group Companies	112 196	7.24
Folketrygdfondet	96 732	6.24
BlackRock	51 974	3.35
The Vanguard Group	34 822	2.25
Deutsche Bank	29 760	1.92
State Street Corporation	21 334	1.38
T. Rowe Price Group	20 536	1.32
DNB Asset Management	19 782	1.28
Total largest shareholders	1 044 261	67.36
Other shareholders	506 104	32.64
Total	**1 550 365**	**100.00**

Source: DNB, Nasdaq

Number of shareholders
57 988

RATING
DNB Bank ASA and covered bonds issued by DNB Boligkreditt AS are subject to credit assessment by the rating companies Moody's and S&P Global. DNB had the following credit ratings as at 9 March 2022:

	Rating agency	Credit rating	Outlook
	Moody's	Aa2	Negative
DNB Bank ASA	S&P Global	AA-	Stable
	Moody's	AAA	Stable
DNB Boligkreditt AS	S&P Global	Aaa	Stable

1) The actual ownership of nominee accounts is calculated on the basis of third-party analyses. See note P45 for an overview of the 20 largest shareholders.

This is our strategy

Two years after the outbreak of the pandemic, the Norwegian economy has regained speed. At the same time, there is a lot of uncertainty regarding further developments and ever-changing framework conditions for us as a financial services group. The growing focus on climate change and sustainability is also reflected in our strategy.

The world around us

As a financial services group we are affected by the world around us, especially by economic developments in Norway. In many ways, DNB's activities and results mirror the Norwegian economy. At the same time, our business operations are also greatly affected by global developments such as changing customer expectations, digital and technological developments and regulatory changes. The same goes for the focus on climate and sustainability, which increased further in 2021 in the wake of the Glasgow summit.

The pandemic has altered our framework conditions and surroundings. Throughout 2021, the world largely moved towards the new normal. But the pandemic is not over, and uncertainty regarding vaccine efficacy, vaccination rates and virus mutations will lead to framework conditions changing even more than at the start of the pandemic. At the time of publication of the annual report, we are also experiencing a dramatic situation in Ukraine. This highlights the importance of DNB's ability to manage risk and identify opportunities in a long-term perspective.

"We are here: So you can stay ahead."

 This is our strategy

DNB's ability to ensure long-term value creation is 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.

Overarching goals and strategic ambitions

Our business model is based on long-term operations and sustainable financial value creation. Long-term profitability is the underlying premise for everything we do. For us, this means maintaining and increasing existing revenue streams, while also finding new sources of profitable growth. In the governance and operation of the Group, we must take into account the changes around us and the long-term challenges and opportunities.

Factors affecting us include changing expectations from customers, owners and society as a whole, stronger competition from existing players and market entrants, new technology, changing framework conditions and regulations, and climate-related risk. Over the past year, DNB and the financial industry have seen a significantly growing interest in the role played by banks in the sustainable transition. The demand for ESG data, products and advice is increasing in the market, and at the same time the financial industry is facing a number of new regulations related to sustainable finance. This must be reflected in our strategy so that we ensure long-term value creation through our purpose:

We are here: So you can stay ahead.

The trust of those around us is imperative to achieving our purpose, and something we continuously strive to deserve. To live up to our values and achieve our targets, everyone in DNB must act in a manner that protects the interests of customers, owners, employees and other stakeholders, now and in the future. For us, trust is about our customers being able to rely on us as a provider of financial services; it is about us meeting their expectations and making a positive contribution to society.

This year, we have raised our level of ambition by launching an updated sustainable strategy. DNB will play a proactive role and be a driving force for sustainable transition. Sustainability should be an integral part of everything we do in DNB, and we will focus our efforts where we can make the most difference. Our customers have many opportunities to take part in the transition to a low-emission society. We will help identify these opportunities, and offer our customers proactive advice and support. The sustainable strategy supports the Group's overarching goals, and specifies how sustainability is integrated into business operations and helps ensure long-term value creation.

CREATING THE BEST CUSTOMER EXPERIENCES

In a market with increasingly transparent and open value chains, strong customer relationships are key to retaining our customers and ensuring continued profitability. We do not own our customer relationships. Instead, we have to make sure that we deserve them. Continued focus on good digital solutions, strong competence environments and skilled employees will help us create the best customer experiences, so that our customers choose DNB.

ENSURING COMPLIANCE

We expect the long-term trend – towards more comprehensive regulation of the financial services industry, stricter compliance requirements and more serious consequences in the event of non-compliance – to continue. Meanwhile, our customers and owners are expecting more of us. Ensuring compliance by acting ethically, responsibly and in accordance with laws and regulations is something we strive to achieve every day, in everything we do. A high level of compliance expertise, combined with thorough and systematic governance and control work, contributes to long-term value creation and responsible operations. 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 working to ensure compliance, we build and maintain the trust of our customers, owners and society as a whole.

DELIVERING ON OUR FINANCIAL TARGETS

Running profitable operations and delivering on financial targets will continue to be important for positioning DNB for the future. Targets that, among other things, enable us to drive innovation for the benefit of the customer, be a driving force for sustainable transition and continue to be an attractive employer. We do this by focusing on earnings, a prudent cost level, efficient capital use, safe and stable operations and having an adaptable, efficient organisation.

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

SUSTAINABLE STRATEGY

As Norway's largest financial services group, DNB has a significant influence on the sustainable transition. Our impact on various sustainability topics is made operational through our various roles as a lender, investor, facilitator and supplier of financial infrastructure, and as an employer. At the same time, some sustainability topics affect our ability to deliver on our overarching goals. Our sustainable strategy is based on the most significant ESG-related risks and opportunities identified in the materiality analysis (more on the materiality analysis below, and more on DNB's most significant ESG topics from page 36 onwards).

This is our strategy

Financial ambitions	Ambitions	Achieved in 2021
Return on equity (ROE) (Overriding target)	> 12.0%	10.7 %
Cost/income ratio (Key performance indicator)	< 40.0%	43.0 %
Common equity Tier 1 capital ratio[1)] (Capitalisation level)	> 17.6%	19.4 %
Payout ratio (Dividend policy)	> 50.0%	61.9 %

1) Expectations from the supervisory authorities as at 31 December 2021, including counter-cyclical buffer requirement at the same level as before the pandemic.

Sustainability ambitions	Ambitions	Achieved as of 31 Dec. 2021
DNB finances the climate transition and is a driving force for sustainable value creation		
Finance and facilitate sustainable activities by 2030	NOK 1 500 billion	NOK 313 billion
Reduce the portfolio's emissions intensity by 2030	Oil and gas: 25% Shipping: 1/3 Commercial property: 25–35%	See page 68 onwards
Increase total assets in mutual funds with a sustainability profile in 2025	NOK 100 billion	NOK 27 billion
– and reduce the emissions intensity of DNB Livsforsikring's portfolio by 2030	up to 55%	See page 72

DNB is a driving force for diversity and inclusion

DNB combats financial crime and contributes to a secure digital economy

DNB will be a driving force for sustainable transition, and we will use our position and expertise to actively help our customers to move in a more sustainable direction, through the provision of advisory services, financing and clear requirements. Our overriding target is net-zero emissions from our lending and investment portfolio, and from our own operations, by 2050. We will primarily use positive influence, but may also choose not to finance or invest in certain companies or industries that are not in line with our strategy. At the same time, we must also keep our own house in order and work actively with sustainability in DNB's own operations, both as an employer and as a purchaser.

The strategy focuses on three priority areas where we have the greatest opportunity to use our influence, and which reflect the Group's greatest risks and opportunities:

DNB finances the climate transition and is a driving force for sustainable value creation

Sustainable financing, facilitation and advisory services are increasingly becoming preconditions for creating the best customer experiences. Customers have higher expectations of our advisory services and sustainability expertise. ESG risk in general, and climate risk in particular, can affect our ability to deliver on our financial targets.

We will use our expertise and provide banking services to help our customers to move in a sustainable direction. To support our target of being a net zero-emission bank in 2050, we have quantified emission targets for our credit and investment activities, and for sustainable financing at portfolio level. We will work to ensure that our total assets under management are steered towards more sustainable alternatives.

The targets are intended to reduce ESG-related risk in DNB's credit portfolio and guide our customers towards a sustainable transition. This way, we also increase our future competitiveness and ensure that we grasp the opportunities inherent in the transition to a more sustainable economy.

More on this from page 52 onwards.

This is our strategy

DNB is a driving force for diversity and inclusion

We will maintain and reinforce our strong position in the area of diversity and inclusion. Ensuring gender equality and diversity pays off, and it is key to attracting and retaining the right expertise, as well as being in line with our ethical foundation. There is diversity among DNB employees, and this reflects the society we are a part of, makes DNB a better company and creates better customer experiences. As a large employer we wield considerable influence through our own business activities, but we also want to promote gender equality and diversity among our customers and suppliers.

More on this from page 90 onwards.

DNB combats financial crime and contributes to a secure digital economy

Efforts to combat financial crime are crucial to maintaining trust in DNB and to our overriding goal of ensuring compliance. As a large financial group, we have great responsibility and significant influence. We therefore work systematically to reduce financial losses for society, our customers and for DNB.

DNB provides infrastructure of critical importance to society and digital banking in today's modern economy with an increasing degree of digitalisation. Our goal is to be the market player the customers trust the most in terms of delivering secure digital banking services and protecting customer data and privacy. This brings us closer to our goal of creating the best customer experiences.

More on this from page 100 onwards.

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 working effectively in the area of sustainability. Not all sustainability challenges are equally relevant to all companies. Each individual company must identify which sustainability topics are most important for their business operations. That is, the topics on which the company can have the greatest impact, whether by reducing negative impact or by making a positive contribution through delivering solutions for addressing the world's challenges. We often call these 'material topics'.

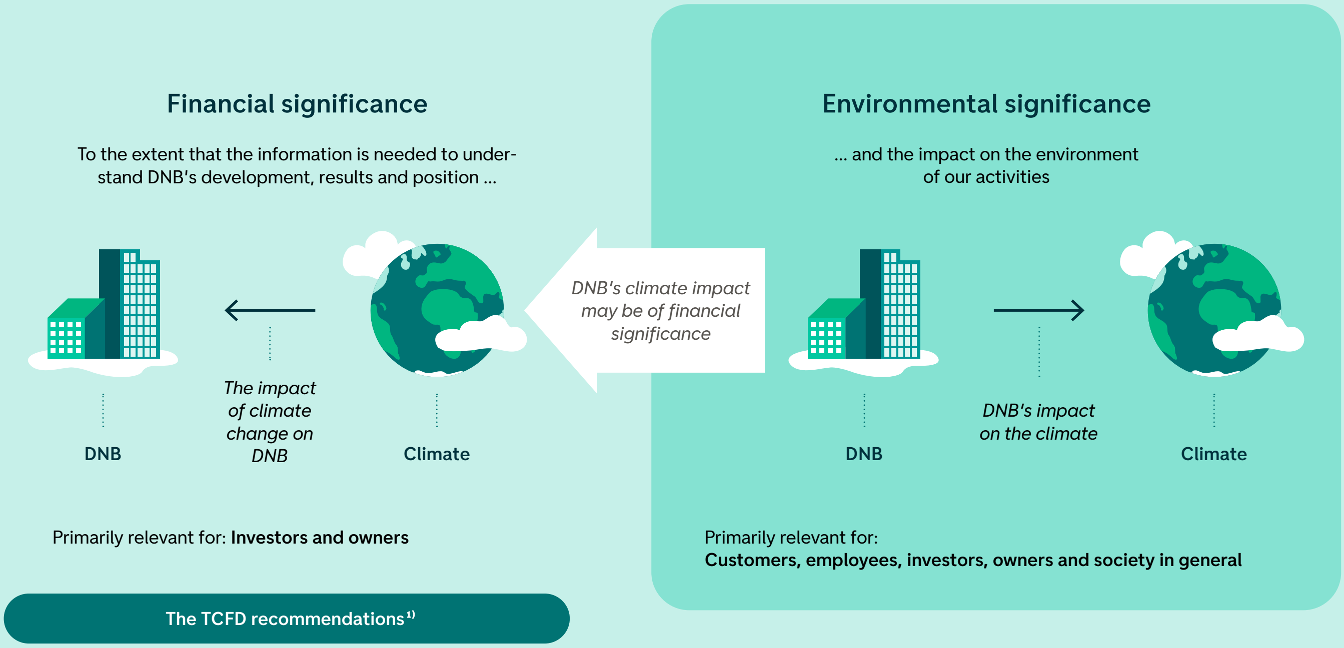
A materiality analysis is an established tool for identifying sustainability topics of importance to a company's long-term value creation, its stakeholders and its impact on society and the environment. The principle of materiality is a key element in the most important international reporting standards, such as those of the Global Reporting Initiative (GRI) and the SASB (Sustainability Accounting Standards Board), and is an established component of best practice in the area of sustainability. It is also an increasingly well-established principle in legislation relating to sustainability reporting.

DNB'S MATERIALITY ANALYSIS

We updated DNB's materiality analysis during the winter of 2021, to ensure that we prioritise the topics that are most material to our business operations and that we are equipped to address risks and grasp opportunities in the area of ESG. This update was carried out as part of our efforts to update the bank's sustainable strategy, and it forms the basis for DNB's three prioritised focus areas:

- → DNB finances the climate transition and is a driving force for sustainable value creation;
- → DNB is a driving force for diversity and inclusion;
- → DNB combats financial crime and contributes to a secure digital economy.

We have analysed which sustainability topics affect the Group's development, financial position and results (financial materiality), as well as which sustainability topics the Group has an external impact on through



1) The double materiality perspective in connection with the reporting of climate-related information, as recommended by TCFD, see page 76.

The figure illustrates the 'double materiality' principle as described in NFRD, the Non-Financial Reporting Directive.

its activities, either negatively or positively (social and environmental materiality).

In the process of updating our materiality analysis, we involved a wide range of our most important stakeholders, including our owners, customers, employees, the authorities and society in general. Through surveys, nearly 1200 stakeholders assessed the importance of various sustainability topics and shared their expectations relating to DNB's work on sustainability. We also conducted in-depth discussions with representatives of each stakeholder group to gain a deeper understanding of why they are interested in specific topics. In addition, DNB's strategic and specialist environments, together with the Board of Directors, assessed and set priorities for the sustainability topics that are most important for the Group's long-term value creation and the areas in which DNB can have the greatest impact.

TOPICS IDENTIFIED AS MATERIAL TO DNB

The materiality analysis resulted in an overview of topics that have been identified as material to DNB. These reflect both the concerns of our stakeholders and what is of financial, social and environmental importance for DNB. All of the material topics are very important to DNB's stakeholders and give an indication of where DNB is able make an impact, either directly in its own operations or indirectly vis-à-vis its customers. The topics can also have a major impact on the Group's long-term value creation, financial position and results. In particular, the material topics that relate to financial crime and a safe digital economy can be seen as 'fundamental value drivers', as they either involve a clear expectation from stakeholders that DNB achieves good results in the area concerned, or they are a question of compliance.

Some of the topics stand out in that they also show potential strategic advantages and opportunities for the Group, especially in the focus area 'DNB finances the climate transition and is a driving force for sustainable value creation'. Over the last couple of years, there has been a significant rise in the demand for sustainable financing. Corporate customers are to an increasing degree seeking advice regarding their own sustainable transition

"Through surveys, nearly 1 200 stakeholders assessed the importance of various sustainability topics and shared their expectations relating to DNB's work on sustainability."

and relevant rules and legislation, and are looking for opportunities to mobilise capital to finance this transition. Similarly, the demand for sustainable saving schemes is increasing among our personal customers. The topics that offer DNB opportunities have one thing in common: they all relate to our customers.

The list on the next page provides an overview of the sustainability topics identified as the most material for DNB, and specifies where in the annual report they are described. The Sustainability Factbook contains a brief description of all the topics. The statutory auditor has verified the contents of the factbook referred to in DNB's GRI Index 2021 (see the back of the report and in the GRI Index 2021 on dnb.no/sustainability-reports.

IMPACT ANALYSIS

In 2021, for the first time, we conducted a limited **impact analysis** as a supplement to the findings of our stakeholder dialogue and internal assessments. Impact analyses help us meet the expectation of identifying social and environmental materiality, as well as fulfil the commitments we have taken on by signing the Principles for Responsible Banking (PRB), see further down. The analysis we conducted mapped DNB's indirect impact through the loan portfolio of the bank's corporate customer area, Corporate Banking. We used DNB's sector exposure as the starting point for the analysis, and identified which sustainability topics are most material in the sectors to which Corporate Banking has the highest exposure. In order to identify sustainability topics in the sectors, we used several data sources, including the SASB Materiality Map, Sustainalytics Sector Reports, GRI Sector Standards guidance and Corporate Banking's Corporate Responsibility Risk Assessment.

DNB has an indirect impact on the following sustainability topics:

- Product design and lifecycle management (circular economy)
- Health, safety and environment for employees
- Ecological impact/biodiversity
- Energy efficiency
- Water and wastewater
- Ethics
- Greenhouse gas emissions
- Product safety and quality

Once identified, these topics were assigned weightings in the materiality analysis.

In the time ahead, we will work on making the impact analysis more accurate, in step with methodological developments and improvements in the availability of data. We may also expand the impact analysis to include our impact through our loan portfolio in the personal customer segment. The investment portfolio of our asset management company (DNB Asset Management) has not yet been included in the impact analysis, as it is so large and complex that an analysis based on sector exposure will serve little purpose.

Material topics

DNB finances the climate transition and is a driving force for sustainable value creation

- Financing the green transition and reducing greenhouse gas emissions ... Read more on page 63
- Sustainable products ... Read more on page 63
- Circular economy ... Read more on page 73
- Biodiversity ... Read more on page 74
- ESG assessments in credit analyses and asset management ... Read more on page 54

DNB is a driving force for diversity and inclusion

- Equality and diversity ... Read more on page 92
- Attractive workplace ... Read more on page 116
- Competence and employee development ... Read more on page 116

DNB combats financial crime and contributes to a secure digital economy

- Preventing financial crime and money laundering ... Read more on page 108
- Information security ... Read more on page 102
- Stable IT systems ... Read more on page 102
- Data protection ... Read more on page 105

Creating the best customer experiences

- Responsible customer advisory services and marketing ... Read more on page 44
- Responsible lending to personal customers ... Read more on page 49
- Innovative and user-friendly products and services ... Read more on page 39

Our work with the UN sustainable development goals

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

DNB supports all 17 of the SDGs. At the same time, we have identified specific goals that are particularly relevant to our business operations, in line with the materiality analysis and DNB's sustainable strategy. We have identified three main SDGs that reflect the three priority areas of the strategy, and that are areas where we believe that we are particularly well placed to make a positive contribution:

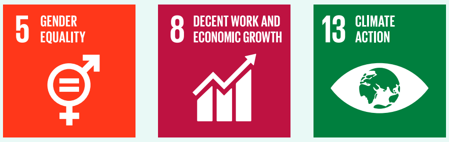
- **SDG 5:** Achieve gender equality and empower all women and girls.
- **SDG 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- **SDG 13:** Take urgent action to combat climate change and its impacts.

Other SDGs we are focusing on, and that are reflected in our materiality analysis, are SDGs 7, 9, 10, 12, 14, 15 and 16. Through our roles as employer, investor, lender, and facilitator and supplier of financial infrastructure, we are seeking to contribute positively to fulfilling these SDGs, and reducing our negative impact in these areas.

You can find out 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 SDGs prioritised by DNB

Other SDGs

Principles for Responsible Banking

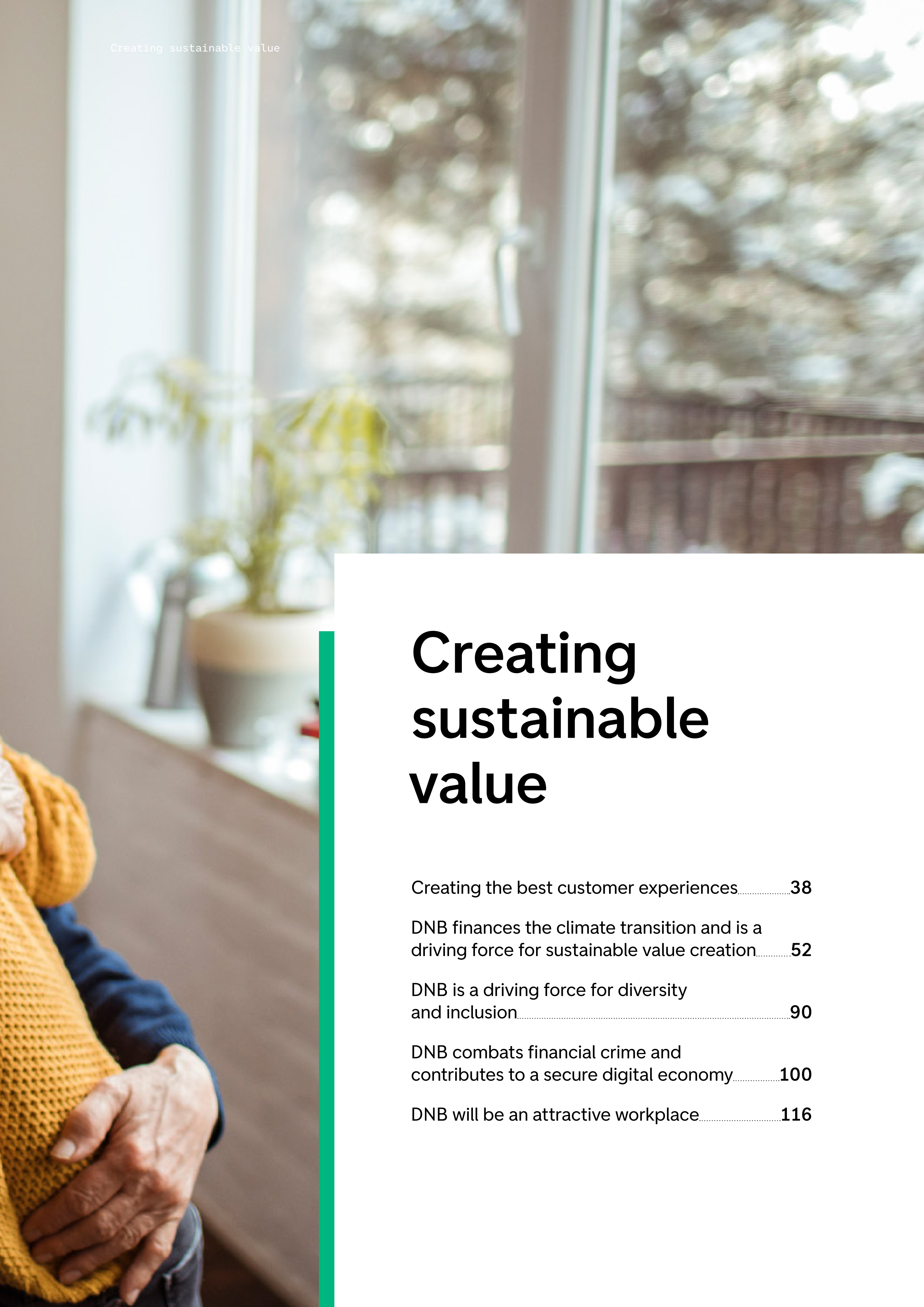
DNB signed the Principles for Responsible Banking (PRB) when they were launched in 2019. The PRB initiative was launched by the UN Environment Programme Finance Initiative (UNEP FI), and the Principles were created to ensure that the banking sector works to meet the UN Sustainable Development Goals (SDGs) and the Paris Agreement commitments. DNB has therefore made a commitment to adhering to the six principles for responsible banking set out in the PRB initiative:

- **Alignment:** Signatory banks will align their business strategies to be 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 will 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 will 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.

In 2021, we launched DNB's updated sustainable strategy, and the direction of this strategy has been set through our new materiality analysis, supplemented by the impact analysis as described above.

The strategy includes a goal of DNB achieving net-zero emissions in our financing and investment activities by 2050, and targets for reducing emissions intensity in key sectors we are exposed to. We have thus set a clear course for helping to achieve the goals of the Paris Agreement and key SDGs.

In 2022, we will continue our work as a participant in working groups in the PRB initiative, and we will also focus on DNB's impact in the areas of social conditions and corporate governance. We have had high ambitions in these areas up to now, and we will continue seeking to make further improvements.



Creating sustainable value

Creating the best customer experiences

We have for a while channelled our organisation's creative power and energy into clear priorities for the Group. We are balancing scarce resources like capital and people, while at the same time increasing our pace of innovation and safeguarding our implementation capacity. The last couple of years have been very unusual, and the framework conditions have changed dramatically. As we make our way out of the pandemic, we are seeing that customers are expecting more of us. They are seeking better advisory services, peace of mind and security. They are adopting digital services at an accelerating pace, and they expect it to be easy to have their needs for financial services met – where and when they need them. The entire financial services industry is changing.

The lines between technology and banking are becoming blurred, and there are greater expectations concerning effective and stable operations, cost-effectiveness, and good and seamless services. Even though traditional financial players remain our main competitors, industries are continuing to converge, and we expect competition to increase in the time ahead. Smaller fintech companies are seeking to cooperate with traditional players in the financial market, and the large global technology companies are strong competitors.

Innovative and user-friendly products and services

The financial services market is constantly changing, and we expect to see a fast pace of development in the financial industry going forward. The COVID-19 pandemic has further accelerated the digital shift, and customers want and expect seamless services. Self-service solutions have become increasingly common, and the digital journey will require more of banks in the time ahead than it has until now.

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. New players have their sights set on attractive parts of banks' value chains and are challenging us in completely new ways. In the area of payment services in particular, competition has intensified in recent years. Major global technology companies are positioning themselves in the international payments market. In addition, a number of major infrastructure acquisitions have been made.

If we are to succeed in this market and create the best customer experiences, we must constantly improve and renew ourselves. In a Group like DNB, there is a great need to both improve existing solutions and create new ones. 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.

New technology and new business models do not only involve challenges, they also provide opportunities for increased value creation and better customer experiences.

The insights we are able to extract from data are used to create better and more relevant customer experiences.

> "DNB has been named one of Norway's most innovative companies several times by the Norwegian innovation magazine Innomag."

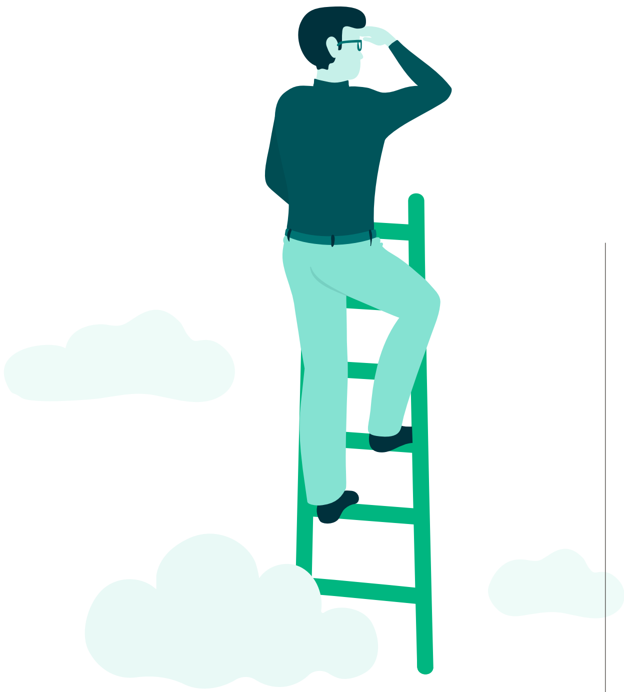
WHAT WAS DONE IN 2021?

In 2021, we adopted new cloud-based solutions and insight tools, so as to benefit from advances made in machine learning and artificial intelligence. The automation of credit processes has led to faster and better customer experiences. More and better chatbots answer customer enquiries more efficiently.

The vision for our digital channels is to create world-class customer experiences. This means a strong commitment to modernisation, streamlining, universal design and the production of relevant content. In 2021, this work produced good results, in the form of more customers and increased customer satisfaction. The most important changes are listed below:

- **The new** dnb.no **website** is the digital flagship that meets visitors and customers. This website is intended to function as a 'shopping centre', where customers should be able to find the full range og DNB's services and products. The technology behind the website makes it possible to implement updates faster. For example, we have introduced new calculators for home mortgages, car loans, foreign exchange and financing, and separate pages with content tailored to different customer segments. The new and improved website has produced positive results such as higher search engine rankings, more clicks and more traffic. We are seeing a sharp increase in the number of visits to Markets' pages, good attendance at digital events and top scores in Cicero Consulting's market report on small and medium-sized enterprises, *Markedsrapport Bank SMB*.
- Our largest customer interface, **the internet bank**, has more than 1.5 million users. In the autumn of 2021, we launched the first test version of a brand new, cloud-based internet bank for both personal customers and businesses. Customers will now play a part in testing and providing feedback, so that the development of the internet bank is based on data and insights from those we are here for – our customers.
- At the beginning of 2021, the number of personal customers actively using **the mobile banking app** passed 1 million, and the app has an AppStore rating of 4.7 out of 5. Some 600 000 personal customers have started to use the spending overview function, which gives customers insight into their own consumption and helps them to make smarter choices in their everyday lives. The mobile banking app is continuously being improved, and one new development in 2021 is that personal customers can now make an insurance claim and see their non-life insurance schemes using the app.
- **The savings app Spare and the mobile banking app** are in the process of being more closely integrated and placed on a common platform. This will improve interaction between the apps, which will ensure better customer experiences.
- In 2021, everyone who had a **defined-contribution pension** was included in the 'own pension account' scheme (Egen pensjonskonto, EPK). Under this scheme, contributions and pension capital certificates are gathered in one place. Reaching our goal with this new product meant facilitating collaboration across almost the entire bank, between highly complex – and to some extent fragmented – value chains. In the savings app Spare, customers can see their pension savings and developments in their own portfolio. They can also see how much their employer is saving for them, and change their pension profile. During the pandemic, Norwegians have been saving like never before. Greatly

The vision for our digital channels is to create world-class customer experiences



helped by shutdowns, travel restrictions, good times on the stock exchange and the #huninvesterer (#girlsinvest) campaign, our personal customers invested NOK 27 billion in mutual funds during the course of 2021, which is an increase of as much as 87 per cent from the previous year. DNB has long been a leading player in the market for defined-contribution pensions. We have seen a sharp increase in the pensions area, and during the course of 2021, we became the largest player in defined-contribution pensions.

→ Our **new solution for trading in shares and equities** was launched for 450 000 customers in September. The new technical platform we have built is far more advanced than the old one and has already given customers the most important features they need to make good investment choices. Examples of new content include the visual presentation of information about shares and equities and details about the companies in the 16 marketplaces where we are offering trading. It is possible to trade in shares and equities from the internet bank, the mobile banking app and the savings app Spare. During 2021, we saw a doubling in the number of users of the trading solution, and since many of these users are new to the stock market, content has been created for training and helping customers get started with saving in shares and equities. In addition, all active customers have access to our company analyses.

→ In 2021, the **corporate banking app DNB Puls** went from being an app for the smallest companies to becoming a mobile banking app for all Norwegian corporate customers. Growth was 35.8 per cent during the year, and by the end of 2021, more than 38 000 companies had downloaded the app, which helps them gain better control over – and an enhanced overview of – their own finances.

Reputation surveys show that, when it comes to the values *Innovative* and *Modern bank*, DNB was at a consistently high level in 2021. DNB has also been named one of Norway's most innovative companies several times by the Norwegian innovation magazine *Innomag*. The RepTrak reputation survey (see also page 7) focuses on seven underlying dimensions, including innovation. In this survey, DNB received 76, 77, 79 and 75 points, respectively, during the four quarters of 2021 – all of which are very good scores.

PARTNERSHIPS

Norwegian banks have a long tradition of collaborating on infrastructure, and this has helped us to develop good customer solutions in many areas. Ownership in and cooperation with Vipps, BankID, Fremtind Forsikring, Uni Micro and Invidem are examples of this. 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.

Payment services

In order to further strengthen their position in the area of payment services, Norwegian Vipps, Danish MobilePay and Finnish Pivo entered into an agreement in 2021 to merge the companies into one joint digital wallet. This new digital wallet will have a total of 11 million

We are constantly looking for solutions that can make running a business simpler.

users, over 700 million annual transactions and 330 000 corporate customers. The merger will enable mobile payments across national borders and will contribute to an even better solution for individual users and companies in Denmark, Finland and Norway. In order to go ahead, the merger requires the approval of the relevant authorities. Until then, Vipps will continue operating as before. DNB is the largest owner in Vipps, with an ownership interest of around 45 per cent.

Startups

Over a number of years, we have developed a close cooperation with StartupLab, Norway's largest technology incubator. Together, we arranged the leading FinTech accelerator in Norway in 2021, the DNB NXT Accelerator, for the fifth time.

Property technology

In 2021, we also entered into a partnership with Proptech Norway with the aim of gaining a better understanding of relevant trends in property technology and identifying opportunities for the bank. One example is the project Smarte Bygg (smart buildings), a collaboration on innovation with Telenor, which is giving us invaluable insight into effective use of office space. At the same time, it is giving us the opportunity to develop solutions that will make day-to-day working life easier for our employees.

Digitalisation

Together with Telenor, Equinor and SINTEF, we are cooperating with the Norwegian University of Science and Technology (NTNU) on various topics, including artificial intelligence (AI). We are part-owner of – and are cooperating with – Digital Norway on digitalising Norway and ensuring cooperation and the transfer of 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, for example through DSOP (Digital Public-Private Collaboration).

Open Banking

Open Banking enables DNB to provide third parties with access to our infrastructure and services in a standardised, scalable and secure manner, in accordance with the EU directive on payment services, PSD 2. At the same time, we are taking the opportunity to retrieve account information from other banks to give our customers a better overall overview using DNB's solutions.

Venture investments

Venture investments in, for example, Aiia, Funding Partner and Unite Living, have led to insight into new markets and provided new ways of collaborating. DNB has helped build and scale Aiia to become a quality-driven Open Banking platform that supports financial institutions and fintech and payment companies. Aiia was sold to MasterCard in 2021 and is DNB Ventures' first successful 'exit', i.e. a venture investment from which DNB has sold its ownership share and made a profit.

New services launched

The following new services have been launched in the market in collaboration with other players:

- The accounting app DNB Regnskap is an important initiative in the corporate market. In 2020, together with SpareBank 1, DNB entered into an agreement to buy the majority of the shares in Uni Micro, which is one of Norway's leading players in accounting systems, and the system provider of DNB Regnskap. The acquisition was approved in 2021. This has given us control over a highly flexible **accounting solution** that is relevant to large parts of the SME market in Norway, and has added impetus to the vision of banking and accounting services merging into one – in a simple and affordable way for our customers.
- After several years of work, Invidem, where DNB collaborates with five other Nordic banks, has finally launched its

services in **the fight against financial crime**. Invidem will simplify everyday life for large corporate customers that have customer relationships in several Nordic banks. A simpler process and increased data quality are of great value, both for our customers and for us. For our personal customers, we have used new technology to automate and streamline the process of providing proof of identity (the BankID app combined with Vipps and BankID).

→ DNB Finans is growing in the Nordic countries, and cooperation with Bassadone Automotive Nordic Oy in Finland and Deutsche Leasing in Germany are examples of how cooperation and partnerships are promoting strong growth in the areas of **car and investment financing**.

→ We are constantly looking for solutions that can **make running a business simpler**. In June 2021, DNB entered into a partnership with the start-up Lexolve (Lawbotics AS) on a pilot project that includes a legal 'health check' for companies. We also initiated a one-year pilot project that involves a distribution partnership with Aprila Bank to help SMEs manage unsecured credit.

→ DNB has entered into a collaboration with the start-up company Brevio that allows auditors to order **audit reports digitally**, and also follow the status of orders and receive audit reports through the same system.

THE WAY FORWARD

Modernisation is a high priority in DNB. Many people think that 'modernisation' is a large project that involves replacing DNB's core systems and product systems. That is not the case. Modernisation covers a set of activities that we gather under a single label, but that are run from different parts of the Group. What the activities have in common is that they are aimed at streamlining our systems so that we can more easily achieve the goal of creating the best user experiences while delivering on our financial targets. One example is the ongoing work to significantly modernise our payment systems for the corporate market. We are working on developing a new platform that will be the foundation – or heart – of payment services. A robust foundation ensures stable operation and good data quality, while enabling faster development, increased digitalisation and a greater degree of standardisation. Customers will be given better and more complete account information, reducing the need for manual follow-up.

In DNB, we are turning more towards agile and flexible business development that enhances our ability to speed up our innovation efforts by testing new solutions and quickly making changes. By taking an approach that has a strong user focus and having interdisciplinary teams made up of designers, technologists and business developers, we can create better services for meeting users' needs while taking advantage of technological opportunities and generating commercial value.

"By taking an approach that has a strong user focus and having interdisciplinary teams made up of designers, technologists and business developers, we can create better services."

Responsible customer advisory services and marketing

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

Customers' perception of what it means to be digital has changed after two years of pandemic.

WHAT WAS DONE IN 2021?

Customer satisfaction

DNB monitors customer satisfaction among its own customers and in the market all year round. Customer satisfaction in the Norwegian banking market is generally 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.

At the end of the year, the vast majority of our personal customers stated that their level of satisfaction remained unchanged, according to surveys conducted by Opinion and Norstat on behalf of DNB. Nevertheless, there was an overall decline in customer satisfaction in 2021, and at the end of the year we were given a score of 72.7 points, compared with 73.6 points at the end of 2020. Among our customers, 61 per cent were very satisfied with DNB, while 14 per cent were somewhat dissatisfied.

We have worked systematically throughout 2021 to gain a better understanding of our customers and what they expect of us as a bank. Customers' perception of what it means to be digital has changed after two years of pandemic, and they expect more of the bank's digital solutions.

Customer satisfaction with DNB's points of contact is good. The internet bank is still the most used and preferred channel, and was given the highest customer satisfaction score. But other channels, such as customer service by telephone, advisory services and the mobile banking app, also had good levels of customer satisfaction. The mobile banking app and the savings app Spare achieved new records both in terms of the number of users and customer satisfaction over the course of the year.

Price perception is also something we follow closely. This is important because it is closely linked to people's perception of the bank and desire to become and remain DNB customers. It is also closely related to customer satisfaction and whether or not our customers recommend the bank.

Ditt økonomiske DNA (your financial DNA)

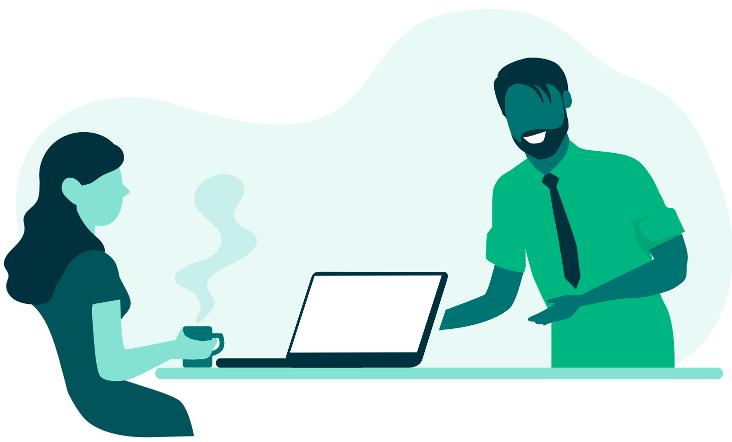
Our surveys show large variation in the amount of time Norwegians dedicate to their own finances. More than 40 per cent of us spend less than an hour a month.

Reducing financial inequality is one of DNB's sustainability goals. As Norway's largest financial services group, we take this role seriously. When people spend time on their own finances, they gain a better understanding of their own situation, and are better equipped to make choices that pay off for themselves and their loved ones.

DNB gives financial advice every day in thousands of customer meetings, but in order to reach a wider audience, we had to digitalise our advisory services. We therefore developed a brand new mapping and advisory tool called Ditt økonomiske DNA (your financial DNA). This tool consists of a test that allows people to take an in-depth look at what makes them – and their finances – unique. To find your own, personal financial DNA, you have to invest some time, but the reward is greater insight and more knowledge.

Shelf control

To guarantee the quality of our portfolio of products and services, we have introduced a standard for approval known as Shelf Control. Shelf Control is an important tool for making sure that the products and services we offer are good for our customers, for society and for DNB. The systematic review of products and services through Shelf Control helps increase our competitiveness and the level of customer satisfaction, in addition to strengthening our reputation and helping us to better safeguard our corporate responsibility. We regularly review products and services for personal customers, based on a risk-based approach. The products and services that involve the highest risk are most frequently reviewed (every quarter).



"We work every day to make our customer communication and advice more relevant, personal and event-based."

Shelf Control is an important tool for making sure that the products and services we offer are good for our customers, for society and for DNB.

Cases considered by The Norwegian Financial Services Complaints Board
The Financial Services Complaints Board handles disputes concerning private individuals' contractual relationship with banks, finance companies, credit institutions and fund management companies. The number of cases considered by the Complaints Board is an indication of whether DNB manages to provide products and services that meet customer needs and expectations.

In 2021, the Complaints Board registered a total of 224 cases involving DNB. Of these, only 47 were subject to consideration, 37 of which went in our favour and 5 in the customer's favour, while 5 were rejected. 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 Complaints Board cases in 2021 was as expected. The outcome was also as expected – with only a 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
Creating the best customer experiences is one of our overarching goals. We work every day to make our customer communication and advice more relevant, personal and event-based. An activity check is carried out for all new marketing activities, and for all ongoing activities an annual reassessment of existing activity checks is carried out. The purpose of the activity check is to shed light on any risks associated with a marketing activity, and to ensure that other relevant specialist units in DNB are given a chance to voice their opinion and share their view on the risk scenario. We have clear standards and processes for all employees working in marketing. In 2021, we systemised our efforts to risk assess all third parties we have an agreement with. Random checks and evaluations are carried out each quarter to ensure that our processes and routines are under control, and any violations or deviations are reported and logged.

To ensure better follow-up and control of compliance, risk identification and competence enhancement relating to marketing and communication, an employee dedicated to these tasks was hired 2021.

We received a small number of comments from the authorities in 2021:

- In the autumn of 2021, DNB published an article on DNB Nyheter (DNB News) about DNB's decision to increase the interest rate on home mortgages, following Norges Bank key policy rate hike. The Consumer Authority contacted DNB after the publication because they considered parts of a quote to be misleading marketing. DNB did not agree with the Consumer Authority's interpretation of the quote, but complied with their request to adjust the wording.

- The Consumer Authority considers several players' marketing of car loans to be in violation of the Marketing Control Act. DNB was one of several market players to receive a letter of notification just before Christmas, requesting a review and subsequent adjustment of the marketing to ensure compliance with the relevant rules and legislation.

- DNB is obliged to include a link to Finansportalen.no on all websites where the prices of our products and services are mentioned. When we made changes to DNB's old website, these links were accidentally removed from several pages, including the front page. This also meant that necessary links to Finansportalen.no were not included in the migration from the old web pages to some of the new ones. This led to a complaint to DNB from the Consumer Authority. We quickly solved the problem and the correct link is now included in the footer of the new dnb.no website (and thus all pages), and also in more visible and relevant places on pages where prices are mentioned.

THE WAY FORWARD

Through innovation and product development, we will continue to deliver great customer experiences in 2022, in staffed as well as unstaffed digital channels. We will continue to use Shelf Control, which ensures that the products and services we provide are good for the customers, for society and for DNB.

"Using digital tools and with the best advisers, we will help our customers feel that they master their financial situation."

The campaign Ditt øknomiske DNA (your financial DNA) is a long-term initiative. In 2022, we will continue to motivate customers to spend a little more time on their finances. Using digital tools and with the best advisers, we will help our customers feel that they master their financial situation and show that we are the best bank for people who need financial tips, guidance and advice.

The new Financial Contracts Act is expected to be implemented in 2022. We have therefore worked intensively throughout 2021 to prepare and make the necessary adjustments. We are well prepared to comply with the new legislation when the date of entry into force is set.

Compliance in marketing and communication will be further strengthened in 2022 through competence building, awareness raising and the implementation of new laws and legislative amendments. We will focus particularly on car financing, consumer loans and green products.

Responsible lending to personal customers

DNB is a responsible provider of unsecured credit to personal customers. By unsecured credit we mean credit card debt and consumer loans that cover customers' temporary liquidity needs. For us, being a responsible lender is about *meeting* the customers' needs rather than creating them.

In DNB, the topic of lending to personal customers is addressed in several governing documents: the Group policy for risk management in DNB, the Group standard for credit activities, the Group standard for corporate responsibility in DNB's credit activities, the Group standard for anti-money laundering and counter-terrorism financing, and DNB's credit manual for personal customers. The most important parameter we consider in our credit assessments of personal customers is their debt-servicing capacity, and the credit assessment must be based on detailed information about customers' income and total debt and the value of the collateral pledged as security, as well as all their day-to-day living expenses, including interest and instalments on loans.

The basis for making all credit decisions must be sound, and it must be documented and registered in accordance with applicable guidelines. The main principles include assessing debt-servicing capacity, willingness to pay and collateral provided, and that the bank knows the origin of the funds.

WHAT WAS DONE IN 2021?

In the market for credit cards, competition is largely driven by customer benefits. In order to strengthen the competitiveness of our credit cards, in 2021, we launched a fixed discount on the charging of electric cars. In addition, we have maintained the fixed discount at fuel stations because we see that more and more fuel stations are also offering charging services, in step with the electrification of the car fleet in Norway.

For consumer loans, we have changed our pricing system. Instead of offering all customers a fixed, equal price, we now have an individual, risk-based pricing system. Our advisory services are mainly aimed at customers of our own who need to tidy up and consolidate small loans, and we have strengthened the customer service centre so as to be able to provide good financial advice in this area. We are confident that the customers who are granted loans from us are able to service these loans, and throughout 2021, we have seen a marked decline in the proportion of defaulted loans.

The personal customer area was subject to a supervisory inspection in 2021, focusing on unsecured and secured credit. This topic was taken into account in Finanstilsynet's risk-based inspection activities, and included risk exposure in the credit area, management and control of credit risk, as well as consumer finance (credit card loans and unsecured consumer loans). Some factors relating to corporate governance and operational risk were also addressed.

The personal customer area in DNB has responsible lending practices, which can be seen in, among other things, a very low default rate.

THE WAY FORWARD

DNB's strategy of offering consumer financing in a responsible manner stands firm. We will continue to direct our advisory services at our own customers to encourage them to gather loans from other banks in DNB, so that they gain a better overview of their finances by having everything in one place.

We have prepared an action plan to implement improvement measures based on the feedback from Finanstilsynet.

DNB will continue to offer financing for green purposes, such as solar panels, through selected business partners. We will continue our efforts to innovate in the area of home mortgages and digitalise the mortgage process, with a focus on creating the best customer experiences.

Throughout 2021, we have seen a marked decline in the proportion of defaulted loans.

DNB will be a driving force for sustainable transition

EMPLOYEES ON SUSTAINABILITY

Martin Haug Andersen

Head of Risk Appetite and Recovery Plan

I'm responsible for risk appetite in DNB. That is, the bank's willingness to take risks in its operations. Banking often involves taking risks, and there's no doubt that the green shift entails a great deal of risk for the Group. But it also offers great opportunities.

One of my most important tasks in the time ahead is to obtain climate and sustainability data, and translate this into something we can use in the bank. This could for example be information about quick clay areas or the energy labelling of homes. We're working on building a database that connects this information with internal and external data sources. This will enable us to perform risk management, meet reporting requirements, carry out necessary stress tests, and so on. This is a whole new way of working. The data exists, but it's spread around in various formats and databases. Another challenge is that much of the data we need, both in connection with reporting requirements and risk management, simply doesn't exist. The data that does exist is often estimated, and even after an extensive quality control, we can't be entirely sure that this data is a good approximation of the data we need.

DNB's updated sustainable strategy is robust; it sets direction and clear goals. At the same time, this is probably just the beginning. Our target of providing NOK 1 500 billion in financing to facilitate sustainable activities is ambitious. Having said this, it could well be that we need an even higher target in the long run. I think the strategy will probably change a number of times in the years ahead, but along the way we need to have some milestones to navigate by.

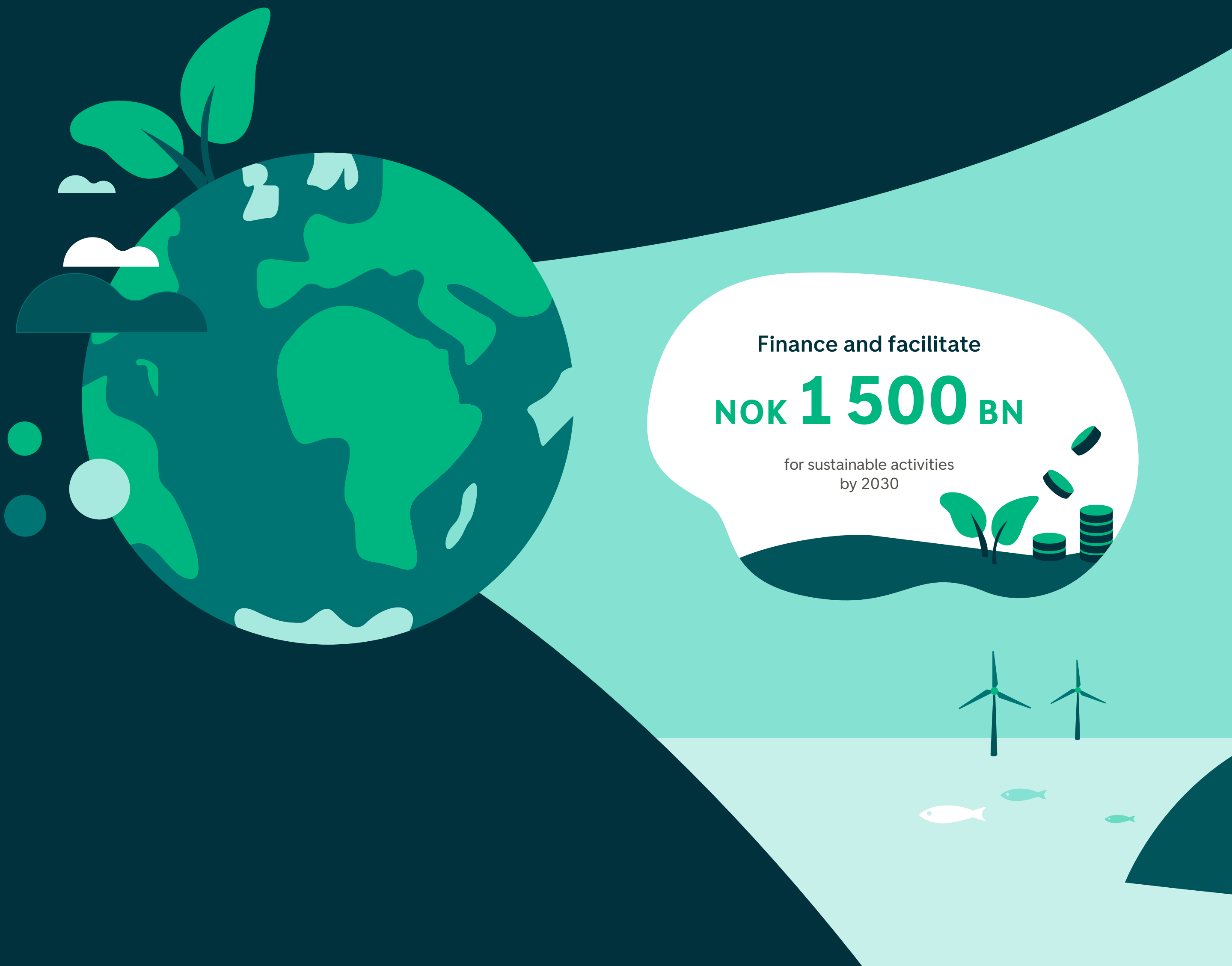
It's also important that the transition to a zero-emission society is as smooth as possible, and as DNB has an ambition to be the 'the transition bank', it's important that we help maintain value creation and jobs throughout the process. That's why we need to work in a planned and structured way in the lead-up to 2050 – and we need to start now. We've been through both the IT bubble and the financial crisis, but the green shift is a transformation on a par with the industrial revolution. Carbon is everywhere, and the emissions have to be removed. It's important that we as a bank take this seriously, at all levels of the organisation. And that's what we're doing. It also feels good to be able to stand tall and say we're making a difference.

“We need to work in a planned and structured way in the lead-up to 2050 – and we need to start now”

Martin Haug Andersen, head of Risk Appetite and Recovery Plan

DNB finances the climate transition and is a driving force for sustainable value creation

DNB will be a driving force for sustainable transition. We will use our expertise and provide banking services to help our customers move in a sustainable direction. As Norway's largest financial services group, DNB has considerable influence on the sustainable transition, both in Norway and internationally. Through advisory services, financing, competence sharing and clear requirements, we will help forward-looking companies succeed with sustainable solutions.



Net-zero emissions by

2050

from our financing and investment activities

Increase total assets in mutual funds with a sustainability profile to

NOK 100 BN

by 2025 and reduce emissions intensity in DNB Livforsikring's portfolio by

55%

by 2030

Reduce the emissions we finance by 2030

2030

OIL AND GAS
reduce the portfolio's emissions intensity by
25 %

SHIPPING
reduce the portfolio's emissions intensity by
1/3

COMMERCIAL PROPERTY
reduce the portfolio's emissions intensity by
25–35 %

ESG assessments in credit analyses and asset management

Investments

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

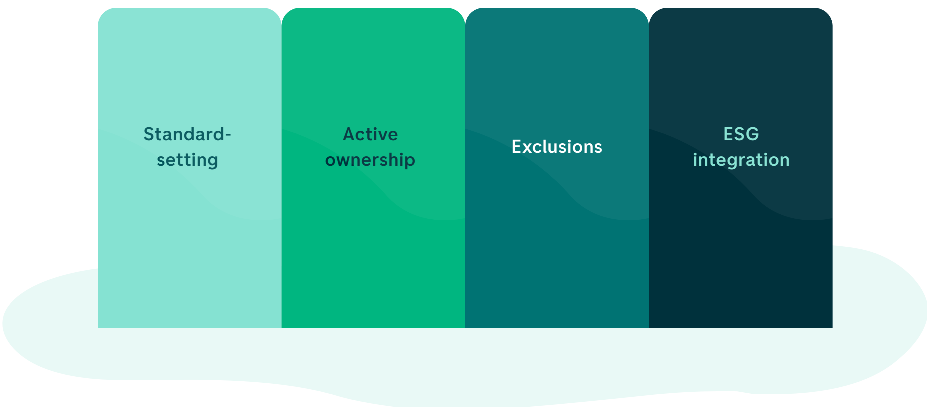
The main purpose of our work with responsible and sustainable investment is to achieve good long-term returns with an acceptable level of risk, contribute to sustainable development and avoid contributing to the violation of fundamental rights or breaches of standards. The work is carried out in accordance with our Group standard for responsible investments, published on dnb.no/sustainability-reports.

The instruments used in this work are mainly:
- Standard-setting
- Active ownership
- Exclusions
- ESG integration

In addition, we offer several fixed-income and equity funds with a sustainability profile. Read more about this in DAM's Annual Report on Responsible Investments, which can be found on dnb.no/sustainability-reports.

WHAT WAS DONE IN 2021?
Assessments of ESG factors are part of investment analyses and decisions, and in DNB, all asset management is subject to the Group standard for responsible investment. Beyond this, customers who wish to invest in mutual funds with extended exclusion criteria can choose funds that also exclude conventional weapons, alcohol, and commercial gambling activities. We also offer mutual funds with a sustainability profile for which additional criteria are applied. An example of this is DNB Grønt Norden, which excludes companies that do not meet 'fossil-free' criteria, as well as actively selecting companies on the basis of on seven green topics. In addition, we have DNB Miljøinvest, a global equity fund that invests in companies that contribute to reducing greenhouse gas emissions.

The development of mutual funds with a sustainability profile in DAM is an important contribution to achieving DNB's ambition of increasing total assets in mutual funds with a sustainability profile to NOK 100 billion by 2025. At year-end 2021, these assets totalled NOK 26.9 billion. Another target is that 50 per cent of net flows in 2025 will go to mutual funds with a sustainability profile. This will contribute to channelling more capital to the green transition and to companies with activities that support the UN Sustainable Development Goals (SDGs).



Several mutual funds with a sustainability profile were introduced in 2021:

- DNB Klima Indeks was launched in May. DNB Klima Indeks is an index-linked global equity fund, for which the benchmark index has been put together so as to be in line with the Paris Agreement.
- DNB Future Waves, formerly DNB Global ESG, was relaunched in June. This is a global equity fund that uses the UN SDGs as its framework.
- DNB Emerging Markets Indeks has introduced fossil-free criteria. This means that the fund avoids investments in fossil energy, and that the average carbon footprint should be less than 100 tonnes of equivalents per million US dollars in revenues.

In 2021, we had nine focus areas. Ambitions and target attainment in each of the focus areas are described in DAM's Annual Report on Responsible Investments on dnb.no/sustainability-reports. The nine focus areas were divided into three long-term areas and six thematic areas.

Long-term focus areas:

- human rights
- climate change
- water

Thematic focus areas:

- product safety and quality
- sustainable oceans
- supply chains in developing countries
- health and sustainable food systems
- Deforestation and land use
- Biodiversity

Biodiversity is an example of a thematic focus area that has been important to us in 2021. Like climate change, biodiversity involves both risks and opportunities for companies and portfolios we manage on behalf of our customers, and both these factors can have a significant financial effect. Read more about the work we have done in the area of biodiversity in 2021 on page 74.

As an active owner, we aim to influence companies in a positive direction through dialogue and voting. We conduct reactive dialogues when an incident has occurred, while proactive dialogues are conducted to identify and manage ESG risks and opportunities. In 2021, we had 241 dialogues with 177 companies to discuss various ESG-related topics, and to an increasing extent the dialogues have been proactive. Dialogues of this kind are structured processes with clear objectives for the desired outcome, in which milestone attainment is also measured. In this work, we use expectations documents that convey the requirements and expectations we have for the companies we invest in.

Company dialogues, for example dialogues relating to human rights, involve a number of challenges. In 2021, for instance, we continued the dialogues with companies operating in Western Sahara. These dialogues have been demanding both in terms of progression and in terms of interpretation of international law. In addition, we focused on modern slavery, a topic where it is difficult to verify facts and identify where in the value chain the problem

"As an active owner, we aim to influence companies in a positive direction through dialogue and voting."

lies. Dialogues on biodiversity, where we work to find meaningful goals and measurement indicators, as well as to establish in concrete terms what it means for a company to achieve a net positive contribution to biodiversity, present other challenges.

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 Access to Medicine Foundation is another example of a key initiative in 2021. The goal is to promote access to medicines in low- and middle-income countries by guiding the pharmaceutical industry. As part of the initiative, we carried out several dialogues with global pharmaceutical companies in collaboration with other major investors, with a view to exerting an influence.

DAM makes decisions on voting on the basis of our guidelines for voting and assessments made in connection with company dialogues. 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 Annual General Meetings (AGMs) are in accordance with sound corporate governance and the safeguarding of environmental, climate-related and social issues. Moreover, in 2021 we took a more comprehensive approach to shareholder proposals. See the table at the bottom of the page for an overview of our voting in 2021.

Companies that breach our standard for responsible investments and that do not show a willingness to change may be excluded from our investment universe. At year-end 2021, a total of 198 companies were excluded from our investment universe. See the full overview on dnb.no/sustainability-reports.

In 2021, we continued our work on developing analytical tools and methods for mapping climate-related risks and opportunities at company and portfolio level. We worked with the UNEP Finance Initiative (UNEP FI) to identify best practices, and further developed our scenario analyses. Read more about this work under Reporting of climate-related risks and opportunities on page 76.

Moreover, in 2021 we further integrated ESG factors into information and portfolio systems and investment decisions. The use of ESG-related data in the management of fixed-income securities is essential for uncovering risk factors that may influence developments in issuers' creditworthiness and credit margins. In recent years, DAM has followed up

Overview of our voting in 2021	Norway	International	Total
Number of general meetings where we voted for all of the company's recommendations	122	70	192
Number of general meetings where we voted against the company's recommendation on at least one point	33	99	132
Total	**155**	**169**	**324**

Norwegian issuers so as to be able to make its own assessments in cases where data providers offer insufficient data or where the data providers' frameworks are poorly adapted to local conditions in Norway.

The annual evaluation of the results of the work on responsible and sustainable investments shows good progress. In this work, both guidelines and the results of the exercise of active ownership rights are evaluated through dialogue and voting. The evaluation is included in DAM's Annual Report on Responsible Investments, which is presented to the Responsible Investment Committee in DNB, as well as to the Board of Directors and the management team of DAM. The report is available on dnb.no/sustainability-reports.

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 risks and opportunities into investment decisions, for instance by making good ESG-related data available in our systems. We will also continue our work on developing existing mutual funds, as well as possible new mutual funds with a sustainability profile.

Climate change, water and human rights will remain long-term focus areas for DAM. In 2022, we will continue to prioritise sustainable oceans, biodiversity, product safety and quality, and health and sustainable food systems as thematic focus areas. Deforestation and land use are considered to be well covered through the work on biodiversity. Supply chains in developing countries is a topic that is being paid increasing attention in all focus areas, and it will therefore no longer be a separate focus area.

Important topics in our work are the Paris Agreement and net-zero 2050 targets, both for DAM and with respect to the companies we invest in on behalf of our customers. We are also working with the UN SDGs, both as a starting point for dialogue and as a framework for investment decisions relating to mutual funds. In connection with the implementation in Norway of the EU Sustainable Finance Disclosure Regulation (SFDR) in 2022, we will publish more sustainability information on our website and at portfolio level. The EU Taxonomy Regulation (see separate feature article on page 84) will also have a major impact on the work on responsible and sustainable investments in the time ahead.

Read more about responsible and sustainable investments and company dialogues on dnb.no/sustainability-reports.

ESG assessments in credit analyses and asset management

Lending to corporate customers

DNB is a major lender. This means that we can exert a real influence on our customers. By requiring accountability, we can contribute positively to society while reducing our customers' risk, as well as our own. DNB's long-term profitability depends on customers making choices that enable them to reduce risks and seize the opportunities associated with sustainable transition. This is increasingly a matter of competitiveness – our customers' and our own.

WHAT WAS DONE IN 2021?

DNB is facing ever-growing demands and expectations from the Board, investors, society and the authorities with regard to what banks need to assess, measure and take into account in an ESG perspective. These requirements and expectations form an important basis for conversations with customers about sustainability. Over the course of the year, DNB has drawn up industry-specific ESG guidelines that define what the bank demands and expects from customers in various industries.

Updated ESG risk assessment tool

DNB started using the updated ESG risk assessment tool for corporate customers in 2021. More than 1 500 credit customers were risk assessed using this tool during the year. In addition to the general modules for large and small corporate customers, we have developed industry-specific modules for building and construction, shipping, commercial property, oil and gas and private equity. Our own ESG assessments are supplemented by ESG analyses provided by third parties. DNB subscribes to services from RepRisk, Sustainalytics and MSCI ESG Ratings.

Sustainability-related topics were an important part of the several thousand customer dialogues we conducted in 2021. We find that our corporate customers are becoming increasingly committed and mature in this area. Through the customer dialogue, we raise awareness about the risks and opportunities associated with sustainability, and offer constructive advice on topics such as ESG strategy and sustainability reporting.

18 new projects financed in accordance with the Equator Principles

In 2021, 18 projects were financed in accordance with the Equator Principles. 17 of them were renewable power generation projects, including DNB's first financing of a project for solar power battery storage. One of the projects was in the area of oil and gas. Geographically, the projects were spread across the US, Chile, the UK, Poland and Australia. The Equator Principles serve as a global framework for banks to assess and manage risks relating to environmental and social aspects of project financing and project-related corporate loans. You can read more about this on dnb.no/sustainability-reports.

Employee training

In connection with the roll-out of updated modules of the ESG risk assessment tool,

CONTINUED STRONG FOCUS ON OUR CUSTOMERS' HANDLING OF ESG FACTORS

ESG factors (environment and climate, social conditions and corporate governance) have been well-integrated into our risk management. For all customers with a total credit commitment of more than NOK 8 million, ESG risk must be commented on in the credit proposal. If the credit commitment exceeds NOK 50 million, a separate ESG risk assessment tool must be used. Discussions and assessments of how our customers manage ESG-related risk factors are becoming increasingly important in our credit committees. The goal of the risk assessments is to find out if our customers:

- are prepared for the ESG risk scenario they are facing and have established targets and plans to reduce risk and seize opportunities;
- comply with relevant laws and regulations, adapt to new ones and follow DNB's ESG guidelines;
- have the expertise and capacity to follow up their own sustainability-related goals; and
- have established relevant measurement parameters that demonstrate a positive development.

training was provided for all credit analysts, account managers and credit managers, as well as selected managers in the bank's corporate customer area. Internal support and guidance documents for customer dialogues have also been drawn up.

THE WAY FORWARD

We will continue to develop and adjust our risk assessment tool. This includes creating more industry-specific modules, and adapting the tool further for use in connection with small and medium-sized enterprises. We will look more closely at how the risk assessment can to a greater extent take into account specific performance criteria and binding ESG-related targets and plans set out by our customers. We also wish to improve the support for ESG risk assessments in transactions, and strengthen and systematise the ESG assessments performed in the KYC process for all customers.

Some challenges remain, related to the quality and availability of the ESG-related data we can use in our risk assessments. We expect that greater clarity with regard to regulatory reporting requirements will, over time, lead to a standardisation of measurement methods and relevant measurement parameters in different industries. This will improve the quality and consistency of risk assessments and enable better comparison of risk between segments.

We want to establish relevant measurement parameters for ESG risk in the credit portfolio, based on the ESG risk assessments made by our credit customers. We aim to further develop our platform for monitoring and reporting ESG risk, and make it available to managers as a portfolio risk management tool.

Training in the areas of biodiversity, pollution and circular economy was not carried out as planned in 2021, but it will be in 2022. We also want to ensure that our employees understand the Norwegian Transparency Act, which enters into force on 1 July 2022, and are able to discuss its consequences with our customers. In addition, we will make sure that we perform due diligence in accordance with the law.

Measuring the carbon footprint of mutual funds

THE MEASURING PROCESS

As part of the efforts to reduce our exposure to companies with high climate risk, our asset management company, DNB Asset Management (DAM), measures the carbon footprint of all equity funds. In addition, we report the carbon footprint of fixed-income funds where there is sufficient available data. The carbon footprint, measured in terms of carbon intensity, shows a company's greenhouse gas emissions relative to its turnover. This is one of several factors that can give an indication of a company's climate risk and impact. Identifying the carbon intensity of investment portfolios has a number of important purposes, including assessing climate risk associated with higher carbon prices and setting emissions reduction targets. Although a high carbon intensity will entail transition risk, the current measurement of Scope 1 and 2 emissions (see below) does not take into account forward-looking 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 contributing to the green shift. One of the ways we are working with this is by calculating emissions that could potentially be avoided by companies in the mutual fund DNB Miljøinvest. See our report on potential avoided emissions on dnb.no/sustainability-reports.

DATA COLLECTION

DAM uses data from MSCI ESG Research about companies' greenhouse gas emissions. In addition, we have continued our work from 2020 on collecting greenhouse gas emissions data for the Nordic fixed-income market. In 2021, we collected data from the sectors banking, real estate, power, chemicals, transport and logistics, as well as food and food production. The majority of the companies that were asked, reported their carbon emissions. For companies that do not measure or publicly report their emissions, we have, based on a sector average, made our own estimates so as to increase the data coverage rate for Norwegian and Nordic fixed-income funds. The companies' carbon intensity is weighted according to 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 companies. Emissions data is either data reported by companies or estimates that are prepared by MSCI ESG Research or, when no other data is available, internal estimates drawn up by DAM. For companies for which there is no data, the portfolio average for companies that have emissions data has been used in the calculation.

REPORTING

DNB reports on CO_2 equivalents, as defined by the Greenhouse Gas Protocol, the most commonly used standard for reporting greenhouse gas emissions. Scope 1 emissions include direct emissions from a company, and Scope 2 emissions include indirect emissions associated with energy purchased or used. Indirect emissions associated with purchased goods and services, or with the use and disposal of products, fall under Scope 3. Emissions of this kind are not included, as there is insufficient reported data from the companies. Potential 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 methods and data. The method for measuring greenhouse gas emissions is under development and may be subject to change.

The graphs on the next page show 39 equity funds and their respective indices, as well as 15 fixed-income funds. The 39 equity funds account for more than 99 per cent of the total market value of all of DNB's equity funds. The 15 fixed-income funds we report on, account for more than 40 per cent of the market value of all of DNB's fixed-income funds. The data coverage rate for 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.

CARBON FOOTPRINT OF FIXED-INCOME FUNDS

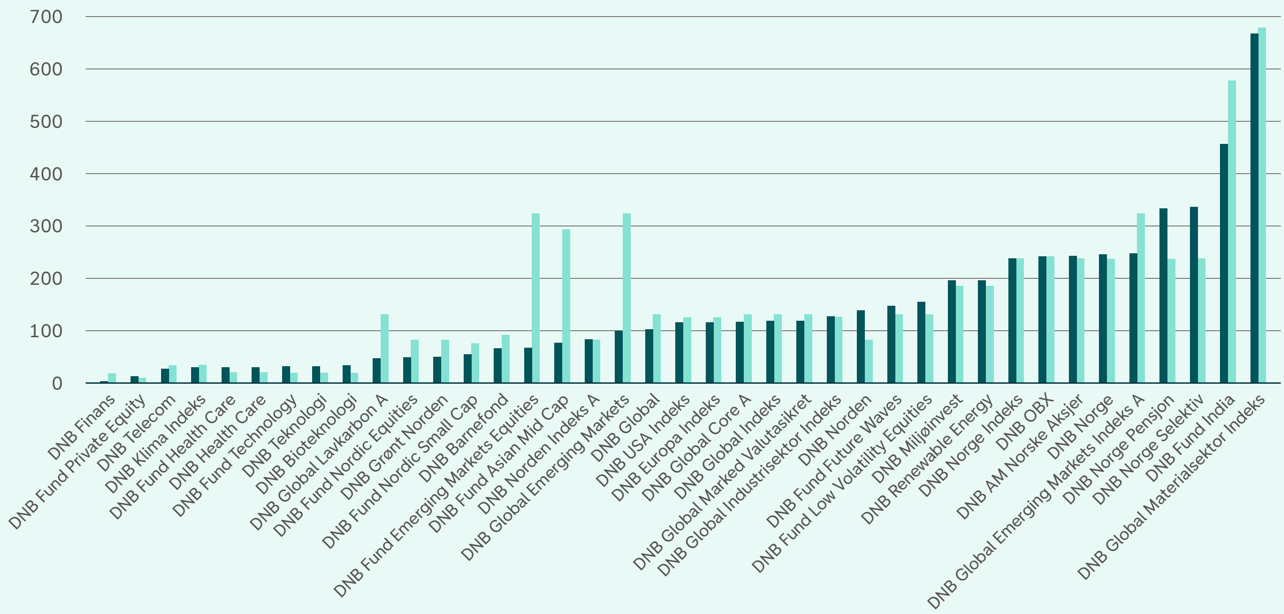
We mainly use the same method to measure the carbon footprint of fixed-income funds as we do for equity funds, namely Weighted Average Carbon Intensity, the method recommended by the Task Force on Climate-related Financial Disclosures (TCFD). An important difference is that 'green bonds' are not included in the calculation of the carbon footprint of fixed-income funds. Although we believe that green bonds can contribute to emissions reductions or avoided emissions, these are 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.

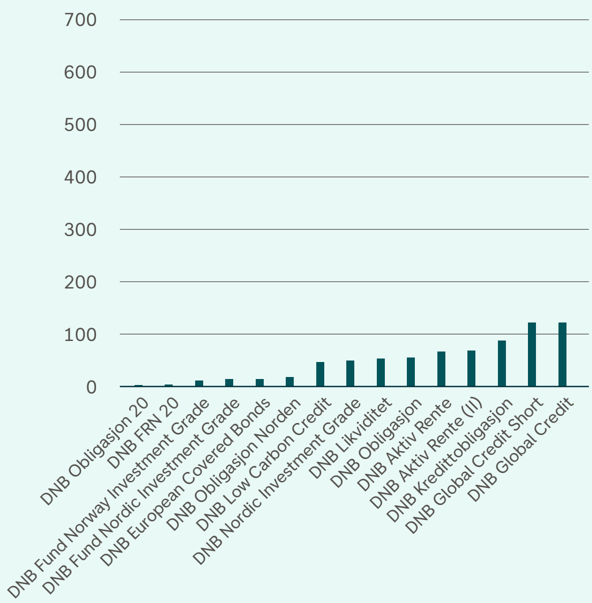
GREENHOUSE GAS EMISSIONS DATA

There is great uncertainty associated with data relating to greenhouse gas emissions. This is due not only to

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

Tonnes of CO_2 equivalents for every USD 1 million in revenue





the fact that estimated data is used for companies that do not provide their own reported data, but also to regional differences in reporting practices, which have been proved to vary considerably depending on geographical location and company size. Despite this, we believe that it is important to include emissions data as one of several factors in the analysis of companies' climate risk and impact.

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 on our funds of different climate scenarios. See the separate article on the TCFD on page 76 for more information. Scenario analyses provide a more dynamic and forward-looking picture of companies and portfolios.

Financing the climate transition through sustainable products

As Norway's largest financial services group, DNB has considerable influence on the sustainable transition in Norway and internationally. Back in 2019, we identified focus areas and set ambitions for DNB's sustainability work. In 2021, we wanted to be even more ambitious and launched an updated sustainable strategy for the Group. One of the strategic priorities is for DNB to finance the climate transition and be a driving force for sustainable value creation. We also have an overall target of net-zero emissions from our financing and investment activities by 2050. We have therefore set subtargets for reducing financed emissions from now until 2030, and for financing sustainable activities.

Our targets under 'DNB finances the climate transition and is a driving force for sustainable value creation' reflect the fact that climate change is not only a potential risk to the bank; it also creates many opportunities for us and our customers. We have a large indirect impact on climate and the environment through the companies we finance. This also means that DNB is exposed to risk, through these companies' ability to adapt to climate change and the transition to a low-emission society. It is primarily through financing that DNB is exposed to climate and natural risk. At the same time, we have a great opportunity to support and finance our customers' transition. The targets are intended to reduce risk in DNB's credit portfolio and drive customers towards a sustainable transition, while safe-guarding the Group's competitiveness in a more sustainable economy.

Net-zero emissions by 2050

across our financing and investment activities and own operations

Finance
and facilitate

NOK 1 500 BN

for sustainable
activities by 2030

Reduce the emissions
intensity in our credit and
investment portfolios by

2030

Oil and gas: 25%
Shipping: 1/3
Commercial real estate: 25–35%
DNB Livsforsikring: 55%

"We have a large indirect impact on the climate and environment through the companies we finance."

WHAT WAS DONE IN 2021?

Sustainable financing

To reach our target of having financed and facilitated NOK 1 500 billion for sustainable activities by 2030, we must have good sustainable products to offer our customers. This has been a main priority in 2021, and we have implemented several measures across the bank's business areas. They are described here.

Green Property

In the spring of 2021, we launched the campaign Grønn Eiendom (green property), aimed at influencing the industry to become more environmentally friendly. The real estate and construction sectors use 40 per cent of all energy and 40 per cent of all material resources, they generate 25 per cent of all waste, and they (directly or indirectly) account for 15 per cent of all CO_2 emissions in Norway.

DNB aims to guide the real estate industry in a greener direction. We encourage making new buildings more environmentally friendly and provide green loans for the rehabilitation or improvement of existing buildings. In addition, we make a number of demands and set expectations for the industry through the ESG guidelines for commercial property and construction. A more detailed description of our requirements for green loans for real estate can be found in our Sustainable Product Framework on dnb.no/sustainability-reports.

Green financing is verified by a third party, and the customers are given more favourable conditions.

Updated framework for sustainable products

The framework for sustainable products with associated criteria shows the activities eligible for green financing from DNB. Green financing is verified by a third party, and the customers are given more favourable conditions. The first framework was launched in 2019, and it is updated annually. Most recently, we updated the framework in the autumn of 2021, to bring it in line with best market practice. It was updated in collaboration with the ratings agency Sustainalytics. The updated version includes new activities to account for the latest technological and market developments. Regulatory developments have also been extensive through the publication of the first climate targets in the EU taxonomy (read more on page 84). The framework has largely been harmonised with the taxonomy's criteria for 'significant contributions' to the first two environmental targets, but at this point in time a complete harmonisation is difficult for several reasons. The taxonomy currently excludes a number of industries (e.g. seafood and agriculture) and activities (in sectors such as shipping) that we believe are key to a successful green transition. Some criteria also lack clear definitions in a national context, for example in connection with net-zero energy buildings (NZEB). Furthermore, we believe that the taxonomy's documentation requirements for the 'do no significant harm' principles will prove too difficult for some small companies at this time, and that a complete harmonisation with the taxonomy could deprive them of sustainable financing. We will attempt a further harmonisation with the EU taxonomy in future updates.

THE SUSTAINABLE PRODUCTS FRAMEWORK

Includes the following categories with predefined sustainable activities and criteria:

- **Green buildings:** Commercial, public and residential buildings – existing or under construction – that meet specified certification and energy performance criteria.
- **Energy efficiency:** Activities and investments that significantly improve the energy performance of buildings, industrial processes and equipment, across sectors.
- **Renewable energy:** Renewable energy and heat generation, as well as the development and manufacturing of technology and equipment for use in renewable energy.
- **Clean transport:** Development and financing of zero-direct-emission passenger vehicles and fleets, freight transport, and urban transportation systems and infrastructure. This category also covers shipping: newbuilding and retrofitting of ships so as to meet defined emissions criteria, R&D aimed at low-emissions technological solutions, and activities related to passenger and freight water transport vessels which meet defined emissions criteria.
- **Sustainable food, agriculture, and forestry:** Development of new or existing seafood and fisheries facilities in accordance with approved certification schemes. Improvement of agricultural processes, including GHG emissions reduction and energy efficiency. Specific projects to reduce negative environmental impacts are also included here. The forestry subtopic covers afforestation, reforestation, and forest management activities.
- **Waste management:** Projects, processes, and equipment that facilitate or improve the efficiency of reducing, recycling, and reusing waste materials and wastewater.
- **Reduction of greenhouse gas emissions**: The improvement of processes, across sectors, to facilitate a significant reduction of GHG emissions. This includes the development of systems and processes to facilitate the capture and/or storage of carbon and methane, and the replacing of fossil-fuel based technology with near-zero emissions technology.
- **Cross-sector activities:** The development of policies, regulations, and education/training pertaining to schemes that enable climate change mitigation and adaptation, and sustainable energy development. This category also covers carbon financing that is in line with certain criteria. The subcategory sustainable water management covers products, services and projects to improve the quality and availability of water, increase water-use efficiency, and develop desalination technologies. The financing of activities related to climate change adaptation is also included as a separate subtopic.

"Offering sustainability-linked loans is a key instrument in our efforts to promote the sustainable transition."

Updated process for sustainability-linked loans

A sustainability-linked loan is a product where the loan's terms and conditions are tied to the customer's fulfilment of one or more agreed sustainability indicators. The indicators must have significant importance to the company and the sector in which it operates, and can apply to any of the E, S or G dimensions. The product is relatively new to the market, but has had solid global growth, especially in 2021. We are increasingly seeing this product as a key instrument in our efforts to promote the sustainable transition. An updated, quality-assured process will help reduce the risk of greenwashing and ensure the integrity of the product as an instrument in the transition to a low-carbon society.

Sustainable financial and advisory services

DNB Markets offers advice to companies and institutions on green, social and sustainability-linked bonds and loans, as well as on equity and mergers and aquisitions (M&A), to finance and support the transition towards a sustainable future. In order to secure continued access to capital, ESG factors are increasingly important for our customers, and ESG-related activity reached new heights in 2021. DNB Markets is a leader in the Norwegian sustainable bond market, and also has a leading position in the Nordic region when it comes to M&A transactions in the areas of renewable energy and infrastructure aimed at enabling the energy transition.

DNB Markets is a leader in the Norwegian sustainable bond market.

ESG analysis

DNB Markets is a leader in the Nordic region in the area of equity research services, and offers these services to Nordic and international investors. ESG factors are integrated into all our company- and sector-related equity research reports. All the reports include a specific chapter on ESG impact, as well as transition risks and opportunities and physical risks and opportunities. In 2021, DNB Markets' ESG analysis was rated number one in Prospera's survey of Norwegian equity research providers. In 2021, DNB Markets' Equity Research team was further strengthened, with the addition of a dedicated ESG analyst.

Sustainable pension savings

The Next Generation pension profile allows personal customers themselves to channel capital to fossil-free and thematic climate and environmental investments. Next Generation was expanded to include a full set of pension profiles in 2021, and the content is being constantly developed.

Solar panels for personal customers

We continue to offer green financing of solar panels to customers who order via Fjordkraft, at particularly favourable terms. During the second half of the year, we expanded this initiative and entered into similar agreements with Ishavskraft and Bodø Energi. We will continue to improve and develop this product. Interest remained high all year, and we expect that higher electricity prices and the increased attention being paid to climate and renewable energy will generate a healthy demand also in the years to come.

ABOUT THE FINANCING TARGET

The financing target includes the products described in the table on the next page. In order for financing to count towards the target, it must meet defined criteria. The target is dynamic and may be changed to reflect current market practice at any given time. The previously communicated targets for green property (NOK 130 billion) and renewable energy and infrastructure (NOK 450 billion) are included in the overall ambition of NOK 1 500 billion. In addition, the following applies:

- The target period is from 1 January 2020 to 31 December 2029.
- The target applies to the accumulated volume of financing throughout the period, not the loans at the end of the period.
- Refinancings are included.

FINANCING TARGET

Product	Description	Criteria[1]
Green, social, sustainable and sustainability-linked bonds	Bonds aligned with the International Capital Market Association's Green, Social, Sustainability and Sustainability-Linked Bond Principles, where financing proceeds are earmarked for investments with environmental and/or social benefits	Bonds labelled as green, social, sustainability and/or sustainability-linked in accordance with the ICMA Principles, with an external verification confirming this.
Ordinary bonds for the financing of sustainable activities	Bonds for the financing of renewable energy and related infrastructure. May be extended to cover additional sustainable activities in the future	Bonds issued by companies primarily engaged in renewable energy and/or related infrastructure and services, or where financing proceeds are specifically earmarked for such activities. Subject to an internal review process to ensure consistency and integrity.
Green loans	Loans with proceeds earmarked for investments with environmental benefits in accordance with DNB's framework for sustainable products	Green loans aligned with DNB's framework for sustainable products, with a third-party assessment.
Sustainability-linked loans	General corporate loans aligned with the Loan Market Association (LMA) Sustainability-Linked Loan Principles, with loan margins linked to sustainability performance targets	Subject to an internal review process to ensure consistency and integrity.
Ordinary loans for the financing of sustainable activities	Loans to finance renewable energy and related infrastructure. May be extended to cover additional sustainable activities in the future	Loans issued to companies whose primary activity is renewable energy and/or related infrastructure and services, or where financing proceeds are specifically earmarked for such activities. Subject to an internal review process to ensure consistency and integrity.
Equity financing for sustainable activities/ companies	Equity financing (in listed equity capital markets as well as unlisted private placements or alternative capital raising through the sale of renewable project rights) for renewable energy and related infrastructure[2]	Financing for companies primarily engaged in renewable energy and/or related infrastructure and services, or where the financing proceeds are specifically earmarked for such activities. Subject to an internal review process to ensure consistency and integrity.
Sustainable debt advisory services and ordinary debt advisory services for sustainable activities	Transactions where DNB provides debt advisory services to customers, but where DNB is not the lender	Loans aligned with the Loan Market Association (LMA)/ Loan Syndications & Trading Association (LSTA) Green Loan Principles, the LMA/LSTA Sustainability-Linked Loan Principles or loans that meet the above criteria for 'ordinary loans for the financing of sustainable activities'.
Financing of clean transport	Financing provided by DNB Finans for passenger, transport, and construction vehicles	Electric, hydrogen, or other passenger vehicles with zero direct emissions. Transport and construction vehicles with zero direct emissions. Vehicles used for the transportation of fossil fuels are not included.
Future sustainable financing products	In accordance with market developments and evolving best practice	Under development.

1) Transactions meeting the above criteria may still be excluded from the calculation based on an internal review process.
2) May be extended to cover additional sustainable activities in the future.

- For loans, DNB's committed share of the loan counts towards the target figure, in addition to the relevant share of syndicated loans/club loans.
- For equity transactions and bonds, the total limits of the transactions will count towards the target figure, not adjusted for the number of participating banks.

DNB Finans contributed NOK 14.5 billion in financing of electric vehicles through loans and leasing.

Target attainment in 2021

2021 was another record year for sustainable finance. Globally, volumes doubled from 2020. The growth in sustainable bonds and sustainability-linked lending facilities was particularly strong, while it was more moderate in green loans.

This trend was strong in DNB too, and in 2021 we contributed NOK 217 billion to the financing and facilitating of sustainable activities. This is a 126 per cent increase from 2020, when the volume was NOK 96 billion. The accumulated volume for the two years is NOK 313 billion, which shows that we are well on our way to reaching our goal of financing and facilitating NOK 1 500 billion for sustainable activities by 2030. The Group is focusing a lot of attention on sustainable financing, and it is an important volume driver for many areas:

- DNB Finans contributed NOK 14.5 billion in financing of electric vehicles through loans and leasing in the four Nordic countries where DNB Finans is represented. The Norwegian and Swedish markets accounted for about 95 per cent of the volumes. Partnerships with leading electric car manufacturers contribute greatly to DNB Finans' green volume.
- DNB Markets helped facilitate 47 sustainable bonds with a total volume of NOK 83 billion. This was an increase of almost 130 per cent from 2020. On top of that came equity transactions and advisory services. The volume for sustainability-linked loans more than tripled from the previous year, driven in particular by growth in Ocean Industries (seafood and shipping) and Retail & Manufacturing. We doubled the volume of green loans compared to 2020, and growth in green property was the main driver.
- Ordinary loans to companies in the areas of renewables and infrastructure amounted to more than NOK 30 billion. Financing was provided to renewable energy companies in the areas of solar, wind and hydropower, and other sectors including battery technology and grid capacity.

Reducing greenhouse gas emissions

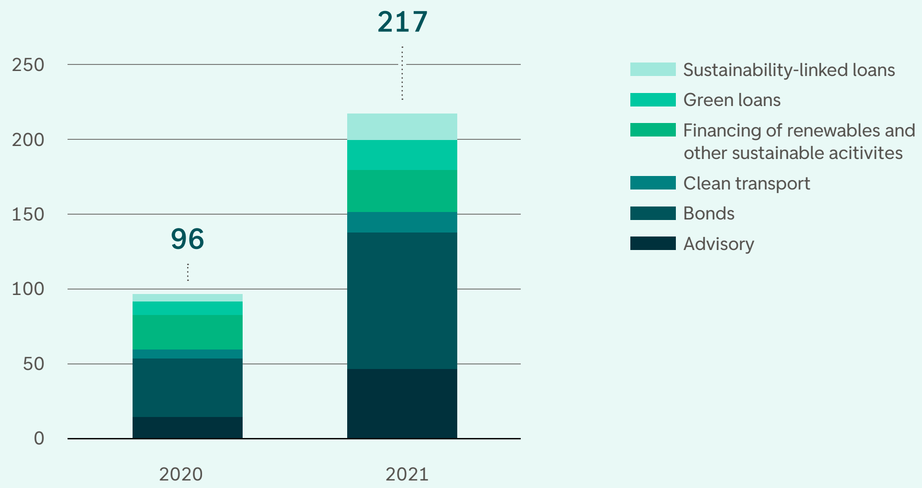
DNB has set a target of net-zero emissions from its financing and investment portfolio by 2050. On our way towards this target, we aim to reduce emissions intensity at both portfolio level and in significant sectors by 2030 (compared with 2019 levels). Oil and gas, shipping and real estate are the sectors where DNB can exert the greatest influence, and that have the best data availability and highest emissions intensity. The targets include customers' Scope 1 and Scope 2 emissions[3)] where these can be measured and the data is available.

Oil and gas

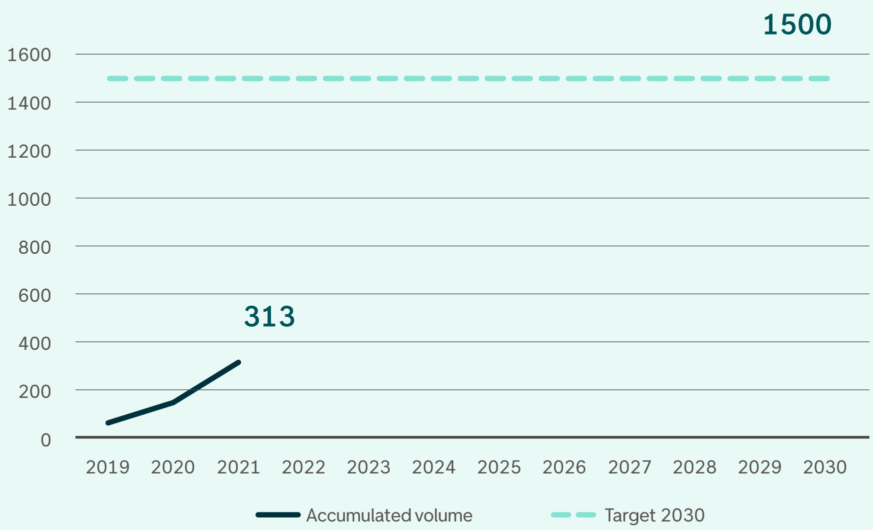
DNB aims to reduce the CO_2 emissions intensity[4)] related to upstream companies in its oil and gas portfolio by 25 per cent between 2019 and 2030. The emissions intensity is calculated on the basis of CO_2 emissions data per company (Scope 1 CO_2 emissions data delivered by the consulting company Rystad Energy) and DNB's exposure to the respective company/portfolio, and was indexed to 100 in 2019. CO_2 data is based on the companies' and operators' reported emissions the previous reporting year (2020), and an estimate for the current year (2021). Please note that there is

3) Scope 1: Direct emissions (fixed assets the company has operational control over, e.g. the use of fossil fuels).
Scope 2: Indirect emissions from purchased energy (e.g. electricity and district heating/cooling).
4) See 'DNB Climate target explanations' on dnb.no/sustainability-reports.

Target attainment in 2021: Sustainable financing by product
NOK billion



Target attainment in 2021: Financing target for sustainable activities
NOK billion



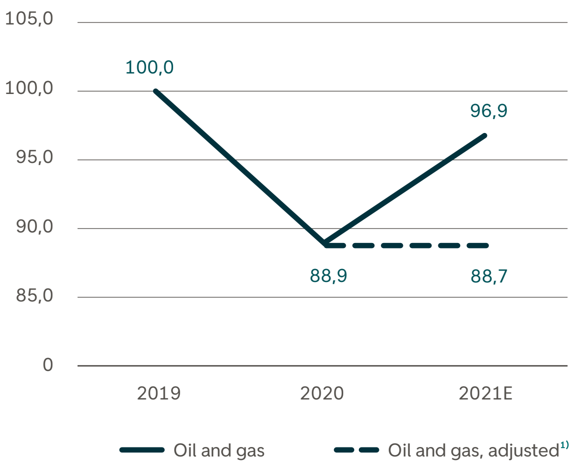
insufficient access to reported data for certain geographical areas, and that emissions data in these cases is based on estimates. A three-year moving average is used to level out short-term changes.

Although we anticipate a long-term positive trend in emissions intensity, we must expect the index to go both up and down in the short term, due to short-term and temporary changes. Furthermore, we expect that it will take a few years before customers' announced initiatives to reduce emissions have an effect on actual emissions.

In 2020, the index declined significantly from 100 to 88.9, a decrease of 11.1 per cent. The reduction was caused by a clear decrease in the portfolio's underlying weighted CO_2 emissions per barrel of oil equivalent from 2019 to 2020, but it was also influenced by the aforementioned three-year moving average, reflecting a reduction from higher emissions in 2017.

Emissions intensity targets, oil and gas

Per cent. Index, 2019 = 100.



1) Normalised exposure to commodity hedging.

The preliminary estimate for 2021 shows that the index went up from 88.9 to 96.9. The main reason for this increase is greater exposure to individual customers' commodity hedging of natural gas prices, where historically high volatility has been seen in the past year. This is naturally decreasing, and risk-reducing commodity hedges entered into by the bank's customers will temporarily appear as increased exposure for the bank. Since we consider the exposure to have been artificially high in 2021, we have illustrated an alternative index estimate for 2021 based on a normalised exposure to commodity price hedging. Using the normalised exposure as our starting point, we see a marginal reduction from 2020, with an index value for 2021 of 88.7 – on a par with 2020.

DNB is a driving force for reducing emissions from upstream oil and gas activities, and we have seen a strong rise in awareness on the part of upstream companies in recent years as far as climate risk and energy transition are concerned. The companies are currently making detailed plans to cut emissions and implement climate-compensating measures. DNB wants to support customers through the energy transition both in connection with oil and gas activities, and with new activities focusing on carbon capture and storage, hydrogen production, seabed minerals and offshore wind.

DNB's goal is for at least 75 per cent of all syndicated loans in the oil and gas portfolio to include a sustainability clause by 2025. This target was set in 2021, a year when sustainability topics increasingly became a key part of most funding discussions. While this was happening, energy transition and sustainability became an ever more central part of the strategies of oil and gas companies and banks. Some of our largest customers in the oil and gas industry have already entered into loan agreements with sustainability clauses. Throughout 2021, we

"Oil and gas, shipping and real estate are the sectors where DNB can exert the greatest influence."

intensified our work on sustainability clauses in loan documentation and the cooperation between various departments across DNB involved in this work. Due to the refinancing of the portfolio, we expect a further increase in the use of sustainability clauses. Sustainability clauses may, for example, relate to companies' own emissions, the Equator Principles (for project financing), research relating to the climate transition, development and investments, or sustainability-related reporting requirements. We plan to start reporting on this from 2022.

Shipping

DNB aims to reduce the emissions intensity of the shipping portfolio by 1/3 from 2019 to 2030. The emissions intensity is calculated per ship based on data reported to the International Maritime Organization (IMO) for the previous year (2020) and was indexed to 100 in 2019. For 2020, the loan-weighted average emissions intensity increased by 2.9 per cent. The reason for the increase was the same as for the Poseidon survey (see fact box): the exceptional circumstances in the cruise industry. For the rest of the portfolio, there was a decrease of 2.7 per cent, which we consider to be positive. The main drivers of the decline were a combination of fleet renewal and operational efficiency measures on the part of customers, as well as existing and forthcoming regulatory requirements from IMO and the EU. To an increasing extent, we are prioritising customers that have strategies and objectives for emissions reduction, as well as long-term

POSEIDON PRINCIPLES

We use the Poseidon Principles to measure climate adaptation in the shipping portfolio in line with IMO's targets for greenhouse gas emission reductions. We collect emissions data for each ship, calculate its emissions intensity, compare it with the relevant subsector's target figure and determine whether it is on, within or off target for the subsector. This gives us a deviation in per cent (a negative or positive 'delta') for each ship. There are 57 different categories based on ship type and size, each with its own reference trajectory. The relevant unit for emissions intensity in shipping is CO_2 emissions in grams per unit of transport work, expressed in tonnes-miles. In the IMO and Poseidon Principles, this is expressed as AER, Annual Efficiency Ratio, in accordance with IMO's definition. The emissions data used in this calculation is verified data reported by the companies to IMO after the end of the year. Calculations for 2020 were made by DNV.

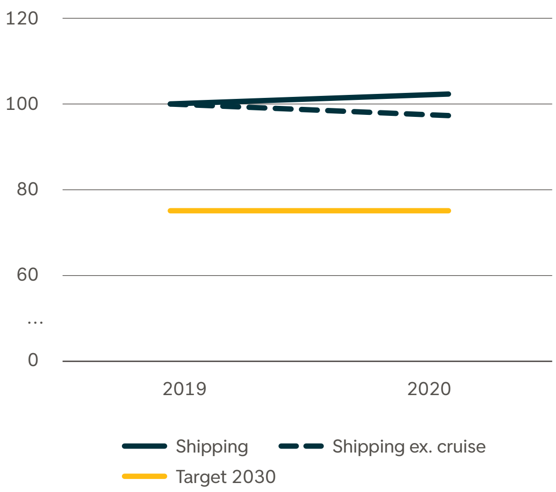
To measure the portfolio adjustment, we aggregate the delta for all ships and calculate a loan-weighted delta for the entire loan portfolio, based on the loan portfolio as of 31 December 2021. This portfolio delta ('portfolio alignment') is reported annually for the previous year to the Poseidon Principles secretariat before 30 November.

DNB's portfolio delta (alignment) for 2020 was 9.5 per cent, i.e. above target, up from 2.5 per cent in 2019. The increase (increased deviation) can be entirely attributed to the cruise portfolio, and more precisely the difficult situation in this industry in 2020. While total emissions from the bank's cruise portfolio declined sharply in 2020, relative emissions (emissions intensity, i.e., emissions relative to distance and weight) increased dramatically. The main reason for this was simply that the global cruise fleet was out of service for large parts of the year, with many ships in what is referred to as 'warm layup'. That is, they burn some fuel even while in port for the sake of preparedness and maintenance. Most of the global cruise ship fleet does not yet have access to shore power. Some of the increase in emissions intensity was also due to a slight change in the calculation method for emissions intensity for passenger vessels, which also had a negative impact compared with the previous year.

For the rest of the shipping portfolio, predominantly cargo ships, the trend went in the opposite direction with a relative improvement of about five percentage points compared with the Poseidon targets.

Emissions intensity target, shipping

Per cent. Index, 2019 = 100.



plans for fleet renewal and decarbonisation. Old – and often less efficient – ships are gradually being removed from the portfolio and replaced by newer, more fuel-efficient ships. IMO regulations require a gradual improvement in efficiency and reduced emissions from all new builds – at least a 10 per cent reduction every five years – and as of 2023, equivalent requirements will apply to all ships in operation.

We have also set a target that at least 80 per cent of all syndicated loan and credit facilities are to include a sustainability clause by 2025. For several years we have been working on including clauses on responsible ship recycling. Renewing an entire portfolio and replacing old agreements is not done overnight, but we have come a long way and in 2021 all new loan agreements had a clause on responsible recycling. We also want to link the terms of the loan agreements increasingly to specific sustainability goals, so that the price of the loan (margin) depends on the achievement of predetermined sustainability goals in accordance with agreed KPIs. Sustainability-linked loans and bonds are fairly new to the shipping industry, but we made an increasing number of transactions in 2021. Because climate change and emissions are considered to be the industry's biggest sustainability challenges, funding is usually linked to emissions reduction targets, e.g. decarbonisation trajectories. Normally the decarbonisation trajectories from the Poseidon Principles are used, which are well known and in keeping with the strategic goals of the International Maritime Organization (IMO), but in some cases separate reduction targets are agreed based on company-specific conditions. This development is being driven forward both by banks and their customers, and helps promote transparency, as well as strategies and concrete targets in connection with the industry's biggest challenge. Starting in 2022, we will report on this KPI annually.

Commercial property

To report on the emissions reductions target in the commercial property portfolio, we are dependent on having both a measurement method and access to enough data of sufficient quality. A pilot has been launched to assess whether the measurement method known as PCAF (Partnership for Carbon Accounting Financials) is suited to this purpose. We are also in discussions with industry organisations and other relevant external parties to see how we can measure emissions intensity using data already available. We will report the progress, including historical data, for the commercial property target from 2022.

Life insurance

Our goal is to reduce the emissions intensity of the life insurance portfolio by 55 per cent by 2030, compared with the baseline in 2019. In 2020, the emissions intensity was reduced by 45 per cent. The reduction was unusually large, which was primarily due to a low share of investments in energy in the underlying mutual funds throughout the year. In 2021, the emissions intensity increased by 21.2 per cent, mainly due to an increase in the share of investments in energy in the underlying mutual

"For several years we have been working on including clauses on responsible ship recycling."

funds once again. Volatility is expected in the time ahead, as indicated by these fluctuations from year to year. Compared with the baseline in 2019, the emissions intensity was 20.6 per cent lower in 2021. This indicates a positive development in terms of reaching the target of a 55 per cent reduction by 2030.

THE WAY FORWARD

Products

A relevant range of products and services is our most important tool for driving the sustainable transition forward, and this area will be given priority in 2022. Broad expertise within existing sustainability products is a success criterion here, and we are working purposefully to strengthen our expertise to ensure that we can offer our customers sound advice and seize the opportunities provided by the green shift. Concurrently, we will increase our range of products and work on various specific new development initiatives. Green deposits are one example. Another specific product initiative is aimed at transitioning companies – those who have started the journey towards a low-emission society, but still have some way to go. While we are mindful of the importance of new products, we are also committed to having good processes and routines in place to ensure the quality and integrity of our sustainable funding portfolio. We want to ensure that the sustainability effect of our sustainable products can be measured. This is important both in terms of pricing and risk, and will have high priority going forward. In order to minimise operational risk in processes related to sustainable financing, we will work continuously to automate as much as possible.

We are working on competence building and quality assurance of the process for sustainability-linked loans in DNB, with a view to ensuring that best practice is followed. The KPIs used should be relevant in industries in which the company operates, and be linked to the customer's overall sustainability strategy. We want more KPIs to be used, and for KPIs to cover more of the dimensions of ESG. For the various KPIs, the targets set must be ambitious and extend beyond 'business as usual' and industry standards. The targets should be quantifiable, and it should be possible to measure them against a benchmark and document them. We also encourage the greatest possible transparency in communication relating to the sustainability element of such transactions.

Updating the strategy

The sustainable goals in the strategy will be expanded in 2022. Sector-specific emissions targets will be extended to apply to more industries, such as transport, the processing industry and retail trade. Furthermore, we will to a greater extent specify how we are going to work on prioritised sustainability topics such as biodiversity and circular economy.

Expertise

We will continue to strengthen our sustainability expertise and keep it up to date, to ensure long-term value creation and safeguard our role as a driving force for sustainable transition. Towards the end of 2021, introductory training in sustainability was completed by all new employees. During 2022, all employees working in the corporate customers area will take e-learning courses in sustainability and ESG. In addition, workshops will be held for all employees working directly with corporate customers, where the focus will be on advisory services, a sustainable product portfolio and ESG risk awareness. A competence plan has been drawn up for sustainability and ESG in the corporate customers area, and it will be implemented in 2022.

Biodiversity

Managing biodiversity risk is an important part of our work on responsible investments

Biodiversity was defined as a thematic focus area for DNB Asset Management (DAM) in 2020. Climate change and loss of biodiversity are closely interconnected. Nature absorbs large amounts of greenhouse gases and mitigates the harmful effects of climate change.[1] Promoting biodiversity is therefore an important part of the solution to the climate challenges we face, and a prerequisite for achieving the UN Sustainable Development Goals (SDGs).

Loss of biodiversity is due in part to human activity, through fires started by human actions in rainforests, agriculture that spreads across ever larger land areas in all parts of the world, and cities that are expanding in line with population growth. WWF points to food production as the biggest driver of deforestation, overuse of water, loss of biodiversity and soil degradation.[2]

According to the World Economic Forum, loss of biodiversity is one of the most serious risks facing the world economy in the next ten years.[3] The EU has estimated that half of the world's total GDP is at risk due to the business sector's dependence on nature and its services.[4]

On this basis, DAM has been working on related topics such as the oceans, deforestation and land use for a long time. The work has focused, among other things, on palm oil, meat production, soy, UNESCO World Heritage Sites and sustainable oceans.

WHAT WAS DONE IN 2021?

Managing biodiversity risk is an important part of our work on responsible investments. In 2021, DAM signed the Finance for Biodiversity Pledge, a call for the protection of biodiversity. The initiative is supported by 84 players with more than EUR 12.6 trillion in total assets.

DAM also launched an expectation document for biodiversity. The document describes our expectations of companies with regard to biodiversity, including deforestation. We expect a high degree of transparency about how companies identify, assess and manage risks and opportunities relating to biodiversity, both in connection with their own practices and with those of their suppliers.

1) Link to IPBES-IPCC Co-Sponsored Workshop Report on Biodiversity and Climate Change: https://ipbes.net/events/launch-ipbes-ipcc-co-sponsored-workshop-report-biodiversity-and-climate-change
2) Link to the report 'Bringing It Down To Earth: Nature Risk & Agriculture' by WWF: https://wwf.panda.org/wwf_news/?2660466/nature-finance-risk-and-agriculture
3) Link to the World Economic Forum's 'Global Risks Report 2022': https://www.weforum.org/reports/global-risks-report-2022/digest
4) Link to the EU report 'Half of the world's GDP moderately or highly dependent on nature': https://ec.europa.eu/environment/biodiversity/business/news/news-186_en.htm

Based on the expectation document, we conducted 23 dialogues focusing on biodiversity and deforestation in 2021. We conducted the dialogues both individually and in various investor collaborations and initiatives, including the FAIRR Initiative[5]. At the meetings, we asked for feedback on the relevance of the expectation document, as well as any deviations in the companies' practices. The feedback on the document has been positive, and several companies have said that they are considering using it as a basis for improving their practices.

Overall, in 2021 we have laid a firm foundation for our continued work on biodiversity. The Finance for Biodiversity Pledge provides a strong starting point for establishing objectives and reporting, and the expectation document serves as a guide for dialogue and for exerting influence.

See the expectation document on dnb.no/sustainability-reports.

THE WAY FORWARD

Signing the Finance for Biodiversity Pledge involves making commitments in the following areas, which we will work on in 2022 and the years ahead:

- collaboration and knowledge sharing
- dialogue and engaging with companies
- assessing companies' impact on biodiversity, including developing measurement indicators
- setting targets for the work
- reporting publicly

This work contributes to the Group's overall goal of putting natural risk higher on the agenda through customer dialogue, expectations and industry guidelines for relevant sectors.

Biodiversity will also be a focus area for our lending activities.

5) The FAIRR Initiative is a global network of investors working together on issues related to intensive animal production, and in general on opportunities and risks associated with food systems. FAIRR is a non-governmental voluntary organisation that helps investors exert their influence as responsible asset managers, while safeguarding the long-term value of investment portfolios.

Reporting of climate-related risks and opportunities

Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD),[1] on the following pages we give a brief summary of DNB's progress in understanding – and adapting its business operations to – risks and opportunities resulting from climate change and the transition to a low-emission society.

Since their launch in 2017, the TCFD's recommendations have evolved into globally recognised guidelines for how companies should disclose information on climate-related risks and opportunities. For some of the topics discussed in this part, we refer to other parts of the report where these are described in more detail.

Currently, there is no universally recognised sustainability reporting standard in the same way as there is for financial reporting, but we are seeing an increasing degree of harmonisation in this area. In November 2021, the creation of the International Sustainability Standards Board (ISSB) was announced. The ISSB is an initiative by the International Financial Reporting Standards (IFRS) Foundation together with a number of globally leading standard setters, the aim of which is to coordinate companies' reporting standards and make sustainability reporting more standardised and comparable across industries and geographical locations, and more focused on materiality. The EU and the ISSB are expected to coordinate their work on new standards, which will simplify comparison and cooperation across regions.

The Group Management team has decided to establish a Group-wide sustainability committee.

The work on standardisation and the development of quantitative measurement parameters will improve our access to data and data quality, and provide more precise, quantitative and comparable information on our customers' greenhouse gas emissions, as well as measures to reduce these emissions. This will be important for gaining a more accurate assessment of DNB's climate risk, of which risk associated with the corporate loan portfolio is the most material, and of how we should contribute to a sustainable society, both through following up our customers and in our own operations.

The most important deliveries in 2021, which are described in greater detail in the next sections, are:

- establishing a Group-wide sustainability committee and a separate ESG unit in the corporate customer area;
- updating the Group's sustainable strategy by, among other things, including concrete targets for reducing greenhouse gas emissions and targets for sustainable financing; and
- conducting two pilot projects for testing risk/scenario analyses for assessing climate risk at portfolio level.

1) Link to the recommendations of the TCFD: https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

CORPORATE GOVERNANCE

Our governance principles for corporate responsibility, which also form the basis for how we work with and follow up climate risk, are at the top of our hierarchy for corporate governance. The Board of Directors has the overriding responsibility for these principles. In 2021, the Group Management team and the Board of Directors adopted the Group's updated sustainable strategy, which includes ambitious goals and targets (see page 25). In 2020, the Climate Task Force was established, a Group project aimed at increasing insight into climate risk and coordinating the work in this area, with a particular focus on the loan portfolio. The Group project was completed in 2021, and findings and recommendations were presented to and discussed by the Board of Directors and Group Management team as part of the basis for drawing up the Group's updated sustainable strategy.

There is a great deal of activity relating to sustainability in several parts of the Group. In order to ensure coordinated efforts and close follow-up of the Group's strategic sustainability targets, the Group Management team has decided to establish a Group-wide sustainability committee, led by the Group Executive Vice President for Communications & Sustainability. The main responsibility of this committee will be to ensure progress and target attainment in the Group's sustainability work, and to assess the Group's level of ambition and long-term competitiveness in light of market developments. Moreover, the Committee will follow up the Group's implementation of rules and legislation in the area of ESG.

An ESG unit has also been established in the corporate customer area to strengthen and facilitate the work that is being done in areas such as competence building, risk assessment, reporting and development of products for sustainable financing.

For more information on the Group's corporate governance, see Implementation of and reporting on corporate governance on dnb.no/sustainability-reports.

Sector	Climate risk – most important risk factors	Proportion of the corporate loan portfolio measured in exposure at default (EAD, per cent)
Commercial and residential property	1. Market risk (most prominent for commercial property), e.g. energy standard and efficiency, upgrading needs 2. Regulatory changes (most prominent for residential property), e.g. changes in requirements forbuilding standards, waste management/recycling requirements	32.1
Oil, gas and offshore	1. Regulatory changes, e.g. relating to CO_2 emissions, taxes and framework conditions 2. Market risk, e.g. reduction in access to credit and lower level of interest from equity investors 3. Physical risk, e.g. extreme weather events	8.7
Shipping	1. Regulatory changes, e.g. emissions requirements 2. Technology, e.g. reduction of CO_2 in fuel, support from the authorities 3. Market risk (varies in the different sub-sectors), e.g. a shift in demand towards ships with lower emissions, transport of goods with high CO_2 content	4.2
Renewable energy	1. Market risk (considerable variation between the risk drivers in the areas of solar power, windpower, hydropower and power distribution), e.g. pace of development nationally and globally, infrastructure, export capacity 2. Regulatory changes, e.g. stability in framework conditions, support from the authorities	5.7
Building and construction industry	1. Market risk (most prominent in commercial property), e.g. stricter requirements for reduced emissions on building sites, upgrading of machinery 2. Regulatory changes, e.g. increased technical requirements, emissions and reporting requirements for the value chain with associated increases in costs	2.4

STRATEGY

The sustainable strategy, described in the chapter Overall objectives and strategic ambitions, sets a clear direction for how we are to achieve our long-term goal of having both loan and asset management portfolios with net-zero greenhouse gas emissions by 2050. DNB will be a driving force for sustainable transition, which means that we are working actively to help customers in the area of climate change adaptation, and we have set concrete growth targets for financing and facilitating sustainable activities. Read more about this in the chapter Financing the climate transition through sustainable products. The strategy aims to ensure that DNB helps customers reduce their impact on climate change and their climate-related risk. DNB's goal of reducing the emissions intensity of its loan portfolio therefore focuses on the sectors that are most exposed to climate risk and at the same time material to DNB and Norwegian business and industry: commercial property, oil and gas, and shipping.

QUALITATIVE ANALYSIS OF THE CORPORATE LOAN PORTFOLIO

In the above-mentioned Climate Task Force project, a qualitative assessment was made of major parts of the loan portfolio for large corporate customers, together with a quantitative assessment of the sectors that are expected to be strongly affected by the green shift and that are also important for DNB. The loan portfolio's main exposure is clearly in the Nordic countries, with around 75 per cent of the portfolio in these countries, followed by the rest of Europe, which accounts foaround 4 per cent.of the portfolio. For the geographical areas that are relevant to DNB, transition risk was generally considered to be greater than physical risk. Transition risk was assessed in light of market risk, regulatory risk and technological development. The assessment showed that climate risk varied between different sectors. In addition, in several of the sectors we saw considerable variation between different sub-sectors and how the risk affected the various players, which highlights the need to follow up climate risk at company level. The most important risk factors for the various sectors are described in the table on the previous page.

QUANTITATIVE ANALYSIS OF THE LOAN AND ASSET MANAGEMENT PORTFOLIO

Both lending and asset management activities are included in the TCFD pilot projects led by the UNEP Finance Initiative (UNEP FI). The third phase, related to scenario analyses, was completed in 2021. We found that the methodology and tools developed by UNEP FI/Oliver Wyman work well, and the work provided good insight into how climate risk can develop in various future scenarios. This provides a good basis for the further inclusion of climate risk in our risk management and financial planning.

In 2021, the Norwegian Ministry of Finance and the Ministry of Climate and Environment invited Norwegian financial institutions to test the Paris Agreement Capital Transition Assessment (PACTA) tool. The tool was developed by the 2° Investing Initiative, and will help financial institutions assess the extent to which their portfolios are exposed to climate risk. The pilot project consisted of two parts, one for investors and one for banks, and DNB participated in both.

Below we highlight some of the experiences gained from the work on the pilot projects.

Scenario analysis of the corporate loan portfolio using UNEP FI's Transition Check tool

In 2021, work on UNEP FI's TCFD pilot project was continued, with testing of the newly developed Transition Check tool. The method enables projections of probability of default adjusted for climate risk. This is based on customers' current risk profile, sector affiliation and individual ESG data, in combination with different scenarios for achieving the Paris Agreement's temperature goal. The findings were used in combination with DNB's own framework for calculating expected losses on loans (under the IFRS). The results give an indication of the financial risk associated with transition risk in different scenarios for the transition to a low-emission society.

"DNB's goal of reducing the emissions intensity of its loan portfolio therefore focuses on the sectors that are most exposed to climate risk and at the same time material to DNB and Norwegian business and industry: commercial property, oil and gas, and shipping."

"In the short and medium term, however, DNB considers transition risk to be the most significant form of climate risk."

The method gives important insight that can be used in the continued work on climate risk, but it also has clear limitations. Since it focuses only on transition risk, important aspects of physical risk are, for the time being, not included. In the short and medium term, however, DNB considers transition risk to be the most significant form of climate risk. The source data and data quality vary from industry to industry, and it has sometimes been necessary to use general, average data as an estimate in assessments, especially in cases when the loan portfolio is made up of many small and local customers. Furthermore, the assumption the analysis is based on, of maintaining an unchanged portfolio up to 2040, is unrealistic. Having said this, even with such a static limitation, the results provide an important indication of the needs and direction of future credit allocation. Despite limitations and considerable uncertainty, the analysis nevertheless provides useful insight and awareness of the work on climate risk, which we will build further on.

Read more about DNB's work with the Transition Check tool and climate risk management in the Pillar 3 report on ir.dnb.no.

Scenario analysis of the corporate loan portfolio using PACTA

The purpose of the pilot project was to test how well the tool covers DNB's corporate loan portfolio, and whether it provides valuable and useful insight that we want to build on. The goal was to gain a better overview of the climate risk associated with the portfolio, as well as assumptions about future developments so as to be able to compare ourselves with a benchmark[2] and the goals set in the Paris Agreement. The tool covers a limited range of sectors, shown in the figure below, which together account for around 75 per cent of global greenhouse gas emissions.[3] Overall, we find the approach interesting, and we have gained valuable insight for our future work on climate risk. However, we also found weaknesses that indicate that the tool should be further developed and combined with other tools before we consider using it as a basis for strategic action.

Scenario analysis of the asset 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.

As a follow-up to our participation in UNEP FI's TCFD pilot project for investors, which started in 2018, we participated in the second phase in 2021. We have 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. Carbon Delta was acquired by MSCI ESG, and the methodologies were then expanded and improved on the

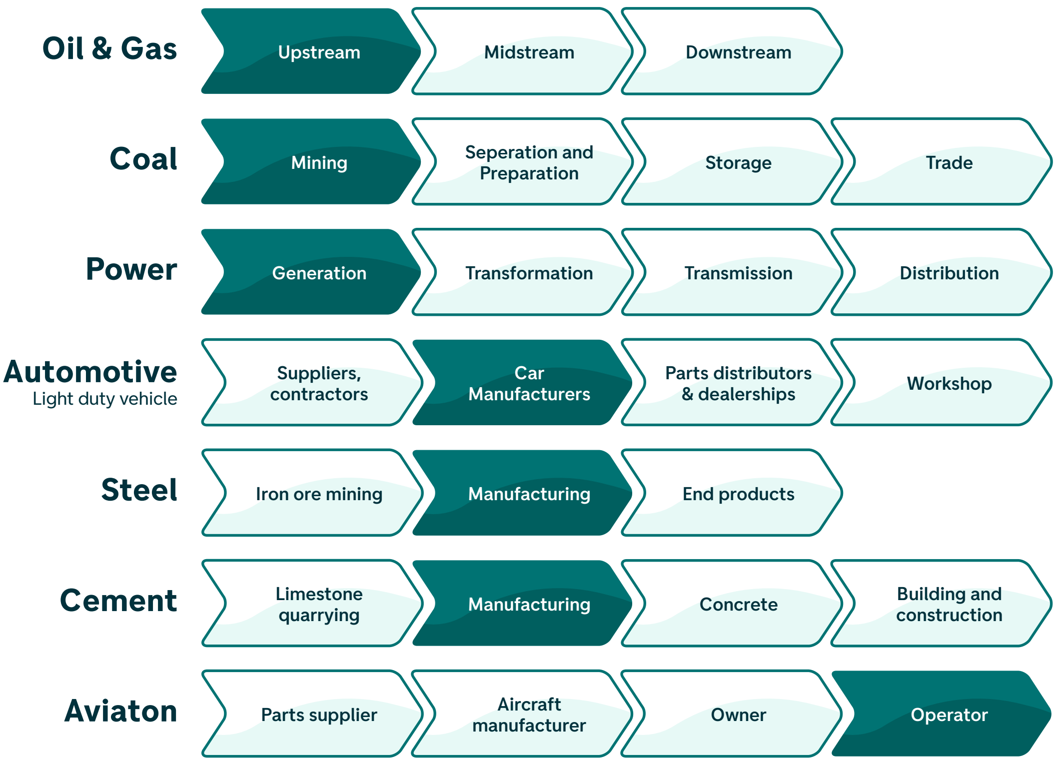
2) Paris Agreement Capital Transition Assessment (transitionmonitor.com) – benchmark used in the pilot project consisted of all companies covered by the Asset Resolution data set for banks.
3) https://www.transitionmonitor.com/wp-content/uploads/2020/09/PACTA-for-Banks-Methodology-Document.pdf

basis of input from investors, including DNB. The mutual funds were evaluated in relation to climate scenarios with temperature increases of 1.5°, 2° and 3° Celsius, respectively[4]. The insights from the analyses are being used both in the development of guidelines and in the active exercise of ownership rights through dialogue and voting. Potential financial impacts on companies under different climate scenarios are increasingly used by the asset management teams in their assessments.

We use a number of approaches to assess climate risk in the funds we manage. In 2021, this included participation in an initiative by the Ministry of Finance and the Ministry of Climate and Environment, where several Norwegian asset managers took part in a PACTA-coordinated project on the analysis of climate adaptation for Norwegian financial institutions.The pilot project was carried out by the 2° Investing Initiative (2DII), which has also prepared a report compiling the result for Norway and comparing it with the other countries that have carried out a similar mapping (Austria, Switzerland and Liechtenstein). For DNB's part, the PACTA assessment covered 9.6 per cent of the

4) Scenarios used: 1.5°C: AIM/CGE; 2°C: AIM/CGE, GCAM, IMAGE, REMIND; 3°C: AIM/CGE.

Sectors covered by the PACTA pilot project (marked green):



Source: PACTA

"The dialogues that have been held with most of the major listed companies have strengthened our mutual understanding of climate risk and promoted the transition to a low-emission society. "

holdings of shares and 8.4 per cent of the holdings of bonds, representing 46 per cent of emissions associated with shares and 32 per cent of emissions associated with bonds, respectively.

In 2021, we continued our efforts to exert a positive influence on Norwegian companies in the area of climate risks and opportunities. The dialogues that have been held with most of the major listed companies have strengthened our mutual understanding of climate risk and promoted the transition to a low-emission society.

For more information about our TCFD reporting in the area of asset management, see the DNB Asset Management Annual Report on dnb.no/sustainability-reports.

RISK MANAGEMENT

We are working continuously to better integrate climate risk into our risk management. For the loan portfolio, which is the area that has the greatest impact on our climate risk, we have worked on systemising efforts, both within the Group and vis-à-vis our customers.

For all customers with a credit commitment of more than NOK 8 million, ESG risk must be assessed and commented on in the credit proposal. If a customer's credit commitment exceeds NOK 50 million, an ESG risk classification must be given using a separate ESG risk assessment tool. We started using an updated version of the tool in 2021, and our experiences of using it are positive. During the year, we also started to use industry-specific modules for commercial property, oil and gas, shipping, and building and construction, as well as a new module for private equity. ESG assessments are an integral part of the credit decision process when establishing new corporate loans. ESG risk is assessed in the same way as other risk factors.

The ESG assessments at transaction level provide a good basis for dialogue with customers about how they are grasping opportunities and managing inherent ESG risk in the industry in which they operate, and how this can affect the company's financial strength over time. An ESG customer dialogue form has also been developed, to ensure that customers have a good understanding of which ESG areas DNB perceives as essential to its risk management.

For more information about the Group's risk management, see the Pillar 3 report on ir.dnb.no.

TARGETS AND MEASURES

In DNB, we support the Paris Agreement's targets for greenhouse gas emissions, and we aim to achieve net-zero emissions from our loan and investment portfolios, as well as our own operations, by 2050. We have set sub-targets to reduce the emissions intensity of the loan portfolios for the sectors where DNB has the greatest opportunity to exert an influence (commercial property, upstream oil and gas, and shipping) by between 25 and 35 per cent by 2030[5]. In order to ensure good progress, we will be a driving force for sustainable transition. This commits us to putting climate and sustainability on the agenda in our dialogues with our customers. In these dialogues, we

5) The sub-targets include customers' Scope 1 and 2 emissions. There is uncertainty associated with the source data, but the data quality is expected to improve over the measurement period. The base year for the targets is 2019, but in the event of large fluctuations from year to year, a weighted average for the period 2017–2019 is used. Read more about calculation method for the targets here: https://www.dnb.no/portalfront/nedlast/en/about-us/corporate-responsibility/2021/DNB_climate_targets_explanations.pdf

will familiarise customers with our objectives and make clear that we expect emissions from the projects and customers we finance to be reduced over time. We will also steer our total assets towards more sustainable alternatives, and we have a sub-target of reducing the emissions intensity of DNB Livsforsikring's portfolio by 55 per cent by 2030. The targets are intended to reduce DNB's level of risk and encourage our customers to make a sustainable transition.

Substantial investments are needed to establish new industries and enable existing ones to make a sustainable transition. We have therefore set the following targets for channelling capital into sustainable activities:

- DNB will finance and facilitate sustainable activities worth NOK 1 500 billion by 2030. This includes the previous targets of NOK 450 billion for financing renewable energy and infrastructure, and NOK 130 billion for financing green property by 2025.
- DNB will increase total assets in mutual funds with a sustainability profile to NOK 100 billion by 2025.

More information about the emissions and financing targets, including descriptions of target attainment, is provided earlier in the report, under Financing the climate transition through sustainable products.

Our own emissions are relatively low compared with the emissions associated with the loan and asset management portfolios. However, we have also set concrete sub-targets for reducing emissions from our own operations in the period leading up to 2030, and we are working towards this target. Read more about this in the Sustainability Factbook at the back of the report.

In step with improvements in the source data, for example due to customers' sustainability reporting, we will further develop our measurement parameters and follow-up of these in accordance with the recommendations of the TCFD.

THE WAY FORWARD

The combination of ambitious sustainability targets, increased reporting requirements and a market for sustainable growth financing means that our sustainability efforts will continue to have good momentum into 2022. We will, among other things:

- Build on the work on climate risk in both the loan and asset management portfolios, for example by further developing the framework for sector-specific climate risks and opportunities. In connection with this, we will also continue to work on assessing available methods, together with international partners in the fields of finance and sustainability.
- Start work on DNB's ESG Datahub with the aim of streamlining and increasing the quality of ESG-related data collection, validation and storage. The main purpose is to convert unstructured ESG-related data from within and outside DNB into structured data, which can be used as a basis for our future reporting, risk assessments and customer follow-up.
- Further develop routines and frameworks for monitoring and reporting sustainability risk.
- Expand our efforts to influence companies through dialogue about their transition and objectives to contribute to a net zero-emission society by 2050.

We are committed to putting climate and sustainability on the agenda in our dialogues with our customers.

The EU taxonomy for sustainable activities

Through its strategy called the European Green Deal, the EU has set ambitious objectives for the transition to a low-emission society and for a climate-neutral Europe by 2050. In order to achieve these objectives, the EU is entirely dependent on the investment of private capital in the green transition. The EU has therefore presented a number of regulatory proposals in the area of sustainable finance, and the EU taxonomy for sustainable activities (the Taxonomy Regulation) is the backbone of this work. The EU taxonomy is a classification system that defines requirements for which economic activities are environmentally sustainable for investment purposes. The purpose of the taxonomy is to ensure that capital is channelled towards green investments, and that investors and banks can more easily find investment opportunities that are genuinely green and sustainable.

Associated standards and labelling schemes for financial products are under development, and these will set criteria for activities that can be considered green, which will reduce the risk of greenwashing in finance.

HOW DOES THE EU TAXONOMY AFFECT DNB?

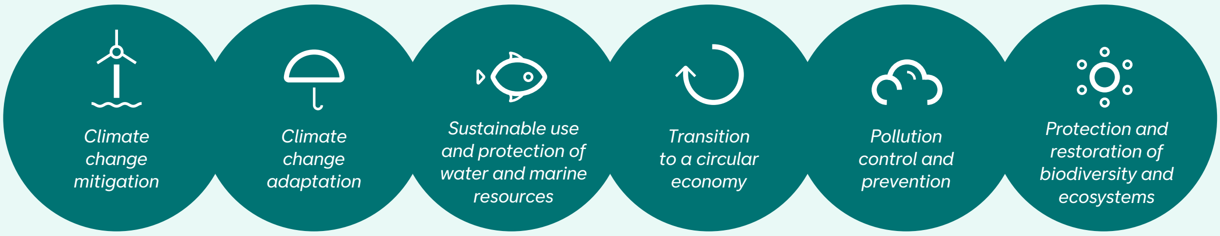
The taxonomy is intended to be a tool for classifying environmentally sustainable economic activities in connection with investments and financial products. It includes reporting requirements for large, listed companies and financial institutions. DNB is currently subject to requirements for the disclosure of non-financial information under the Norwegian Accounting Act. Under the Government's proposed new act on the disclosure of sustainability-related information in the financial sector, DNB will be subject to the reporting requirements of the Taxonomy Regulation from the date the act enters into force in Norway. Norwegian authorities have signalled that the taxonomy is likely to be incorporated into the EEA Agreement during the first half of 2022. Until the forthcoming legal requirements enter into force, DNB has launched a number of initiatives relating to, among other things, data collection and the mapping of ESG risks at both transaction and customer level.

In addition to the requirements set out in the Taxonomy Regulation, our reporting obligations under the Norwegian CRR/CRD IV regulations are expected to be expanded to include both taxonomy-related reporting and in-depth reporting requirements relating to transition risk and physical climate risk. These obligations are often referred to as Pillar 3 reporting obligations, and the risk reporting includes exposure to chronic and acute climate events.

If we manage to identify categories of green loans for which we have sufficient data to conclude whether or not the loans meet the taxonomy's requirements, entirely or in part, the loans may also be used in connection with our external financing. This means that more green bonds can be issued which meet green investors' requirements and expectations for bonds of this kind, and which also fulfil the requirements of the EU framework for green bonds, the European Green Bond Standard.

The taxonomy will be further developed and significantly expanded in the years ahead and currently has a

The six environmental objectives of the EU taxonomy:



somewhat limited scope. It is therefore important to keep in mind that the current taxonomy does not specify the activities that can contribute positively to the transition. Rather, it constitutes an important first step towards a meaningful, common understanding of which activities can be classified as environmentally sustainable. In DNB, we contribute to channelling capital into sustainable activities through our sustainable products. Read more about our framework for sustainable products, including green loans, in Financing the climate transition through sustainable products from page 63 onwards. This framework has recently been updated to ensure that our criteria for green loans are more harmonised with those of the taxonomy.

HOW DNB WORKS WITH THE EU TAXONOMY

The taxonomy contains reporting requirements, key indicators and templates both for financial institutions and other for types of companies. The most important key indicator for DNB as a financial institution, is the 'green asset ratio' (GAR). Briefly put, the purpose of this ratio is to show how big a proportion of the bank's loans etc. have been granted to activities that are defined as green under the taxonomy. The plan is for the taxonomy to gradually extend the reporting requirements associated with the GAR. The level of detail, and thus the extent of the obligation to obtain information, will gradually increase in the period leading up to 2025, given the EU's current implementation timeline:

1. In the first phase, the banks' taxonomy reporting only needs to contain information on how big a proportion of the banks' loans etc. have been granted to activities that are covered by the Taxonomy Regulation (taxonomy eligible).
2. In the second phase, the banks' taxonomy reporting must also include their green asset ratio (GAR). This will provide information on how big a proportion of the banks' loans etc. have been granted to activities that satisfy the taxonomy's criteria for environmentally sustainable activities (taxonomy aligned). These criteria are:
   a. the customer's economic activities contribute significantly to at least one of the taxonomy's six environmental objectives (substantial contribution);
   b. the customer's economic activities do not have a significant negative impact on any of the remaining five environmental objectives (do no significant harm, DNSH);
   c. the customer's economic activities meet the minimum requirements for social conditions and corporate governance (minimum safeguards).

There is a considerable need for customer data, and much of the data that a financial institution is dependent on is not available. To close this data gap, we have introduced a number of initiatives. In addition to our efforts on taxonomy reporting, we have worked specifically on collecting data relating to climate risk in our loan portfolio. There is a need for further data collection and analysis in this area in order to establish effective risk management for the future. Read more about our work on climate risk under Reporting of climate-related risks and opportunities from page 76 onwards.

PRELIMINARY RESULTS OF THE WORK

During the course of 2021, we worked on creating an overview of data sources both within and

"The EU taxonomy is a classification system that sets criteria for which economic activities can be considered environmentally sustainable for investment purposes."

outside DNB, so as to be able to estimate how big a proportion of our total lending is covered by the Taxonomy Regulation, which in turn will enable us to calculate DNB's green asset ratio.

Home mortgages accounted for about 44 per cent at the end of 2021 (see the figure on page 87). The vast majority of these loans will be covered by the Taxonomy Regulation (taxonomy eligible).

The available data relating to home mortgages and loans for electric cars is relatively reliable. Under the EU taxonomy, residential properties built before 2021 that are pledged as collateral for a mortgage and that are among the 15 per cent most energy-efficient properties in Norway are defined as sustainable (taxonomy aligned). Preliminary calculations show that our loans for properties of this kind are estimated to total around NOK 100 billion, which corresponds to just over 11 per cent of our portfolio.

For the corporate customer segment (customers outside the financial sector), it is more difficult to make assessments because the source data is weaker. This is because customers are not yet obliged to report this data. Our preliminary estimate is that less than 2 per cent of our exposure to companies in the loan portfolio is subject to reporting requirements under the Non-Financial Reporting Directive (NFRD), and of this, around 19 per cent is within activities covered by the taxonomy. Since a very small proportion of DNB's lending exposure is towards companies that have NFRD obligations, DNB's taxonomy potential for companies without NFRD obligations is significantly greater. This is mainly due to the fact that very few Norwegian companies are large enough to qualify under the NFRD requirements. All small and medium-sized Norwegian companies – and even many large companies – are thus excluded. These companies account for a large share of our loan portfolio and are also an important part of the Norwegian business sector's sustainable transition.

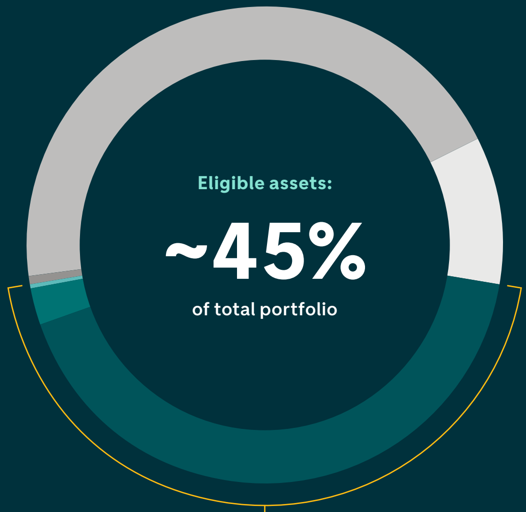
Due to inadequate data quality, especially associated with industry codes for companies outside the Nordic region, the estimate of exposure to companies covered by the taxonomy is a conservative one that could potentially rise significantly. Moreover, the data available for quantifying DNB's exposure to companies with operations that are taxonomy eligible and at the same time satisfy the taxonomy's criteria (i.e. that are taxonomy aligned) is highly inadequate. This said, forthcoming reporting requirements for non-financial customers will significantly improve the data availability.

We will continue to work on gathering and analysing data so as to be able to assess taxonomy alignment for a larger share of the portfolio.

Preliminary estimates are shown in the figure on the next page. Of the total portfolio[1)], about 45–46 per cent of the activities are taxonomy eligible. Of these, about 14–15 per cent are defined as sustainable. This corresponds to 6–7 per cent of the total, and this is DNB's green asset ratio, or GAR.

1) The total portfolio is estimated at around NOK 2 000 billion, in accordance with Article 8 of the Taxonomy Regulation (total covered assets). The figures for what activities are environmentally sustainable according to the taxonomy are estimated at about NOK 127 billion, and are taken from an analysis from Sustainalytics. Read more about this third-party analysis and our framework for green financing on ir.dnb.no/funding-and-rating/green-bond-framework.

Green asset ratio (GAR)



Assessment of assets covered by the taxonomy (taxonomy eligibility)

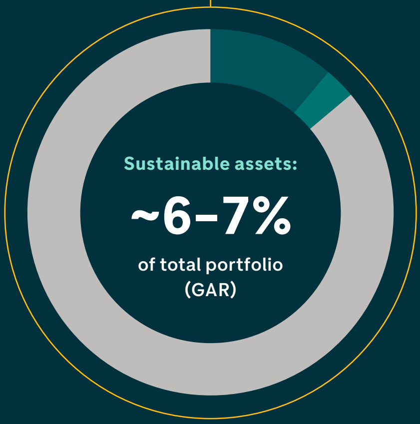
Proportion of total portfolio

Taxonomy eligible

- Mortgages
- Financial leases (cars etc.)
- Non-financial companies subject to NFRD

Not taxonomy eligible

- Non-financial companies subject to NFRD
- SMEs and NFCs not subject to NFRD
- Non-EU companies

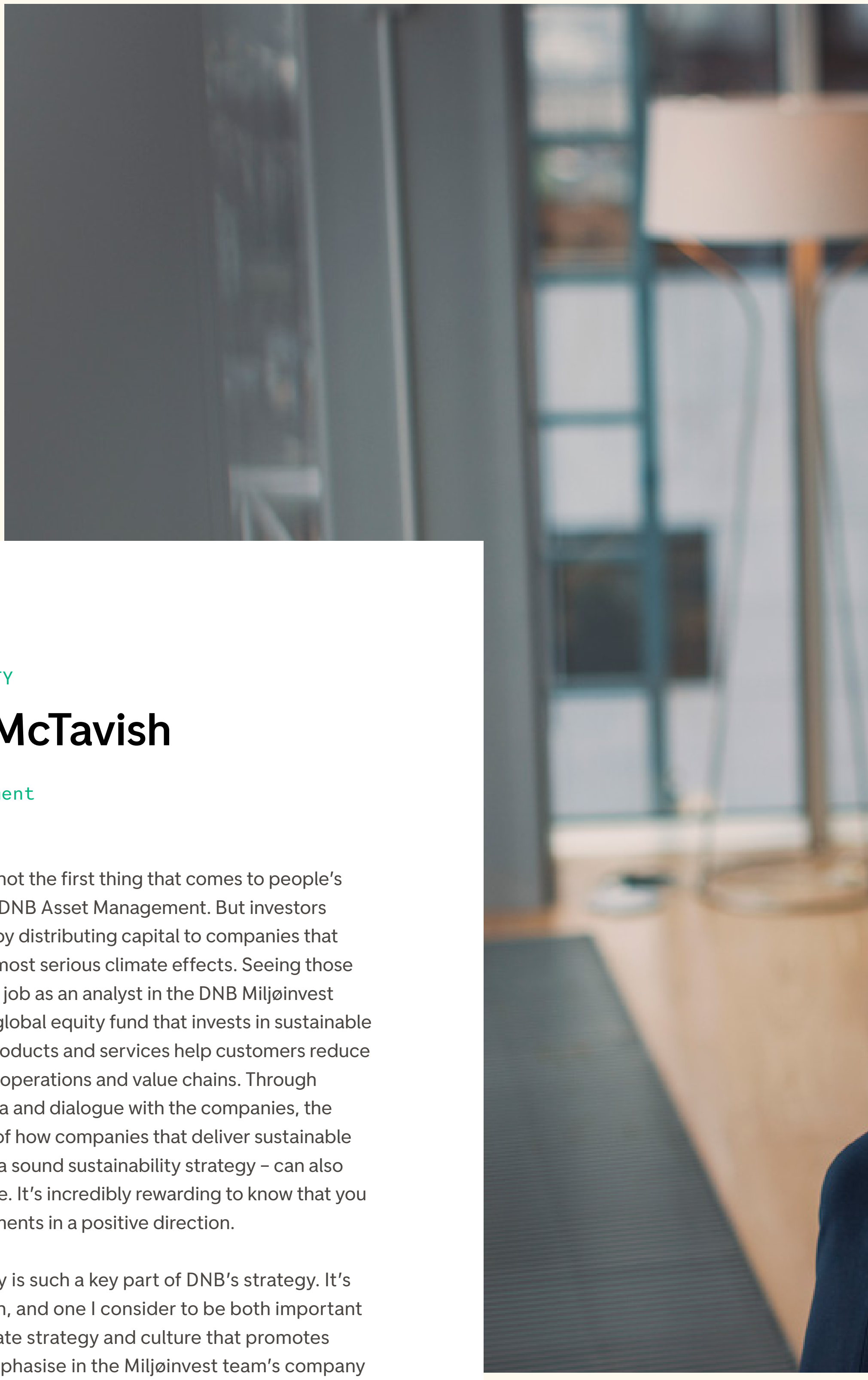


Assessment of environmentally sustainable assets in accordance with the taxonomy (taxonomy alignment)

Proportion of eligible activities

- Mortgages – environmentally sustainable
- Financial leases (clean transport) – environmentally sustainable
- Not environmentally sustainable

DNB will be a driving force for sustainable transition



EMPLOYEES ON SUSTAINABILITY

Laura Natumi McTavish

Analyst, DNB Asset Management

Sustainable transition is probably not the first thing that comes to people's minds when I say I'm an analyst at DNB Asset Management. But investors play a very important part in this, by distributing capital to companies that develop solutions to mitigate the most serious climate effects. Seeing those opportunities is precisely what my job as an analyst in the DNB Miljøinvest team entails. DNB Miljøinvest is a global equity fund that invests in sustainable companies, which through their products and services help customers reduce greenhouse gas emissions in their operations and value chains. Through analyses, models, discussions, data and dialogue with the companies, the team develops an understanding of how companies that deliver sustainable products and services – and have a sound sustainability strategy – can also create long-term shareholder value. It's incredibly rewarding to know that you can be a part of nudging developments in a positive direction.

It matters to me that sustainability is such a key part of DNB's strategy. It's a topic I take a personal interest in, and one I consider to be both important and necessary. Besides, a corporate strategy and culture that promotes sustainability is something we emphasise in the Miljøinvest team's company analyses. We believe that these factors can give companies a long-term competitive advantage, so it's only natural that we expect the same of our own employer.

I'm also really glad that DNB has such a clear focus on diversity and inclusion in its strategy. I grew up in an international environment myself. I'm confident that diversity is an asset to DNB's culture, and that ensuring broad inclusion also gives us access to the best expertise and new perspectives.

"It's incredibly rewarding to know that you can be a part of nudging developments in a positive direction."

Laura Natumi McTavish, analyst at DNB Asset Management

DNB is a driving force for diversity and inclusion

The fact that people are different makes DNB a better bank. Variation among managers and employees in terms of gender, age, background, experience, functional ability, religious beliefs and preferences will make us more innovative and better equipped to offer services to – and create value for – our customers. We are also working to be a driving force outside the Group, because as Norway's largest bank, we are aware that we have both an opportunity and a responsibility to exert a positive influence beyond our own operations.

- DNB aims to have a good gender balance (40/60) in management positions at all levels.
- DNB will be diverse and inclusive.
- DNB will help promote gender 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.

Diversity and inclusion

For us, diversity means everything that makes people and groups unique and different from each other, whether visible traits such as age, gender, disability and ethnicity, or invisible traits such as sexual orientation, religious beliefs, competence, life experiences, personality and interests.

In DNB, inclusion covers initiatives and practices aimed at giving everyone the same opportunities to contribute to the organisation and to be themselves regardless of their background. Having a diverse and inclusive working environment pays off, and is in keeping with our ethical foundation.

The fact that all our employees are different makes DNB a better company. If we are to achieve our goals of long-term value creation, high levels of customer satisfaction and being an attractive employer, we need to reflect the society we are part of. Having employees with varied perspectives and backgrounds helps us create value for our customers. This will give us a strong competitive advantage going forward.

For us in DNB, our efforts to promote equality and diversity extend beyond our own employees. We want to contribute to increased equality among our customers, through our products and services, as well as in the operations of our suppliers.

WHAT WAS DONE IN 2021?

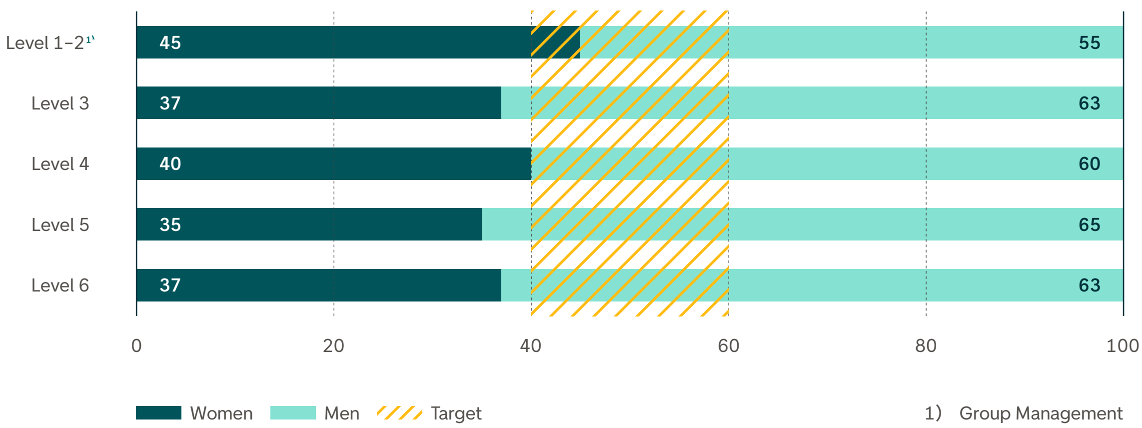
The topic of diversity and inclusion is followed up in all parts of our business operations, and discrimination is not tolerated. In recent years, we have focused on promoting gender equality both within DNB and through our products, services and purchases, and DNB has received recognition for its efforts and results in a number of surveys. We are continuing this work through an action plan for diversity and inclusion, and we have established a number of goals in this area.

The goal of having a good gender balance (40/60) at all management levels stands firm, and in 2021, we achieved this goal at two out of five management levels. See the graph below.

DNB aims to be a diverse and inclusive workplace. Inclusion is measured and followed up based on the results for perceived inclusion in the Group's employee survey (PULS). The goal is to have a score of at least 5 (scale 1–6),

Gender balance at management levels

Per cent



1) Group Management

and at the end of 2021, the score was 5.3. This shows that DNB employees to a great extent feel that they are included, that they are respected and valued for who they are, and that they feel comfortable expressing their opinions.

During the course of 2021, Group Management adopted an updated diversity action plan. The action plan includes measures along three axes:

→ ensure that goals, rules and policies safeguard equal rights and opportunities;
→ ensure that we have the tools and processes to recruit, develop and maintain diversity;
→ further develop competence, culture and leadership relating to diversity and inclusion in the Group.

There is a high degree of diversity in the Group's international operations, and we are taking an active and long-term approach to increasing diversity in the Group's Norwegian operations. An increasing number of job advertisements are published in English to reach a wider target group, and all advertisements include a statement on DNB's aim to increase 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.

In order to strengthen the organisation's diversity competence, an understanding of diversity leadership is particularly important. This is work that has a long-term perspective. In 2021, the Group Management team and several of the Group Executive Vice Presidents' management groups arranged gatherings focusing on the topic of diversity leadership. They also made it possible for other management teams at all levels of the Group to do the same. In addition, diversity leadership is now being included in several of our leadership development programmes. Furthermore, we established a diversity and inclusion forum across all business areas and international offices. The purpose of the forum is to be an arena for sharing expertise and best practices, as well as for discussing and proposing solutions to shared problems.

The Norwegian Equality and Anti-Discrimination Act requires employers to work actively, purposefully and systematically to promote equality and prevent discrimination. The requirement to work actively and give an account of our efforts in this area was made more comprehensive in 2020, and in 2021 we continued our cooperation with the Equality and Anti-Discrimination Ombud on how we can fulfil this two-pronged requirement. To ensure compliance with statutory requirements and secure the endorsement of Group Management and the Board of Directors, we established a corporate governance structure for follow-up and reporting in this area. In addition, we updated our governing documents to reflect the new regulatory requirements. We also cooperate with the trade unions in our efforts to achieve our ambition to be a driving force for diversity and inclusion, and in considering how we can follow up the more comprehensive regulatory requirements.

We have followed up the requirement to reinforce and systematise work to address the risk of discrimination or other obstacles to equality by starting to integrate this into the Group's existing risk assessment processes. We conducted risk assessments of selected HR processes in 2021, and this work will be continued in 2022.

DNB has zero tolerance for bullying and harassment. Our HSE survey showed that 217 employees had answered 'yes' to the question "Have you been subjected to bullying or harassment from a customer or colleague over the past twelve months?". This corresponds to 3 per cent of those who responded. Just under 50 per cent of the cases had occurred in connection with customer contact. This is a low share of respondents compared with that

DNB has zero tolerance for bullying and harassment.

"Having a diverse and inclusive working environment pays off, and is in keeping with our ethical foundation."

of similar companies, but we will nevertheless continue to work systematically and purposefully to prevent and handle unwanted incidents.

As part of our compliance with the more comprehensive requirements for mapping and reporting on the actual status of gender equality in DNB, we are, for the first time, reporting the results of a survey identifying the salary differences between women and men in equivalent positions. The survey was conducted in the autumn of 2021. We used recognised methods and received external assistance when determining which positions were to be regarded as equivalent. Employee representatives were also involved in the process. Further quality assurance of job content and roles, as well as the assignment of employees to these roles, will be conducted as part of the efforts to identify actual gaps and necessary measures. Employee representatives will also be closely involved in this phase. The report is available in the form of an equal pay table on dnb.no/sustainability-reports.

Through the survey, the general salary difference between women and men has been significantly reduced, due to the fact that salary differences are now being calculated on the basis of equivalent positions. Nevertheless, we are still seeing differences in salary levels within the various role levels. Part of this gap can be explained by the fact that different groups of positions require different competencies and have different job content. This leads to varying competitive conditions and market practice for the determination of salaries. In order to reduce the gender-based differences, it will therefore be vital to identify measures that can help even out the differences we see between the genders when it comes to career choices and opportunities. In DNB, we have been working actively with this for some time, but by mapping equivalent positions and issues relating to equal pay, we have gained important insight that allows us to further target our efforts.

We have introduced several measures to ensure gender balance and sufficient access to women with leadership talent:

- → a minimum of 50 per cent female representation in in-house leadership development and talent programmes;
- → a minimum of 40 per cent women candidates on succession planning lists;
- → identification of the best qualified female and male candidates in recruitment processes for management positions before a final choice is made;
- → a balanced gender ratio as one of the job assignment criteria in restructuring processes;
- → a particular emphasis on achieving a better gender balance when changing the composition of management teams

In 2021, DNB was ranked number 7 among European companies in terms of diversity, in a ranking conducted on behalf of the Financial Times among 850 companies from 24 different industries in 16 European countries. In the Banking and Financial Services category, we were given the top ranking. In March 2022, Equileap once again ranked DNB one of the best companies in the world in terms of gender equality. In their global survey, which assesses 4 000 companies, DNB ranked no. 2 overall and no. 1 in Norway.

As a major player in Norwegian society, we are in a position to promote diversity and equality in our suppliers' operations. For procurements where gender equality is considered a material sustainability topic, we seek to include gender equality issues in tender processes, and as topics addressed in contracts and follow-up meetings.

DNB also wants to help promote equality among our customers through products, services and dialogue.

In 2021, through the #huninvesterer (#girlsinvest) campaign, we continued our efforts to make women aware of the financial gender gap between women and men, which is still huge. The ambition of #huninvesterer has been to show that everyone can invest and own a larger part of their world, regardless of their financial starting point. We have focused on engaging, inspiring and sharing knowledge on how to get started, and the savings app Spare has been showcased as the most natural tool for investing and keeping track of investments. Read more about #huninvesterer on the next page.

As part of our efforts to contribute to a sustainable development, we set requirements for companies relating to diversity and inclusion through our expectation document on this topic. Diversity and inclusion is a key topic in dialogues with companies in connection with the management of both fixed-income securities and equities. The expectation document is used as a starting point for these dialogues. As regards the companies in our equities portfolio, we voted for several shareholder proposals relating to diversity and equality issues in 2021. We also raised the question of gender balance on the board of directors in our dialogues with several companies.

We continued our systematic efforts to integrate significant risk factors relating to environmental, social and governance (ESG) topics into credit analyses and investment decisions, including in relation to fixed-income securities. An important purpose of the questionnaires developed in this context is to gain insight into how companies work to promote diversity and inclusion, as well as to highlight what is considered best practice. During 2021, we had follow-up dialogues with several issuers of fixed-income securities, where we encouraged greater transparency. Our aim is to influence companies in a positive direction and measure progress over time.

THE WAY FORWARD

Working systematically – and on the basis of insight – with diversity and inclusion yields results, and we are proud of what we have achieved in DNB. However, there is still more to be done, and we need to work continuously while maintaining a long-term perspective.

In 2022, we will continue our efforts in the area of gender equality. We still have a way to go to achieve a better gender balance at some of the middle management levels and to reduce the disparities between the different units of the Group. Some of the units have to work on increasing the number of women managers, while others face the opposite challenge. Together with employee representatives, we will also work to identify unwanted, systematic salary differences based on gender or other factors, and find targeted measures to rectify these.

At the same time, we want to work in a targeted way within more dimensions of diversity. During the first quarter of 2022, we will update our strategy for diversity and inclusion. We plan to make clear what we are aiming to achieve both in our own organisation, in relation to our customers and suppliers, and in society as a whole in the years to come.

In 2022, we will also invest in building expertise on diversity leadership. Having diverse teams adds value to the company, but only if you have good managers who have the ability to make the most of diversity and the added value it represents.

Meet the new investors

The campaign #huninvesterer (#girlsinvest) has helped open women's eyes to investing. Since 2019, the number of new women investors has increased by 160 per cent.

THE FINANCIAL GENDER GAP BETWEEN WOMEN AND MEN

In 2019, we made a disturbing discovery. We saw a pattern in our own figures showing that women consistently scored lower than men on all financial parameters. Sometimes the differences were small, other times large, but they were never in women's favour. This was also consistent with figures published by Statistics Norway, and as a bank, we wanted to make a positive difference in this area. Since 2019, we have been working to raise women's awareness of the financial gender gap, and we have shared expertise and tools with the goal of ensuring that more women play an active role in owning the world. The #huninvesterer campaign has led to thousands more women – and men – starting to save and invest.

STRONG GROWTH IN THE NUMBER OF WOMEN INVESTING

The financial gender gap between women and men is still huge, and the world is still primarily owned by men. However, after the launch of #huninvesterer, we saw a sharp increase over a short period of time in the number of female shareholders and owners of mutual funds in Norway. Since the launch of the campaign in

2019, the number of new women investors in DNB has increased by 160 per cent. Previously, it took us 20 years to achieve an increase of this magnitude. Today, there are more women than men among DNB's mutual fund customers in the personal customer market.

MEET THE NEW INVESTORS

The number of investors is large and consists of a wide cross-section of Norwegian women. By investing in their own finances, these new investors are taking responsibility for their own future. In the 2021 version of the #huninvesterer campaign, we presented the new female investors using photos, films and articles. We also invited both well-known and unknown women to tell their stories about why and how they chose to invest, in a series of films we called #minportefølje (#myportfolio).

We also conducted an extensive #huninvesterer tour during 2021, with 21 stops all over Norway. In total, more than 6 000 women took part, to increase their knowledge and awareness of saving and investing.

ENGAGE, INSPIRE AND SHARE KNOWLEDGE

The ambition of #huninvesterer is to show that everyone can invest and own a larger part of their world, regardless of their financial starting point. We have focused on engaging, inspiring and sharing knowledge on how to get started, and the savings app Spare has been showcased as the most natural tool for investing and keeping track of investments. When we launched #huninvesterer in 2019, we made it clear that this was a topic we would talk about for a long time, and we will continue to make our competence and expertise in this area widely available.

"My name is Christine Dancke, I'm 37 years old and I've loved working and saving money all my life. In a savings account."

This is how the Norwegian series *Hvordan bli hun som investerer* (how to become 'she who invests') starts. DNB created the series together with Christine Dancke. It explains why it's important for women to invest, and how to proceed. And not least: In the series, we reveal what presenter Dancke's 23 years of savings could have yielded, had the money been invested, rather than deposited in her savings account.

"It's very important to me personally that my employer takes corporate responsibility seriously."

Ulrik Hallén Øen, adviser at Public Affairs & Sustainability

DNB will be a driving force for sustainable transition

EMPLOYEES ON SUSTAINABILITY

Ulrik Hallén Øen

Adviser, Public Affairs & Sustainability

As an adviser in the central professional environment for sustainability in DNB, I've been fortunate enough to be involved from start to finish in the work on the updated strategy. This has been a part of my workday for more than a year, and I believe that we we've achieved our vision of DNB being a spearhead for sustainability.

We've worked well with sustainability for a long time in DNB, but now we've defined more specific priorities and targets. For example, when we say that DNB will contribute NOK 1 500 billion to facilitating sustainable activities, that's quite a commitment to live up to! Following up such a long-term goal requires a lot in terms of both expertise and resources, and systems and structures.

Succeeding with the green shift takes vast amounts of capital, much of which must come from the private sector. DNB is a large bank that finances large parts of the Norwegian business sector, in addition to businesses abroad. This gives us tremendous influential power. Our most important tool is the ability to finance the investments our customers have to make in order to achieve their own transition. We can make demands, but also offer advisory services and support. This means that we must use our entire range of tools to help our customers through this transition.

It's very important to me personally that my employer takes corporate responsibility seriously. When I joined DNB, the strategy wasn't as comprehensive as it is today, but there has always been a genuine desire to improve. That's crucial. And one of the reasons why it's so great to work in DNB.

DNB combats financial crime and contributes to a secure digital economy

Financial crime, which includes 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. We are working systematically to prevent DNB's products and services from being used for criminal activities. Our aim is to be the most trusted player when it comes to delivering safe banking services in a modern and increasingly 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.
- DNB is committed to handling and using data and AI (artificial intelligence) in a way that ensures a fair, democratic and inclusive society.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Information security and stable IT systems

DNB is an important player in Norwegian society, which means that we must provide our customers and society with secure, stable and user-friendly solutions. Due to rapid technological and threat landscape developments, it is increasingly important to work systematically and purposefully to prevent cyberattacks and other security incidents. Good security work is key to retaining the trust of our customers and society in general, and to maintaining our long-term competitiveness and innovation power.

WHAT WAS DONE IN 2021?

Stable and secure operations are one of our main focus areas, and well-functioning IT services are essential for having satisfied customers. Systematic efforts over several years have produced good results in terms of operational stability, and have reduced downtime considerably. In 2021, we had 13 days with serious IT operational incidents. This is a decrease from 17 days in 2020 and 27 days in 2019. In light of the COVID-19 pandemic that continued throughout 2021, and the fact that we implemented extensive changes to the organisation during the year, we consider this a very positive development. The most serious incidents this year have occurred in different areas. In each case, we have identified the cause and made technical and procedural improvements.

We made close to 19 000 major and minor changes to our IT systems in 2021 – the highest number of changes recorded in one year. At the same time, we increased the use of change monitoring and automation tools, without compromising the quality of the work. Increased use of tools is important as it enables more efficient implementation of proactive improvements, allowing us to maintain and improve operational stability while reducing the risk of manual errors. While we have enjoyed good operational stability for an extended period of time, we must continue to improve our IT services and associated processes on an ongoing basis. We will continue this good work in 2022.

In 2021, we drew on important lessons learnt in the previous year, using them to develop a new and more flexible working model. In 2020, we made necessary adjustments to our IT systems for home office use during the pandemic, and at the same time adopted new ways of working, while in 2021 we focused on people and processes. In the aftermath of the pandemic, we are seeing a strong desire among our employees to continue our extensive use of flexible working arrangements. This will demand more of DNB as an employer and of the bank's employees in terms of managing information security. Based on risk assessments, we have identified the work tasks that are not suitable for performing outside DNB's premises. We have also implemented a number of skills enhancement measures to enable our employees to safeguard DNB's security, as well as that of our customers and employees, whether working at the office or from home in a more flexible working model.

In the second half of 2020, we merged DNB's two security environments to create a more powerful one and to establish a clearer connection between different security disciplines. At the same time, a new IT operating model was introduced. We continued to operationalise the new organisation throughout 2021, and we are now seeing clear effects, including a clearer division of responsibilities, more standardised and efficient work processes and more user-friendly solutions. In the new IT operating model, the Group's IT team has increased responsibility and ownership. Teams who own and manage their own services also become more actively involved in security work, and feel more responsibility for this, while also receiving support at Group level. This change is highly positive because it helps locate security expertise closer to the Group's various professional environments, and enables us to comply with local requirements and needs to a greater extent than in the past. Given the rapid technological changes and ever-more hostile threat landscape, we consider this to be essential in order for security to continue to be a natural part of our operations.

In DNB, we have a strong desire to maintain and increase the employees' security competence, and in 2021 we increased the selection of training programmes for various target groups. In addition to targeted training, we offer a wide range of courses for all employees. Everyone in DNB plays an important role with regard to increasing security and ensuring the safety of our customers and employees. New employees are therefore required to complete a training programme, and all employees must annually complete mandatory e-learning. As in previous years, the completion rate in 2021 was very high. By the end of December, 96 per cent of all employees had completed the basic training and 82 per cent had taken the mandatory courses for 2021. Throughout the year, we continued to strengthen our efforts to increase awareness both within and outside DNB. We carried out a number of in-house activities, including the Security Month, and once again made our annual threat assessment publicly available.

Like other financial institutions, DNB is a target for cyberattacks, and every day we see attempts to break into our digital infrastructure or to manipulate employees into providing information. Threat actors are becoming

Everyone in DNB plays an important role with regard to increasing security and ensuring the safety of our customers and employees.

"The use of flexible working arrangements will demand more of DNB as an employer, and of the bank's employees in terms of managing information security."

Threat actors are becoming increasingly sophisticated and innovative, and the attacks pose a challenge to the established security mechanisms.

increasingly sophisticated and innovative, and the attacks pose a challenge to the established security mechanisms. According to the EU's cyber security agency ENISA, the global risk of ransomware attacks was the main cyber threat in 2020 and 2021. DNB also keeps a close watch on this. In 2021, we registered 14 470 cyberattacks and IT security incidents, a reduction from 16 967 in 2020. This reduction can be linked to an increased use of monitoring as a risk-mitigating measure during the first few months of the pandemic, which resulted in an extraordinary increase in the number of recorded incidents in 2020. Security monitoring returned to normal levels in 2021, and a slightly lower number of incidents was therefore recorded for the year. None of the recorded incidents had serious consequences for customers or the Group.

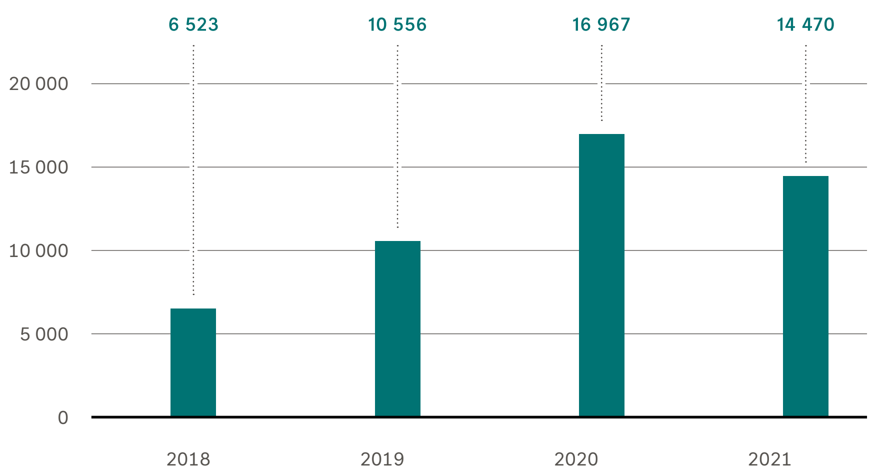
THE WAY FORWARD

In a world where we are seeing continuous digitalisation and a dynamic threat landscape, the ability to change and adapt is essential for supporting secure and stable operations. Over the years, we have seen continuous improvements in our IT operations, which we will continue by introducing automated solutions, using predictive analytics and artificial intelligence.

At the same time, we expect that new cybersecurity regulations will be introduced. If DNB is to maintain secure and stable solutions while complying with regulatory requirements, it is therefore essential that we continue to work every single day to integrate security and regulatory requirements, making them a natural part of our processes, products and solutions.

In the time ahead, we will continue to focus on skills enhancement among various target groups within the bank, especially in IT. There is a global shortage of security expertise, and we are therefore putting a lot of effort into developing our own employees' competence in this area.

Number of recorded cyberattacks and IT security incidents



Data protection

Creating the best customer experiences is an overarching goal for DNB.

- In order to be satisfied, customers expect good technical solutions that simplify the use of financial services.
- They expect us to process their personal data in an understandable way and they expect to be able to trust us to follow the data protection rules and legislation and not misuse their data. If there are any deviations, it is important that these are handled quickly and efficiently.
- Satisfied customers have trust in us. This trust must be managed and maintained.

This means that we must be transparent about how we process personal data, and that data protection must be incorporated into all processes and solutions in DNB.

WHAT WAS DONE IN 2021?

Good compliance with the data protection rules and legislation entails continuous improvement and further development of corporate governance, processes and routines. In 2021, we improved several processes and drew up new Group instructions. At the same time, we updated governing documents for data and personal data protection, and this has helped to further clarify roles and responsibilities relating to data protection in DNB.

In line with the Group's governance model, a decision was made in 2021 to organise the tasks and responsibilities relating to data protection in a new way. A decision was also made to centralise the responsibility for selected Group-wide processes and tools, as well as the responsibility for coordinating work on Group-wide matters and incidents.

"Satisfied customers expect us to process their personal data in an understandable way and trust us to follow the data protection rules and legislation and not misuse their data."

In 2021, we continued our work to build one of Norway's leading specialist environments in the area of data protection, and introduced several new positions, both in the business areas and centrally at Group level, as well as in connection with the Data Protection Officer function. Expertise of this kind is crucial if DNB is to be able to safeguard data protection in a time of rapid digital development.

Training in the area of data protection is mandatory for all employees, and in 2021 we developed new training modules with subsequent training sessions in groups. Advanced courses are mandatory for selected groups of employees who work with data protection matters. In addition, many employees outside these groups take the courses voluntarily, which testifies to the fact that data protection is taken seriously by DNB's employees. In 2021, we also invited a representative of the Norwegian Data Protection Authority to give a lecture on data protection by design, and many employees from both Norway and abroad followed the lecture. In order to strengthen data protection competence in the Group, the Data Protection Officer arranged a 'data protection month' in February 2021, with various training activities. A total of 97 per cent of DNB's permanent employees have completed the basic training course on data protection.

When unwanted incidents occur, they must be handled quickly and efficiently. A new and updated deviation management process was launched in 2021. We continue to have a low threshold for reporting personal data security breaches, and we sent 76 deviation reports to the Norwegian Data Protection Authority in 2021. DNB was not issued any orders or non-compliance fees by the Norwegian Data Protection Authority in 2021.

It is important to safeguard the rights of data subjects[1)] effectively. In 2021, DNB received a total of 1 079 requests for access. We also received 306 requests for the transfer of data in a machine-readable format (data portability) and 401 requests for the deletion of personal data. This goes to show that customers are concerned about data protection and are making use of the opportunity to exercise their rights through the solutions DNB has developed.

In DNB, we are concerned about the risks that the processing of personal data poses for customers, and in 2021 we completed a number of data protection impact assess-

1) 'Data subjects' is a collective term for all natural persons for whom the data controller (in this case, DNB) has registered information. This may be employees, personal customers or others who are registered in connection with a customer relationship (e.g. guarantors, contact persons, or spouses).

ments (DPIAs) to prevent data processing from having undesirable consequences for customers. We also made improvements to instructions and processes relating to DPIAs during the year.

DNB developed a new service in 2021 that is used to identify what makes each customer's finances unique, called 'Ditt økonomiske DNA' (your financial DNA). Here, the customer's financial situation is considered in combination with his or her personality. For this service, it was crucial to thoroughly assess data protection considerations and incorporate them into the solution from the start. It was important to ensure that the individual customer has control over his or her own data, and can choose whether he or she wants to use the service. By developing a solution that was in keeping with data protection principles, we ensured that a service that could have posed challenges was nevertheless well received.

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. Ensuring that our processing of personal data is transparent and understandable to our customers can therefore be challenging. Having said this, it is crucial that we succeed in this in DNB if we are to retain the trust of our customers, owners and surrounding society. In 2021, European data protection authorities fined a number of businesses for failing to provide adequate information to customers. DNB has a clear goal of providing adequate and understandable information at the right time, and work is under way across the Group to ensure this. We are also continuing our efforts to ensure that personal data transferred to countries outside the EEA, for example the US, is protected in the same way as in the EEA. This is in line with the decision by the European Court of Justice in the Schrems II case, and with the guidance provided by data protection authorities in Norway and other countries in Europe.

A new regulatory framework for the ethical use of artificial intelligence has been proposed in the EU. The proposal entails particularly strict requirements for the use of artificial intelligence in high-risk systems that affect the financial sector. The Norwegian Data Protection Authority is strengthening its expertise on the monitoring of algorithms, technology and artificial intelligence, while Finanstilsynet (the Financial Supervisory Authority of Norway) is focusing its attention on ethical and data-related aspects. DNB is working on a strategy for the ethical use of data, based on a global collaboration with Stanford University, where the use of artificial intelligence is the starting point for the work.

Our data protection culture and privacy protection will remain high on the agenda of the Group's management teams and boards. If DNB is to achieve its financial targets and create the best customer experiences, providing responsible and reliable data protection is essential. We will therefore continue our ongoing and unwavering efforts to ensure that DNB complies with the data protection rules and legislation.

Preventing financial crime and money laundering

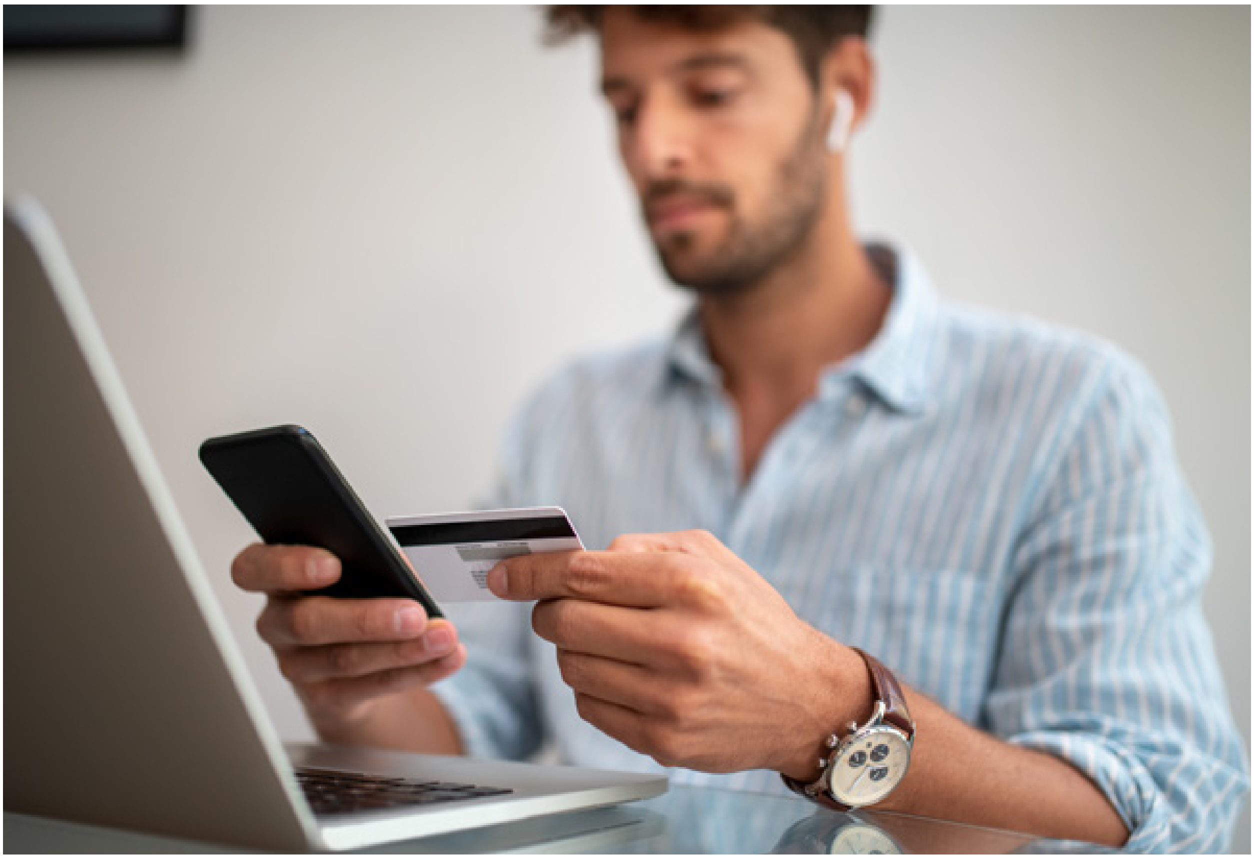
In DNB, we give high priority to efforts to prevent and uncover financial crime, money laundering and terrorist financing. Crime of this kind is a serious problem for society and a threat to the welfare system and the business community. An overarching goal of our work in this area is to reduce financial losses for society, customers and DNB, and to maintain people's trust in our products and services. This work is an important part of our corporate responsibility.

Profit-motivated crime affects DNB and its customers directly, and we spend considerable resources on preventing fraud, for example. In addition, criminals may misuse our services and products to launder the proceeds from criminal acts or to finance terrorism. Money laundering can be linked to many types of crime, including human trafficking, assault or abuse, and drug trafficking offences. We work continuously to prevent and detect money laundering and to ensure a high level of compliance with money laundering rules and legislation.

The threat landscape is constantly changing, and we need to adapt our efforts in step with developments. The work is challenging and resource-intensive, and it requires a high level of interdisciplinary expertise.

We share our knowledge with other financial institutions and with the public sector, and we help our customers to be more vigilant, so that they avoid being deceived.

Digital fraud	2021	2020
Number of cases against customers	5 169	3 889
Number of customers affected	3 464	2 052
Number of cases we handled	8 369	5 043
Number of cases we reported	73	72
Total value of attempted fraud against customers and the Group that was stopped (NOK million)	734	1 180



WHAT WAS DONE IN 2021?

Digitalisation and globalisation are influencing the development of crime. It has, for instance, become easier to commit mass fraud. The COVID-19 pandemic also led to an increase in digital fraud. We have seen a particularly large increase in the number of phishing cases, where the aim is to gain access to sensitive information that can be misused. The forms of fraud have also become more sophisticated. New in 2021 was a higher degree of automation and targeting of the attacks, as well as the misuse of messaging services such as Messenger and WhatsApp. In addition, we are seeing an increasing use of social media to spread fake investment sites and products, for example.

In 2021, we also saw fraud relating to government-guaranteed loans that were part of the Government's package of support measures. Several cases were reported to the police, and we worked closely with Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) in this context. We also reported customers who have made accounts available for money laundering (money mules). Criminals in Norway are increasingly on the receiving end of the proceeds of advanced fraud carried out abroad.

Digital fraud

On 3 May 2021, Finanstilsynet (the Financial Supervisory Authority of Norway) decided to impose an administrative fine of

"Cooperation and knowledge-sharing between banks and the public sector are vital in the fight against crime."

We help our customers to be more vigilant, so that they avoid being deceived.

NOK 400 million on DNB. The Group was not suspected of money laundering, but Finanstilsynet criticised us for inadequate compliance with the money laundering rules and legislation. Finanstilsynet also published a report relating to the Icelandic fisheries company Samherji, which has been accused of money laundering and corruption. The report points to deficiencies in DNB's customer due diligence measures in relation to six companies with links to Samherji. We spend considerable resources on anti-money laundering work in DNB, but we acknowledged that the work had not produced sufficient results at the time of the inspection, and we therefore accepted the fine. We have made a number of improvements in recent years, and in 2021 we worked to further strengthen compliance with the anti-money laundering rules and legislation.

In 2021, we reviewed the customer portfolio to ensure that we have better knowledge of our customers and a better understanding of the money laundering risk they involve. We also drew up several Group routines and processes, including relating to ongoing due diligence and virtual currency. In addition, we began to develop a guide for sharing information about Group-wide customers across the Group. In the autumn of 2021, DNB established a separate programme to strengthen the mandate of and ensure progress in the anti-money laundering efforts, including the establishment of a governing and centralised specialist environment.

We started an upgrade of our main electronic monitoring system in the autumn of 2018. The last phase was put into production in November 2021, and we now have a new model for risk scoring. We have also developed several money laundering scenarios, as well as machine learning models. We are continuously evaluating new technological solutions, and have started to use advanced network analyses so as to more easily uncover organised crime and corruption, among other things. We are also continuously monitoring new payment and identification solutions.

In 2021, DNB sent a total of 1 689 reports to EFE (the Norwegian Financial Intelligence Unit) in Økokrim due to suspicions of money laundering or terrorist financing. A single case can include a number of customer relationships and transactions, and in total we investigated approximately 6 110 matters.

In 2021, we terminated 2 069 customer relationships. Terminating customer relationships can have a major impact on customers, and we only choose this course of action if we have objective and legitimate reasons for doing so. Among other things, we are obliged to terminate customer relationships when we are unable to carry out satisfactory customer due diligence in accordance with the Norwegian Anti-Money Laundering Act.

Raising the general public's awareness and competence is important for the prevention of crime. In DNB, we contribute to this by giving presentations in various forums, and we hold webinars for customers on security culture and good payment routines. We have also published advice and recommendations, DNB's threat assessment, and other reports on DNB's website, thus making them available to everyone.

Cooperation and knowledge-sharing between banks and the public sector are vital in the fight against crime. We have continued our cooperation efforts in Nordic Financial CERT and Invidem. DNB has also, together with other financial institutions, Finance Norway and its technology company Bits helped establish the meeting place for public-private cooperation on anti-money laundering and counter-terrorist financing, OPS AT (*Offentlig Privat Samarbeid – anti-hvitvasking og -terrorfinansiering*).

DNB is constantly strengthening its expertise relating to the anti-money laundering and anti-corruption rules and legislation, and is working to build a strong compliance culture. In total, as of 31 December 2021, 98.2 per cent of employees had completed the basic course on anti-money laundering (AML) and counter-terrorist financing (CTF), and 98.3 per cent of employees had completed the basic course on anti-corruption. 97.6 per cent of employees have also completed the course on the prohibition against disclosure. Training over and above the basic courses is based on the individual employee's responsibilities, roles and function in the organisation. DNB has defined three levels of competence – basic, intermediate and advanced – each with associated and distinct competence requirements.

THE WAY FORWARD

The fight against financial crime, money laundering and terrorist financing will continue at full force in 2022.

The programme we established in 2021 to ensure progress in our anti-money laundering efforts will have an impact on our efforts in 2022. Among other things, we will continue to work on establishing a governing and centralised specialist environment. Here, we will establish a central unit for risk classification and a specialist environment for sanctions.

Furthermore, we will draw up new Group routines and adjust existing ones, with the aim of developing more operational routines. Among other things, we will adjust routines to new risk classifications, in line with the new risk model used in the electronic monitoring system. Work will also be carried out to develop an AML competence strategy for the Group. As of 2022, all employees and all board members of DNB companies will be required to take annual courses in anti-money laundering and counter-terrorist financing, anti-corruption, international sanctions and the prohibition against disclosure.

We will continue to improve the electronic monitoring system. We also have several projects where we are considering the use of new technology to improve and simplify efforts to combat crime.

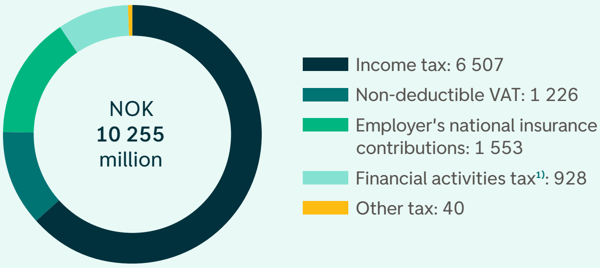
Responsible tax practices and our tax contribution

In DNB, we have an approach to tax that is firmly rooted in our overarching values and ethical principles (Code of Conduct). Taking tax considerations into account is an integral part of our sustainability work, and by having responsible tax practices, we safeguard and balance the Group's interests with the needs of our customers, shareholders and employees, as well as society in general. Tax risk arises as a result of our complex business model and because we have operations in many countries, and is managed in the same way as other types of risk the Group is exposed to (read more about risk management in the corporate governance chapter from page 132 onwards). In 2021, the Board approved a new and updated global tax strategy. Read about this and our tax footprint in the document called Tax footprint on dnb.no/sustainability-reports.

DNB contributes to society in a number of ways in the countries where the Group is represented. Tax is one of the areas where we make a significant contribution to society, and the country-by-country report shows taxes paid in the countries in which the Group has operations (see the overview in Tax footprint). The overview below includes other tax-related contributions in addition to taxes paid. In 2021, our total tax contribution amounted to NOK 15 574 million, of which NOK 10 255 million was paid to the authorities and NOK 5 319 million was tax collected on behalf of the authorities.

"Tax is one of the areas where we make a significant contribution to society."

HOW MUCH TAX DID THE DNB GROUP PAY IN 2021?



Taxes paid constitute a cost for the Group and include the following:

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 remuneration.

Financial activities tax

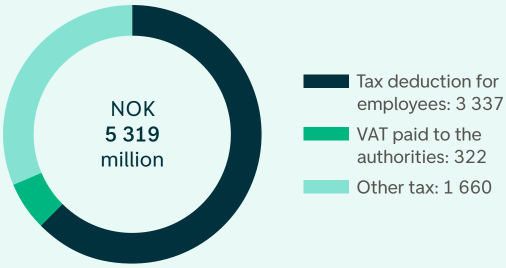
The financial activities tax is an additional tax imposed on companies within the financial services sector. This tax consists of two elements: an increased income tax rate for financial institutions (3 percentage points), and an additional tax for employers in the financial services industry, based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

1) Consists of extra income tax amounting to NOK 534 million and additional employer's national insurance contributions of NOK 394 million.

HOW MUCH TAX DID THE DNB GROUP COLLECT ON BEHALF OF THE AUTHORITIES IN 2021?



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.

«I find the link between the capital market and the green shift extremely interesting.»

Nina Ahlstrand, head of Sustainable Finance, DNB Markets

DNB will be a driving force for sustainable transition

EMPLOYEES ON SUSTAINABILITY

Nina Ahlstrand

Head of Sustainable Finance, DNB Markets

I've been working with the capital market since I joined DNB in 2012, but in 2017, I found my way onto the sustainability track. I find the link between the capital market and the green shift extremely interesting, and it also makes my job more meaningful. I don't think I'll be able to work with 'normal' finance again. But in any case, sustainable finance is likely to become the norm in the long run.

It's very positive that DNB has updated its sustainable strategy and put in place a solid and ambitious plan for its work on sustainable transition. DNB has of course focused on the area of ESG for a long time, but perhaps mainly on the dimensions of gender equality, diversity and inclusion. I'm really pleased that we now have a strategy that gives us a clear direction and a toolbox to help our customers make the green shift. Large amounts of capital are needed for achieving the ambitions of the Paris Agreement and the UN Sustainable Development Goals. As a bank, we have both the opportunity and an obligation to ensure that capital is channelled in a sustainable direction, for example by offering green bonds and loans. 'Everyone' needs to make a transition, and DNB's clearly stated goal of being a driving force for this transition is a strong ambition.

Many people have an image of DNB as a player that's heavily involved in sectors that are facing major challenges, but we're probably more diversified than it might appear at first glance. And we've made a strategic choice not to exclude all companies with sizeable 'footprints', but rather to help them achieve their goals through exercising active ownership. After all, it's very important to get everyone to join the sustainable transition – including the more challenging sectors.

The updated sustainable strategy has had ripple effects throughout the bank. There's been closer cooperation between units that previously didn't have much dialogue. These topics are no longer just being discussed by those of us who have the word *sustainability* on our business cards. There's been a steady trend towards an increased focus on sustainability for several years, but with the launch of the updated strategy this has become even clearer.

DNB will be an attractive workplace

Our employees are the heart of the organisation and our most important resource and competitive advantage. We believe in continuous learning, a constructive feedback culture and a diverse and inclusive organisation.

Over the past year, the organisation has demonstrated a strong ability to change and adapt to the new framework conditions brought about by the pandemic. We will build on these strengths and experiences in the time ahead.

WHAT WAS DONE IN 2021?

From being an organisation where the employees primarily worked only from the office, we have found that many tasks can also be carried out away from the office. In the time ahead, we want to bring the best of both worlds with us and facilitate both physical and digital interaction. If we manage to exploit the potential that lies in what DNB has called 'the flexible working model', this will create good employee experiences and at the same time be of benefit both to our customers and to our owners.

To support managers and employees in making the transition to the flexible working model, we held various practical courses in 2021, covering critical areas of expertise such as self-management, safety in a hybrid working model and the use of digital collaboration tools for management – a total of 111 courses that attracted over 50 000 participants. We also gave our employees financial support for purchasing equipment to use when working from home. At the same time, we adapted our office premises, for instance by introducing new meeting-room technology. In the latter part of 2021, we started testing the new working model, and in employee surveys, our employees expressed a high level of satisfaction with the schemes that have been implemented.

We will ensure that the individual DNB employee's learning is future-oriented and relevant in light of our strategic goals. This requires a clear strategic and needs-driven approach to competence, based on the

If we manage to exploit the potential that lies in 'the flexible working model', this will create good employee experiences and benefit both our customers and our owners.

"Targeted efforts mean that we are maintaining a strong position as an attractive employer across disciplines such as business, IT and law."

right insight, and with the right measures implemented at the right time. We will facilitate lifelong learning and motivate employees to engage in this kind of learning so that they can stay relevant both now and in the future, through upskilling and reskilling initiatives. In 2021, we developed a Reskill programme in software engineering, where a selected group of employees were retrained and placed in new roles in the Group. This has given us valuable, critical and sought-after expertise in employees who already know the Group.

All permanent employees in DNB have access to our digital learning platform, Motimate, and over 98 per cent are active users of the platform. Here, they can find more than 900 courses that have been produced in-house. In addition to this, our employees have access to over 16 000 learning resources via LinkedIn Learning.

Through conversations about goals and development, the manager and the employee have an ongoing dialogue about the individual employee's objectives and achievements. In a world of ever-increasing demands and continuous change, development goals are important for ensuring that all employees realise their potential, are equipped for the future and can deliver on the company's strategic priorities. The dialogue between manager and employee is thus valuable for the organisation. In surveys, 89 per cent of employees answered that they have had a conversation of this kind, and 88 per cent said that it was useful.

In DNB, our aim is to have a good working environment and high level of employee engagement. A working environment survey is carried out every year in the fourth quarter, in which we have an index for 'engagement'. The aim is for the index to have a score of at least 5, and the result for 2021 was 5.1. This index is consistently high. The same applies to the statement 'I would recommend DNB as an employer', which 86 per cent of employees agreed with. There was a positive development for factors that affect the working environment, not least for questions about how employees experience the flexible working model arrangement.

The average sickness absence rate for DNB in Norway was 3.4 per cent, the same as for 2020. Sickness absence has been unusually low during the pandemic, but we saw a slight increase in the fourth quarter of 2021, as society reopened. We expect that the use of home office solutions as part of the flexible working model will continue to result in lower sickness absence rates in the period ahead, compared with pre-pandemic levels.

The employee turnover rate in the Group was 7.4 per cent, which is somewhat higher than in 2020 (6.8 per cent), but still lower than in the previous two years. This is in line with expectations as we are moving towards normalisation.

In accordance with the Norwegian Working Environment Act, our employees have the right to report unacceptable circumstances, and we aim to have a culture of transparency where there is a low threshold for speaking out. If notifying the manager, HR or employee representatives of unacceptable circumstances does not lead anywhere, or if an employee is not comfortable raising the matter in any of these channels, it is possible to submit a notification via DNB's whistleblowing channel. The whistleblowing channel is confidential and designed to allow anonymous notification. It is also available for hired temporary personnel and consultants.

In 2021, 16 internal notification cases were reported using DNB's whistleblowing channel, compared with 8 in 2020. As in previous years, the majority of the issues reported were linked to the working environment. In several of the cases, the whistleblower chose to remain anonymous.

Targeted efforts mean that we are maintaining a strong position as an attractive employer across disciplines such as business, IT and law. This is shown, among other things, in Universum's rankings of Norway's most attractive employers for students and professionals. Universum also named DNB the 'best in the industry' in the banking and finance category.

THE WAY FORWARD

In the months leading up to the summer of 2022, we will continue to work to ensure a successful transition from pandemic restrictions to the flexible working model. If we are to achieve this, we must continue working in a different way than we did before the pandemic, and continue to engage in interdisciplinary collaboration. We will do this by ensuring that our efforts to develop and work with people, technology and physical premises are well coordinated. We must also obtain quantitative and qualitative insight so that we can test, evaluate and make adjustments along the way.

Furthermore, we will work systematically with our critical areas of expertise and motivate employees to engage in lifelong learning, while also facilitating this, to help employees stay relevant now and in the future.

Attractive employer among students (spring 2021):

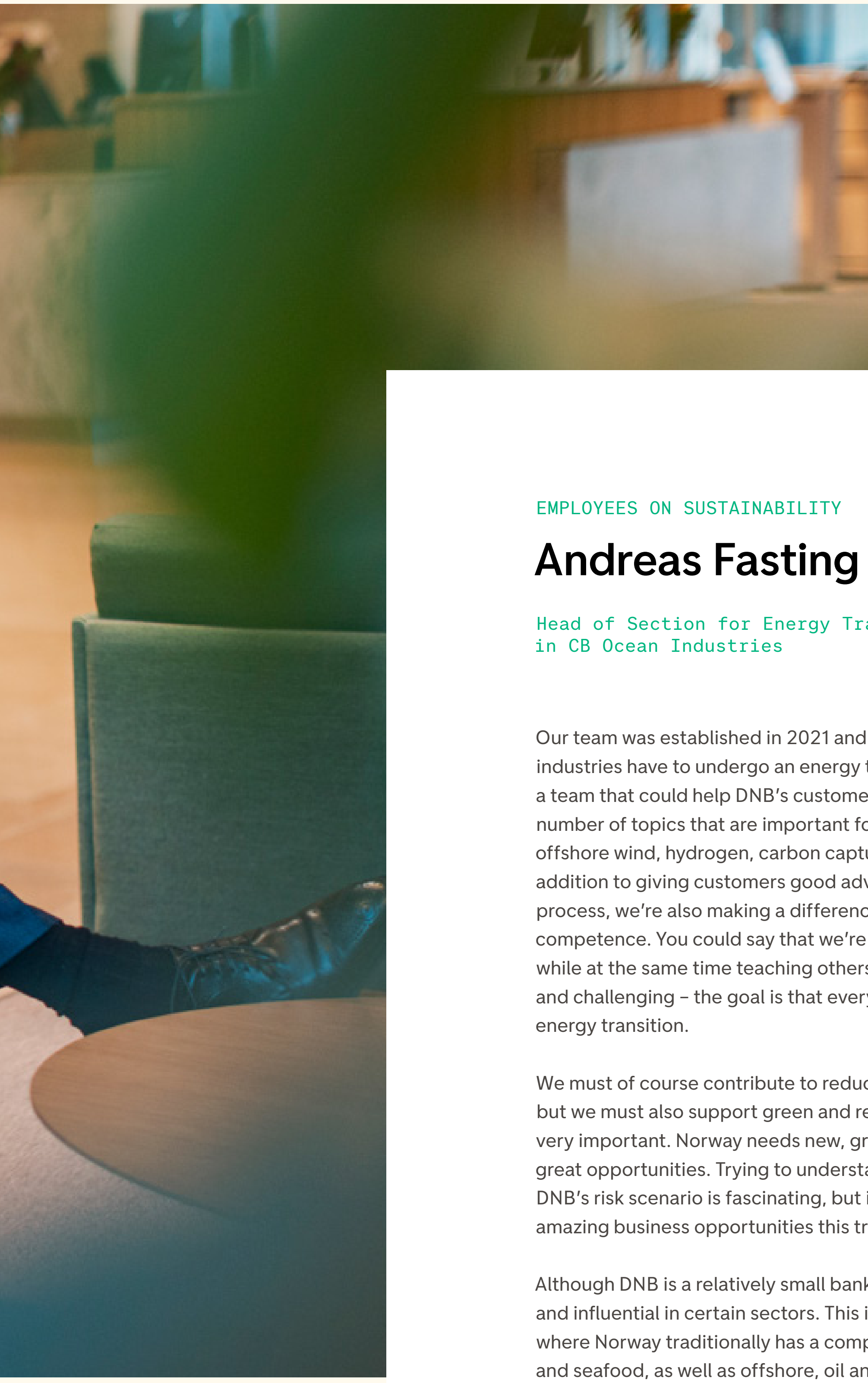
- No. 1 among business students
- No. 4 among IT students
- No. 12 among law students

Attractive employer among professionals (autumn 2021):

- No. 1 among business professionals
- No. 6 among IT professionals
- No. 5 among law professionals

"Trying to understand how the energy transition affects DNB's risk scenario is fascinating."

Andreas Fasting Østern, head of Section for Energy Transition Solutions in CB Ocean Industries



DNB will be a driving force for sustainable transition

EMPLOYEES ON SUSTAINABILITY

Andreas Fasting Østern

Head of Section for Energy Transition Solutions in CB Ocean Industries

Our team was established in 2021 and is an innovation in itself. The ocean industries have to undergo an energy transition, and there was a need for a team that could help DNB's customers make this transition. There are a number of topics that are important for all the ocean industries, including offshore wind, hydrogen, carbon capture and sustainable financing. In addition to giving customers good advice and support during the transition process, we're also making a difference within the bank by sharing competence. You could say that we're constantly learning something new, while at the same time teaching others what we've learnt. I find it both fun and challenging – the goal is that everyone should be able to take part in the energy transition.

We must of course contribute to reducing our existing customers' emissions, but we must also support green and renewable business activities. That's very important. Norway needs new, green jobs, and these industries hold great opportunities. Trying to understand how the energy transition affects DNB's risk scenario is fascinating, but it's just as fascinating to see the amazing business opportunities this transition can bring.

Although DNB is a relatively small bank in international terms, we're large and influential in certain sectors. This is especially true in the industries where Norway traditionally has a competitive advantage, such as shipping and seafood, as well as offshore, oil and gas. Here we bring both expertise and capital to the table, and this leads to concrete, positive changes. This is something we're proud of.

I believe that the goals of DNB's sustainable strategy give us a very clear direction. Now it's a matter of filling the goals with specific content and creating relevant financing solutions and products for our customers that support the energy transition process. We've set ourselves concrete goals, and we're going to reach them!

Governance

The Board of Directors of DNB Bank ASA

As at 9 March 2022

The Board of Directors 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 Board of DNB 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. Has worked as a financial analyst in Carnegie and DNB. Former member of the Board of Directors of 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.

Other key positions of trust: Chair of the Board of Directors of Norfund and member of the Board of Directors of Investinor AS, Institute of International Finance (IIF) and Freyr Battery.

Number of board meetings: 13 of 13

Number of shares: 14 500[1)]

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 Mondi plc. Deputy Chair of the Council on Ethics for the Government Pension Fund Global

Number of board meetings: 13 of 13

Number of shares: 556[1)]

1) Shareholdings in DNB as at 31 December 2021. Shares held by the shareholder's immediate family and by companies in which the shareholder has decisive influence are also included.

Gro Bakstad
(born 1966)

Role in the Board: Board member in DNB since 2017. Chair of the Audit Committee and member of the Risk Management Committee.

Background: Master's degree in Economics and Business Administration ('Siviløkonom') and state-authorised 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 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. Former member of the Board of Directors of Farstad Shipping ASA and the Employers' Association Spekter.

Other key positions of trust: Member of the Board of Directors of Veidekke ASA.

Number of board meetings: 12 of 13
Number of shares: 4 000[1)]

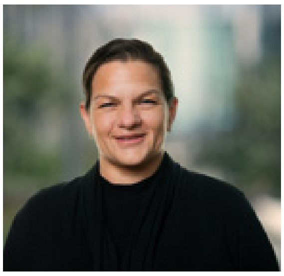
Julie Galbo
(born 1971)

Role in the Board: Board member in DNB since 2020. Member of the Audit Committee and the Risk Management 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 Holding AG, board member in Velliv, Pension & Livsforsikring A/S and Commonwealth Bank of Australia.

Number of board meetings: 13 of 13
Number of shares: 755[1)]



Lillian Hattrem
(born 1972)

Role in the Board: Board employee representative in DNB since 2016. 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. Has held several roles and positions of trust, including in the former supervisory board in DNB.

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.

Number of board meetings: 13 of 13
Number of shares: 1 578[1)]

Jens Petter Olsen
(born 1961)

Role in the Board: Board member in DNB since 2019. 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.

Number of board meetings: 13 of 13
Number of shares: 6 000[1)]

Stian Tegler Samuelsen
(born 1964)

Role in the Board: Board employee representative in DNB since 2020 (former deputy board employee representative).

Background: Has previously held several other roles and positions of trust, including board member in Sparebanken NOR Buskerud.

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.

Number of board meetings: 12 of 13
Number of shares: 1 067[1)]

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. 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. Former Chair of the Board of Elkjøp Norge AS and Statoil Norge AS, and Chair of the Board or board member in a number of Norwegian companies.

Number of board meetings: 12 of 13
Number of shares: 200[1)]

Eli Solhaug
(born 1963)

Role in the Board: Board employee representative in DNB since 2020 (former employee-elected observer).

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. 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.

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.

Number of board meetings: 12 of 13
Number of shares: 3 127[1)]

Kim Wahl
(born 1960)

Role in the Board: Board member in DNB since 2013 (former Vice Chair of the Board). Chair of the Compensation and Organisation Committee.

Background: MBA from Harvard University. Chair of the Board of Directors and owner of the private investment company Strømstangen AS. Co-founder of the European Private Equity firm IK Investment Partners, and Partner and Deputy Chair for 20 years. Also has experience from the US investment bank Goldman Sachs in London and New York. Has previously held a number of Norwegian and European board positions in various industries.

Other key positions of trust: Chair of the Board of Directors and co-founder of the Voxtra Foundation. Member of the Board of Directors of UPM Kymmene Corporation and of the European Advisory Board, as well as the Board of Dean's Advisors at Harvard Business School.

Number of board meetings: 12 of 13
Number of shares: 12 000[1)]

1) Shareholdings in DNB as at 31 December 2021. 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 2.1 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. Our ambition is that the majority of Norwegian personal customers will use DNB as their gateway to everyday banking, and we will make the most of our digital platform to increase revenues. We will use our strong position in the housing market to encourage home mortgage customers to choose DNB to cover more of their needs. Our customer service should be fast, simple, safe and personal.

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 number-one position in Norway and strengthen our leading position internationally within selected industries for our largest customers, while also strengthening our initiatives in the small and medium-sized corporate customer and start-up 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 through products and prices.

Wealth Management (WM)

WM serves high-net-worth individuals through its Private Banking unit. DNB has a leading position in pensions, and WM is responsible (through the subsidiaries DNB Asset Management and DNB Livsforsikring) for the Group's savings, investment and pension products. In addition, it delivers defined-contribution pension schemes to our customers in close cooperation with the customer areas. WM is also responsible for all the Group's mutual fund products, as well as the further development of the savings, investment and pension 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.

Segment reporting

The reporting structure has been adapted to the customer segments, and all of the Group's customers are associated with a customer segment. The customer segments are personal customers and corporate customers, and the reporting covers revenues, costs, balance sheet items and capital requirements relating to customer service. The figures for the segments thus reflect the Group's total sales of products and services. The segment reporting is a fundamental element of our financial management. 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.

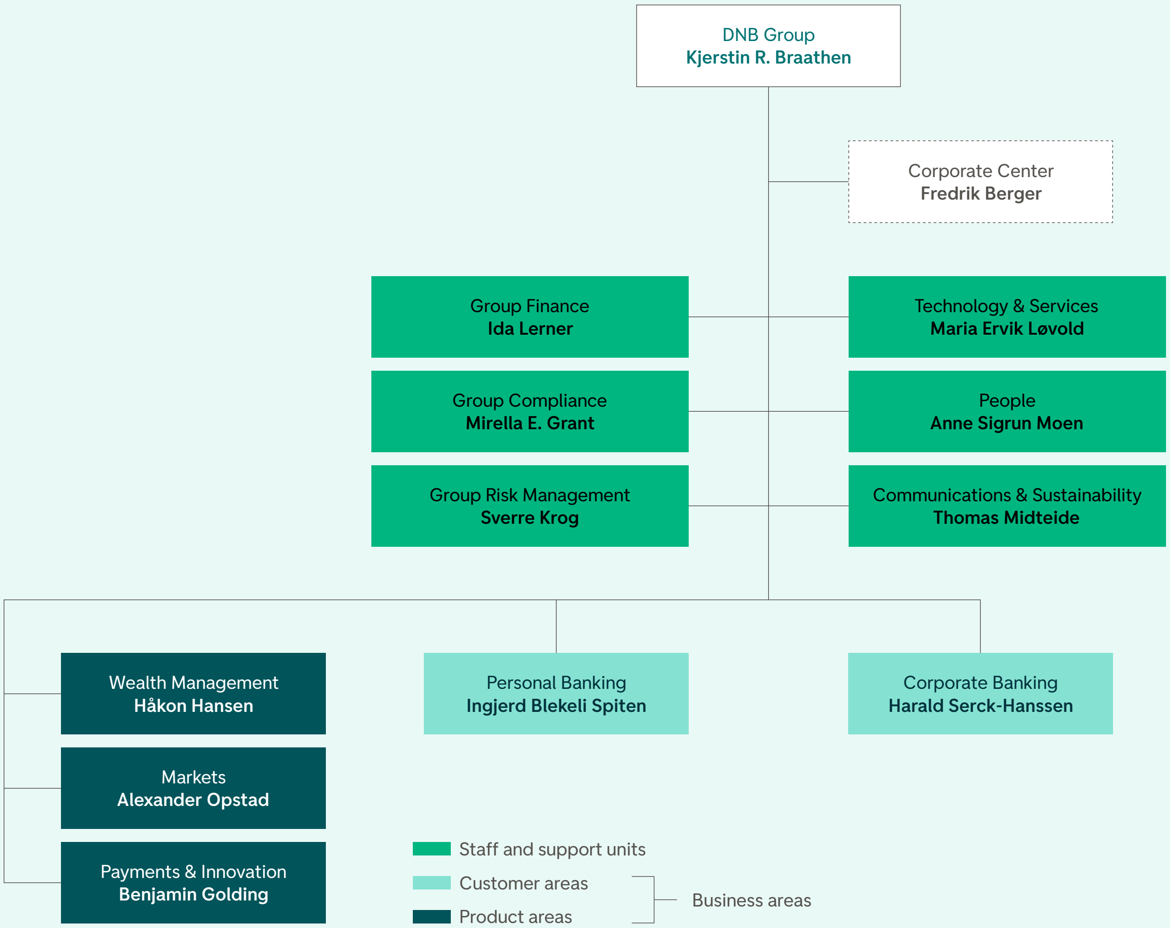
The segment reporting is presented in more detail in note G3 to the annual accounts.

Legal structure

The merger between DNB ASA and DNB Bank ASA was approved by the Norwegian Ministry of Finance on 25 May 2021, and from 2 July 2021, DNB Bank ASA was listed on Oslo Børs (the Oslo Stock Exchange). The new parent company DNB Bank ASA owns a number of companies, including the subsidiaries DNB Livsforsikring AS and DNB Asset Management Holding AS, along with their underlying companies. Each of the subsidiaries has its own Board of Directors. For more information about the merger, see note P2 to the annual accounts, and for an overview of the Group's legal structure, please visit dnb.no/en/about-us/about-the-group.html.

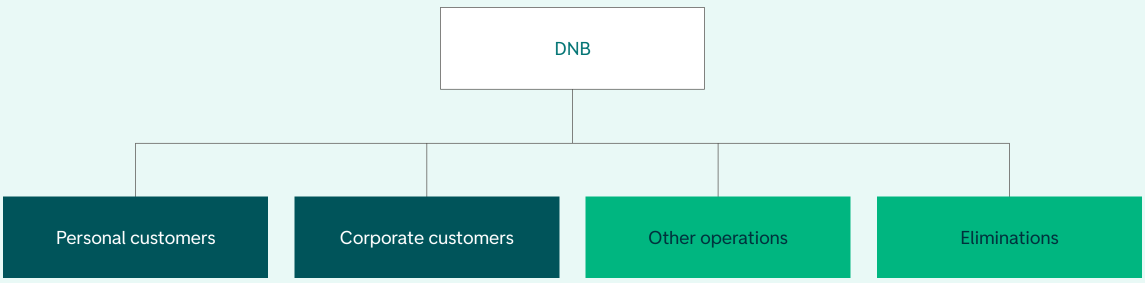
Operational structure

As of 9 March, 2022



Segment reporting

As of 31 December, 2021



Group Management

As at 9 March 2022

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.

Background: Master in Management from Ecole Supérieure de Commerce de Nice-Sophia Antipolis. Experience from Norsk Hydro ASA and Hydro Agri International. Joined DNB in 1999 and has held the following roles in the Group: Group Executive Vice President of Group Finance and of Corporate Banking Norway. Many years' experience from the Shipping, Offshore and Logistics division (SOL) in Oslo.

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.

Number of shares: 60 062[1)]

Ida Lerner
(born 1975)

Chief Financial Officer (CFO) since 2021.

Background: Bachelor of Social Sciences, specialising in Economics, from the University of Stockholm. Global Relationship Manager at HSBC, customer adviser and stockbroker at Nordea. Joined DNB in 2007 and has held the following roles in the Group: Group Executive Vice President of Group Risk Management, Head of DNB CEMEA (Central Europe, Middle East and Africa) in London and head of customer analysis for Northern Europe, the Middle East and Africa.

Number of shares: 7 072[1)]

Anne Sigrun Moen
(born 1964)

Group Executive Vice President of People since 2021.

Background: Master of Arts from Oslo Lærerhøgskole (Oslo teacher training college). Extended Master's degree in Education from the University of Oslo. Individual subjects within business administration and management at the University of California. Chief Human Resources Officer at the Norwegian Tax Administration, HR Manager at DNV Maritime, Senior Consultant at DNV Learning, Adviser at DNV Veritas-skolen (the DNV Veritas school). Joined DNB in 2007, but worked outside DNB from 2018 to 2021, and has held the following roles in the Group: Senior Adviser and various positions as Executive Vice President within HR.

Number of shares: 744[1)]

Benjamin Golding
(born 1980)

Group Executive Vice President of Payments & Innovation since 2021.

Background: Master of Technology in cybernetics from the Norwegian University of Science and Technology (NTNU). Various positions in McKinsey & Company, Orkla, Aker Solutions and Akastor. Joined DNB in 2016 and has held the following roles in the Group: Executive Vice President of the Payments, Open banking and Identity division and Head of Group Strategy.

Key positions of trust: Chair of the Board of Bits AS and member of the Board of Vipps AS.

Number of shares: 0[1)]

1) Shareholdings in DNB as at 31 December 2021. 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.

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

Number of shares: 1 875[1)]

Håkon Hansen
(born 1966)

Group Executive Vice President of Wealth Management since 2019.

Background: 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. Bank Manager at Gjensidige Bank, Parat24 and DNB, Assistant Bank Manager at Sparebanken Øst and District Manager at Forenede Forsikring. Joined DNB in 1987 and has held the following roles in the Group: Group Executive Vice President of Wealth Management and Insurance, Head of Private Banking, and Head of DNB Luxembourg for ten years.

Key positions of trust: Chair of the Board of DNB Livsforsikring and DNB Luxembourg. Member of the board of Fremtind Insurance.

Number of shares: 22 603[1)]

Sverre Krog
(born 1976)

Group Executive Vice President of Group Risk Management since 2021.

Background: Master of Science in Business ('Sivil-økonom') from BI Norwegian Business School. Joined DNB in 1999 and has held the following roles in the Group: Executive Vice President of Strategic Risk Intelligence, head of the sections for active portfolio management and customer analysis in the corporate customers segment, and various roles in Corporate Finance.

Number of shares: 2 421[1)]

Maria Ervik Løvold
(born 1979)

Group Executive Vice President of Technology & Services since 2019.

Background: Law degree from the University of Oslo. Lawyer at Brækhus Advokatfirma. Joined DNB in 2010 and has held the following roles in the Group: Executive Vice President of the Product, Price and Quality division in Personal Banking and head of section in and Deputy General Counsel for DNB Legal.

Number of shares: 7 383[1)]

Thomas Midteide
(born 1974)

Group Executive Vice President of Communications & Sustainability since 2019.

Background: Journalist degree from Oslo University College. Subsidiary subject in Political Science and Criminology from the University of Oslo. Head of Communications in SAS Norge, communications officer in VISA Norway and TV reporter and presenter in the Norwegian Broadcasting Corporation, NRK. Joined DNB in 2009 and has held the following roles in the Group: Group Executive Vice President of Communications, Media & Marketing and of Corporate Communications and Marketing, and Executive Vice President of External Communications.

Number of shares: 29 872[1)]

Alexander Opstad
(born 1981)

Group Executive Vice President of Markets since 2019.

Background: Master of Science in Business ('Sivil-økonom') from BI Norwegian Business School. Joined DNB in 2005 and has held the following roles in the Group: various positions in Markets, including Head of Equity Sales in London and global head of the equities division.

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

Number of shares: 38 639[1)]

Harald Serck-Hanssen
(born 1965)

Group Executive Vice President of Corporate Banking since 2019.

Background: BA (Hons) in Business Studies from the University of Stirling. Advanced Management Programme at INSEAD Fontainebleau. Experience from Stolt-Nielsen Shipping and Odfjell Group. Joined DNB in 1998 and has held the following roles in the Group: Group Executive Vice President of Large Corporates and International from 2013 to 2019, as well as Executive Vice President of and head of section in the Shipping, Offshore and Logistics division (SOL).

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

Number of shares: 50 382[1)]

Ingjerd Blekeli Spiten
(born 1971)

Group Executive Vice President of Personal Banking since 2018.

Background: Master of Science in Business ('Siviløkonom') from BI Norwegian Business School. 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. Employed in DNB from 2007 to 2015, returned in 2018 and has held the following roles in the Group: head of mobile and telephone services, head of sales for internet and mobile banking, Executive Vice President for eBusiness.

Key positions of trust: Chair of the Board of DNB Eiendom and board member in Frem-tind Forsikring AS.

Number of shares: 14 060[1)]

1) Shareholdings in DNB as at 31 December 2021. 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

DNB's most important strategic ambitions are to create the best customer experiences, ensure compliance and deliver on our financial targets. Good corporate governance helps us achieve our ambitions, and is our licence to operate. Corporate governance is a matter of how DNB's Board of Directors, Group Management and employees exercise their roles so as to manage the Group's assets in a sustainable way, in the best interests of our 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. The 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 2021. In the Board's view, 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 2021. 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;
- follow up security, including measures to reduce cyber risk;
- approve DNB's sustainable strategy;
- approve DNB's tax strategy;
- follow up the organisation's implementation of and compliance with external and internal requirements;
- approve the revised corporate governance principles, which include increased focus on internal control and compliance;
- assess various measures for the organisation and employees, including the flexible working

model, follow-up of sick leave, and succession planning for Group Management.

The Board's follow-up of DNB's anti-money laundering initiatives, cybersecurity roadmap, sustainable strategy, tax strategy and flexible working model are elaborated on below.

MONITORING OF ANTI-MONEY LAUNDERING INITIATIVES

In 2021, the Board once again focused heavily on anti-money laundering efforts, including monitoring status and measures to reduce compliance risk. The fight against financial crime is one of DNB's most important focus areas, and is a top priority for the Board and the organisation. DNB spends considerable resources on following up this work, which is carried out by around 600 full-time employees.

Criminals are using increasingly sophisticated methods, which means that DNB needs to constantly improve its routines, expertise and systems in this area. More digital currencies and platforms are being established, while at the same time regulatory requirements and customer expectations are increasing. Against this backdrop, we increased our anti-money laundering efforts in 2021 by:

- updating the Group-wide risk assessment for money laundering and terrorist financing, as well as individual business areas' risk assessments;
- further strengthening our extensive efforts to update customer information and conduct risk classification of customer relationships in DNB;
- establishing the Group-wide AML (anti-money laundering) Acceleration programme. The purpose of this programme is to promote compliance with AML rules and legislation and increase the effectiveness of money laundering risk management, by reinforcing current measures and coordinating efforts across the Group;
- strengthening the central anti-money laundering unit, a specialist environment led by our Group AML Officer. This environment provides Group-wide guidelines for the operationalisation of AML rules and legislation in DNB, and helps the customer areas identify indications of money laundering or terrorist financing or possible violations of international sanctions. Furthermore, we are working continuously to improve our processes and systems for electronic monitoring, risk classification and screening;
- relocating anti-money laundering resources from business areas for personal and corporate customers to the operational customer

environments. The purpose is to ensure ownership of customer information in the customer environments, to improve the interaction between those in direct contact with customers and central anti-money laundering environments, and to contribute to higher quality customer information; and
- completing the successful system implementation of a new solution for the risk classification of customers, which will help improve DNB's ability to take a risk-based approach and use most resources on customers that involve a high money laundering risk.

You can read more about this topic on page 108.

The Board follows the anti-money laundering work closely, and considers the need for further measures on an ongoing basis.

REVIEWING THE CYBERSECURITY ROADMAP

DNB works in a targeted way with cyber risk. In 2021, the Board followed up measures to reduce cyber risk by considering DNB's cybersecurity roadmap. The roadmap was drawn up in line with an international cybersecurity framework, and defines a number of activities to reduce cyber risk and increase the level of cybersecurity maturity. Activities defined in this roadmap run from 2021 to 2023.

APPROVING DNB'S SUSTAINABLE STRATEGY

The Board approved DNB's sustainable strategy in 2021. Sustainability is to be integrated into all aspects of our business operations, and it supports DNB's strategic ambitions to create the best customer experiences, ensure compliance and deliver on financial targets.

The strategy makes clear that DNB must be a driving force for sustainable transition and use its position and expertise to actively help customers move towards greater sustainability, through advisory services, financing, competence sharing and clear requirements. You can read more about the new strategy on page 22.

The Board will continue to monitor the implementation of the sustainable strategy and the efforts to prepare for increased reporting requirements as a result of the EU Action Plan on Financing Sustainable Growth.

APPROVING DNB'S TAX STRATEGY

DNB's handling of its tax affairs was approved by the Board via the document DNB's tax strategy. In line with expectations from owners and investors, the document has been published on dnb.no/sustainability-reports.

The tax strategy describes DNB's tax affairs, and in particular:
- strategic tax targets;
- tax-related corporate governance;
- our approach to tax planning and tax risk management; and
- how DNB cooperates with the tax authorities.

The tax strategy applies to all forms of tax paid by DNB, including direct taxes, indirect taxes, payroll taxes and other forms of taxation. The strategy also applies to all of DNB's obligations to collect or otherwise report third-party taxes related to some of DNB's stakeholders.

The Board of Directors will follow up the tax strategy implementation plan.

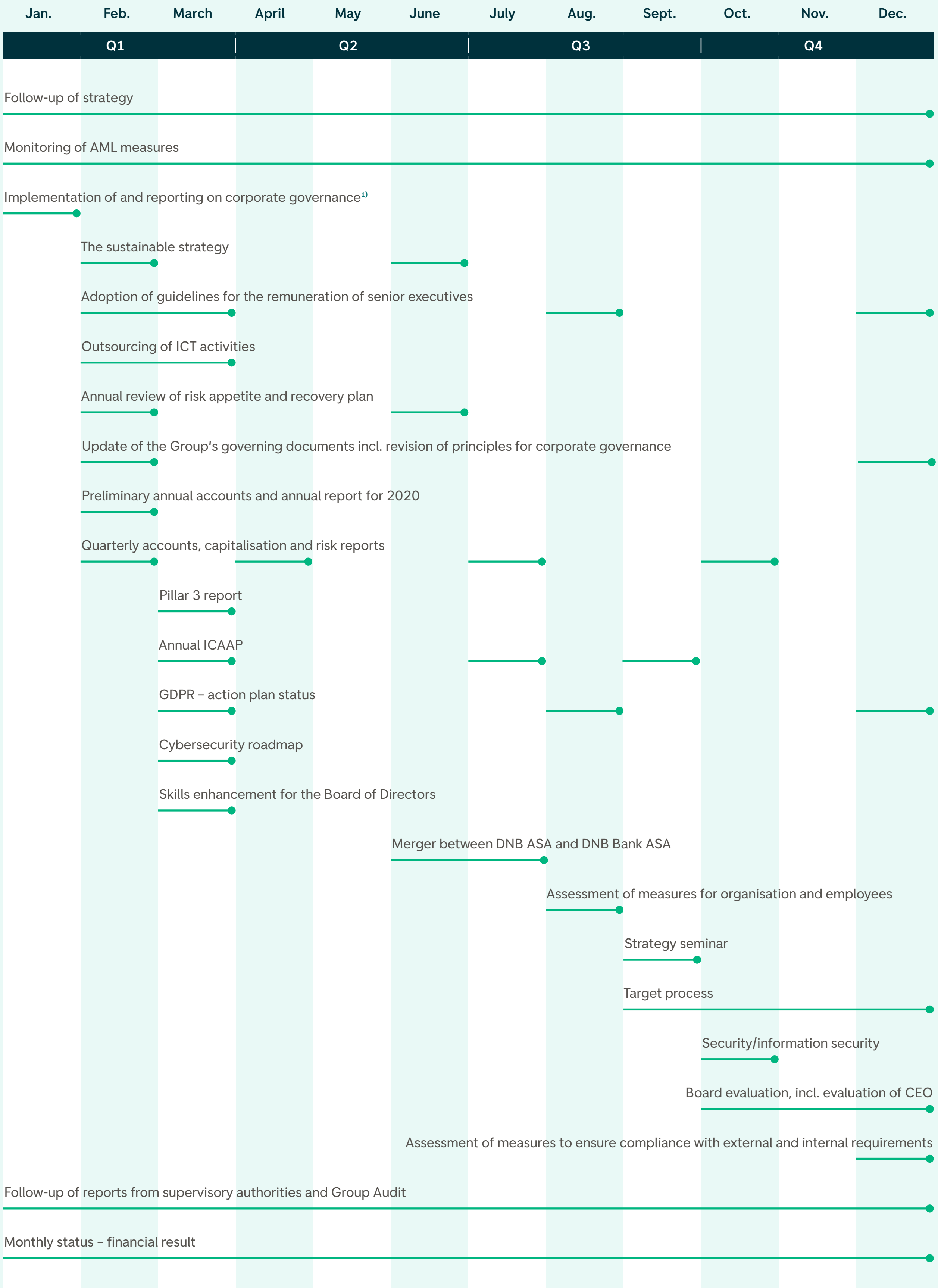
FLEXIBLE WORKING MODEL

Due to the pandemic, many employees had to work from home for large parts of 2021. Throughout the year, the Board has followed the efforts to implement measures and processes that enable managers and employees to perform their tasks both in and away from the office. These include guidelines, support schemes, expertise, management, office adaptations and continuous communication of the changes and opportunities provided by the flexible working model. All these measures and processes were adapted on an ongoing basis, after testing and evaluation. Units across DNB took part in this work, and employee representatives and safety delegates were heavily involved.

The Board is pleased with the adaptability demonstrated by the managers and employees in DNB, and with the fact that DNB managed to safeguard both its operations and culture in a state of emergency. These experiences should therefore be drawn upon in a new, flexible working day in DNB, which facilitates physical as well as digital interaction.

You can read more about being an attractive workplace on page 116.

Overview of the Board of Directors' activities in 2021



1) Considered by the Board in December 2020.

Governing bodies of DNB Bank ASA
As at 31 December 2021

Shareholdings in DNB Bank ASA. Shares held by the shareholder's immediate family and companies in which the shareholder has decisive influence are also included, cf. section 7-26 of the Norwegian Accounting Act.

Board of Directors

Members	31.12.21	31.12.20
Olaug Svarva, Oslo (Chair)	14 500	14 500
Svein Richard Brandtzæg, Oslo (Vice Chair)	556	556
Gro Bakstad, Oslo	4 000	4 000
Julie Galbo, Denmark	755	755
Lillian Hattrem, Langhus[1]	1 578	1 178
Jens Petter Olsen, Oslo	6 000	3 070
Stian Tegler Samuelsen, Svelvik[1]	1 067	791
Jaan Ivar Semlitsch, Stabekk	200	25 200
Eli Solhaug, Oslo[1]	3 127	2 851
Kim Wahl, Oslo	12 000	12 000

Deputies for the employee representatives	31.12.21	31.12.20
Sigmund Hollerud, Oslo[1]	1 114	838
Ann-Mari Sæterlid, Horten[1]	343	177
Tore Müller Andrésen, Bergen[1]	259	214

Election Committee

Members	31.12.21	31.12.20
Camilla Grieg, Bergen (Chair)	0	0
Jan Tore Føsund, Oslo	0	0
Ingebret Hisdal, Oslo	0	0
André Støylen, Oslo	16 750	16 750

Risk Management Committee

Members	31.12.21	31.12.20
Jens Petter Olsen, Oslo (Chair)	6 000	3 070
Gro Bakstad, Oslo	4 000	4 000
Svein Richard Brandtzæg, Oslo	556	556
Julie Galbo, Denmark	755	755
Lillian Hattrem, Langhus[1]	1 578	1 178

Audit Committee

Members	31.12.21	31.12.20
Gro Bakstad, Oslo (Chair)	4 000	4 000
Svein Richard Brandtzæg, Oslo	556	556
Julie Galbo, Denmark	755	755
Lillian Hattrem, Langhus[1]	1 578	1 178
Jens Petter Olsen, Oslo	6 000	3 070

Compensation and Organisation Committee

Members	31.12.21	31.12.20
Olaug Svarva, Oslo (Chair)	14 500	14 500
Lillian Hattrem, Langhus[1]	1 578	1 178
Jaan Ivar Semlitsch, Stabekk	200	25 200
Kim Wahl, Oslo	12 000	12 000

Group Management

Members	31.12.21	31.12.20
Group Chief Executive Officer (CEO) Kjerstin R. Braathen	60 062	48 076
Chief Financial Officer (CFO) Ida Lerner	7 072	6 672
Group Executive Vice President Personal Banking Ingjerd Blekeli Spiten	14 060	10 957
Group Executive Vice President Corporate Banking Harald Serck-Hanssen	50 382	46 667
Group Executive Vice President Wealth Management Håkon Hansen	22 603	19 602
Group Executive Vice President Markets Alexander Opstad	38 639	27 812
Group Executive Vice President Payments & Innovation Benjamin Golding	0	0
Group Executive Vice President People Anne Sigrun Moen	744	0
Group Executive Vice President Group Risk Management Sverre Krog	2 421	2 021
Group Executive Vice President Technology & Services Maria Ervik Løvold	7 383	4 450
Group Executive Vice President Group Compliance Mirella E. Grant	1 875	1 475
Group Executive Vice President Communications & Sustainability Thomas Midteide	29 872	27 177

Group Audit

	31.12.21	31.12.20
Tor Steenfeldt-Foss	0	0

Statutory auditor

	31.12.21	31.12.20
Ernst & Young AS (EY)	0	0

1) Not independent.

Responsible purchasing

In 2021, DNB in Norway purchased goods and services for approximately NOK 9.2 billion. Of around 4 520 suppliers, 122 accounted for approximately 80 per cent of the Group's purchasing costs. Important purchase categories are the development and operation of IT solutions, marketing and consulting services, as well as goods and services related to properties and office equipment. Most of the suppliers are from the Nordic countries, Western Europe and North America.

Good suppliers make DNB better. The work on responsible purchasing is important, as it helps us choose the right suppliers, i.e. those that operate in accordance with DNB's expectations and requirements. It is about reducing risk, but also about contributing to improvements. In addition, responsible purchasing is to an increasing extent a matter of compliance with rules and legislation.

WHAT WAS DONE IN 2021?

We have a number of guidelines, routines and tools that support us in our work on responsible purchasing.

Requirements and expectations

- The obligation to consider responsibility and accountability in purchasing has been integrated into relevant governing documents, such as DNB's principles for corporate responsibility and the Group policy for supplier management.
- DNB's ethical guidelines for business partners are to be included as part of

supplier contracts. The guidelines are based on international frameworks[1] and set clear requirements with respect to human rights and labour standards, environmental management and ethical business conduct in suppliers' own operations. They also require suppliers to convey similar principles to their own supply chain. Of new contracts signed in 2021, 83 per cent included these guidelines. Our goal is for the document to be part of all contracts, but sometimes we do not succeed with this. In such cases, we assess whether it is acceptable to make an exception, and how the topic can best be covered in the contract, for example through the inclusion of the supplier's own ethical guidelines.

- In addition to the requirements set out in the ethical guidelines, DNB may set requirements that are specific to the service or item being purchased. For example, specific environmental requirements have been included in the contract with our provider of staff cafeteria and cleaning services. The topic of equality and diversity was also included in follow-up meetings in 2021, and is one of the topics covered in the EcoVadis analysis (more on this below).

Of around 4 520 suppliers, 122 accounted for approximately 80 per cent of the Group's purchasing costs.

Risk assessment

Suppliers must, like all third parties (except customers, who are followed up in a separate system), be risk assessed in DNB's third-party risk management (TPRM) system before a contract is entered into. Sustainability is one of the topics in the TPRM. Third parties from industries or countries that have an elevated risk of violating DNB's ethical guidelines for business partners, or who are considered to pose a higher risk for other reasons, must undergo a more thorough assessment before they can be approved as a supplier. This assessment may include, for example, gathering more information, and/or escalating the matter within DNB. In 2021, 1 453 supplier reviews were carried out, both of existing and new suppliers. In these reviews, 9 per cent of the suppliers were considered to have a higher inherent risk and had to undergo a more thorough assessment before a final decision was made.

Supply chain improvement measures

Due to the large number of suppliers to the Group, we need to prioritise which ones we should focus on the most. When considering this, we take into account the TPRM assessment, but the purchase cost or the strategic importance of the supplier may also be a decisive factor.

Sustainability analysis

We use the EcoVadis platform to analyse and monitor our suppliers' sustainability efforts over time. The platform enables both suppliers and customers to get feedback on what they are doing well and where they can make improvements. At the end of 2021, suppliers accounting for a total of 61 per cent of DNB's relevant supplier expenses had been assessed in this way, compared with 57 per cent in 2020. The average score for DNB's suppliers was 62/100, which is above the platform average and a positive development since the last analysis. However, the average score will always vary slightly depending on which suppliers have a valid rating at the time of measurement. DNB encourages and expects suppliers to achieve a minimum score which indicates that the company is working proactively and in a structured way with sustainability, while also seeking to make further improvements.

Audits and on-site inspections

We carry out on-site inspections, either in the form of large-scale audits where we consider compliance with DNB's ethical guidelines for business partners, or more thematic inspections where these are specifically

1) 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.

required, for example as part of the 'see-to-it' duty or an HSE inspection. In 2021, DNB, at Group level, carried out three on-site inspections of suppliers in cooperation with an external auditor. We carried out an inspection of one of our major IT partners, our supplier of staff cafeteria and cleaning services, and our provider of physical security solutions. After an audit has been completed, we engage in dialogue with the suppliers, sometimes over an extended period of time, to make sure that any deviations and suggested improvements are handled in a satisfactory manner.

Dialogue

The topic of sustainability is increasingly discussed at supplier meetings, either in the form of a review of the supplier's EcoVadis results, an update on KPIs such as the status of gender equality or energy consumption, a proactive review of the supplier's sustainability strategy or a more reactive dialogue in connection with events or problems we have been made aware of and want to know more about.

THE WAY FORWARD

Our efforts relating to responsible purchasing in 2022 will largely be a continuation of the work done in 2021, focusing on ongoing improvement relating to requirements, processes and systems, so as to achieve the best possible results. The new Norwegian Transparency Act will have an impact on this work. In the autumn of 2021, we carried out a gap analysis to identify areas for improvement in connection with the new legislation. The results of the analysis will be reviewed, and improvements will be implemented during the first half of 2022. The Act will also affect our reporting and information work. Furthermore, we are in the process of implementing new IT solutions for the purchasing process. The aim of these solutions is to simplify purchasing processes and help gather more data of better quality, which in turn will strengthen the work on responsible purchasing.

"DNB encourages and expects suppliers to achieve a minimum score which indicates that the company is working proactively and in a structured way with sustainability, while also seeking to make further improvements."

Directors' report and annual accounts

Directors' report

In Norway, the beginning of 2021 was marked by increased COVID-19 infection rates and a tightening of infection control measures, which led to a fall in economic activity. The activity levels regained traction as the vaccine rollout progressed in the first half of 2021, which eventually led to a full reopening of society and a clear upturn in the Norwegian economy, with activity levels that were higher than pre-pandemic levels. The upswing in the Norwegian economy continued during most of the fourth quarter, although activity levels fell somewhat in December due to the outbreak of the Omicron virus variant and the subsequent infection control measures. 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 delivered strong results. 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. DNB has delivered strong results during the pandemic. The positive macroeconomic outlook for the Norwegian economy combined with a strong capital position at the end of 2021 mean that DNB is well positioned for further growth and for delivering on its dividend policy.

Strategy and targets

DNB's overarching goals are to create the best customer experiences, to ensure compliance and to deliver on its financial targets. The strategy is based on developments and anticipated changes in external, strategic drivers, and has been drawn up within the scope of the Group's corporate governance, including frameworks relating to compliance and risk appetite, as well as applicable financial framework conditions. Several strategic priorities and ambitions have been defined in order to ensure target attainment and that the Group is competitive both today and in a long-term perspective.

Read more about the strategy from page 22.

Sustainability

As Norway's largest financial institution, DNB has both a great responsibility and the opportunity to contribute positively to society. Moreover, due to its size, DNB has considerable influence. In DNB, sustainability and corporate responsibility are a matter of how the Group creates value for all its stakeholders by considering both risks and opportunities in a long-term perspective. Environmental, social and governance (ESG) factors are integrated into the strategy and Group's corporate governance, and through an integrated annual report and reporting in accordance with Global Reporting Initiative (GRI) Standards, DNB meets the authorities' requirements for sustainability reporting.

Read more about DNB's updated sustainable strategy and targets from page 22 onwards, and about how sustainability is taken into account and safeguarded in all our activities from page 36 onwards. More detailed information can be found in the Sustainability Factbook at the back of the report.

Operations in 2021

The Group has to a large extent delivered stable operations for all services and has been available to customers both in branch offices, online and by phone. During the pandemic, DNB has, in cooperation with the tax authorities, the public authorities and the financial industry, developed and maintained payment systems for the provision of financial support to companies from the public authorities. The solution has proved to be an important contribution to stability in the Norwegian economy.

DNB recorded profits of NOK 25 355 million in 2021, up NOK 5 515 million, or 27.8 per cent, from 2020. The solid increase could mainly be ascribed to the high impairment provisions in the previous year due to the COVID-19 situation. Return on equity was 10.7 per cent, compared with 8.4 per cent in the previous year, and earnings per share were NOK 15.74, up 30.8 per cent from NOK 12.04 in 2020.

The common equity Tier 1 (CET1) capital ratio was 19.4 per cent, up from 18.7 per cent in 2020, and 3.1 percentage points above the supervisory authorities' current expectations. As a result of the Group's strong results and capital position, the Board has proposed to pay a dividend of NOK 9.75 per share.

Net interest income increased by NOK 67 million compared with 2020. Increased volumes and reduced costs from long-term funding contributed positively, but were offset by negative exchange rate effects, lower interest on equity and reduced margins following the zero NOK key policy rate implemented in 2020 and the subsequent repricing. Net other operating income decreased by NOK 552 million from 2020. The market fluctuations caused by the pandemic in 2020 resulted in high income from other financial instruments, as well as exchange rate effects on additional Tier 1 (AT1) capital and basis swaps, whereas in 2021 the markets were at a more normalised level. However, net commissions and fees showed a strong development and increased by NOK 1 511 million, or 15.9 per cent, during the year, affected by solid performance across product areas, particularly within investment banking and asset management services.

Total operating expenses were up NOK 633 million from 2020, due to higher activity, which led to increased salaries and other personnel expenses.

Impairment of financial instruments showed net reversals of NOK 868 million in 2021. This was an improvement of NOK 10 786 million from the previous year, which was severely affected by the pandemic. In 2021, the impact of the pandemic on the economy declined, in step with the vaccine rollout and the reopening of society. Overall, both the underlying credit quality and macro forecasts for the portfolio also improved during the year, as could be seen in large net reversals in stages 1 and 2.

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 Bank ASA have been prepared in accordance with the Norwegian regulations concerning annual accounts for banks.

NET INTEREST INCOME

Amounts in NOK million

Net interest income	2021	2020
Lending spreads, customer segments	31 208	32 326
Deposit spreads, customer segments	1 690	1 267
Amortisation effects and fees	1 642	3 622
Operational leasing	2 192	2 042
Contribution to the deposit guarantee and resolution funds	(1 091)	(1 064)
Other net interest income	3 049	429
Net interest income	**38 690**	**38 623**

Net interest income increased by NOK 67 million from 2020, and was positively affected by increased volumes and reduced costs from long-term funding, but was offset by negative exchange rate effects, lower interest on equity and reduced margins following the zero NOK key policy rate implemented in 2020 and the subsequent repricing.

There was an average increase in the healthy loan portfolio of NOK 11.2 billion, or 0.7 per cent, parallel to an increase of NOK 132.0 billion, or 12.4 per cent, in average deposit volumes from 2020. Combined spreads narrowed by 10 basis points. Average lending spreads for the customer segments narrowed by 10 basis points, while average deposit spreads widened by 2 basis points.

NET OTHER OPERATING INCOME

Amounts in NOK million

	2021	2020
Net commissions and fees	11 011	9 500
Basis swaps	(310)	526
Exchange rate effects additional Tier 1 capital	487	855
Net gains on other financial instruments at fair value	3 444	4 521
Net financial and risk result, life insurance	790	659
Net profit from associated companies	524	402
Other operating income	1 279	1 312
Net other operating income	**17 225**	**17 776**

Net commissions and fees showed a strong development during the year and increased by NOK 1 511 million, or 15.9 per cent, affected by solid performance across product areas, particularly within investment banking and asset management services. The decrease in income from financial instruments can be ascribed to the large market fluctuations caused by the outbreak of the pandemic in 2020.

OPERATING EXPENSES

Amounts in NOK million

	2021	2020
Salaries and other personnel expenses	(13 684)	(12 793)
Restructuring expenses	(142)	(81)
Other expenses	(6 845)	(7 208)
Depreciation of fixed and intangible assets	(3 361)	(3 327)
Impairment of fixed and intangible assets	(3)	7
Operating expenses	**(24 034)**	**(23 401)**

Total operating expenses were up NOK 633 million, due to increased activity, and recruitment of more full-time employees, which resulted in higher salaries and other personnel expenses.

The cost/income ratio was 43.0 per cent in 2021, up from 41.5 per cent in 2020.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

Amounts in NOK million

	2021	2020
Personal customers	(75)	(65)
Commercial real estate	81	(146)
Shipping	402	(351)
Oil, gas and offshore	323	(6 845)
Other industry segments	138	(2 511)
Total impairment of financial instruments	**868**	**(9 918)**

Impairment of financial instruments saw considerable improvement in 2021. While 2020 was largely influenced by the COVID-19 outbreak, 2021 saw vaccine rollout and society reopening. In 2021, there were net reversals of NOK 868 million, compared with impairment provisions of NOK 9 918 million in 2020.

The portfolio in the personal customers industry segment is consistently robust, and total impairment provisions during the year amounted to NOK 75 million. In the commercial real estate industry segment, there were net reversals of NOK 81 million during the year, which was an improvement from NOK 146 million in impairment provisions in 2020. The reversals of impairment of financial instruments for the year could be seen across all stages. The shipping industry segment also saw reversals across all three stages, amounting to a total of NOK 402 million in 2021. For 2020, there were impairment provisions of NOK 351 million in the segment. The reversals in 2021 for stages 1 and 2 were due to an improved macro outlook and enhanced underlying credit quality, while stage 3 saw improved credit quality for specific customers. Impairment of financial instruments for the oil, gas and offshore industry segment showed net reversals totalling NOK 323 million in 2021. This represents a decrease in impairment provisions of NOK 7 169 million compared with 2020. The reversals in stages 1 and 2 in 2021 were primarily due to reduced underlying risk. Stage 3 saw reversals of NOK 49 million relating to specific customers within the oil and gas industries, offset by increased impairment provisions within the offshore industries. In other industry segments, there were net reversals of financial instruments of NOK 138 million for the whole year, which was a decrease of NOK 2 649 million compared with 2020. The reversals in 2021 were within stages 1 and 2, primarily due to improved underlying credit quality. This was offset by increased impairment provisions in stage 3, caused by a negative development for specific customers in certain industry segments.

Net stage 3 loans and financial commitments to customers amounted to NOK 26 billion at end-December 2021, an increase of NOK 1 billion from the end of 2020.

TAXES

The DNB Group's tax expense for 2021 is estimated at NOK 7 462 million, or 22.8 per cent of pre-tax operating profit.

Funding, liquidity and balance sheet

Access to short-term funding through the bank's funding programmes was very good throughout the year, and it was the US market that consistently provided the best interest rates. A low interest rate level and ample access to liquidity as a result of Government stimulus packages contributed to high activity in the bank's US Commercial Paper (USCP) programme. This is expected to decline somewhat in the time ahead, as the Federal Reserve is getting closer to reversing its quantitative easing. In the third quarter, the first issue was made under the USCP programme using the new Secured Overnight Financing Rate (SOFR), and issues continued in the fourth quarter. From year-end, the bank stopped issues with floating interest rates linked to the London Inter-bank Offered Rate (LIBOR). Towards the end of the year, there was somewhat growing interest in the European funding programmes, primarily those in GBP, but there were also good volumes in short-term securities in EUR.

The markets for long-term funding were strong throughout the year. Prices remained stable, but saw a slight increase in credit spreads in the unsecured debt classes towards the end of the year. DNB is offered highly competitive prices, and ended the year by completing issues of senior bonds in the GBP market, as well as of subordinated loans in Norway and Sweden. In the second half of the year, the bank updated its green bond framework. Under the new framework, DNB can issue bonds that are used to fund loans for renewable energy, clean transport and green homes. At the beginning of the year, the bank issued its first green senior bond, which was very well received in the market.

During the third quarter, the Norwegian Ministry of Finance and Finanstilsynet issued clarifications relating to the minimum requirement for own funds and eligible liabilities (MREL) and the cap on subordinated debt. For DNB, this cap meant that the volume of senior non-preferred bonds originally needed to fulfil the MREL requirement was almost halved. Instead, ordinary senior bonds will be used to fulfil parts of the total requirement. DNB has so far issued approximately NOK 38 billion in senior non-preferred bonds. The need for long-term funding in the coming years is mainly related to the fulfilment of this requirement.

The nominal value of long-term debt securities issued by the Group was NOK 560 billion at end-December 2021, compared with NOK 618 billion a year earlier. Average remaining term to maturity for long-term debt securities issued was 3.5 years at end-December 2021, unchanged from the previous year.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the year and stood at 135 per cent at end-December 2021.

Total combined assets in the DNB Group were NOK 3 463 billion at year-end 2021, up from NOK 3 363 billion a year earlier. Total assets in the Group's balance sheet were NOK 2 919 billion at the end of the year, at same level as the previous year.

Loans to customers increased by NOK 51.1 billion, or 3.0 per cent, from the end of 2020 to the end of 2021. Customer deposits were up NOK 142.1 billion, or 12.9 per cent, during the same period. The ratio of customer deposits to net loans to customers was 74.2 per cent at the end of 2021, up from 67.3 per cent a year earlier.

Capital

DNB's capital position remained strong and was well above the regulatory expectations and requirements throughout 2021.

The DNB Group's common equity Tier 1 (CET1) capital ratio was 19.4 per cent and its capital adequacy was 24.0 per cent at the end of 2021, up from 18.7 per cent and 22.1 per cent, respectively, at year-end 2020. Common equity Tier 1 capital increased by NOK 8.2 billion to NOK 189.3 billion. Retained earnings contributed to an increase in the CET1 capital of around NOK 8.8 billion.

DNB's strong capital position provides a firm foundation for continued delivery on the Group's dividend policy, and the Board of Directors has proposed a dividend of NOK 9.75 per share for 2021, for distribution after 5 May.

The CET1 requirement for DNB was 14.8 per cent at the end of 2021, while the ratio expectation from the supervisory authorities was 16.3 per cent including Pillar 2 Guidance. The Group's common equity Tier 1 capital ratio was 3.1 percentage points above the supervisory authorities' current capital level expectation at the end of 2021.

The risk exposure amount (REA) increased by NOK 6 billion from 2020 to NOK 973 billion in 2021. The risk exposure amount (REA) for credit risk, including counterparty credit risk and market risk, was almost unchanged, while the REA for operational risk increased by NOK 3.3 billion, due to increased average income over the past three years.

The leverage ratio was 7.3 per cent at the end of 2021, up from 7.1 per cent from the year before. DNB meets the minimum requirement of 6 per cent by a good margin.

CAPITAL REQUIREMENTS

The capital adequacy regulations specify a minimum primary capital requirement based on a risk exposure amount that includes 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).

	2021	2020
CET 1 capital ratio, per cent	19.4	18.7
Tier 1 capital ratio, per cent	21.0	20.1
Capital ratio, per cent	24.0	22.1
Risk exposure amount, NOK billion	973	967
Leverage ratio, per cent	**7.3**	**7.1**

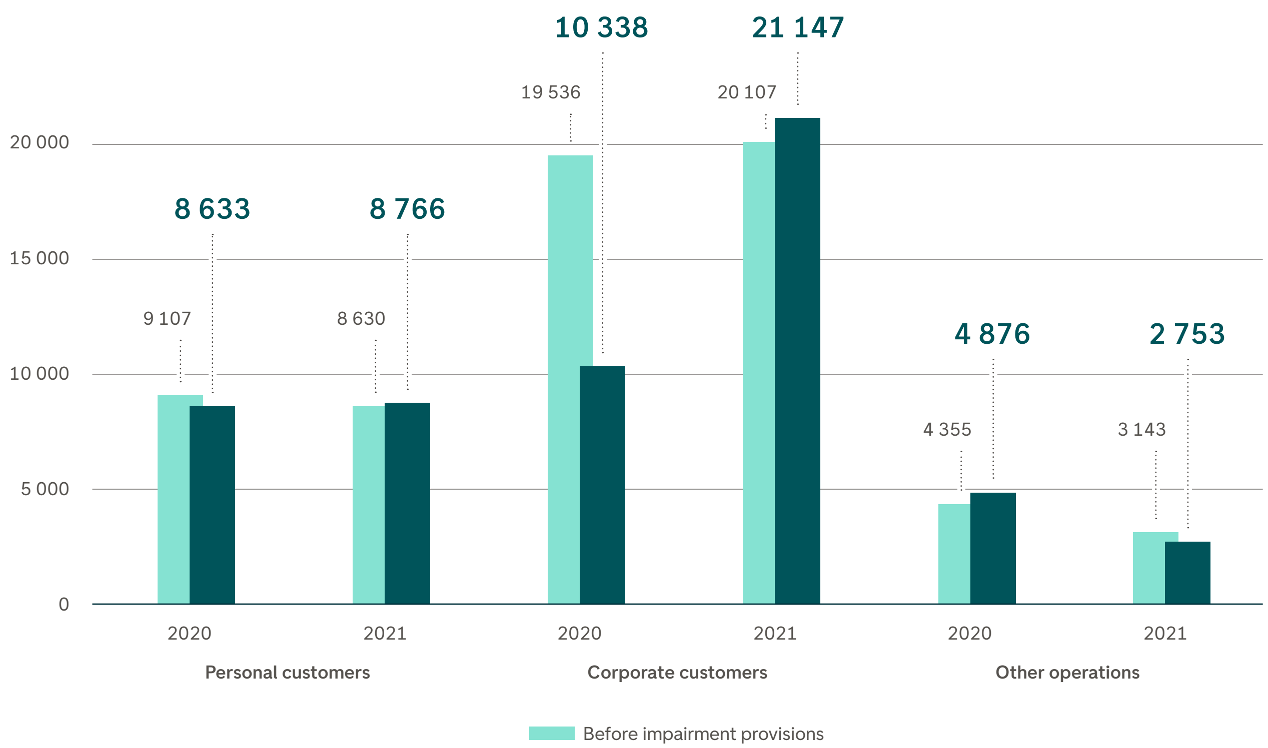
As the DNB Group consists of both a credit institution and an insurance company, DNB has to satisfy a cross-sectoral calculation test to demonstrate that it complies with sectoral requirements: the capital adequacy requirement, in accordance with CRR/CRD IV, and the Solvency II requirement. At end-December 2021, DNB complied with these requirements by a good margin, with excess capital of NOK 63.0 billion.

Read more about capitalisation in the Group's Pillar 3 report on ir.dnb.no.

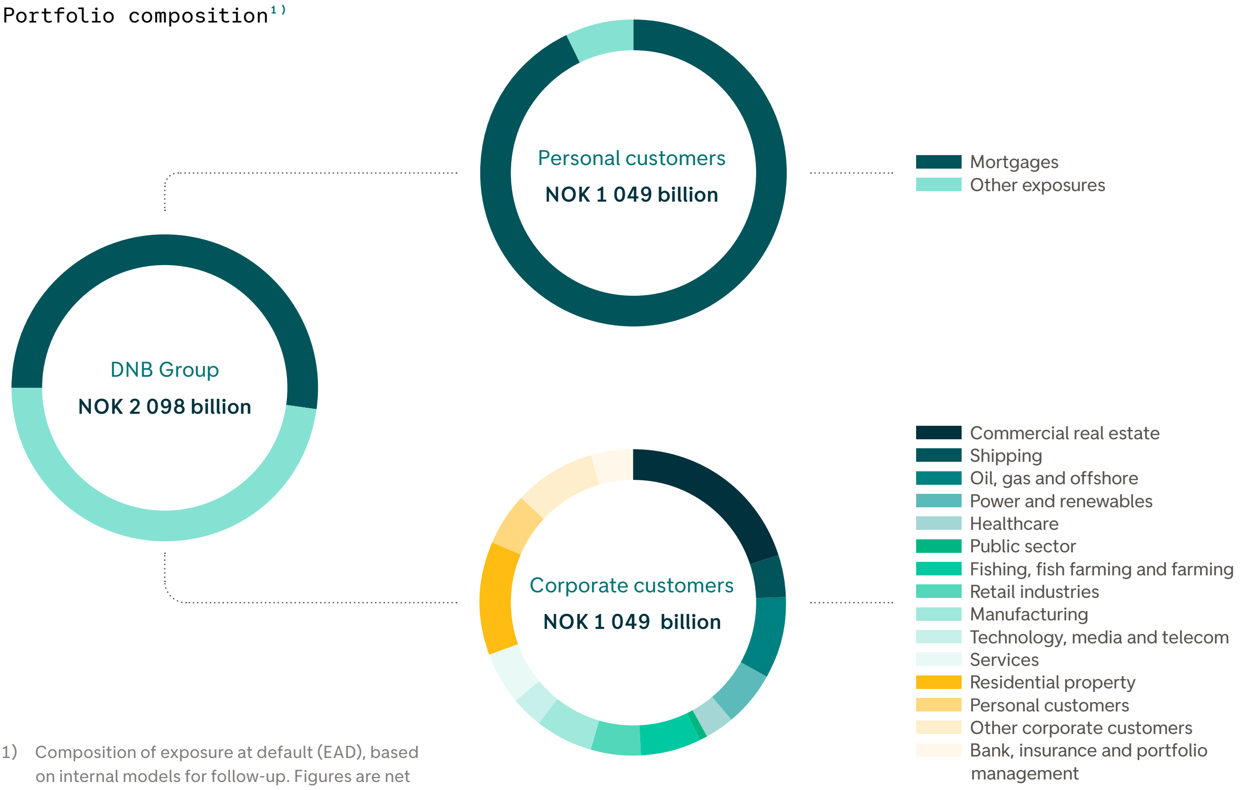
Segments

The reporting structure has been adapted to the customer segments, and all of the Group's customers are associated with a customer segment. The customer segments are personal customers and corporate customers, and the segment reporting is a fundamental element of our financial governance. The follow-up of total customer relationships and segment profitability are important dimensions when making strategic priorities and deciding on where to allocate the Group's resources. Figures for the segments reflect the Group's total sales of products and services.

Pre-tax operating profit
In NOK Million



Total exposure
Portfolio composition[1)]



1) Composition of exposure at default (EAD), based on internal models for follow-up. Figures are net values after impairment.

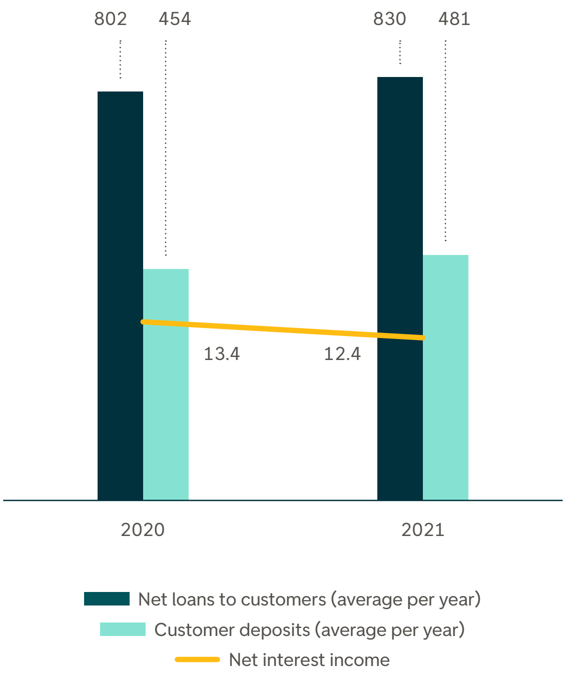
PERSONAL CUSTOMERS

The segment includes the Group's 2.1 million personal customers in Norway. The personal customers segment recorded good profitability in 2021, with a pre-tax operating profit of NOK 8 766 million and a return on allocated capital of 13.7 per cent. The ratio of deposits to net loans showed a healthy increase of 1.4 percentage points to 57.9 per cent during the period.

Income statement in NOK million	2021	2020
Net interest income	12 444	13 395
Net other operating income	5 235	4 604
Total income	17 680	17 999
Operating expenses	(9 050)	(8 892)
Pre-tax operating profit before impairment	8 630	9 107
Net gains on fixed and intangible assets	1	
Impairment of financial instruments	135	(473)
Pre-tax operating profit	8 766	8 633
Profit for the year	6 575	6 475
Average balance sheet items in NOK billion		
Net loans to customers	829.8	802.3
Deposits from customers	480.8	453.6
Key figures in per cent		
Return on allocated capital	13.7	13.2

Developments in loans, deposits and net interest income

NOK billion



Net interest income was reduced by NOK 951 million from 2020. This was mainly the result of a negative effect on lending spreads due to a rising NOK money market rate. The combined spreads narrowed by 10 basis points compared with the previous year. Average lending spreads narrowed by 18 basis points, while deposit spreads widened by 8 basis points. The growth in net loans averaged 3.4 per cent compared with the previous year, while the home mortgage portfolio grew by 3.8 per cent. Deposits from customers increased significantly in the period, by 6.0 per cent on average, and the ratio of deposits to net loans improved by 1.4 percentage points.

Net other operating income increased by 13.7 per cent from 2020, mainly driven by a positive development in long-term savings and insurance. Income from real estate broking fell by 3.4 per cent, from a high level in 2020.

Operating expenses increased moderately by 1.8 per cent compared with 2020. Increased costs associated with investment in compliance competence along with high activity in the savings area was largely counteracted by two factors: the full effect of the termination of the agreement with Posten Norway AS and a decline in activity in real estate broking.

There were net reversals of impairment of financial instruments of NOK 135 million in 2021. The reversals were mainly associated with the Private Banking segment. In 2020, there were impairment provisions of NOK 473 million.

The market share of credit to households was 22.5 per cent at end-December 2021, down from 23.0 per cent a year earlier. The market share of total household savings amounted to 28.6 per cent, an increase of 0.1 percentage points from end-December 2020. The market share for mutual funds was 37.7 per cent. DNB Eiendom had an average market share of 16.5 per cent in 2021, a decline from 18.3 per cent the previous year.

DNB is seeing increased use of – and demand for – digital services and channels. Campaigns such as #huninvesterer i fremtiden (#girlsinvest in the future) and Ditt økonomiske DNA (your financial DNA) have helped raise awareness of the topics of savings and pensions.

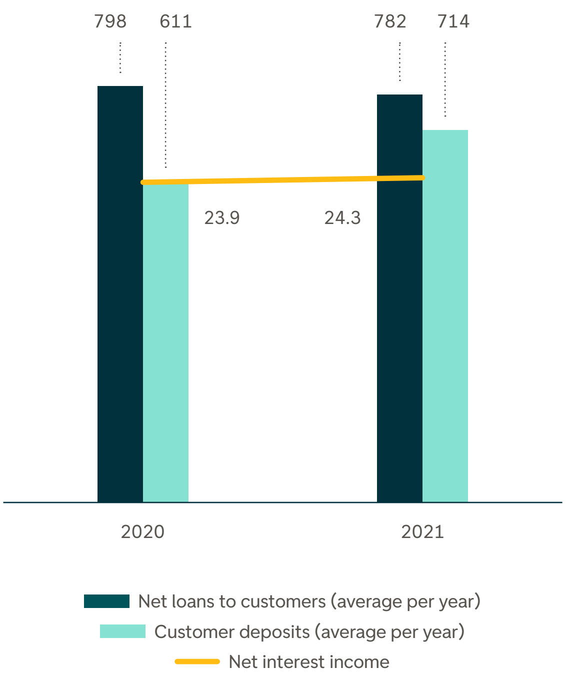
DNB has an ambition to achieve continued profitable growth in the personal customers segment and will continue its efforts to adapt products, solutions, customer service and cost levels to the competitive situation of the future.

CORPORATE CUSTOMERS

This segment covers all of the Group's corporate customers, both in Norway and abroad. Despite the challenges caused by the coronavirus pandemic, there was a high level of customer activity in the corporate sector, largely due to an improved macroeconomic outlook for the Norwegian economy. The corporate customers segment saw a solid profit and a 16.1 per cent return on allocated capital, up from 7.5 per cent in 2020. The profitability was mainly driven by increased net interest income from both lending and deposits, a significant increase in income from Markets activities, net gains on financial instruments at fair value and net reversals on impairment of financial instruments.

Developments in loans, deposits and net interest income

NOK billion



Income statement in NOK million	2021	2020
Net interest income	24 344	23 878
Net other operating income	9 147	7 983
Total income	33 491	31 861
Operating expenses	(13 384)	(12 325)
Pre-tax operating profit before impairment	20 107	19 536
Net gains on fixed and intangible assets	0	(1)
Impairment of financial instruments	730	(9 438)
Profit from repossessed operations	309	241
Pre-tax operating profit	21 147	10 338
Profit for the year	15 860	7 754
Average balance sheet items in NOK billion		
Net loans to customers	781.6	798.3
Deposits from customers	714.0	610.5
Key figures in per cent		
Return on allocated capital	16.1	7.5

Net loans to customers decreased by 2.1 per cent from the previous year. The underlying volume growth, adjusted for the strengthened NOK exchange rate in 2021 and the process of reducing our activities in Poland, was 3.6 per cent. Average lending spreads have been stable for the last two years. Deposits from customers increased by 16.9 per cent in 2021 and led to a record-high ratio of deposits to loans of 91.4 per cent at year-end 2021. The low NOK money market rates affected deposit spreads negatively during the first three quarters of the year, before increasing in the fourth quarter.

Net other operating income increased by a solid 14.6 per cent compared with the previous year and amounted to NOK 9 147 million in 2021. The increase was mainly driven by high levels in Markets activities, especially relating to investment banking services. NOK 520 million in net gains on financial instruments at fair value further increased the income, as did high levels of activity in DNB Finans and within Private Banking.

Operating expenses increased by 8.6 per cent from 2020, mainly due to higher personnel expenses, expenses associated with a higher level of activity in Markets, IT expenses, and depreciation of fixed and intangible assets linked to an increased operational leasing volume in DNB Finans.

In 2021, there were net reversals of impairment of financial instruments of NOK 730 million, compared with impairment provisions totalling NOK 9 438 million in the previous year. Impairment provisions recognised in 2020 were mainly associated with oil and offshore-related industries. Increasing oil and gas prices, combined with improved macroeconomic prospects throughout 2021, enabled restructuring for customers and the reversal of impairment provisions.

In the time ahead, DNB will continue to focus on the effective use of capital and a further strengthening of the bank's position within the large corporates segment, as well as on ensuring continued profitable growth within the small and medium-sized enterprises (SME) segment. DNB's updated sustainable strategy was launched in 2021. The Group's Sustainable Product Framework was also updated, and most of the criteria were harmonised with the EU taxonomy for sustainable activities. Giving advice to customers on the green shift will continue to be a high priority in DNB, while at the same time the Group will continue to develop and expand the range of sustainable products available to help finance the green transition. DNB aims to be a driving force for sustainable value creation.

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 Group items not allocated to the segments.

Income statement in NOK million	2021	2020
Net interest income	1 901	1 350
Net other operating income	6 282	7 953
Total income	8 183	9 302
Operating expenses	(5 040)	(4 947)
Pre-tax operating profit before impairment	3 143	4 355
Net gain on fixed and intangible assets	(83)	769
Impairment of financial instruments	2	(7)
Profit from repossessed operations	(309)	(241)
Pre-tax operating profit	2 753	4 876
Tax expenses	16	514
Profit from operations held for sale, after taxes	150	221
Profit for the year	2 920	5 611
Average balance sheet items in NOK billion		
Net loans to customers	119.9	134.2
Deposits from customers	106.7	64.3

Profits in the other operations segment are affected by several Group items which vary greatly from year to year.

Pre-tax operating profit was NOK 2 753 million in 2021. Net other operating income was affected by market fluctuations caused by the outbreak of the pandemic in 2020, resulting in high income from other financial instruments, as well as exchange rate effects on AT1 capital and basis swaps. In 2021, however, the markets were at a more normalised level.

Risk management income fell from NOK 793 million to NOK 556 million. The reduction was mainly due to lower income from interest-rate trading. There was a positive impact from counter-party risk (XVA) in 2021 due to lower risk exposure than in 2020.

For traditional pension products with a guaranteed rate of return, net other operating income reached a level of NOK 1 597 million in 2021, up NOK 276 million from 2020, mainly due to better results both in the corporate portfolio and in the common portfolio. The higher results also reflected a higher risk result. The solvency margin with the transitional rules was 191 per cent as at 31 December 2021. Without the transitional rules, the solvency margin was 155 per cent as at 31 December 2021.

DNB's share of the profit in associated companies (most importantly Luminor, Vipps and Fremtind) is also included in this segment. Contributions from associated companies saw a positive development in 2021, mainly driven by improved results in Fremtind. The improvement was due to a low claims ratio, good portfolio development and high financial income.

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 132 and in the document Implementation of and reporting on corporate governance on ir.dnb.no.

Liability insurance has been entered into for the Board of Directors, to cover the legal liability that Board members and senior executives may face. The insurance policy also covers the costs of processing any damages claims made, and documenting the facts related to these.

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.

There was a positive development in the risk landscape in 2021, even though the pandemic continued, with several waves of infection and associated measures and shutdowns. Analyses and stress tests that have been carried out during the year, both for specific portfolios and for the Group as a whole, have shown that DNB has good capital adequacy and the ability to withstand far greater losses than our loss forecasts are indicating.

Read more about developments in 2021 and about 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 132 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 2021 in the chapter DNB combats financial crime and contributes to a secure digital economy from page 100 onwards, in the Board of Directors' report on corporate governance on page 132 and in the document Implementation of and reporting on corporate governance on ir.dnb.no.

Employees and competence

Over the past year, the organisation has demonstrated a strong ability to change and adapt to the new framework conditions brought about by the pandemic. DNB will build on these strengths and experiences in the time ahead. Digital solutions for customer service and for providing advisory services and facilitating work from home were key priorities in 2021, so as to ensure a quick adaptation of the organisation. At the same time, the Group continued its systematic efforts to ensure that it has the right competence and to promote change capacity, adaptability and employee engagement.

The average sickness absence rate in DNB's Norwegian operations was 3.4 per cent in 2021.

Read more about employees and competence in the chapter on being an attractive workplace on page 116, and in the chapter on diversity and inclusion on page 90. More detailed information on personnel expenses can be found in notes G22 and P20 on salaries and other personnel expenses in the annual accounts.

New regulatory framework

THE BANKING PACKAGE WILL NOT TAKE EFFECT IN NORWAY UNTIL 2022

The EU Banking Package consists of amendments to the Capital Requirements Regulation and Capital Requirements Directive (CRR II/CRD V) and to the Bank Recovery and Resolution Directive (BRRD II). The Storting (Norwegian parliament) has passed a bill on the implementation of the EU Banking Package in Norwegian law. However, there is some uncertainty as to when this legislation will be incorporated into the EEA Agreement and made applicable in Norway. The entry into force in the EEA Agreement depends on when constitutional reservations regarding the individual legislative acts can be lifted in all three EEA/EFTA member states. This is not expected to happen until the first half of 2022 at the earliest. DNB will therefore report in accordance with the current legislation (CRR/CRD IV) until new rules enter into force. The EU Banking Package is expected to enter into force in 2022, and only minor effects on the CET1 capital ratio are anticipated.

NEW RULES ON MARKET ABUSE

The Market Abuse Regulation (MAR) was introduced in the EU in 2016 and contains key rules on market behaviour in the securities market. This includes, among other things, prohibitions on insider dealing and market manipulation as well as rules on the management of inside information. The main purpose of the MAR is to contribute to ensuring well-functioning and safe markets with a higher level of investor protection. The Regulation was incorporated into the EEA Agreement in the autumn of 2019, and entered into force in Norway on 1 March 2021. The implementation in Norway is based on the proposals in Official Norwegian Report 2017:14 from the Securities Law Committee (Verdipapirlovutvalget).

RULE CHANGES IN THE FIELD OF ANTI-MONEY LAUNDERING

The Ministry of Finance has decided on amendments to the Norwegian regulations relating to anti-money laundering and to payment services. The amendments concern, for example, providers of virtual currency services, the issuance of e-money, the termination and blocking of customer relationships, minimum requirements for electronic monitoring systems, and rules on high-risk countries. They are partly based on changes in international standards (FATF) and the EU's 5th Anti-Money Laundering Directive. Most of the new regulatory provisions entered force on 1 July 2021.

NEW RULES ON COVERED BONDS

On 17 December 2021, the Norwegian Ministry of Finance proposed new legislation to implement the EU Covered

Bonds Directive (Directive (EU) 2019/2162) in Norwegian law. The Covered Bonds Directive is based on the same principles as the current Norwegian framework for covered bonds. Major changes are therefore not required. Common rules and definitions will make it easier for Norwegian and international investors to assess the quality of covered bonds and their associated risk, and they may accentuate the high quality of Norwegian covered bonds. A large part of DNB's lending activities is funded by issuing covered bonds. The Covered Bonds Directive has not yet been incorporated into the EEA Agreement. However, the Ministry of Finance has emphasised that the new rules should enter into force in Norway in parallel with the date of entry into force in the EU, which is 8 July 2022, since the covered bonds market is largely a European one.

INCREASED COUNTERCYCLICAL CAPITAL BUFFER AND KEY POLICY RATE

Norway's central bank, Norges Bank, sets the level of the countercyclical capital buffer, which is a time-varying capital requirement for banks. On 16 September 2021, Norges Bank decided to increase the requirement to 2.0 per cent with effect from 31 December 2022, in line with previous signals. Norges Bank points to the fact that creditworthy enterprises and households appear to have ample access to credit, and that a relatively small share of the banks' exposures are to the industries that have been most directly affected by infection control measures. It emphasises that Norwegian banks are profitable and have low loan losses, but that losses may increase if more long-term infection control measures are needed. In light of Norges Bank's current assessment of economic developments and of banks' prospected losses and lending capacity, the buffer requirement will be increased to 2.5 per cent during the first half of 2022, taking effect one year after the decision is made. At the same time, Norges Bank decided to raise the key policy rate from 0.25 to 0.5 per cent with effect from 17 December 2021.

NEW ACT ON SUSTAINABILITY-RELATED DISCLOSURES ADOPTED BY THE STORTING

In December 2021, the Storting (Norwegian parliament) adopted a new act that implements the EU Regulation on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation – SFDR) and the EU taxonomy for sustainable activities (Taxonomy Regulation) in Norwegian law. Among other things, the act requires banks, insurance companies and listed companies with more than 500 employees to include information on the extent to which their activities can be classified as sustainable under the EU taxonomy in their annual reports. It will only be possible for the act to enter into force once the two regulations have been incorporated into the EEA Agreement and have entered into force in the EEA. The Ministry of Finance expects the EEA process to be concluded during the first half of 2022. In order for all relevant Norwegian players to be able to report in accordance with the taxonomy, clarifications are needed with regard to the classification of certain financial activities, including activities in the building, construction and real estate sector. The Government is working to clarify relevant definitions and similar matters, so that Norwegian players can classify their activities in accordance with the legislation. Read more about DNB's work in connection with the EU taxonomy on page 84.

THE NEXT GENERATION OF CAPITAL REQUIREMENT RULES ARE IN THE PIPELINE

On 27 October 2021, the European Commission presented a regulatory proposal introducing the last part of the international Basel III recommendations in the EU, in the form of a proposed Regulation (CRR III) and Directive (CRD VI), also known as the 2021 EU Banking Package. The new rules include a new standard method for calculating capital requirements for credit risk that is more accurate and risk sensitive. A new output floor is also introduced for banks using the IRB (internal ratings-based) approach. The new output floor sets a lower limit on the capital requirements that banks calculate when using internal models. According to the new output floor, the value of the risk exposure amount must not be set lower than 72.5 per cent of what it would have been calculated as under the new standardised approach.

The European Commission proposes to introduce the new rules from 1 January 2025. The new output floor for capital requirements for banks using the IRB approach is to be introduced gradually from 1 January 2025, over a five-year period. Discussion of the proposed 2021 Banking Package in the European Parliament and Council is expected to take a couple of years.

AMENDMENTS TO PENSION LEGISLATION

The Storting has adopted a bill on amendments to the rules and legislation relating to guaranteed pension products, which covers defined-benefit pension schemes, paid-up policies and individual pension products with guarantees. The amendments entered into force on 1 January 2022. They entail, among other things, allowing pension providers to offer compensation corresponding to the value of the guaranteed rate of return if policyholders wish to convert ordinary, paid-up policies into insurance policies with investment options. The limits for reducing the disbursement period for low annual pension payments are to be extended somewhat, and it will become easier to transfer small, accumulated pension entitlements from defined-benefit schemes to individual pension schemes, instead of having a paid-up policy issued. The amendments are intended to give greater freedom of choice and flexibility both for customers and for pension providers.

The Storting has also decided to introduce mandatory accrual of occupational pension on the entire salary amount, as well as to reduce the maximum deduction for tax-favourable individual pension saving from NOK 40 000 to NOK 15 000.

Macroeconomic developments

Increased COVID-19 infection rates and a tightening of infection control measures contributed to a fall in economic activity in Norway at the beginning of 2021. This particularly affected the service industries in the transport sector, with the exception of foreign shipping, as well as accommodation and catering businesses, culture and entertainment activities and the provision of other services. Mainland GDP declined by 0.7 per cent from the fourth quarter of 2020 to the first quarter of 2021. The turnaround came in May, and mainland GDP rose by a total of 2.3 per cent from April to June. The upturn in economic activity also had a clear impact on the labour markets. The number of registered unemployed, calculated as a percentage of the workforce, decreased from 3.8 per cent in December 2020 to 2.2 per cent in December 2021. Towards the end of the year, COVID-19 infection rates rose again, and the Omicron variant of the virus began to gain ground.

In Norwegian fiscal policy, the national budget that was adopted entailed a clear fiscal tightening following the many support measures in 2021. The use of money from Norway's oil fund, officially known as the Government Pension Fund Global, was estimated to amount to 2.6 per cent of the fund. On 12 December, national infection control measures were introduced once again, but these measures were not as far-reaching as those introduced at the beginning of the year. Towards the end of the year, the Government proposed a salary support scheme for those affected by the measures.

In the second half of 2021, electricity prices rose markedly. The increase could be linked to higher electricity prices in Europe and increased transmission capacity from Norway. The increased electricity prices resulted in an average consumer price growth of 3.5 per cent for the year 2020–2021, and a consumer price growth of 5.3 per cent when comparing December 2021 with December 2020. Adjusted for fees and energy prices, year-on-year inflation was 1.8 per cent in December 2021. In the housing market, the strong price growth continued during the first quarter, but then slowed significantly. Monthly price growth averaged 0.2 per cent over the last nine months of the year.

The Norwegian central bank, Norges Bank, raised the key policy rate from 0 per cent to 0.25 per cent in September, and then further to 0.50 per cent in December. The background for this was that economic growth had led to increased – and in due course normal – utilisation of capacity, while at the same time there were indications that inflation would remain around target. In Norges Bank's view, it was thus no longer necessary to maintain the powerful monetary policy stimuli. Norges Bank gave notice of a further increase in interest rates during 2022.

Future prospects

DNB will play a key role in supporting society, and the Group will continue to create value for its owners, customers and society as a whole, while remaining a safe and stable financial institution. At the same time, DNB will be the bank that is best at taking advantage of the opportunities offered by new technology, new regulatory conditions and changed customer needs. And DNB will be the bank that is best at managing and adapting to change.

The Group's financial target of a return on equity (ROE) above 12 per cent remains unchanged, and the Group is set to deliver on this ambition by the end of 2023. The following factors will help DNB to reach the ROE target during the target period: increased net interest income as a result of increasing interest rates and growth in loans and deposits, as well as growth in commissions and fees from capital-light products combined with cost control measures. The payment of the 2021 dividend will also contribute to higher ROE, as will the effect of DNB's potential acquisition of Sbanken.

In the period 2022 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. Norges Bank's own forecasts indicate that the key policy rate is expected to increase by 0.25 per cent in March. A further two hikes of 0.25 per cent are also expected, bringing the key policy rate to 1.25 per cent by the end of 2022. Thereafter, another two hikes are projected by the second half of 2024, taking the key policy rate to 1.75 per cent. 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 going forward is expected to be 23 per cent.

The supervisory expectation for the common equity Tier 1 (CET1) capital ratio for DNB was 16.3 per cent at the end of 2021, including Pillar 2 Guidance at 1.5 per cent, while the actual value achieved was 19.4 per cent. The Norwegian Ministry of Finance has announced an increase in the counter-cyclical buffer requirement from 1 to 1.5 per cent with effect from June 2022, and an additional increase to 2 per cent from December 2022. In its capital planning, DNB has taken into account the full counter-cyclical buffer requirement of 2.5 per cent in Norway, which is expected to take full effect in 2023, and which will increase the supervisory expectation for the CET1 level to 17.6 per cent. The supervisory expectation plus some headroom will be DNB's target capital level. The headroom will reflect expected future capital needs including anticipated future regulatory capital changes and market-driven CET1 fluctuations.

The potential acquisition of Sbanken will will initially have an immediate effect on the CET1 ratio of around 120 basis points from the expected closing, assuming the approval of the Norwegian Competition Authority, after the Norwegian competition appeals board, Konkurranseklagenemda, has considered DNB's appeal against the Authority's decision to stop the acquisition.

The EU's Banking Package, CRR II/CRD V, is expected to take effect in 2022, and it is anticipated to have only minor effects on the CET1 capital ratio.

At the time of publication of the annual report, Russia has invaded Ukraine and strict sanctions have been imposed against Russia and Belarus. The consequences of the acts of war are uncertain. DNB has insignificant activities in and exposure to these countries, but is following developments closely to detect any increased cyber risk as well as other indirect consequences that may follow from the conflict.

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 is to have a dividend ratio of more than 50 per cent in cash dividends and has an ambition of increasing the 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 has a 3.1 percentage-point headroom above the supervisory authorities' current capital level expectation. The Board of Directors has thus proposed a dividend of NOK 9.75 per share for 2021, for distribution as of 5 May 2022. The proposed dividend for 2021 gives a dividend yield of 4.8 per cent based on a share price of NOK 202.00 as at 31 December 2021, which means that DNB Bank ASA will distribute a total of NOK 15 116 million in dividends for 2021. This corresponds to a payout ratio of 62 per cent of the Group's profits.

ALLOCATIONS

DNB Bank ASA recorded a profit of NOK 22 342 million in 2021, compared with a profit of NOK 21 054 million in 2020. The Board proposes a Group contribution of NOK 10 500 million to DNB Boligkreditt AS, and at the same time DNB Boligkreditt AS will pay NOK 13 343 million (after tax) as a Group contribution to DNB Bank ASA.

Amounts in NOK million	2021
Profit for the year	22 342
Portion attributable to shareholders of DNB Bank ASA	21 420
Portion attributable to additional Tier 1 capital holders	922
Proposed dividend per share (NOK)	9.75
Share dividend	15 116
Transfers to other equity	6 304
Total allocations	**22 342**

The Board of Directors is of the opinion that, after the dividend payment of NOK 9.75 per share for 2021, 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 the regulatory framework.

Oslo, 9 March 2022
The Board of Directors of DNB Bank ASA

Olaug Svarva
(Chair of the Board)

Svein Richard Brandtzæg
(Vice Chair of the Board)

Gro Bakstad

Julie Galbo

Lillian Hattrem

Jens Petter Olsen

Stian Tegler Samuelsen

Jaan Ivar Semlitsch

Eli Solhaug

Kim Wahl

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

Annual accounts DNB Group

G – Income statement

			DNB Group
Amounts in NOK million	Note	2021	2020
Interest income, amortised cost	G19	43 997	50 660
Other interest income	G19	2 890	4 636
Interest expenses, amortised cost	G19	(4 693)	(11 511)
Other interest expenses	G19	(3 504)	(5 161)
Net interest income	G19	**38 690**	**38 623**
Commission and fee income	G20	14 992	13 289
Commission and fee expenses	G20	(3 981)	(3 789)
Net gains on financial instruments at fair value	G21	3 621	5 902
Net financial result, life insurance		581	418
Net risk result, life insurance		210	241
Profit from investments accounted for by the equity method	G36	524	402
Net gains on investment properties	G35	91	(61)
Other income		1 188	1 373
Net other operating income		**17 225**	**17 776**
Total income		**55 915**	**56 399**
Salaries and other personnel expenses	G22	(13 826)	(12 873)
Other expenses	G23	(6 845)	(7 208)
Depreciation and impairment of fixed and intangible assets	G24	(3 363)	(3 320)
Total operating expenses		**(24 034)**	**(23 401)**
Pre-tax operating profit before impairment		**31 881**	**32 998**
Net gains on fixed and intangible assets		(82)	767
Impairment of financial instruments	G9	868	(9 918)
Pre-tax operating profit		**32 667**	**23 847**
Tax expense	G26	(7 462)	(4 229)
Profit from operations held for sale, after taxes		150	221
Profit for the year		**25 355**	**19 840**
Portion attributable to shareholders		24 407	18 712
Portion attributable to non-controlling interests		26	(15)
Portion attributable to additional Tier 1 capital holders		922	1 143
Profit for the year		**25 355**	**19 840**
Earnings/diluted earnings per share (NOK)	G49	15.74	12.04
Profit for the year as a percentage of total assets		0.74	0.61

G – Comprehensive income statement

		DNB Group
Amounts in NOK million	2021	2020
Profit for the year	**25 355**	**19 840**
Actuarial gains and losses	(183)	(324)
Property revaluation	212	578
Items allocated to customers (life insurance)	(193)	(578)
Financial liabilities designated at FVTPL, changes in credit risk	29	33
Tax	41	72
Items that will not be reclassified to the income statement	(93)	(218)
Currency translation of foreign operations	(1 018)	3 519
Hedging of net investment	680	(3 246)
Financial assets at fair value through OCI	(101)	103
Tax	(148)	786
Items that may subsequently be reclassified to the income statement	(587)	1 161
Other comprehensive income for the year	**(681)**	**943**
Comprehensive income for the year	**24 674**	**20 783**

G - Balance sheet

			DNB Group
Amounts in NOK million	Note	31. Dec. 2021	31. Dec. 2020
Assets			
Cash and deposits with central banks		296 727	283 526
Due from credit institutions		44 959	78 466
Loans to customers	G10, G11, G12	1 744 922	1 693 811
Commercial paper and bonds		425 267	439 231
Shareholdings	G31	35 297	29 360
Financial assets, customers bearing the risk	G34	138 747	116 729
Financial derivatives	G16	135 400	186 740
Investment properties	G35	17 823	18 087
Investments accounted for by the equity method	G36	19 549	18 389
Intangible assets	G37	5 804	5 498
Deferred tax assets	G26	649	4 377
Fixed assets	G38	21 430	20 474
Assets held for sale		2 245	2 402
Other assets	G40	30 423	21 852
Total assets		**2 919 244**	**2 918 943**
Liabilities and equity			
Due to credit institutions		149 611	207 457
Deposits from customers	G41	1 247 719	1 105 574
Financial derivatives	G16	114 348	174 979
Debt securities issued	G42	702 759	777 829
Insurance liabilities, customers bearing the risk	G18, G34	138 747	116 729
Liabilities to life insurance policyholders	G18	199 379	200 422
Payable taxes	G26	3 054	7 556
Deferred taxes	G26	1 571	48
Other liabilities	G45	39 718	31 522
Liabilities held for sale		896	1 016
Provisions		1 642	2 096
Pension commitments	G25	5 073	4 476
Senior non-preferred bonds	G43	37 769	8 523
Subordinated loan capital	G44	33 047	32 319
Total liabilities		**2 675 332**	**2 670 547**
Additional Tier 1 Capital		16 974	18 362
Non-controlling interests		266	119
Share capital		19 379	15 503
Share premium		18 733	22 609
Other equity		188 559	191 804
Total equity	G46	**243 912**	**248 396**
Total liabilities and equity		**2 919 244**	**2 918 943**

G – Statement of changes in equity

DNB Group

Amounts in NOK million	Non-controlling interests	Share capital	Share premium	Additional Tier 1 capital	Net currency translation reserve	Liability credit reserve	Retained earnings	Total equity
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 AT1 capital				(1 578)				(1 578)
AT1 capital redeemed				(10 024)				(10 024)
Currency movements on interest payments AT1 capital				2 092			(1 971)	122
Non-controlling interests	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**
Profit for the year	26			922			24 407	25 355
Actuarial gains and losses							(183)	(183)
Property revaluation							19	19
Financial assets at fair value through OCI							(101)	(101)
Financial liabilities designated at FVTPL, changes in credit risk						29		29
Currency translation of foreign operations	1				(1 018)			(1 018)
Hedging of net investment					680			680
Tax on other comprehensive income					(170)	(7)	70	(107)
Comprehensive income for the year	27			922	(509)	22	24 212	24 674
Interest payments AT1 capital				(926)				(926)
Currency movements on interest payments AT1 capital				17			(11)	6
AT1 capital redeemed				(1 400)				(1 400)
Non controlling interests	120						(3)	117
Net sale of treasury shares		1					19	20
DNB ASA merger		3 876	(3 876)					
Dividends paid for 2019 (NOK 8.40 per share)							(13 023)	(13 023)
Dividends paid for 2020 (NOK 9.00 per share)							(13 953)	(13 953)
Balance sheet as at 31 December 2021	**266**	**19 379**	**18 733**	**16 974**	**5 444**	**45**	**183 071**	**243 912**

G – Cash flow statement

	DNB Group	
Amounts in NOK million	2021	2020
Operating activities		
Net payments on loans to customers	(58 083)	(26 092)
Interest received from customers	42 060	48 628
Net receipts on deposits from customers	143 754	133 573
Interest paid to customers	(3 475)	(6 597)
Net receipts/(payments) on loans to credit institutions	(25 144)	32 784
Net interest paid to credit institutions	(1 023)	(1 154)
Net payments on the sale of financial assets for investment or trading	(42 985)	(70 650)
Interest received on bonds and commercial paper	2 832	3 280
Net receipts on commissions and fees	10 974	9 523
Payments to operations	(19 807)	(20 291)
Taxes paid	(7 119)	(9 211)
Receipts on premiums	15 761	14 313
Net receipts/(payments) on premium reserve transfers	444	(4 204)
Payments of insurance settlements	(14 278)	(13 704)
Other net payments	(2 326)	(5 626)
Net cash flow from operating activities	**41 585**	**84 573**
Investing activities		
Net payments on the acquisition of fixed assets	(4 486)	(3 835)
Net receipts on investment properties	375	54
Net investment in long-term shares	(627)	(1 370)
Dividends received on long-term investments in shares	344	428
Net cash flow from investing activities	**(4 393)**	**(4 723)**
Financing activities		
Receipts on issued bonds and commercial paper (see note G42)	3 205 879	1 142 592
Payments on redeemed bonds and commercial paper (see note G42)	(3 213 010)	(1 225 085)
Interest payment on issued bonds and commercial paper	(9 446)	(13 191)
Receipts on issued senior non-preferred bonds (see note G43)	29 421	9 462
Interest payments on senior non-preferred bonds	(184)	(2)
Receipts on issued subordinated loan capital (see note G44)	4 845	4 056
Redemptions of subordinated loan capital (see note G44)	(2 947)	(4 207)
Interest payments on subordinated loan capital	(440)	(504)
Net payments on redemption of additional Tier 1 capital	(1 400)	(10 024)
Interest payments on additional Tier 1 capital	(926)	(1 578)
Lease payments	(580)	(502)
Repurchased shares	20	(3 247)
Dividend payments	(26 976)	-
Net cash flow from financing activities	**(15 744)**	**(102 232)**
Effects of exchange rate changes on cash and cash equivalents	**(2 805)**	**3 723**
Net cash flow	**18 643**	**(18 659)**
Cash as at 1 January	289 092	307 751
Net receipts/payments of cash	18 643	(18 659)
Cash as at 31 December [*]	307 735	289 092

**) Of which: Cash and deposits with central banks*	*296 727*	*283 526*
Deposits with credit institutions with no agreed period of notice [1]	*11 008*	*5 566*

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

NOTE G1 Accounting principles

1. Corporate information

DNB Bank ASA is a Norwegian public limited company listed on the Oslo Stock Exchange (Oslo Børs). The consolidated financial statements for 2021 were approved by the Board of Directors on 9 March 2022.

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 2021 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 2021, the Group implemented the amendments made to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16 in connection with the ongoing Interest Rate Benchmark Reform, Phase 2, see section 7 for further information.

4. Consolidation

The consolidated financial statements for DNB Bank ASA ("DNB" or “the Group”) include 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, intragroup 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 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 represents 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.

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 parent company of 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 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 unallocated 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 G3 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, are 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 G33 Securities received which can be sold or repledged.

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 G32 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 G33 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 G32 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 and the support area Group Treasury.

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.

<u>Financial assets measured at amortised cost</u>
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.

<u>Financial liabilities measured at amortised cost</u>
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.

<u>Financial assets measured at fair value through other comprehensive income</u>
Investments in financial assets, which are not designated at fair value through profit or loss or amortised cost, 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.

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 G30 Offsetting for details about the financial assets and financial liabilities subject to offsetting agreements.

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 (PD) and loss given default (LGD). 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. For customers classified in stage 3 due to the expected credit loss impairment, CVA is calculated as if the derivatives were loans subject to impairment because of credit losses. The DVA is based on the same approach as for CVA, 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 periods 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 G6 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.

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 G16 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.

Interest Rate Benchmark Reform

The ongoing Interest Rate Benchmark Reform (also known as the IBOR reform) will replace existing inter-bank offered rates (IBORs) with alternative risk-free rates. 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. 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 IBOR reform.

The amendments for phase 2 have been effective from 1 January 2021 and cover the effects on the financial statements when interest rate benchmarks are replaced by alternative benchmark rates due to the reform. The amendments introduce a practical expedient to account for a change in the basis for determination of cash flows when the interest rate benchmarks are changed. The change needs to meet two conditions to be applicable for the practical expedient: (a) the change is necessary as a direct consequence of the IBOR reform and (b) the new basis for determining cash flows is economically equivalent to the previous one. Under the practical expedient, the changes that meet these requirements are treated as changes to a floating interest rate, thus not resulting in a modification gain or loss in the income statement.

The amendments further introduce relief from hedge accounting requirements, allowing the continuation of hedging relationships, under the same conditions as those listed above.

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 risk in the hedged items. The majority of the hedging relationships are expected to be continued.

The phase 2 amendments become relevant and mandatory for DNB when contracts are amended to reflect new reference rates.

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 usually 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 is 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.

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 an indication of 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 G37 Intangible assets for description of impairment testing.

The following relevant criteria are considered when assessing whether indications of impairment exist:

- 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 pro-visions. 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 group 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 the actual undercoverage at the balance sheet date, which implies that the value of deposits exceeds the balance.

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 G18 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 G25 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.

The temporary differences are mainly related to changes in fair value of financial assets, financial liabilities and investment properties, pensions, depreciations of fixed assets and properties, and impairment of goodwill. Deferred taxes on investment properties are calculated based on the expectation that the value is recovered through sale of the property. 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 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 relate 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 2021 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

In May 2017, the IASB issued the new standard IFRS 17 Insurance Contracts, which replaces IFRS 4 Insurance Contracts and sets out new principles for recognition, measurement, presentation and disclosures of insurance contracts. In June 2020, the IASB adopted some changes to the standard. The standard was endorsed by the EU in November 2021, but with an optional exception from the requirement for annual cohorts ('carve-out') for life insurance contracts that have certain characteristics. The standard is effective for reporting periods beginning on or after 1 January 2023, with a requirement for comparable figures.

The purpose of the new standard is to eliminate inconsistent accounting practices for insurance contracts between companies in different countries. IFRS 4 is an interim standard without specific rules for measurement and accounting for insurance contracts, which allows companies to continue to use the accounting practices for insurance contracts based on local rules in each country.

The main features of the new general model for measurement of insurance contracts are:

- The insurance liabilities constitute an estimate of the present value of future cash flows. The calculations are made for a group of insurance contracts. Future cash flows include expected premium payments and payments of insurance settlements, claims and other payments to policyholders. The estimates should take into account an explicit adjustment for non-financial risk and should be based on the conditions on the balance sheet date.
- The liabilities include an estimated addition for a contractual service margin (CSM), which constitutes the unearned profit element in the insurance contracts. CSM is to be recognised in the income statements over the coverage period of the insurance contracts.
- Certain changes in the estimate for the present value of future cash flows are adjusted against the CSM and recognised in the result over the remaining period covered by the relevant contracts.
- The effect of changes in the discount rates and other financial effects should, as a choice of accounting principle, be presented either in profit or loss or in other comprehensive income.

The standard also introduces two other models for measurement of insurance contracts. The variable fee approach (VFA) is a variant of the general measurement model that companies are required to apply to insurance contracts with direct participation features (contracts with a significant element of investment related services related to the return on the underlying portfolio). Under the VFA, the estimated future variable fee, which includes some changes in the discount rate and other financial variables, will also adjust the CSM. The premium allocation approach (PAA) is an optional simplified measurement model, mainly for short-term contracts with a coverage period of up to 12 months. It has common features with existing accounting practice for non-life insurance contracts. Onerous contracts are to be recognised immediately as a loss in the income statement.

IFRS 17 should, as a starting point, be used retrospectively, but companies may use a modified retrospective approach or a fair value approach at the time of transition if retrospective use is impracticable.

Consequences for DNB

The new rules will have an effect on DNB's consolidated accounts, and the rules will mainly affect the measurement and presentation of the Group's insurance contracts held by the wholly owned subsidiary DNB Livsforsikring (a life insurance company).

In 2018, DNB established its own project organisation with close cooperation between various departments in the DNB Group. Over the past few years, the project has been divided into three working streams, respectively (1) professional requirements, (2) process and control and (3) data and system. The project reports to a separate steering committee led by the Chief Risk Officer (CRO) of DNB Livsforsikring.

The new rules require the significant development of – and changes to – current models, processes and systems. The project started analysing and mapping the need for these changes early on, and in 2021 implementation of a new software system for supporting the calculation and reporting of insurance liabilities in accordance with IFRS 17 was initiated. In 2022, there will be more focus on implementing and finalising the selected solutions. Several parallel processes will be performed, which will gradually include more and more products, and they will eventually cover the entire process including Group reporting.

The project is working on assessing the implementation effects of IFRS 17, but it is currently too early to provide a reliable estimate of those effects in the Group's financial statements. IFRS 17 is expected to have a negative effect on equity at the transition date, as a result of a transition to a new model for measuring the Group's insurance liabilities, with associated transition methods. Future operating profits are also expected to be more volatile than today.

In July 2021, the Ministry of Finance issued a consultation paper proposing that IFRS 17 should not apply in the company annual accounts for life companies. The proposal is expected to be adopted, i.e. that the statutory accounts and the consolidated annual accounts of DNB Livsforsikring will continue to use the current accounting method for insurance contracts. It is therefore not expected that IFRS 17 will affect DNB Livsforsikring's tax base or dividend capacity. The implementation of the standard is currently not expected to significantly affect the capital adequacy of the DNB Group.

Measurement method

The project's assessment so far is that VFA will be the measurement method used for most life insurance products, but that the general measurement model or PAA will also be applicable for some products.

Transition method

For traditional products in DNB Livsforsikring, the preliminary assessment is to apply a fair value approach for measuring these contracts at the transition date. This mainly applies to older guaranteed products, including defined-benefit pensions and paid-up policies. Other (newer) products are expected to follow the main rule of retrospective application.

Level of aggregation
IFRS 17 requires contracts to be divided into groups. A portfolio comprises contracts subject to similar risks and managed together. The portfolio will be further divided into profitability buckets and annual cohorts. It is the project's preliminary assessment that several of the product groups will be able to make use of the 'carve-out' exemption endorsed by the EU as regards the requirement for annual cohorts under the VFA measurement method.

Presentation in the income statement
IFRS 17 contains specific rules for presentation of revenue and expenses related to insurance contracts and will result in a change from the current presentation in the income statement. Among other things, operating expenses related to insurance contracts under the new rules will be included in net other operating income, compared with the current presentation as operating expenses.

Interrelationships between IFRS 9 and IFRS 17
The project assesses interrelationships between IFRS 9 and IFRS 17. In this context, it is expected that there will be increased use of fair value for assets in the DNB Group, which are currently measured at amortised cost, with related insurance liability measurement in accordance with IFRS 17. This will have an effect on the implementation of IFRS 17 from 1 January 2023, and retrospective application of fair value measurement for these assets is expected, with comparable figures.

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 G5 Credit risk management for information about the management and follow-up of credit risk and note G6 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 G29 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 G18 Insurance risk.

Valuation of properties within DNB Livsforsikring

Investment property is measure 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 depend 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 G35 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, included 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 G26 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 G50 Contingencies.

NOTE G2 Change in Group structure

Intragroup merger

The merger of DNB ASA and DNB Bank ASA, with DNB Bank ASA as the surviving company, was completed on 1 July 2021.

The merger was completed with accounting and tax continuity. The DNB Bank ASA shares that were owned by DNB ASA were issued as merger consideration to the shareholders of DNB ASA, and there was therefore no capital increase in DNB Bank ASA as a result of the merger. No additional consideration has been paid. As part of the merger, DNB ASA's ownership of the wholly owned subsidiaries DNB Livsforsikring AS and DNB Asset Management AS, as well as its 35 per cent ownership interest in Fremtind Forsikring AS, were transferred to DNB Bank ASA for the sake of company continuity in the parent company accounts.

After completion of the merger, the DNB Group, with DNB Bank ASA as the parent company, prepares only one consolidated financial statement. Comparative figures for the DNB Group after the merger are based on the principle of continuity, and thus correspond with previous figures for the DNB Group.

NOTE G3 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.

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 policyholders. 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.

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 expectations related to credit risk, market risk, operational risk and goodwill. 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 G3 Segments (continued)

Income statement

DNB Group

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Group	
Amounts in NOK million	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net interest income	12 444	13 395	24 344	23 878	1 901	1 350			38 690	38 623
Net other operating income	5 235	4 604	9 147	7 983	6 282	7 953	(3 439)	(2 763)	17 225	17 776
Total income	17 680	17 999	33 491	31 861	8 183	9 302	(3 439)	(2 763)	55 915	56 399
Operating expenses	(8 888)	(8 765)	(11 176)	(10 367)	(4 047)	(3 712)	3 439	2 763	(20 671)	(20 081)
Deprecation and impairment of fixed and intangible assets	(162)	(127)	(2 208)	(1 958)	(993)	(1 235)			(3 363)	(3 320)
Total operating expenses	(9 050)	(8 892)	(13 384)	(12 325)	(5 040)	(4 947)	3 439	2 763	(24 034)	(23 401)
Pre-tax operating profit before impairment	8 630	9 107	20 107	19 536	3 143	4 355			31 881	32 998
Net gains on fixed and intangible assets	1		0	(1)	(83)	769			(82)	767
Impairment of financial instruments [1]	135	(473)	730	(9 438)	2	(7)			868	(9 918)
Profit from repossessed operations			309	241	(309)	(241)				
Pre-tax operating profit	8 766	8 633	21 147	10 338	2 753	4 876			32 667	23 847
Tax expense	(2 192)	(2 158)	(5 287)	(2 585)	16	514			(7 462)	(4 229)
Profit from operations held for sale, after taxes					150	221			150	221
Profit for the year	6 575	6 475	15 860	7 754	2 920	5 611			25 355	19 840

1) *See note G11 Development in accumulated impairment of financial instruments for an analysis of the gross change in impairment for the Group.*

Balance sheets

DNB Group

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Group	
Amounts in NOK billion	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20
Loans to customers [1]	839	817	804	775	110	133	(8)	(32)	1 745	1 694
Assets held for sale			(0)		2	2		(0)	2	2
Other assets	46	51	302	243	1 775	1 812	(950)	(884)	1 172	1 223
Total assets	885	869	1 106	1 018	1 886	1 948	(958)	(916)	2 919	2 919
Assets under management	189	141	355	303	0	0			544	444
Total combined assets	1 074	1 010	1 461	1 321	1 886	1 948	(958)	(916)	3 463	3 363
Deposits from customers [1]	493	460	754	648	9	7	(7)	(9)	1 248	1 106
Liabilities held for sale			(0)		1	1		(0)	1	1
Other liabilities	344	361	253	269	1 781	1 841	(951)	(907)	1 427	1 564
Total liabilities	837	820	1 006	916	1 790	1 849	(958)	(916)	2 675	2 671
Allocated capital [2]	48	48	100	102	96	98			244	248
Total liabilities and equity	885	869	1 106	1 018	1 886	1 948	(958)	(916)	2 919	2 919

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 expectations (Basel III/Solvency II) which must be met by the Group. The capital allocated in 2021 and 2020 corresponds to a common equity Tier 1 capital ratio of 17.6 per cent. Book equity is used for the Group.*

Key figures

DNB Group

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Group	
Per cent	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Cost/income ratio [1]	51.2	49.4	40.0	38.7					43.0	41.5
Ratio of deposits to loans as at 31 December [2]	58.7	56.2	93.7	83.5					71.5	65.3
Return on allocated capital [3]	13.7	13.2	16.1	7.5					10.7	8.4

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 expectations (Basel III/Solvency II) which must be met by the Group. Return on equity is used for the Group.*

NOTE G4 Capitalisation policy and capital adequacy

The Norwegian FSA expects DNB Group to maintain a Pillar 2 Guidance (P2G), i.e. a margin in the form of common equity Tier 1 (CET1) capital that exceeds the total capital requirement with 1.5 % of total risk exposure amount (REA). At year-end 2021, the regulatory CET1 capital ratio requirement was 14.8 per cent, while the supervisory expectation for the CET1 capital ratio was 16.3 per cent (incl. P2G). 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 and the prevailing rates.

At year-end 2021, the DNB Group's CET1 capital ratio was 19.4 per cent while the capital ratio was 24.0 per cent, compared with 18.7 per cent and 22.1 per cent, respectively, a year earlier. REA came to NOK 973 billion at year-end 2021, compared with NOK 967 billion the year before.

DNB Bank ASA had a CET1 capital ratio of 21.9 per cent at year-end 2021, compared with 21.3 per cent a year earlier. The capital ratio was 28.1 per cent at year-end 2021, compared with 27.5 per cent a year earlier.

At year-end 2021, DNB Boligkreditt AS had a CET1 capital ratio of 18.7 per cent and a capital ratio of 21.5 per cent.

Following the global 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 CET 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 Regulation (EU) No 575/2013. The Norwegian leverage ratio requirement consists of a minimum requirement of 3 per cent that applies 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 the only bank in Norway that is required to have a leverage ratio of 6 per cent.

At year-end 2021, the Group's leverage ratio was 7.3 per cent, compared to 7.1 per cent a year earlier. DNB meets the total requirement of 6 per cent by a good margin.

NOTE G4 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 Group	
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Total equity	243 912	248 396
Effect from regulatory consolidation	(6 605)	(6 014)
Additional Tier 1 capital instruments included in total equity	(16 595)	(17 995)
Net accrued interest on additional Tier 1 capital instruments	(285)	(276)
Common equity Tier 1 capital instruments	220 427	224 112
Deductions		
Goodwill	(4 794)	(4 697)
Deferred tax assets that are not due to temporary differences	(439)	(970)
Other intangible assets	(1 814)	(1 583)
Proposed dividends and group contribution [1)]	(15 116)	(26 976)
Significant investments in financial sector entities [2)]	(5 242)	(6 018)
Expected losses exceeding actual losses, IRB portfolios	(2 540)	(1 781)
Value adjustments due to the requirements for prudent valuation (AVA)	(1 002)	(855)
Insufficient coverage for non-performing exposures	(42)	
Adjustments for unrealised losses/(gains) on debt measured at fair value	(45)	(23)
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(88)	(94)
Common Equity Tier 1 capital	189 305	181 115
Additional Tier 1 capital instruments	16 595	17 995
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)
Tier 1 capital instruments	15 095	13 575
Tier 1 capital	204 400	194 689
Perpetual subordinated loan capital	5 752	5 640
Term subordinated loan capital	29 237	26 320
Deduction of holdings of Tier 2 instruments in insurance companies [3)]	(5 588)	(5 750)
Non-eligible Tier 2 capital, DNB Group [4)]		(6 711)
Additional Tier 2 capital instruments	29 401	19 499
Own funds	233 801	214 188
Total risk exposure amount	973 431	967 146
Minimum capital requirement	77 875	77 372
Common Equity Tier 1 capital ratio (%)	19.4	18.7
Tier 1 capital ratio (%)	21.0	20.1
Capital ratio (%)	24.0	22.1

1) The Board proposes a dividend of NOK 9.75 per share for 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.

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

4) Deductions of capital in accordance with Articles 85-88 of the CRR are not applicable after the merger between DNB Bank ASA and DNB ASA.

NOTE G4 Capitalisation policy and capital adequacy (continued)

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

Specification of risk exposure amount and capital requirements **DNB Group**

Amounts in NOK million	Nominal exposure 31 Dec. 2021	Exposure at default (EAD) 31 Dec. 2021	Average risk weights in per cent 31 Dec. 2021	Risk exposure amount (REA) 31 Dec. 2021	Capital requirements 31 Dec. 2021	Capital requirements 31 Dec. 2020
IRB approach						
Corporate exposures	1 062 509	842 790	44.8	377 344	30 188	30 405
Of which specialised lending (SL)	*9 803*	*9 396*	*37.0*	*3 478*	*278*	*516*
Of which small and medium-sized entities (SME)	*216 048*	*189 157*	*46.6*	*88 212*	*7 057*	*6 931*
Of which other corporates	*836 658*	*644 237*	*44.3*	*285 654*	*22 852*	*22 958*
Retail exposures	990 539	973 533	22.2	216 169	17 294	16 371
Of which secured by mortgages on immovable property	*899 243*	*899 243*	*21.6*	*193 788*	*15 503*	*14 931*
Of which other retail	*91 296*	*74 290*	*30.1*	*22 382*	*1 791*	*1 440*
Total credit risk, IRB approach	2 053 048	1 816 323	32.7	593 513	47 481	46 776
Standardised approach						
Central governments and central banks	346 499	345 786	0.2	614	49	19
Regional governmenst or local authorities	49 442	43 389	2.7	1 157	93	88
Public sentor entities	52 629	51 919	0.7	357	29	31
Multilateral development banks	29 504	30 249				
Internal organisations	4 706	4 706				
Institutions	94 872	68 090	31.2	21 262	1 701	1 469
Corporate	180 976	159 324	71.7	114 282	9 143	8 402
Retail	156 417	59 223	74.4	44 086	3 527	3 580
Secured by mortages on immovable property	27 593	26 242	56.5	14 830	1 186	1 366
Exposures in default	3 040	2 110	140.8	2 971	238	233
Items associated with particular high risk	664	658	150.0	987	79	641
Covered bonds	33 475	33 475	10.0	3 347	268	348
Collective investment undertakings	958	958	23.1	221	18	41
Equity positions	23 946	23 945	221.9	53 135	4 251	3 908
Other assets	17 225	17 224	52.6	9 052	724	1 579
Total credit risk, standardised approach	1 021 946	867 298	30.7	266 302	21 304	21 706
Total credit risk	3 074 994	2 683 621	32.0	859 815	68 785	68 483
Market risk						
Position and general risk, debt instruments				7 767	621	748
Position and general risk, equity instruments				661	53	52
Currency risk				31	2	4
Commodity risk				0		0
Total market risk				8 459	677	803
Credit value adjustment risk (CVA)				6 777	542	459
Operational risk				98 381	7 870	7 627
Total risk exposure amount				973 431	77 875	77 372

NOTE G5 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 standard for credit activity is 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 Bank 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 G7 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 G8 Credit risk exposure per risk grade.

DNB's risk classification [1)]

	Probability of default (per cent)		External rating	
Risk class	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.

NOTE G5 Credit risk management (continued)

Guidelines for credit activity

DNB’s guidelines and processes for approving credits are described in the Group standard for credit activity. The guidelines describe how DNB is to 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. The standard also provides guidance to make sure that all extension of credit takes into account and supports DNB's governance principles for corporate responsibility, so as to ensure long-term and sustainable financial value creation and prevent misuse of the financial system for money laundering or terrorist financing purposes.

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 is furnished. Collateral can be in the form of physical assets, guarantees, cash deposits or netting agreements. As a rule, physical collateral must 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.

<u>Monitoring credit risk</u>

Performing 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 are also to 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. Customers listed on Watchlist 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. The increase in forbearance in 2021 is mainly a consequence of forbearance measures related to a few specific customers.

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 2021			31 December 2020		
Amounts in NOK million	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total
Gross carrying amount and loan commitments	29 807	17 926	47 733	23 729	13 417	37 146
Expected credit loss	309	5 263	5 534	430	5 770	6 200

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 G5 Credit risk management (continued)

Repossessed 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 and recover values for DNB's shareholders through financial restructuring when companies or other assets are repossessed 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. Repossessed 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 value changes are settled daily.

NOTE G6 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 20 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 the 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 following the economic consequences of the COVID-19 pandemic. Although the restrictions have gradually been lifted and the financial markets are more stable, there is still uncertainty concerning the long-term effects of the pandemic.

In order to reflect the effect of macro drivers in a reasonable and supportable manner DNB's portfolio has been divided into 20 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 long-term impact of the economic consequences of the COVID-19 pandemic. Macro forecasts are usually obtained from DNB Markets and supplementary internal sources and are benchmarked against various external sources.

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 pandemic. The adverse financial and business-related consequences of the COVID-19 pandemic were mainly incorporated into the forecasts for the first year after the outbreak. The remaining forecast periods are expected to be substantially less affected by the adverse economic consequences.

NOTE G6 Measurement of expected credit loss (continued)

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.

Expert credit judgement

The assessment of the macro prognoses and the impact on the forecasted credit cycle index (CCI) are key judgments, and DNB has established an advisory forum for the Group's Chief Financial Officer to address the judgements. The forum's purpose is to assess whether the predicted CCI for each segment reflects the management's view on the expected future economic development. When the projections of the credit cycle do not represent 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 CCI used.

As of 31 December 2021, an in-model adjustment was made for some segments. The Rig and OSV segment is forecast based on spot rates and utilisation rates for floaters. The segment is currently challenged by several structural changes, and the pricing and utilisation of different types of rigs and floaters varies greatly. Consequently, the model predictions based on historical statistical analysis, combined with predictions on future floater rates, is not considered to be representative of the current situation in the segment as a whole. The segment's CCI has been adjusted for the effect of an increase in ECL of NOK 226 million compared with the pre-adjustment level of ECL.

Due to positive macro predictions combined with the model's mean- reverting assumption, some segments are rapidly moving towards normal levels, and for certain segments to levels above normal. Group Management's judgement is that the impact of the pandemic on the long-term prospects for businesses in some of these segments will be normalised less rapidly than the CCI implies. Consequently, the CCI as of 31 December 2021 was adjusted by delaying the recovery. The effect of the adjustment was that the ECL increased by NOK 388 million compared with the pre-adjustment level of ECL.

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 30 per cent compared with the ECL in stages 1 and 2 that is recognised in the financial statements at 31 December 2021.

NOTE G6 Measurement of expected credit loss (continued)

The following table shows selected base case macroeconomic variables for the period 2021 to 2023 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		
	2021	2022	2023	2021	2022	2023
Global GDP, year-to-year growth	5.5	4.3	3.6	5.5	2.8	1.2
Emerging countries' GDP, year-to-year growth	6.2	5.1	4.8	6.2	3.3	1.6
Swedish GDP, year-to-year growth	4.1	3.0	1.8	4.1	1.9	0.4
Oil price, USD per barrel	72	73	75	72	70	60
Norwegian house price index, year-to-year growth	9.1	3.0	2.4	9.1	(0.1)	(10.0)
Norwegian registered unemployment rate	3.0	2.2	2.2	3.0	3.0	3.7
NIBOR 3-month interest rate	0.5	1.3	1.6	0.5	1.6	3.8

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)	(1.2)
Emerging countries' GDP (percentage points)	(1.5)
Oil price (per cent)	(13.0)
Norwegian mainland GDP (percentage points)	(0.7)
Norwegian consumer price index (percentage points)	0.8
Norwegian house price index (percentage points)	(6.1)
Norwegian registered unemployment rate (percentage points)	0.9
NIBOR 3-month interest rate (percentage points)	1.1
Swedish GDP (percentage points)	(0.7)
Norwegian commercial real estate rental price (per cent)	(8.1)
Salmon price (per cent)	(6.2)
Floater spot rate (per cent)	(15.8)
Rig utilisation rate (per cent)	(10.4)
Very large crude carriers spot rate (per cent)	(17.4)
Capesize spot rate (per cent)	(24.6)
Very large gas carrier spot rate (per cent)	(7.4)

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 23 per cent for the personal customer portfolio compared with the ECL measured as at 31 December 2021 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 as at 31 December 2021 would decrease by 6 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 G5 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 cyclicality. For the ECL measurement, there is a need to generate a PD which is forward-looking and reflects all available relevant information.

NOTE G6 Measurement of expected credit loss (continued)

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.

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 G5 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.

NOTE G6 Measurement of expected credit loss (continued)

Qualitative criteria
Qualitative information is normally reflected in the respective PD models for each group of customers.

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 3 per cent compared with the ECL measured at year-end 2021. 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 2021.

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 more than 1 per cent of the debtor's commitment, 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 DNB:

- 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 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).

When a customer goes from being in stage 3, classified as credit impaired or defaulted, to stage 1 and 2, performing, the customer will stay in stage 3 during a return to non-default period of 3 or 12 months. In this period, the ECL model will assign the customer stage 1 or stage 2 ECL.

Measurement of expected credit loss for credit-impaired financial instruments

When a customer becomes credit-impaired (stage 3), the probability of default is set to 100 per cent. In DNB, the ECL for credit-impaired financial instruments with an exposure above NOK 5 million is calculated individually per customer and without the use of modelled inputs.

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. If the exposure is collateralised, the value of the collateral in a going concern scenario is included in the estimated future cash flows regardless of whether foreclosure is probable or not.

The methodology for estimating ECL is under continuous improvement, and during the course of 2021, DNB updated the methodology for estimating the ECL for credit-impaired financial instruments (stage 3) for customers with a commitment of more than NOK 50 million. The purpose was to be able to better reflect the actual solutions under consideration for customers in financial difficulties. The new method increases the number of scenarios that need to be assessed. The ECL is estimated based on the weighted ECL of the different scenarios. The scenarios should represent the actual scenarios for a customer in financial difficulties, but in general, three different scenarios are to be considered.

- Going concern: What is the probability of a development where all debt is repaid without concessions in the form of debt conversion or write-offs? The ECL in this scenario is zero.
- Restructuring: What is the probability of a development where the customer must restructure the capital structure to maintain going concern, and what is the ECL for DNB in such a restructuring?
- Liquidation: What is the probability of a development where a company is liquidated through bankruptcy, orderly liquidation etc., and what is the ECL for DNB in this scenario?

The ECL within each scenario, and the probability of each scenario occurring, will be dependent on both market conditions and customer-specific factors. The sum of the scenario weights must always be 100 per cent. If a scenario is highly unlikely, the probability can be set to zero.

NOTE G6 Measurement of expected credit loss (continued)

The ECL within the restructuring scenario will be dependent on the discounted present value of the customer's expected future cash flows, as well as on the expected debt level that may be agreed upon with the stakeholders in a restructuring. The ECL in the liquidation scenario will be dependent on the expected realisation value of collateral given a sale of assets for example as part of a bankruptcy or orderly liquidation process.

The changes made to the methodology did not have a material impact on the Group's ECL estimate.
For corporate customers with commitments of less than NOK 50 million, the main scenario is liquidation. The ECL is therefore primarily dependent on the expected realisation value of collateral in a sales process. In this valuation, we will normally include two cases to reflect the uncertainty of the estimate.

For credit-impaired personal customers with commitments of more than NOK 5 million, an individual assessment of collateral and debt servicing capability is done to determine the ECL. For credit-impaired personal customers with commitments of less than NOK 5 million, a portfolio approach is used to estimate the ECL. The estimate is calculated using a discounted expected collateral value that provides expected recovery rates for a representative sample of customers in default. The expected recovery rates are then applied to customers with similar characteristics to the customers in the sample.

When a customer is in the 3- or 12-month return to non-default period, the customer will continue to be presented in stage 3, but with expected credit loss from stage 1 or 2 from the ECL model.

Sensitivity
DNB has performed a sensitivity analysis on the engagements with the largest ECL in stage 3. If the weight of probability placed on the most adverse scenario increased by 10 per cent, the value of the stage 3 ECL would increase by 5 per cent.

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 is 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 G7 Credit risk exposure and collateral

Credit risk exposure and collateral as at 31 December 2021 **DNB Group**

Amounts in NOK million	Maximum exposure to credit risk	Secured by real estate	Collateralised by securities	Other collateral [1)]
Deposits with central banks	296 125		22 600	
Due from credit institutions	44 959		28 023	
Loans to customers	1 744 922	1 104 277	84 547	297 395
Commercial paper and bonds	425 267			
Financial derivatives	135 400		48	79 553
Other assets	29 481			
Total maximum exposure to credit risk reflected on the balance sheet	2 676 154	1 104 277	135 218	376 948
Guarantees	10 514	4		5 035
Unutilised credit lines and loan offers	668 207	149 256		91 554
Other commitments	95 904	3 351		8 807
Total maximum exposure to credit risk not reflected on the balance sheet	774 624	152 611		105 396
Total	3 450 778	1 256 888	135 218	482 344
Of which subject to expected credit loss:				
Deposits with central banks	*296 125*		*22 600*	
Due from credit institutions	*44 959*		*28 023*	
Loans to customers	*1 698 721*	*1 046 765*	*84 547*	*297 336*
Commercial paper and bonds	*198 230*			
Total maximum exposure to credit risk reflected on the balance sheet	*2 238 034*	*1 046 765*	*135 170*	*297 336*
Guarantees	*10 514*	*4*		*5 035*
Unutilised credit lines and loan offers	*668 207*	*149 251*		*91 537*
Other commitments	*95 904*	*3 351*		*8 807*
Total maximum exposure to credit risk not reflected on the balance sheet	*774 624*	*152 606*		*105 379*
Total	*3 012 659*	*1 199 371*	*135 170*	*402 715*
Of which stage 3:				
Loans to customers	*21 752*	*5 181*		*13 119*
Total maximum exposure to credit risk reflected on the balance sheet	*21 752*	*5 181*		*13 119*
Guarantees	*1 292*			*1 292*
Unutilised credit lines and loan offers	*2 472*	*194*		*997*
Other commitments	*897*	*93*		*360*
Total maximum exposure to credit risk not reflected on the balance sheet	*4 661*	*287*		*2 648*
Total	*26 413*	*5 468*		*15 767*

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 4.4 billion in stage 3 have no credit loss due to collateralisation.

NOTE G7 Credit risk exposure and collateral (continued)

Credit risk exposure and collateral as at 31 December 2020 **DNB Group**

Amounts in NOK million	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
Of which subject to expected credit loss:				
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*
Of which stage 3:				
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 5.7 billion 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 2021:

- *Deposits with central banks:* Deposits with Norges Bank totalled NOK 155 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 G5 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 G5 Credit risk management.
- *Unutilised credit lines and loan offers:* Offers of loans, credits and credit lines totalling NOK 159 537 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 G5 Credit risk management.

NOTE G8 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 division between risk classes is based on an IRB probability of default (PD) as shown in the table DNB's risk classification in note G5. See also the section Probability of default (PD) in note G6 for a description of the correlation between IRB PD and IFRS PD. The amounts are based on the gross carrying amount and the maximum exposure before adjustments for impairments.

Loans as at 31 December 2021 **DNB Group**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Risk grade based on probability of default					
1 - 4	1 227 580	13 002		37 023	1 277 606
5 - 7	316 745	57 596		8 731	383 073
8 - 10	21 824	41 501		344	63 669
Credit impaired			30 453	104	30 557
Total	1 566 150	112 099	30 453	46 202	1 754 904

Loans as at 31 December 2020 **DNB Group**

Amounts in NOK million	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

Financial commitments as at 31 December 2021 **DNB Group**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Risk grade based on probability of default				
1 - 4	591 318	7 616		598 934
5 - 7	102 192	12 574		114 766
8 - 10	8 960	9 865		18 825
Credit impaired			5 330	5 330
Total	702 470	30 054	5 330	737 854

Financial commitments as at 31 December 2020 **DNB Group**

Amounts in NOK million	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

NOTE G9 Impairment of financial instruments

DNB Group

	2021				2020			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Originated and purchased	(45)	(3)		(48)	(72)	(17)		(89)
Increased expected credit loss	(694)	(1 559)	(4 123)	(6 375)	(1 755)	(4 043)	(12 631)	(18 429)
Decreased expected credit loss	859	2 070	4 337	7 266	1 201	3 996	5 112	10 309
Derecognition	187	215	80	482	30	14	76	120
Write-offs			(611)	(611)			(1 949)	(1 949)
Recoveries on loans previously written off			155	155			119	119
Total impairment	307	723	(162)	868	(596)	(50)	(9 272)	(9 918)

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity, were NOK 60 million as at 31 December 2021 (NOK 98 million as at 31 December 2020).

NOTE G10 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

Amounts in NOK million	Stage 1	Stage 2	Stage 3	DNB Group Total
Gross carrying amount as at 1 January 2020	**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**
Transfer to stage 1	104 192	(101 960)	(2 232)	
Transfer to stage 2	(115 732)	117 598	(1 867)	
Transfer to stage 3	(3 418)	(7 828)	11 246	
Originated and purchased	463 222	6 271	1 447	470 941
Derecognition	(359 494)	(39 066)	(10 168)	(408 728)
Exchange rate movements	(5 609)	(366)	7	(5 968)
Other				
Gross carrying amount as at 31 December 2021 [1)]	**1 566 150**	**112 099**	**30 453**	**1 708 702**

1) *On 1 January 2021, DNB introduced a new definition of default. According to the new definition, the gross carrying amount for stage 3 customers in probation after default was NOK 1 747 million as at 31 December 2021.*

Financial commitments

Amounts in NOK million	Stage 1	Stage 2	Stage 3	DNB Group Total
Maximum exposure as at 1 January 2020	**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**
Transfer to stage 1	26 055	(25 348)	(706)	
Transfer to stage 2	(27 413)	28 631	(1 218)	
Transfer to stage 3	(449)	(445)	894	
Originated and purchased	479 454	3 451	336	483 241
Derecognition	(430 467)	(12 766)		(443 233)
Exchange rate movements	(2 144)	54		(2 091)
Other				
Maximum exposure as at 31 December 2021 [1)]	**702 470**	**30 054**	**5 330**	**737 854**

1) *On 1 January 2021, DNB introduced a new definition of default. According to the new definition, the maximum exposure relating to stage 3 customers in probation after default was NOK 153 million as at 31 December 2021.*

NOTE G11 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**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2020	**(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		(5)	24	18
Accumulated impairment as at 31 December 2020	**(765)**	**(1 214)**	**(12 039)**	**(14 018)**
Transfer to stage 1	(364)	359	5	
Transfer to stage 2	185	(212)	27	
Transfer to stage 3	2	78	(80)	
Originated and purchased	(312)	(130)		(441)
Increased expected credit loss	(350)	(1 022)	(3 908)	(5 280)
Decreased (reversed) expected credit loss	878	926	4 036	5 840
Write-offs			3 192	3 192
Derecognition	188	466	80	733
Exchange rate movements	6	(1)	(12)	(7)
Accumulated impairment as at 31 December 2021 [1)]	**(533)**	**(749)**	**(8 700)**	**(9 982)**

1) On 1 January 2021, DNB introduced a new definition of default. According to the new definition for customers in probation after default, the effect on expected credit loss was not significant as at 31 December 2021.

NOTE G11 Development in accumulated impairment of financial instruments (continued)

Financial commitments

Amounts in NOK million	Stage 1	Stage 2	Stage 3	DNB Group Total
Accumulated impairment as at 1 January 2020	**(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		325
Exchange rate movements	1	(11)		(11)
Other				
Accumulated impairment as at 31 December 2020	**(284)**	**(566)**	**(601)**	**(1 451)**
Transfer to stage 1	(111)	110	1	
Transfer to stage 2	46	(49)	3	
Transfer to stage 3		17	(17)	
Originated and purchased	(194)	(23)		(216)
Increased expected credit loss	(93)	(240)	(446)	(778)
Decreased (reversed) expected credit loss	408	288	391	1 087
Derecognition	16	134		150
Exchange rate movements	1	(2)		(1)
Other				
Accumulated impairment as at 31 December 2021 [1)]	**(211)**	**(330)**	**(669)**	**(1 209)**

1) *On 1 January 2021, DNB introduced a new definition of default. According to the new definition for customers in probation after default, the effect on expected credit loss was not significant as at 31 December 2021.*

NOTE G12 Loans and financial commitments to customers by industry segment

Loans to customers as at 31 December 2021

DNB Group

		Accumulated impairment				
Amounts in NOK million	Gross carrying amount	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	78 430	(11)	(12)	(100)	28	78 335
Commercial real estate	209 241	(98)	(43)	(255)	63	208 908
Shipping	36 060	(40)	(40)	(167)		35 813
Oil, gas and offshore	49 821	(55)	(191)	(4 980)		44 595
Power and renewables	41 096	(28)	(2)	(505)		40 561
Healthcare	16 294	(4)	(0)			16 290
Public sector	9 699	(3)	(0)	(0)		9 696
Fishing, fish farming and farming	56 772	(36)	(42)	(107)	102	56 689
Retail industries	36 966	(27)	(26)	(317)	3	36 599
Manufacturing	38 140	(21)	(17)	(91)		38 011
Technology, media and telecom	23 810	(12)	(5)	(24)	(0)	23 769
Services	75 411	(52)	(48)	(658)	17	74 671
Residential property	106 354	(34)	(14)	(145)	203	106 364
Personal customers	857 957	(65)	(118)	(335)	45 777	903 216
Other corporate customers	72 651	(48)	(191)	(1 016)	10	71 406
Total [1)]	**1 708 702**	**(533)**	**(749)**	**(8 700)**	**46 202**	**1 744 922**

1) *Of which NOK 54 779 million in repo trading volumes.*

Loans to customers as at 31 December 2020

DNB Group

		Accumulated impairment				
Amounts in NOK million	Gross carrying amount	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
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.*

NOTE G12 Loans and financial commitments to customers by industry segment (continued)

Financial commitments as at 31 December 2021 **DNB Group**

		Accumulated impairment			
Amounts in NOK million	Maximum exposure	Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	34 419	(7)	(1)	(0)	34 411
Commercial real estate	38 866	(17)	(3)	(1)	38 845
Shipping	12 383	(8)	(3)		12 373
Oil, gas and offshore	64 188	(41)	(150)	(435)	63 561
Power and renewables	46 641	(16)	(1)		46 624
Healthcare	30 630	(5)	(0)		30 625
Public sector	9 424	(0)		(0)	9 424
Fishing, fish farming and farming	23 302	(14)	(7)	(12)	23 269
Retail industries	36 792	(16)	(5)	(5)	36 765
Manufacturing	52 431	(18)	(16)	(1)	52 397
Technology, media and telecom	20 026	(7)	(3)	(0)	20 015
Services	28 705	(20)	(44)	(6)	28 635
Residential property	38 434	(14)	(2)	(6)	38 412
Personal customers	267 249	(12)	(16)	(0)	267 220
Other corporate customers	34 365	(16)	(78)	(202)	34 070
Total	**737 854**	**(211)**	**(330)**	**(669)**	**736 645**

Financial commitments as at 31 December 2020 **DNB Group**

		Accumulated impairment			
Amounts in NOK million	Maximum exposure	Stage 1	Stage 2	Stage 3	Total
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**

NOTE G13 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 G5 Credit 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.

The economic capital for total market risk in the DNB Group decreased from NOK 11 billion at the end of 2020 to NOK 10.6 billion at the end of 2021. The most substantial reduction in Economic Capital originates from Equity, Strategic ownership and spread risk.

Market risk, excluding strategic ownership, represented 6.2 per cent of total economic capital at year-end 2021, which is within the limit of the Group's risk appetite.

NOTE G14 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 AS and DNB Bank Polska S.A 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.

						DNB Group [1)]
Amounts in NOK million	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	Total
31 December 2021						
NOK	798	357	196	153	344	55
USD	63	11	63	105	35	256
EUR	17	55	35	8	24	41
GBP	3	0	16	0	1	19
SEK	13	70	14	5	14	62
Other currencies	9	31	6	4	4	42
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

1) Applies to the DNB Group excluding DNB Livsforsikring AS and DNB Bank Polska S.A.

NOTE G14 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.

						DNB Livsforsikring
Amounts in NOK million	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	Total
31 December 2021						
NOK	6	40	76	552	1 022	1 696
USD	0	11	24	91	414	475
EUR	2	12	6	46	98	136
GBP	0	0	1	3	46	48
Other currencies	0	2	14	0	24	8
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

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 G18 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 2021.

NOTE G15 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.

	DNB Livsforsikring		**DNB Group excl. DNB Livsforsikring**	
	Net currency positions		Net currency positions	
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
USD	192	123	292	163
EUR	183	124	2 048	1 173
GBP	(7)	9	(77)	(932)
SEK	150	(129)	(93)	(173)
DKK	13	15	260	468
CHF	7	3	3	5
JPY	4	8	(2)	(30)
Other	372	135	(34)	132
Total foreign currencies	914	287	2 397	806

NOTE G16 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.

						DNB Group
	31 December 2021			31 December 2020		
Amounts in NOK million	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
Derivatives held for trading						
Interest rate-related contracts						
Forward rate agreements	821 055	1 166	915	1 208 065	1 002	851
Swaps	2 780 754	34 213	35 270	2 787 741	52 642	57 200
OTC options	45 350	509	528	105 181	449	413
Total interest rate-related contracts	3 647 159	35 888	36 713	4 100 987	54 093	58 463
Foreign exchange-related contracts						
Forward contracts	61 863	5 096	5 219	102 952	11 165	11 536
Swaps	1 414 858	20 734	12 833	1 567 294	27 115	42 824
OTC options	28 164	1 333	1 077	18 455	1 303	1 100
Total foreign exchange-related contracts	1 504 884	27 163	19 129	1 688 700	39 583	55 461
Equity-related contracts						
Forward contracts	2 978	1 506	1 133	2 490	1 405	1 216
Other	3 773	394	459	2 430	343	327
Total OTC derivatives	6 750	1 900	1 591	4 920	1 748	1 543
Futures	2 078	0	0	2 444	0	0
Other	3 919	37	22	3 427	23	59
Total exchange-traded contracts	5 997	37	23	5 871	23	59
Total equity-related contracts	12 747	1 937	1 614	10 791	1 771	1 602
Commodity-related contracts						
Swaps and options	81 654	24 831	24 379	81 234	5 051	4 619
Total commodity related contracts	81 654	24 831	24 379	81 234	5 051	4 619
Total financial derivatives trading	5 246 444	89 819	81 835	5 881 712	100 498	120 145
Derivatives held for hedge accounting						
Fair value hedges of interest rate risk						
Interest rate swaps	560 999	18 012	3 447	575 005	31 558	3 119
Total financial derivatives hedge accounting	560 999	18 012	3 447	575 005	31 558	3 119
Collateral pledged/received on financial derivatives						
Total cash collateral pledged/received		27 569	29 066		54 684	51 715
Total financial derivatives	**5 807 443**	**135 400**	**114 348**	**6 456 716**	**186 740**	**174 979**

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 G13 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 G5 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 2021, there was a NOK 310 million reduction in value (negative effect on profits), compared with a NOK 526 million increase in value in 2020.

NOTE G16 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 G14 Interest rate sensitivity and G15 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.

In fair value hedges of interest rate risk, the interest rate exposure on fixed-rate investments and borrowings 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 2021 **DNB Group**

Amounts in NOK million	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	72 975	(245)	(1 740)
Issued bonds	Debt securities issued	452 572	11 708	12 786
Issued bonds, non-preferred	Senior non-preferred bonds	35 691	(799)	664
Subordinated debt	Debt securities issued	17 584	52	131
Hedging instrument				
Interest rate swaps	Financial derivatives			(12 125)

Fair value hedges of interest rate risk as at 31 December 2020 **DNB Group**

Amounts in NOK million	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)
Issued bonds, non-preferred	Senior non-preferred bonds	8 523	(24)	27
Subordinated debt	Subordinated loan capital	19 426	163	161
Hedging instrument				
Interest rate swaps	Financial derivatives			(1 118)

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 29 million as at end-December 2021.

NOTE G16 Financial derivatives and hedge accounting (continued)

Residual maturity of interest rate swaps held as hedging instruments as at 31 December 2021 **DNB Group**

	Maturity				
Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 monts to 1 year	From 1 year to 5 years	Over 5 years
Fair value hedges of interest rate risk, nominal values					
Investments in bonds		1 085	8 383	54 868	7 982
Hedges of issued bonds	31 108	37 687	34 493	261 230	107 126
Hedges of subordinated debt	1 855	6 493		8 201	487

Residual maturity of interest rate swaps held as hedging instruments as at 31 December 2020 **DNB Group**

	Maturity				
Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 monts 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	

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 65 047 million as at 31 December 2021. 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.

Interest Rate Benchmark Reform

Following the introduction of new reference rates, a transition project was initiated to prepare the Group for the Interest Rate Benchmark Reform (also known as the IBOR reform). DNB has substantial volumes of loans, deposits and derivatives in multiple currencies that are affected by the IBOR reform.

The IT infrastructure has been updated to handle the new reference rates. Fallback language in existing and new contracts has been updated, and correspondingly in new contract templates.

The table below shows the Group's exposure at year end to significant IBORs subject to the reform that have yet to transition to an alternative benchmark rate as at 31 December 2021. The table excludes exposures in USD that will expire before the transition is required end-June 2023. Loans to customers in USD represent the exposure at end-December 2021.

DNB Group

Amounts in NOK million		USD Libor	GBP Libor	CHF Libor	JPY Libor
Non-derivative financial assets					
Loans to customers (carrying amount)		127 262	8 384	2 574	295
Commercial paper and bonds (principal amount)	31 108	2			
Non-derivative financial assets	1 855	**127 264**	**8 384**	**2 574**	**295**
Non-derivative financial liabilities					
Debt securities issued (principal amount)		618			
Non-derivative financial liabilities		**618**			
Derivatives receivables (notional amount)		**349 399**	**1 864**	**2 640**	**4 121**
Derivatives payables (notional amount)		**460 449**	**709**	**2 417**	**5 112**

NOTE G17 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 ratio of customer deposits to net loans to customers was 74.2 per cent at the end of 2021, up from 67.3 per cent a year earlier.

Access to short-term funding through the bank's funding programmes was very good throughout the year, and it was the US market that consistently provided the best interest rates. A low interest rate level and ample access to liquidity as a result of Government stimulus packages contributed to high activity in the bank's US Commercial Paper (USCP) programme. This is expected to decline somewhat in the time ahead, as the Federal Reserve is getting closer to reversing its quantitative easing. In the third quarter, the first issue was made under the USCP programme using the new Secured Overnight Financing Rate (SOFR), and issues continued in the fourth quarter. From year-end, the bank stopped issues with floating interest rates linked to the London Inter-bank Offered Rate (LIBOR). Towards the end of the year, there was somewhat growing interest in the European funding programmes, primarily those in GBP, but there were also good volumes in short-term securities in EUR.

The markets for long-term funding were strong throughout the year. Prices remained stable, but saw a slight increase in credit spreads in the unsecured debt classes towards the end of the year. DNB is offered highly competitive prices, and ended the year by completing issues of senior bonds in the GBP market, as well as of subordinated loans in Norway and Sweden. In the second half of the year, the bank updated its green bond framework. Under the new framework, DNB can issue bonds that are used to fund loans for renewable energy, clean transport and green homes. At the beginning of the year, the bank issued its first green senior bond, which was very well received in the market.

During the third quarter, the Norwegian Ministry of Finance and Finanstilsynet issued clarifications relating to the minimum requirement for own funds and eligible liabilities (MREL) and the cap on subordinated debt. For DNB, this cap meant that the volume of senior non-preferred bonds originally needed to fulfil the MREL requirement was almost halved. Instead, ordinary senior bonds will be used to fulfil parts of the total requirement. DNB has so far issued approximately NOK 38 billion in senior non-preferred bonds. The need for long-term funding in the coming years is mainly related to the fulfilment of this requirement.

The nominal value of long-term debt securities issued by the Group was NOK 560 billion at end-December 2021, compared with NOK 618 billion a year earlier. Average remaining term to maturity for long-term debt securities issued was 3.5 years at end-December 2021, unchanged from the previous year.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the year and stood at 135 per cent at end-December 2021.

NOTE G17 Liquidity risk (continued)

Residual maturity as at 31 December 2021 — **DNB Group**

Amounts in NOK million	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	295 708		1 019				296 727
Due from credit institutions	27 111	12 731	274	4 312	532		44 960
Loans to customers	238 725	109 030	119 413	323 508	956 353		1 747 029
Commercial paper and bonds	51 670	58 668	45 278	132 222	74 564	63 821	426 224
Shareholdings						51 017	51 017
Total	613 215	180 428	165 983	460 043	1 031 449	114 838	2 565 957
Liabilities							
Due to credit institutions	121 911	12 704	14 599	22	374		149 611
Deposits from customers	1 247 723						1 247 723
Debt securities issued	81 028	82 229	155 027	299 571	111 797		729 653
Other liabilities etc.	22 028	1 787	2 785	5 581	339		32 519
Subordinated loan capital		174		27 073	5 752		32 999
Total	1 472 690	96 894	172 411	332 246	118 263		2 192 504
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	387 030	330 463	322 273	446 675	131 957		1 618 397
Outgoing cash flows	384 271	327 945	321 872	456 059	132 473		1 622 621
Financial derivatives, net settlement	1 114	874	3 060	9 438	7 609		22 096
Total financial derivatives	3 873	3 392	3 461	53	7 093		17 872
Credit lines, commitments and documentary credit	349 107	10 581	79 185	201 708	123 014		763 595

Residual maturity as at 31 December 2020 — **DNB Group**

Amounts in NOK million	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

Nominal future interest payments in excess of accrued interest are not included on the balance sheet date.

NOTE G18 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 G13-G15). 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	
Amounts in NOK million	Insurance liabilities, customers bearing the risk	Liabilities to policyholders
Balance sheet as at 31 December 2019	**103 849**	**208 627**
Deposits	10 687	2 669
Return	7 711	2 821
Inflow of reserves	3 227	287
Outflow of reserves	(6 313)	(406)
Insurance payments	(1 620)	(12 442)
Other changes	(813)	(1 134)
Balance sheet as at 31 December 2020	**116 729**	**200 422**
Deposits	11 851	2 833
Return	14 663	8 939
Inflow of reserves	30 752	437
Outflow of reserves	(31 999)	(145)
Insurance payments	(1 734)	(12 750)
Other changes	(1 516)	(357)
Balance sheet as at 31 December 2021	**138 747**	**199 379**

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 G18 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.

Specification of liabilities to policyholders recorded in the balance sheet as at 31 December 2021 **DNB Group** [1)]

	Group life insurance - defined-benefit pensions		Individual annuity and pension insurance					
Amounts in NOK million	Private sector	Group association insurance	Annuity and pension insurance	Endow-ment insurance	Group life insurance	Non-life insurance	Total 2021	Total 2020
Premium reserve	275 555	2 634	17 664	28 088	279		324 221	306 752
Additional allocations	6 248	69	383	651			7 351	6 244
Market value adjustment reserve	2 298	59	303	514	2	27	3 204	2 627
Premium fund	430	3		36			469	575
Pensioners' profit fund	512						512	605
Other technical reserves						2 391	2 391	204
Liabilities to policyholders	**285 044**	**2 765**	**18 350**	**29 290**	**281**	**2 418**	**338 149**	**317 005**
Unrealised gains on bonds held to maturity [2)]							4 169	7 525

1) Refers only to DNB Livsforsikring AS Group.

2) Excess value of bonds at amortised cost 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 G18 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 2021 of given changes in empirical mortality or disability data.

DNB Livsforsikring

	Group life insurance - defined-benefit pensions		Individual annuity and pension insurance				
Amounts in NOK million	Private sector	Group association insurance	Annuity and pension insurance	Endow-ment insurance	Other sectors	Total 2021	Total 2020
Risk result							
Risk result in 2021 *)	126	6	48	32	(1)	210	
Risk result in 2020	193	11	25	18	(7)		240
Sensitivites - effect on risk result in 2021							
5 per cent reduction in mortality rate	(34)	(1)	(11)	1	(2)	(48)	(46)
10 per cent increase in disability rate	(211)	(0)	(8)	(2)		(220)	(118)
**) Of which: Mortality risk*	*54*	*11*	*1*	*12*	*0*	*77*	*77*
Longevity risk	*(17)*	*(10)*	*17*	*(0)*	*(1)*	*(11)*	*(38)*
Disability rate	*74*	*5*	*22*	*14*		*115*	*173*
Employer's liability insurance	*(153)*					*(153)*	*(53)*
Other	*168*	*(0)*	*8*	*6*		*181*	*81*

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

Amounts in NOK million	Change in per cent	Effect on gross premium reserve
Mortality	(5)	+1 493
Disability	10	+826

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.

DNB Livsforsikring

	Men			Women		
Amounts in NOK	30 years	45 years	60 years	30 years	45 years	60 years
Spouse's pensions in group schemes	14	100	408	12	61	172
Disability pensions in group schemes	211	425	1 296	301	1 049	2 209

NOTE G18 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.

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.

				DNB Livsforsikring
Per cent	2021	2020	2019	2018
Group pension insurance, private sector	2.9	3.0	3.0	3.1
Individual pension insurance	3.2	3.2	3.3	3.4
Individual endowment insurance	2.1	2.1	2.1	2.2
Group association insurance	3.8	3.8	3.9	4.0
Total	2.9	3.0	3.0	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 2021.

Solvency capital

The solvency capital consists of the market value adjustment reserve, additional allocations, risk equalisation fund, equity, subordinated loan capital and excess value of bonds at amortised cost. All these elements, with the exception of the risk equalisation fund, can be used to meet the guaranteed rate of return on policyholders' funds.

		DNB Livsforsikring
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Market value adjustment reserve	3 204	2 627
Additional allocations	7 351	6 134
Risk equalisation fund	929	808
Equity	24 413	23 609
Subordinated loan capital	7 000	7 000
Excess value of bonds at amortised cost	4 169	7 525
Total available capital	47 067	47 704
Guaranteed return on policyholders' funds [1]	5 740	5 834

1) One-year guaranteed rate of return on insurance contracts at end of period.

NOTE G18 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 2021, DNB Livsforsikring had a solvency margin according to the transitional rules of 191 per cent. Without the transitional rules, the solvency margin was 155 per cent.

Solvency capital

	DNB Livsforsikring	
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Capital group 1		
Share capital	1 641	1 641
Share premium reserve	6 016	6 016
Subordinated loans	1 500	1 500
Reconciliation reserve [1)]	19 030	21 394
Including effect of the transitional rules	6 431	13 116
Total capital group 1	28 187	30 551
Capital group 2		
Subordinated loan capital	5 500	5 500
Risk equalisation fund	929	808
Total capital group 2	6 429	6 308
Capital group 3		
Deferred taxes	0	0
Total capital group 3	0	0
Total solvency capital	**34 617**	**36 859**
Total solvency capital without the transitional rules	**28 186**	**23 743**

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.*

Solvency capital requirement

	DNB Livsforsikring	
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Market and counterparty risk	30 221	27 832
Insurance risk	10 490	10 728
Operational risk	1 091	1 077
Diversification [1)]	(7 115)	(7 238)
Loss absorption, deferred taxes	(4 428)	(4 776)
Loss absorption, technical insurance reserves	(12 121)	(8 608)
Solvency capital requirement	18 138	19 015
Minimum capital requirement	7 723	7 764

1) *Diversification between market and counterparty risk and insurance risk.*

Solvency margin

	DNB Livsforsikring	
Figures in per cent	31 Dec. 2021	31 Dec. 2020
Solvency margin with transitional rules	191	194
Solvency margin without transitional rules	155	125

NOTE G19 Net interest income

								DNB Group
	2021				2020			
Amounts in NOK million	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	1		(929)	(928)			156	156
Interest on loans to customers	1 205		39 225	40 429	1 345	0	45 048	46 392
Interest on commercial paper and bonds	2 185	371	0	2 556	2 952	599	90	3 641
Front-end fees etc.	2		448	451	4		390	393
Other interest income	312		4 067	4 379	853		3 861	4 714
Total interest income	**3 706**	**371**	**42 811**	**46 887**	**5 153**	**599**	**49 544**	**55 296**
Interest on amounts due to credit institutions	(0)		(69)	(69)	1		(1 106)	(1 105)
Interest on deposits from customers	(104)		(2 298)	(2 402)	(350)		(4 898)	(5 249)
Interest on debt securities issued	(602)		(804)	(1 407)	(857)		(3 839)	(4 696)
Interest on subordinated loan capital	0		(334)	(334)	(6)		(414)	(420)
Contributions to the deposit guarantee and resolution funds			(1 091)	(1 091)			(1 064)	(1 064)
Other interest expenses 2)	(2 798)		(97)	(2 895)	(3 948)		(191)	(4 139)
Total interest expenses	**(3 504)**		**(4 693)**	**(8 197)**	**(5 161)**		**(11 511)**	**(16 673)**
Net interest income	**202**	**371**	**38 117**	**38 690**	**(9)**	**599**	**38 033**	**38 623**

1) *Includes hedged items.*

2) *Other interest expenses include interest rate adjustments resulting from interest rate swaps. Derivatives are measured at FVTPL.*

NOTE G20 Net commission and fee income

		DNB Group
Amounts in NOK million	2021	2020
Money transfer and interbank transactions	2 687	2 674
Guarantee commissions	886	944
Asset management services	2 557	2 125
Custodial services	545	420
Securities broking	688	621
Corporate finance	2 201	1 445
Credit broking	618	358
Sale of insurance products	2 677	2 548
Real estate broking	1 258	1 272
Other commissions and fees	876	882
Total commission and fee income	**14 992**	**13 289**
Money transfer and interbank transactions	(1 282)	(1 333)
Guarantee commissions	(33)	(44)
Asset management services	(784)	(646)
Custodial services	(288)	(241)
Securities broking	(133)	(154)
Corporate finance	(374)	(281)
Sale of insurance products	(195)	(224)
Other commissions and fees	(893)	(867)
Total commission and fee expenses	**(3 981)**	**(3 789)**
Net commission and fee income	**11 011**	**9 500**

NOTE G21 Net gains on financial instruments at fair value

		DNB Group
Amounts in NOK million	2021	2020
Foreign exchange and financial derivatives	6 129	2 776
Commercial paper and bonds	(1 291)	813
Shareholdings	978	205
Financial liabilities	37	78
Net gains on financial instruments, mandatorily at FVTPL	5 854	3 873
Loans at fair value [1]	(1 265)	1 130
Commercial paper and bonds [2]	(1 282)	622
Financial liabilities [3]	615	(252)
Net gains on financial instruments, designated as at FVTPL	(1 932)	1 500
Financial derivatives, hedging	(12 125)	(1 118)
Commercial paper and bonds FVOCI, hedged	(1 740)	1 959
Financial liabilities, hedged items	13 582	(298)
Net gains on hedged items [4] [5]	(282)	542
Net realised gains on financial assets at FVOCI [6]	(62)	0
Dividends	43	(12)
Net gains on financial instruments at fair value	**3 621**	**5 902**

1) *The change in fair value due to credit risk amounted to a NOK 13 million gain during the year and a NOK 72 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 122 million gain during the year and a NOK 110 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 securities and liabilities, the hedged risk is measured at fair value. The rest of the instrument is measured at FVOCI in the case of commercial paper and bonds, and at amortised cost in the case of financial liabilities. 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 amortisation 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.*
6) *Recycled from other comprehensive income.*

NOTE G22 Salaries and other personnel expenses

		DNB Group
Amounts in NOK million	2021 [1]	2020
Salaries [*]	(9 555)	(9 022)
Employer's national insurance contributions	(1 743)	(1 590)
Pension expenses	(1 631)	(1 467)
Restructuring expenses	(142)	(81)
Other personnel expenses	(755)	(714)
Total salaries and other personnel expenses	**(13 826)**	**(12 873)**

**) Of which:*	*Ordinary salaries*	*(7 702)*	*(7 301)*
	Performance-based pay	*(1 529)*	*(1 376)*

Number of employees/full-time positions

		DNB Group
	2021 [1]	2020
Number of employees as at 31 December	9 659	9 311
- of which number of employees abroad	1 349	1 312
Number of employees calculated on a full-time basis as at 31 December	9 410	9 050
- of which number of employees calculated on a full-time basis abroad	1 328	1 296
Average number of employees	9 448	9 238
Average number of employees calculated on a full-time basis	9 205	8 950

1) *Uni Micro AS has been included in the figures for 2021 and represents 119 employees and 116 full-time equivalents at year-end.*

NOTE G23 Other expenses

	DNB Group	
Amounts in NOK million	2021	2020
Fees	(640)	(540)
IT expenses [1)]	(3 923)	(3 807)
Postage and telecommunications	(132)	(148)
Office supplies	(40)	(29)
Marketing and public relations	(675)	(693)
Travel expenses	(55)	(73)
Reimbursement to Norway Post for transactions executed	(0)	(117)
Training expenses	(53)	(42)
Operating expenses on properties and premises [2)]	(409)	(415)
Operating expenses on machinery, vehicles and office equipment	(59)	(59)
Other operating expenses	(858)	(1 286)
Total other expenses	**(6 845)**	**(7 208)**

1) Systems development fees totalled NOK 1 315 million in 2021 and NOK 1 497 million in 2020.
2) Costs relating to leased premises were NOK 773 million in 2021 and NOK 784 million in 2020.

NOTE G24 Depreciation and impairment of fixed and intangible assets

	DNB Group	
Amounts in NOK million	2021	2020
Depreciation of machinery, vehicles and office equipment	(2 131)	(1 980)
Depreciation of right of use assets	(524)	(523)
Other depreciation of tangible and intangible assets	(706)	(824)
Impairment of fixed and intangible assets	(3)	7
Total depreciation and impairment of fixed and intangible assets	**(3 363)**	**(3 320)**

See note G37 Intangible assets and note G38 Fixed assets.

NOTE G25 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 233 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 194 million.

NOTE G25 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 2021.

Pension expenses

Amounts in NOK million	DNB Group 2021	DNB Group 2020
Net present value of pension entitlements	(595)	(444)
Interest expenses on pension commitments	(48)	(70)
Calculated return on pension funds	22	34
Curtailment		
Administrative expenses	(1)	(1)
Total defined benefit pension schemes	(622)	(481)
Contractual pensions, new scheme	(118)	(114)
Risk coverage premium	(55)	(50)
Defined contribution pension schemes	(836)	(821)
Net pension expenses	(1 631)	(1 466)

Pension commitments

Amounts in NOK million	DNB Group 2021	DNB Group 2020
Opening balance	6 578	6 005
Additions through acquisitions	20	
Accumulated pension entitlements	595	444
Interest expenses	48	70
Actuarial losses/(gains), net	238	269
Changes in the pension schemes	(83)	(66)
Curtailments		2
Pension payments	(257)	(265)
Exchange rate differences	84	118
Closing balance	7 222	6 578

Pension funds

Amounts in NOK million	DNB Group 2021	DNB Group 2020
Opening balance	2 102	2 103
Additions through acquisitions	23	
Expected return	22	34
Actuarial gains/(losses), net	96	4
Curtailments		(2)
Premium paid	20	91
Pension payments	(100)	(96)
Administrative expenses	(1)	(1)
Exchange rate differences	(13)	(30)
Closing balance	2 149	2 102
Net defined benefit obligation	5 073	4 476

Sensitivity analysis for pension calculations

The following estimates are based on facts and conditions prevailing per 31 December 2021, 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 adjustment of pensions		Life expectancy	
Change in percentage points	+1%	-1%	+1%	-1%	+1%	0%	+1 year	-1 year
Percentage change in pensions								
Pension commitments	10-17	10-21	20-25	20-22	12-14	0	3	3
Net pension expenses for the period	16-17	20-21	22-25	20-22	12-14	0	3	3

NOTE G26 Taxes

Tax expense on pre-tax operating profit		**DNB Group**
Amounts in NOK million	2021	2020
Current taxes	(2 215)	(7 322)
Changes in deferred taxes	(5 247)	3 093
Tax expense	**(7 462)**	**(4 229)**

Reconciliation of tax expense against nominal tax rate		
Amounts in NOK million		
Pre-tax operating profit	32 667	23 847
Estimated tax expense at nominal tax rate 22 per cent	(7 187)	(5 246)
Tax effect of financial tax in Norway	(716)	(460)
Tax effect of different tax rates in other countries	13	30
Tax effect of debt interest distribution with international branches	60	288
Tax effect of tax-exempt income from shareholdings [1)]	267	380
Tax effect of other tax-exempt income and non-deductible expenses	396	951
Tax effect of changed tax rate for deferred taxes recognised in the balance sheet	18	(10)
Excess tax provision previous year	(313)	(162)
Tax expense	**(7 462)**	**(4 229)**
Effective tax rate	23%	18%

Income tax on other comprehensive income		
Amounts in NOK million		
Items that will not be reclassified to the income statement	56	38
Hedges of net investments	(170)	812
Total income tax on other comprehensive income	**(114)**	**850**

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 are to be allocated proportionally among DNB Bank ASA's operations in Norway and certain international branch offices based on the respective entities' total assets. This could result in additions to or deductions from the companies' income in Norway.

In July 2021, DNB Bank ASA received a decision from the Norwegian tax authorities relating to the deduction of external interest expenses. The decision covers the fiscal years 2015-2019 and represents a tax exposure of NOK 1.7 billion for the period in question. The effect for the years 2020 and 2021 is not significant. DNB disagrees with the tax authorities' interpretation of the legislation, and legal proceedings have been initiated. DNB is still of the opinion that it has a strong case, and no provisions have been recognised in the accounts at the end of 2021.

Notice of change in tax assessment for DNB Livsforsikring for 2018

New tax rules for life insurance and pensions companies were introduced for the fiscal year 2018, with associated transitional rules. When the financial statements and tax return for DNB Livsforsikring were prepared in 2018, it was unclear how the transitional rules should be interpreted, and DNB Livsforsikring did not agree with the Norwegian Tax Administration's interpretation of the original wording of the law. Based on an overall assessment, the net tax effect associated with the transitional 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 the tax effect recognised in the accounts.

In January 2022, DNB Livsforsikring received a final decision concerning a change in the tax assessment for 2018. DNB Livsforsikring will appeal the decision to Skatteklagenemnda (the Norwegian tax appeal board) within the deadline. On the basis of a new review of the matter, a tax expense of NOK 299 million was recognised in the accounts in 2021 related to the transition effect in 2018. The final outcome of the matter is uncertain and may result in either lower or higher tax deductions than those used as basis in the Group accounts. If the company does not win its case on any of the points, this will give a further increased tax expense of NOK 460 million related to the transition effect in 2018.

NOTE G26 Taxes (continued)

Expectations regarding the effective tax rate

The nominal tax rate in Norway was 22 per cent in 2021. 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)

Amounts in NOK million	DNB Group 2021	DNB Group 2020
The year's changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	4 328	1 176
Changes recorded against profits	(1 747)	3 093
Changes recorded against comprehensive income	45	65
Currency translation differences on deferred taxes	(5)	(6)
Additions through acquisitions	(43)	
Changes due to group contribution	(3 500)	
Deferred tax assets/(deferred taxes) as at 31 December	(922)	4 328

Deferred tax assets and deferred taxes in the balance sheet relates to the following temporary differences

	Deferred tax assets		Deferred taxes	
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
Fixed assets and intangible assets	(106)	(1 607)	2 487	19
Commercial paper and bonds	223	(837)	(228)	(1)
Debt securities issued		6 606	(2 731)	
Financial derivatives	15	(775)	4 712	(8)
Net pension liabilities	51	1 095	(1 200)	(13)
Net other tax-deductable temporary differences	69	(1 033)	1 139	51
Tax losses and tax credits carried forward	397	927	(2 608)	
Total deferred tax assets/deferred taxes	**649**	**4 377**	**1 571**	**48**

A significant share of the financial instruments is 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 2021 and 2020, 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 — DNB Group

	31 December 2021			31 December 2020		
Amounts in NOK million Tax losses carried forward	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
Norway	6 448	6 284	1 571	420	259	65
Singapore	148	148	25	282	282	48
Denmark	1 691	1 691	372	1 860	1 860	409
Total of tax losses and tax assets	8 287	8 123	1 968	2 562	2 401	522
Tax credits carried forward [1)]			1 037			405
Total of deferred tax assets from tax losses and tax credits carried forward			**3 005**			**927**
Of which presented under net deferred tax assets			*397*			*927*
Of which presented under net deferred tax			*2 608*			

1) *All tax credits carried forward relates to taxpayers in Norway.*

NOTE G27 Classification of financial instruments

As at 31 December 2021 **DNB Group**

Amounts in NOK million	Mandatorily at FVTPL Trading	Mandatorily at FVTPL Other [1]	Designated as at FVTPL [2]	FVOCI	Amortised cost [3]	Carrying amount
Cash and deposits with central banks					296 727	296 727
Due from credit institutions					44 959	44 959
Loans to customers		5	46 197		1 698 721	1 744 922
Commercial paper and bonds	52 851		174 187	103 997	94 233	425 267
Shareholdings	4 568	30 728				35 297
Financial assets, customers bearing the risk		138 747				138 747
Financial derivatives	117 388	18 012				135 400
Other assets					8 755	8 755
Total financial assets	174 807	187 492	220 384	103 997	2 143 395	2 830 074
Due to credit institutions					149 611	149 611
Deposits from customers			9 810		1 237 908	1 247 719
Financial derivatives	110 901	3 447				114 348
Debt securities issued			12 405		690 354	702 759
Other liabilities	4 834				9 869	14 704
Senior non-preferred bonds			1 077		36 691	37 769
Subordinated loan capital			454		32 593	33 047
Total financial liabilities [4]	115 735	3 447	23 746		2 157 027	2 299 956

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 23 788 million.*

As at 31 December 2020 **DNB Group**

Amounts in NOK million	Mandatorily at FVTPL Trading	Mandatorily at FVTPL Other [1]	Designated as at FVTPL [2]	FVOCI	Amortised cost [3]	Carrying amount
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		757 340	777 829
Other liabilities	2 982				10 181	13 163
Senior non-preferred bonds					8 523	8 523
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) *Includes hedged liabilities.*
4) *Contractual obligations of financial liabilities designated as at fair value totalled NOK 34 305 million.*

NOTE G28 Fair value of financial instruments at amortised cost

				DNB Group
	31 December 2021		31 December 2020	
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Cash and deposits with central banks	296 727	296 727	283 526	283 526
Due from credit institutions	44 959	44 959	78 466	78 466
Loans to customers	1 698 721	1 702 014	1 638 438	1 642 646
Commercial paper and bonds	94 233	98 387	85 901	94 224
Total financial assets	2 134 640	2 142 087	2 086 332	2 098 863
Due to credit institutions	149 611	149 611	207 457	207 468
Deposits from customers	1 237 908	1 237 925	1 091 335	1 091 276
Debt securities issued	690 354	692 724	757 340	760 903
Non-preferred senior bonds	36 691	36 949	8 523	8 523
Subordinated loan capital	32 593	32 577	32 140	32 253
Total financial liabilities	2 147 158	2 149 785	2 096 795	2 100 422

				DNB Group
Amounts in NOK million	Level 1	Level 2	Level 3	Total
Assets as at 31 December 2021				
Cash and deposits with central banks		296 727		296 727
Due from credit institutions		44 959		44 959
Loans to customers		780 494	921 519	1 702 014
Commercial paper and bonds		89 653	8 734	98 387
Liabilities as at 31 December 2021				
Due to credit institutions		149 611		149 611
Deposits from customers		1 237 925		1 237 925
Debt securities issued		692 724		692 724
Non-preferred senior bonds		36 949		36 949
Subordinated loan capital		23 526	9 051	32 577
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		725 050	35 852	760 903
Non-preferred senior bonds		8 523		8 523
Subordinated loan capital		25 048	7 205	32 253

See note G29 Financial instruments at fair value for a general definition of the levels in the fair value hierarchy.

Due from credit institutions (level 2)

The fair 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)

Loans to customers 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 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 2021, as if the loans had been originated at that time. Differentiated margin requirements have been calculated for each portfolio of loans.

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.

NOTE G28 Fair value of financial instruments at amortised cost (continued)

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)

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, non-preferred senior bonds 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, while the valuation in level 3 is based on internal models. These instruments consist mainly of funding in foreign currency and floating rate securities in Norwegian kroner.

NOTE G29 Financial instruments at fair value

				DNB Group
Amounts in NOK million	Level 1	Level 2	Level 3	Total
Assets as at 31 December 2021				
Loans to customers			46 202	46 202
Commercial paper and bonds	65 055	265 629	351	331 034
Shareholdings	6 693	15 801	12 802	35 297
Financial assets, customers bearing the risk		138 747		138 747
Financial derivatives	2 663	130 879	1 858	135 400
Liabilities as at 31 December 2021				
Deposits from customers		9 810		9 810
Debt securities issued		12 405		12 405
Senior non-preferred bonds		1 077		1 077
Subordinated loan capital		454		454
Financial derivatives	2 411	110 332	1 605	114 348
Other financial liabilities [1)]	4 834			4 834
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

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/extra-polate implicit volatility based on observable prices.

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 2021 nor 2020.

NOTE G29 Financial instruments at fair value (continued)

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. 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 46 197 million at year-end 2021.

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. Investments classified as level 3 primarily consist of corporate high-yield bonds with limited liquidity.

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. 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

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 and senior non-preferred bonds (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 and senior non-preferred bonds 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 G29 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Group

	Financial assets				Financial liabilities
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 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		29	27
Carrying amount as at 31 December 2020	**55 372**	**283**	**10 787**	**1 877**	**1 513**
Net gains recognised in the income statement	(1 280)	(28)	1 758	(474)	(372)
Additions/purchases	7 960	626	3 403	1 211	1 199
Sales		(568)	(2 052)		
Settled	(15 666)	(11)		(756)	(734)
Transferred from level 1 or level 2		917			
Transferred to level 1 or level 2		(859)	(2)		
Other [1]	(184)	(9)	(1 092)		
Carrying amount as at 31 December 2021	**46 202**	**351**	**12 802**	**1 858**	**1 605**

1) DNB Livsforsikring reclassified NOK 1 092 million from shareholdings at fair value to investments in associated companies in 2021.

Breakdown of fair value, level 3

DNB Group

	31 December 2021			31 December 2020		
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings	Loans to customers	Commercial paper and bonds	Share-holdings
Principal amount/purchase price	46 153	353	10 377	53 853	278	9 704
Fair value adjustment	(11)	(9)	2 425	1 445	1	1 083
Accrued interest	60	7		75	4	
Carrying amount	46 202	351	12 802	55 372	283	10 787

Breakdown of shareholdings, level 3

DNB Group

Amounts in NOK million	Property funds	Hedge-funds	Unquoted equities	Private Equity (PE) funds	Other	Total
Carrying amount as at 31 December 2021	29	1 111	1 626	3 814	6 222	12 802
Carrying amount as at 31 December 2020	35	2 353	1 221	2 965	4 213	10 787

Sensitivity analysis, level 3

DNB Group

	31 December 2021		31 December 2020	
Amounts in NOK million	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Loans to customers	46 202	(145)	55 372	(165)
Commercial paper and bonds	351	0	283	0
Shareholdings	12 802		10 787	

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 11 517 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 G30 Offsetting

The table below presents the potential effects of the group's netting arrangements on financial assets and financial liabilities.

DNB Group

Amounts in NOK million	Gross amount	Amounts offset in the statement of financial position	Carrying amount	Netting agreements	Other collateral 1)	Amounts after possible netting
Assets as at 31 December 2021						
Cash and deposits with central banks 2)	22 600		22 600		22 600	
Due from credit institutions 2)	28 023		28 023		28 023	
Loans to customers 2)	84 042		84 042		84 042	
Financial derivatives 3)	135 400		135 400	22 617	56 984	55 798
Liabilities as at 31 December 2021						
Due to credit institutions	50 727		50 727		50 727	
Deposits from customers 2)	6 766		6 766		6 766	
Financial derivatives 3)	114 348		114 348	22 617	57 037	34 694
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

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 G31 Shareholdings

DNB Group

Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Investments in shares, mutual funds and equity certificates, excluding DNB Livsforsikring	8 954	7 242
Investments in shares, mutual funds and equity certificates, DNB Livsforsikring	26 342	22 118
Total shareholdings	**35 297**	**29 360**

NOTE G32 Transferred assets or assets with other restrictions

Transferred assets still recognised in the balance sheet		**DNB Group**
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Repurchase agreements		
Commercial paper and bonds	15 808	10 846
Derivatives		
Commercial paper and bonds	22 315	65 659
Securities lending		
Shares	996	448
Total repurchase agreements, derivatives and securities lending	39 119	76 953

Liabilities associated with the assets		**DNB Group**
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Repurchase agreements	15 834	10 743
Derivatives	22 315	65 659
Securities lending	1 046	470
Total liabilities	39 194	76 872

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 G16 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 2021 and 2020, assets related to holdings outside the Group represented NOK 17 767 million and NOK 11 229 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 2021 assets held by the company amounted to NOK 375 175 million, compared to NOK 354 643 million at year-end 2020. These assets include Financial assets, customers bearing the risk.

Cover pool		**DNB Boligkreditt AS**
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Pool of eligible loans	687 034	673 513
Market value of eligible derivatives	279	27 862
Total collateralised assets	687 313	701 375
Debt securities issued, carrying value	440 950	521 195
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(30)	(59)
Debt securities issued, valued according to regulation [1]	440 920	521 137
Collateralisation (per cent)	155.9	134.6

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 G33 Securities received which can be sold or repledged

Securities received		**DNB Group**
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Reverse repurchase agreements		
Commercial paper and bonds	141 026	125 208
Securities borrowing		
Shares	18 495	21 081
Total securities received	159 521	146 289
Of which securities received and subsequently sold or repledged:		
Commercial paper and bonds	*35 424*	*57 287*
Shares	*12 085*	*14 007*

NOTE G34 Financial assets and insurance liabilities, customers bearing the risk

		DNB Group
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Mutual funds	76 381	63 858
Bond funds	37 664	34 923
Money market funds	13 361	11 388
Combination funds	5 752	5 111
Bank deposits	1 349	1 450
Investement properties	4 240	0
Total financial assets, customers bearing the risk	**138 747**	**116 729**
Total insurance liabilities, customers bearing the risk	**138 747**	**116 729**

NOTE G35 Investment properties

		DNB Group
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
DNB Livsforsikring	23 749	23 624
Properties for own use	(6 592)	(6 209)
Other investment properties [1)]	666	672
Total investment properties	**17 823**	**18 087**

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 88 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 2021, 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 2021, total contractual rent for the wholly-owned portfolio in Norway increased by NOK 15 million to NOK 952 million, while the estimated market rent for the same portfolio went up by NOK 6 million to NOK 1 002 million.

At year-end 2021, economic vacancy in the portfolio was 4.9 per cent, compared with 8.1 per cent a year earlier.

NOTE G35 Investment properties (continued)

The valuations resulted in a NOK 1 200 million positive revaluation of the property portfolio in 2021.

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 5.8 per cent or NOK 1 315 million. Correspondingly, a 5 per cent change in future contractual rents will change the value of the property portfolio by approximately 4.0 per cent or NOK 909 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 — **DNB Livsforsikring**

Type of property	Location	Fair value *NOK million*	Gross rental area *m²*	Average rental period *No. of years*
Office buildings	Eastern Norway	12 196	153 637	5.2
Office buildings	Rest of Norway	3 781	97 903	4.5
Shopping centres	Norwegian cities	4 704	118 696	5.7
Hotels	Norwegian cities	2 011	63 676	7.6
Plots of land	Norwegian cities	1 598		
Abroad	Stockholm/Gothenburg	3 698	35 840	6.7
Total investment properties as at 31 December 2021		27 988	469 752	5.6
Total investment properties as at 31 December 2020		23 624	490 717	5.4
Change in 2021		4 364	(20 965)	0.2
Total investment properties as at 31 December 2021		27 988	469 752	5.6

Amounts included in the income statement — **DNB Group**

Amounts in NOK million	2021	2020
Rental income from investment properties	750	1 053
Direct expenses related to investment properties	(125)	(183)
Total [1]	625	870

Changes in the value of investment properties — **DNB Group**

Amounts in NOK million	Investment properties
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	80
Disposals	(43)
Exchange rate movements	417
Carrying amount as at 31 December 2020	**18 087**
Additions, purchases of new properties	(15)
Additions, capitalised investments	179
Additions, acquired companies	3 442
Net gains [2]	993
Disposals	(360)
Other [3]	(4 248)
Exchange rate movements	(255)
Carrying amount as at 31 December 2021	**17 823**

1) *Recognised in the income statement as «Net financial result, life insurance».*
2) *Of which NOK 91 million represented a net gain on investment properties which are not owned by DNB Livsforsikring.*
3) *From the third quarter of 2021, investment properties worth NOK 4 240 million have been moved to the investment option portfolio in DNB Livsforsikring, and are thus presented under Financial assets, customers bearing the risk. See note G34.*

NOTE G36 Investments accounted for by the equity method

Income statement

DNB Group

	Luminor		Fremtind		Vipps		Eksportfinans		Other [1]		Total	
Amounts in NOK million	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Income [2]	3 565	4 147	13 514	12 733	333	446	118	170				
Profits after tax [2]	757	359	2 386	1 187	(304)	(33)	(156)	44				
Share of profits after tax	151	72	835	415	(137)	(15)	(62)	18				
Depreciation and impairment of value adjustments after tax [3]			(243)	(243)	(3)	(96)						
Other adjustments [3]	(28)	19	(16)	2	13	13						
The Group's share of profits after tax	123	91	577	175	(127)	(98)	(62)	18	14	217	524	402

Balance sheets

DNB Group

	Luminor		Fremtind		Vipps		Eksportfinans		Other [1]		Total	
Amounts in NOK million	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20
Financial instruments [2]	132 375	154 405	23 057	21 279	44		9 988	13 068				
Goodwill and intangible assets [2]	100	70	2 823	3 080	2 439	2 445	6	7				
Other assets [2]	1 046	1 631	4 891	4 740	469	574	703	706				
Debt [2]	118 044	138 682	19 748	19 877	493	546	4 607	7 434				
Equity [2) 4)]	15 477	17 424	10 773	9 222	2 459	2 473	6 089	6 347				
The Group's share of equity	3 088	3 476	3 771	3 228	1 106	1 110	2 436	2 539				
Goodwill [3]			1 467	1 419								
Value adjustments after tax [3]			1 676	1 919	2	5						
Eliminations [3]	(1)	26	14	17	(266)	(281)	3					
Carrying amount	3 087	3 502	6 929	6 583	842	834	2 439	2 539	6 253	4 931	19 549	18 389

DNB Group

			Ownership share (%)		Carrying amount	
Amounts in NOK million	Head office	Industry	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
Luminor Holding AS	Tallinn	Financial services	20	20	3 087	3 502
Fremtind AS	Oslo	Insurance	35	35	6 929	6 583
Vipps AS	Oslo	Payment services	45	45	842	834
Eksportfinans AS	Oslo	Financial services	40	40	2 439	2 539
Other associated companies					6 253	4 931
Total					**19 549**	**18 389**

1) *Other investments include investments in real estate companies in DNB Livsforsikring of NOK 5 785 million (NOK 4 356 million in 2020), 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.*
4) *Including dividends 2021.*

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.

NOTE G37 Intangible assets

				DNB Group
Amounts in NOK million	Goodwill	Capitalised systems development	Other intangible assets	Total
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
Derecognition and 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)
Derecognition and 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**
Cost as at 1 January 2021	8 514	5 967	852	15 333
Additions		377	21	398
Additions from the aquisition/establishment of other companies	139	109	105	353
Derecognition and disposals	(792)	(1 317)	(54)	(2 162)
Reclassification		(23)	23	
Exchange rate movements	(40)	(1)	(36)	(77)
Cost as at 31 December 2021	7 820	5 114	911	13 845
Total depreciation and impairment as at 1 January 2021	(4 212)	(4 879)	(744)	(9 836)
Depreciation		(346)	(35)	(381)
Impairment	(7)			(7)
Derecognition and disposals	792	1 317	46	2 155
Additions from the aquisition/establishment of other companies		(3)	(2)	(4)
Reclassification		4	(4)	(0)
Exchange rate movements	2	(0)	30	32
Total depreciation and impairment as at 31 December 2021	(3 425)	(3 907)	(708)	(8 041)
Carrying amount as at 31 December 2021	**4 395**	**1 206**	**203**	**5 804**

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 G1 Accounting principles.

NOTE G37 Intangible assets (continued)

Goodwill per unit

				DNB Group
	31 December 2021		31 December 2020	
	Required rate of return	Recorded	Required rate of return	Recorded
	Per cent	*NOK million*	*Per cent*	*NOK million*
DNB Asset Management	12.0	1 679	11.7	1 679
Personal customers	12.0	982	11.9	982
Small and medium-sized enterprises	12.0	483	11.9	483
DNB Finans – car financing	12.0	766	11.9	798
Other	12.0	485	11.9	360
Total goodwill		**4 395**		**4 301**

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 G38 Fixed assets

DNB Group

Amounts in NOK million	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
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					
Accumulated cost as at 31 Dec. 2020	159	6 619	4 424	13 136	60	4 120	28 519
Adustments	(0)					(13)	(13)
Additions	1	15	332	4 119	3	129	4 600
Revaluation		443			(0)	757	1 200
Disposals			(531)	(2 317)	(2)	(968)	(3 819)
Exchange rate movements	1		(5)	(367)	(6)	20	(357)
Cost as at 31 Dec. 2021	161	7 077	4 220	14 572	55	4 044	30 130
Total depreciation and impairment as at 31 Dec. 2020	(77)	(410)	(3 116)	(3 321)	(39)	(1 082)	(8 045)
Adjustments						(753)	(753)
Disposals			422	1 064	2	974	2 462
Depreciation [1)]	(12)	(76)	(389)	(1 959)	(5)	(536)	(2 977)
Impairment						(0)	(0)
Exchange rate movements	(1)		9	604	2	(1)	613
Total depreciation and impairment as at 31 Dec. 2021	(90)	(486)	(3 075)	(3 613)	(40)	(1 397)	(8 700)
Carrying amount as at 31 Dec. 2021	**72**	**6 592**	**1 145**	**10 959**	**15**	**2 647**	**21 430**
Value of property classified at fair value according to the historic cost principle		4 590					

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 G39 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)

		DNB Group
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Gross investment in the lease		
Due within 1 year	1 407	1 358
Due in 1-5 years	49 517	47 600
Due in more than 5 years	16 068	12 917
Total gross investment in the lease	66 992	61 875
Present value of minimum lease payments		
Due within 1 year	1 357	1 309
Due in 1-5 years	39 853	37 739
Due in more than 5 years	10 165	8 564
Total present value of lease payments	51 375	47 612
Unearned financial income	15 617	14 263
Unguaranteed residual values accruing to the lessor	176	97
Accumulated loan-loss provisions	5 121	2 826
Variable lease payments recognised as income during the period	138	76

Operational leases (as lessor)

		DNB Group
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Future minimum lease payments under non-cancellable leases		
Due within 1 year	150	126
Due in 1-5 years	6 981	6 397
Due in more than 5 years	814	451
Total future minimum lease payments under non-cancellable leases	7 945	6 975

Leases (as lessee)

		DNB Group
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Minimum future lease payments under non-cancellable leases		
Due within 1 year	80	117
Due in 1-5 years	586	558
Due in more than 5 years	2 431	2 663
Total minimum future lease payments under non-cancellable leases	3 097	3 338
Total minimum future sublease payments expected to be received under non-cancellable subleases	121	102

	DNB Group
Amounts in NOK million	Total lease liability
Lease liabilities as at 1 January 2020	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
Interest expense	65
Additions	107
Revaluation of existing lease liability	806
Cancellations	(812)
Payments	(593)
Other	23
Lease liabilities as at 31 December 2021	2 796

NOTE G40 Other assets

		DNB Group
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Prepayments/accrued income	942	782
Amounts outstanding on documentary credits and other payment services	1 858	1 113
Unsettled contract notes	2 518	2 897
Past due, unpaid insurance premiums	590	425
Investment funds owned by non-controlling interests	17 767	11 229
Other amounts outstanding	6 747	5 406
Total other assets	**30 423**	**21 852**

NOTE G41 Deposits from customers by industry segment

		DNB Group
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Bank, insurance and portfolio management	37 463	39 041
Commercial real estate	52 497	51 641
Shipping	70 131	29 440
Oil, gas and offshore	70 055	67 933
Power and renewables	43 049	19 388
Healthcare	12 116	13 545
Public sector	57 130	56 285
Fishing, fish farming and farming	17 716	14 694
Retail industries	41 322	44 768
Manufacturing	72 943	65 368
Technology, media and telecom	29 086	26 021
Services	127 764	116 035
Residential property	19 682	20 251
Personal customers	440 857	412 499
Other corporate customers	155 910	128 665
Deposits from customers	**1 247 719**	**1 105 574**

NOTE G42 Debt securities issued

Changes in debt securities issued

DNB Group

Amounts in NOK million	Balance sheet 31 Dec. 2021	Issued 2021	Matured/ redeemed 2021	Exchange rate movements 2021	Other adjustments 2021	Balance sheet 31 Dec. 2020
Commercial papers issued, nominal amount	166 847	3 163 394	(3 100 104)	(34 373)		137 931
Bond debt, nominal amount [1]	147 367	19 186	(43 540)	(3 395)		175 115
Covered bonds, nominal amount [1]	373 736	23 299	(69 365)	(14 252)		434 054
Adjustments	14 809				(15 920)	30 729
Debt securities issued	**702 759**	**3 205 879**	**(3 213 010)**	**(52 020)**	**(15 920)**	**777 829**

Maturity of debt securities issued as at 31 December 2021 [1) 2)]

DNB Group

Amounts in NOK million	NOK	Foreign currency	Total
2022		166 847	166 847
Commercial papers issued, nominal amount		166 847	166 847
2022	3 620	51 798	55 417
2023	5 335	50 627	55 962
2024	125	30 108	30 233
2025	1	449	451
2026	5	1 945	1 950
2027		1 640	1 640
2028 and later		1 713	1 713
Bond debt, nominal amount	9 087	138 280	147 367
2022	23 199	69 617	92 816
2023	247	67 636	67 883
2024	7 558	35 010	42 568
2025	11 246	31 584	42 830
2026	1 473	36 428	37 901
2027		18 758	18 758
2028 and later	1 064	69 916	70 980
Covered bonds, nominal amount	44 787	328 949	373 736
Adjustments	202	14 607	14 809
Debt securities issued	54 075	648 684	702 759

1) *Excluding own bonds. Nominal amount of outstanding covered bonds in DNB Boligkreditt totalled NOK 427.8 billion as at 31 December 2021. The cover pool market value represented NOK 687.0 billion.*
2) *In the table above, the maturity profile is based on the call date, i.e. DNB's first option to redeem the bond.*

NOTE G43 Senior non-preferred bonds

Changes in senior non-preferred bonds

DNB Group

Amounts in NOK million	Balance sheet 31 Dec. 2021	Issued 2021	Matured/ redeemed 2021	Exchange rate movements 2021	Other adjustments 2021	Balance sheet 31 Dec. 2020
Senior non-preferred bonds, nominal amount	38 499	29 421		559		8 519
Adjustments	(730)				(734)	4
Senior non-preferred bonds	**37 769**	**29 421**	**0**	**559**	**(734)**	**8 523**

Maturity of Senior non-preferred bonds [1)]

DNB Group

Amounts in NOK million	NOK	Foreign currency	Total
2022			
2023			
2024			
2025		8 823	8 823
2026		10 969	10 969
2027		6 618	6 618
2028 and later	2 100	9 989	12 089
Senior non-preferred bonds, nominal amount	2 100	36 399	38 499
Adjustments	(23)	(708)	(730)
Senior non-preferred bonds	2 077	35 691	37 769

1) *In the table above, the maturity profile is based on the call date, i.e. DNB's first option to redeem the bond.*

NOTE G44 Subordinated loan capital and perpetual subordinated loan capital securities

Changes in subordinated loan capital and perpetual subordinated loan capital securities — **DNB Group**

Amounts in NOK million	Balance sheet 31 Dec. 2021	Issued 2021	Matured/ redeemed 2021	Exchange rate movements 2021	Other adjustments 2021	Balance sheet 31 Dec. 2020
Term subordinated loan capital, nominal amount	27 073	4 845	(2 947)	(1 145)		26 320
Perpetual subordinated loan capital, nominal amount	5 752			112		5 640
Adjustments	223				(136)	359
Subordinated loan capital and perpetual subordinated loan capital securities	**33 047**	**4 845**	**(2 947)**	**(1 034)**	**(136)**	**32 319**

Maturity of subordinated loan capital as at 31 Desember 2021 — **DNB Group**

Year raised	Carrying amount in foreign currency		Interest rate	Maturity	Call date	Carrying amount in NOK
Term subordinated loan capital						
2017	JPY	11 500	1.04% p.a.	2027	2022	881
2017	NOK	19	3.08% p.a.	2027	2022	19
2017	SEK	385	3-month STIBOR + 1.70%	2027	2022	374
2017	SEK	565	1.98% p.a.	2027	2022	549
2017	EUR	650	1.25% p.a.	2027	2022	6 493
2017	NOK	167	3-month NIBOR + 1.75%	2027	2022	167
2018	JPY	25 000	0.75% p.a.	2028	2023	1 916
2018	SEK	300	1.61% p.a.	2028	2023	292
2018	SEK	700	3-month STIBOR + 1.06%	2028	2023	682
2018	EUR	600	1.125% p.a.	2028	2023	5 993
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	1 461
2021	SEK	1 600	3-month STIBOR + 0.95%	2032	2027	1 558
2021	NOK	450	2.72% p.a.	2032	2027	450
2021	NOK	2 350	3-month NIBOR + 1.00%	2032	2027	2 350
2021	SEK	500	1.598% p.a.	2032	2027	487
Term subordinated loan capital, nominal amount						27 073
Perpetual subordinated loan capital						
1985	USD	215	3-month LIBOR + 0.25%			1 897
1986	USD	200	6-month LIBOR + 0.13%			1 765
1986	USD	150	6-month LIBOR + 0.15%			1 324
1999	JPY	10 000	4.51% p.a.		2029	766
Perpetual subordinated loan capital, nominal amount						5 752

NOTE G45 Other liabilities

Amounts in NOK million	DNB Group 31 Dec. 2021	31 Dec. 2020
Short-term funding	627	700
Short positions trading	4 834	2 982
Accrued expenses and prepaid revenues	4 174	3 676
Documentary credits, cheques and other payment services	558	454
Unsettled contract notes	1 501	1 930
Accounts payable	1 828	2 756
General employee bonus	276	254
Non-controlling interests	17 767	11 229
Lease liabilities	2 796	3 200
Other liabilities	5 354	4 340
Total other liabilities [1]	**39 718**	**31 522**

1) *Other liabilities are generally of a short-term nature.*

NOTE G46 Equity

Share capital
The share capital of DNB Bank ASA at 31 December 2021 was NOK 19 379 562 763 divided into 1 550 365 021 shares, each with a nominal value of NOK 12.50. 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. Note G2 covers the merger of DNB Bank ASA and DNB ASA.

DNB Bank 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 has proposed a dividend of NOK 9.75 per share for 2021, for distribution as of 5 May 2022.

Own shares
At the Annual General Meeting on 27 April 2021, the Board was given an authorisation for a new share buy-back program of 3.5 per cent. There have been no buy-backs under this authorisation.

Treasury Shares
Treasury shares held by DNB Markets for trading purposes are presented below.

			DNB Group
Amounts in NOK million	Share capital	Other equity	Total equity
Balance sheet as at 31 December 2019			
Net purchase of treasury shares	(1)	(8)	(9)
Reversals of fair value adjustments through the income statement		(8)	(8)
Balance sheet as at 31 December 2020	**(1)**	**(16)**	**(17)**
Net sale of treasury shares	1	19	20
Reversal of fair value adjustments ttrough the income statement		(3)	(3)
Balance sheet as at 31 December 2021	**(0)**	**(0)**	**(0)**

Additional Tier 1 capital
The Additional Tier 1 capital is issued by DNB Bank ASA. An additional Tier 1 capital instrument of NOK 1 400 million, issued in 2016, was redeemed in 2021.

				DNB Group
Year raised		Carrying amount in currency	Interest rate	Carrying amount in NOK
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				16 595

NOTE G47 Remunerations etc.

The table below shows remuneration to the Group Management team and the Board of Directors for 2021. The table has been designed to show rights earned during the period. In 2021, remuneration to the Group Management team has been carried out in line with The Board of Directors' guidelines for the remuneration of senior executives, adopted at the Annual General Meeting in 2021, and published on dnb.no.

In accordance with Section 6-16 b. (2) of the Norwegian Public Limited Liability Companies Act and the Norwegian regulations on guidelines and report on remuneration for directors, DNB will publish a separate report on remuneration to directors for presentation at the Annual General Meeting on 26 April 2022. In addition to detailed information on paid and pending remuneration to directors for the 2021 accounting year, the report on remuneration for directors will contain an overview of performance targets that form the basis for variable remuneration. Shareholdings and allocated shares will also be included.

Remunerations etc. in 2021 *Amounts in NOK 1 000*	Fixed annual salary as at 31 Dec. 2021	Remune-ration paid in 2021	Paid salaries in 2021 1)	Variable remune-ration earned in 2021 2)	Fixed salary shares in 2021 3)	Benefits in kind and other benefits in 2021	Accrued pension expenses in 2021 4)	Total remune-ration in 2021	**DNB Group** Loan as at 31 Dec. 2021 5)
Board of Directors of DNB Bank ASA 6)									
Olaug Svarva (Chair) 7)		1 121						1 121	
Svein Richard Brandtzæg (Vice chair) 8)		577						577	11
Gro Bakstad 8)		609						609	
Lillian Hattrem 7) 8)		585						585	3 784
Julie Galbo (from 01.07.21) 8)		627						627	
Jens Petter Olsen 8)		638						638	197
Stian Tegler Samuelsen		408						408	1 789
Jaan Ivar Semlitsch 7)		459						459	
Eli Solhaug (from 01.07.21)		408						408	1 595
Kim Wahl (from 01.07.21) 7)		427						427	60
Group Management									
Kjerstin R. Braathen, CEO	8 050		8 301	3 180	2 415	247	822	14 966	475
Ottar Ertzeid, CFO (until 31.10.21)			5 857	2 353	1 664	57	724	10 655	
Ida Lerner, CFO (from 01.11.21) 9)	5 000		4 760	370		1 968	22	7 120	32
Kari Bech-Moen, group EVP (until 18.04.21)			878	532		38	43	1 491	
Rasmus Aage Figenschou, group EVP (until 15.08.21)			2 239	734		28	86	3 087	
Benjamin Kristoffer Golding, group EVP (from 16.08.21)	3 125		1 173	510		27	54	1 764	6 000
Mirella E. Grant, group EVP	4 050		4 092	24		53	129	4 298	7 557
Håkon Hansen, group EVP	3 815		3 938	1 358		55	277	5 628	14 831
Maria Ervik Løvold, group EVP	3 570		3 683	1 523		85	222	5 512	9 095
Sverre Krog, group EVP (from 13.09.21)	4 050		1 208	24		10	66	1 308	12 184
Thomas Midteide, group EVP	3 420		3 535	1 397		24	290	5 247	1 868
Anne Sigrun Moen, group EVP (from 13.09.21)	3 125		938	390		0	40	1 367	
Alexander Opstad, group EVP	6 325		6 635	2 641	1 898	73	184	11 430	45 295
Harald Serck-Hanssen, group EVP	5 175		5 343	2 036		33	1 438	8 851	3
Ingjerd Blekeli Spiten, group EVP	3 900		4 059	1 364		77	129	5 629	7 680
Øystein Torbal, group EVP (from 19.04.21 until 12.09.21)			838	370		29	54	1 291	

1) *Includes salary payments for the part of year the person concerned was a member of the Group Management Team.*
2) *Variable remuneration earned in 2021, 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 2021.*
3) *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 in Guidelines for the remuneration of senior executives on dnb.no).*
4) *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 G25 Pensions.*
5) *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.*
6) *The merger of DNB ASA and DNB Bank ASA, with DNB Bank ASA as the surviving company, was completed on 1 July 2021, and the Board was expanded to include three new members from the same date. The merger was completed with accounting and tax continuity. In the table above, figures include the total remuneration paid by the DNB Group in the period.*
7) *Also a member of the Compensation and Organisation Committee.*
8) *Also a member of the Audit Committee and the Risk Management Committee.*
9) *Ida Lerner was Group EVP for Group Risk Management until 13 September 2021 and on an international assignment from Sweden to Norway until 1 November 2021 when she took over as CFO. See information in 2020 table for details related to the international assignment.*

NOTE G47 Remunerations etc. (continued)

Remunerations etc. in 2020

Amounts in NOK 1 000	Fixed annual salary as 31 Dec. 2020	Remuneration paid in 2020 [1]	Paid salaries in 2020	Variable remuneration earned in 2020 [2]	Fixed salary shares in 2020 [3]	Benefits in kind and other benefits in 2020	Accrued pension expenses in 2020 [4]	Total remuneration in 2020	DNB Group Loan as at 31 Dec. 2020 [5]
Board of Directors of DNB ASA									
Olaug Svarva (Chair) [6]		1 096						1 096	
Svein Richard Brandtzæg (Vice Chair, from 30.06.20) [7]		284						284	
Tore Olaf Rimmereid (Vice Chair, until 30.06.20) [7]		280						280	
Karl-Christian Agerup (until 30.06.20) [7]		235						235	
Gro Bakstad [7]		581						581	
Lillian Hattrem (from 30.06.20) [6] [7]		476						476	124
Carl A. Løvvik (until 30.06.20) [6]		227						227	
Jorunn Løvås (until 01.05.20)		173						173	
Jens Petter Olsen (from 30.06.20) [7]		622						622	
Stian Tegler Samuelsen (from 01.05.20)		264						264	69
Jaan Ivar Semlitsch [6]		449						449	
Group Management									
Kjerstin R. Braathen, CEO	7 920		7 900	3 192	2 376	268	809	14 545	2 039
Ottar Ertzeid, CFO	6 550		7 085	2 774	1 965	62	855	12 740	
Kari Bech-Moen, group EVP	2 600		2 603	1 084		82	125	3 894	7 739
Rasmus Aage Figenschou, group EVP	3 350		3 474	1 364		101	125	5 064	13 932
Mirella E. Grant, group EVP	3 975		3 979	24		79	125	4 207	7 346
Håkon Hansen, group EVP	3 720		3 799	1 554		85	268	5 706	7 595
Ida Lerner, group EVP [8]	4 318		4 318	24		2 164		6 506	5
Maria Ervik Løvold, group EVP	3 500		3 468	1 514		115	214	5 311	8 360
Thomas Midteide, group EVP	3 375		3 502	1 374		76	280	5 232	1 944
Alexander Opstad, group EVP	6 250		6 554	2 604	1 875	162	178	11 373	14 800
Harald Serck-Hanssen, group EVP	5 100		5 202	1 974		39	1 420	8 635	3 421
Ingjerd Blekeli Spiten, group EVP	3 850		3 973	1 614		93	125	5 805	6 462

1) *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.*
2) *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.*
3) *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).*
4) *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 G25 Pensions.*
5) *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.*
6) *Also a member of the Compensation and Organisation Committee.*
7) *Also a member of the Audit Committee and the Risk Management Committee.*
8) *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.*

See also note G48 Information on related parties for information on loans to and deposits from senior executives.

Remuneration to the statutory auditor

Amounts in NOK 1 000, excluding VAT	DNB Group 2021	DNB Group 2020
Statutory audit [1]	(34 747)	(36 963)
Other certification services	(3 562)	(3 170)
Tax-related advice [2]	(4 780)	(5 401)
Other services	(2 035)	(1 884)
Total remuneration to the statutory auditor	(45 124)	(47 418)

1) *Includes fees for interim review.*
2) *Mainly refers to tax-related advice to employees on international assignments.*

NOTE G48 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 Bank ASA. See note P45 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 G36 Investment accounted for by the equity method 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 **DNB Group**

Amounts in NOK million	Group management and Board of Directors 2021	2020	Related companies 2021	2020
Loans as at 31 December	128	86	467	537
Deposits as at 31 December	170	98	2 735	2 403
Interest income	2	2	4	12
Interest expenses	(0)	(0)	(19)	(2)
Guarantees [1]			21	729

1) DNB Bank ASA had issued guarantees for loans in Eksportfinans. The total guarantee commitment is included in the table above.

No impairments were made on loans to related parties in 2021 and 2020. See note G47 for other remunerations etc. to Group management and Board of 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 G49 Earnings per share

	DNB Group 2021	2020
Profit for the year (NOK million)	25 355	19 840
Profit attributable to shareholders (NOK million)	24 407	18 712
Profit attributable to shareholders excluding operations held for sale (NOK million)	24 257	18 491
Profit from operations and non-current assets held for sale, after taxes (NOK million)	150	221
Issued shares opening balance (in 1000)	1 550 365	1 580 301
Average number of cancelled shares (in 1000)		17 463
Average number of own shares (in 1 000)	75	8 299
Average number of outstanding shares (in 1 000)	1 550 290	1 554 540
Average number of outstanding shares, fully dilluted (in 1 000)	1 550 290	1 554 540
Earnings/diluted earnings per share (NOK)	15.74	12.04
Earnings/diluted earnings per share excluding operations held for sale (NOK)	15.65	11.89
Earnings/diluted earnings per share, operations held for sale (NOK)	0.10	0.14

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 G50 Contingencies

Due to its extensive operations in Norway and abroad, the DNB Group will regularly be party to various 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 December 2020, DNB received a preliminary report from Finanstilsynet following an ordinary AML inspection in February 2020. In May 2021, Finanstilsynet published its final report. 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 the criticism in the report, Finanstilsynet imposed 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. Based on the preliminary report, a provision of NOK 400 million was recognised in the fourth quarter of 2020.

See also note G26 Taxes for further information about contingent tax liability.

Annual accounts DNB Bank ASA

NOTES TO THE ACCOUNTS

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Credit risk

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Income statement

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Additional information

P – Income statement

		DNB Bank ASA	
Amounts in NOK million	Note	2021	2020
Interest income, amortised cost	P17	30 653	35 587
Other interest income	P17	2 247	4 103
Interest expenses, amortised cost	P17	(5 240)	(11 233)
Other interest expenses	P17	1 057	526
Net interest income	P17	**28 718**	**28 984**
Commission and fee income etc.	P18	9 026	7 828
Commission and fee expenses etc.	P18	(3 193)	(3 168)
Net gains on financial instruments at fair value	P19	3 247	5 184
Other income		10 607	12 971
Net other operating income		**19 687**	**22 815**
Total income		**48 405**	**51 799**
Salaries and other personnel expenses	P20	(11 331)	(10 566)
Other expenses	P21	(5 971)	(6 190)
Depreciation and impairment of fixed and intangible assets	P22	(3 342)	(3 362)
Total operating expenses		**(20 643)**	**(20 118)**
Pre-tax operating profit before impairment		**27 762**	**31 681**
Net gains on fixed and intangible assets		28	(1)
Impairment of financial instruments	P8	263	(8 085)
Pre-tax operating profit		**28 053**	**23 595**
Tax expense	P24	(5 710)	(2 542)
Profit for the year		**22 342**	**21 053**
Portion attributable to shareholders		21 420	19 909
Portion attributable to additional Tier 1 capital holders		922	1 143
Profit for the year		**22 342**	**21 053**
Profit for the year as a percentage of total assets		0.82	0.83

P – Comprehensive income statement

	DNB Bank ASA	
Amounts in NOK million	2021	2020
Profit for the year	**22 342**	**21 053**
Actuarial gains and losses	(180)	(308)
Financial liabilities designated at FVTPL, changes in credit risk	29	36
Tax	40	67
Items that will not be reclassified to the income statement	(111)	(204)
Currency translation of foreign operations	(74)	137
Financial assets at fair value through OCI	(44)	108
Tax	11	(27)
Items that may subsequently be reclassified to the income statement	(108)	218
Other comprehensive income for the year	**(218)**	**13**
Comprehensive income for the year	**22 124**	**21 066**

P – Balance sheet

Amounts in NOK million	Note	DNB Bank ASA 31 Dec. 2021	DNB Bank ASA 31 Dec. 2020
Assets			
Cash and deposits with central banks		295 039	281 956
Due from credit institutions		417 777	360 174
Loans to customers	P9, P10, P11	898 584	883 722
Commercial paper and bonds		312 638	327 983
Shareholdings		7 078	5 428
Financial derivatives	P15	157 085	198 009
Investments in associated companies	P31	9 436	2 568
Investments in subsidiaries	P32	119 228	105 265
Intangible assets	P33	3 438	3 441
Deferred tax assets	P24	124	5 150
Fixed assets	P34	15 580	15 219
Other assets	P36	29 091	13 395
Total assets		**2 265 097**	**2 202 311**
Liabilities and equity			
Due to credit institutions		246 335	296 349
Deposits from customers	P37	1 235 125	1 086 618
Financial derivatives	P15	136 311	212 505
Debt securities issued	P38	316 238	318 252
Payable taxes	P24	189	1 457
Deferred taxes	P24	3 752	92
Other liabilities	P41	45 189	31 444
Provisions		1 229	1 879
Pension commitments	P23	4 514	3 967
Senior non-preferred bonds	P39	37 769	8 523
Subordinated loan capital	P40	33 047	32 319
Total liabilities		**2 059 698**	**1 993 406**
Additional Tier 1 capital		16 974	18 362
Share capital		19 379	19 380
Share premium		18 733	19 895
Other equity		150 312	151 268
Total equity	P42	**205 399**	**208 905**
Total liabilities and equity		**2 265 097**	**2 202 311**

P – Statement of changes in equity

DNB Bank ASA

Amounts in NOK million	Share capital	Share premium	Additional Tier 1 capital	Net currency translation reserve	Liability credit reserve	Retained earnings	Total equity
Balance sheet as at 31 December 2019	**18 256**	**19 895**	**26 729**	**492**	**(57)**	**122 678**	**187 993**
Profit for the year			1 143			19 909	21 053
Actuarial gains and losses						(308)	(308)
Financial assets at fair value through OCI						108	108
Financial liabilities designated at FVTPL, changes in credit risk					36		36
Currency translation of foreign operations				137			137
Tax on other comprehensive income					(9)	49	40
Comprehensive income for the year			1 143	137	27	19 759	21 066
Interest payments AT1 capital			(1 578)				(1 578)
AT1 capital redeemed			(10 024)				(10 024)
Currency movements on interest payment and redemption AT1 capital			2 092			(1 971)	122
Demerger Tollbugata 12	(14)					(73)	(87)
Increase in share capital from bonus issue	1 137					(1 137)	
Transfer of loan portfolio from subsidiary (continuity)						8	8
Reduced dividends to DNB ASA for 2019						11 950	11 950
Group contribution to DNB ASA for 2020						(545)	(545)
Balance sheet as at 31 December 2020	**19 380**	**19 895**	**18 362**	**629**	**(29)**	**150 669**	**208 905**
Profit for the year			922			21 420	22 342
Actuarial gains and losses						(180)	(180)
Financial assets at fair value through OCI						(44)	(44)
Financial liabilities designated at FVTPL, changes in credit risk					29		29
Currency translation of foreign operations				(74)			(74)
Tax on other comprehensive income					(7)	58	51
Comprehensive income for the year			922	(74)	22	21 254	22 124
Interest payments AT1 capital			(926)				(926)
Currency movements on interest payments AT1 capital			17			(11)	6
AT1 capital redeemed			(1 400)				(1 400)
Net sale of treasury shares	0					9	10
DNB ASA merger	(1)	(1 162)				6 914	5 751
Dividends paid for 2020 (NOK 9.00 per share)						(13 953)	(13 953)
Dividends paid for 2021 (NOK 9.75 per share)						(15 116)	(15 116)
Balance sheet as at 31 December 2021	**19 379**	**18 733**	**16 974**	**554**	**(8)**	**149 765**	**205 399**

P – Cash flow statement

	DNB Bank ASA	
Amounts in NOK million	2021	2020
Operating activities		
Net payments on loans to customers	(20 237)	(3 679)
Interest received from customers	31 201	35 619
Net receipts on deposits from customers	149 636	127 133
Interest paid to customers	(3 521)	(6 459)
Net receipts/(payments) on loans to credit institutions	(120 779)	58 068
Interest paid to credit institutions	(252)	(68)
Net payments on the sale of financial assets for investment or trading	(36 263)	(168 453)
Interest received on bonds and commercial paper	3 177	3 880
Net receipts on commissions and fees	5 890	4 628
Payments to operations	(16 843)	(16 666)
Taxes paid	(1 929)	(7 278)
Other net receipts	3 095	11 849
Net cash flow from operating activities	**(6 825)**	**38 574**
Investing activities		
Net payments on the acquisition of fixed assets	(3 628)	(3 917)
Net disposal/(investment) in long term shares	(1 180)	12 154
Dividends received on long-term investments in shares	1 120	4 774
Net cash flow from investing activities	**(3 688)**	**13 011**
Financing activities		
Receipts on issued bonds and commercial paper (see note P38)	3 182 580	1 116 610
Payments on redeemed bonds and commercial paper (see note P38)	(3 143 644)	(1 181 672)
Interest payment on issued bonds and commercial paper	(3 501)	(6 103)
Receipts on issued senior non-preferred bonds (see note P39)	29 421	9 462
Interest payments on senior non-preferred bonds	(184)	(2)
Receipts on the raising of subordinated loan capital (see note P40)	4 845	4 056
Redemptions of subordinated loan capital (see note P40)	(2 947)	(4 207)
Interest payments on subordinated loan capital	(436)	(501)
Net payments on redemption of additional Tier 1 capital	(1 400)	(10 024)
Interest payments on additional Tier 1 capital	(926)	(1 578)
Lease payments	(742)	(717)
Repurchased shares	9	
Dividend payments	(26 976)	
Net cash flow from financing activities	**36 099**	**(74 677)**
Effects of exchange rate changes on cash and cash equivalents	**(8 448)**	**3 044**
Net cash flow	**17 138**	**(20 047)**
Cash as at 1 January	286 398	306 446
Net payments of cash	17 138	(20 047)
Cash as at 31 December *)	303 536	286 398

*)	*Of which:*	*Cash and deposits with central banks*	*295 039*	*281 956*
		Deposits with credit institutions with no agreed period of notice [1)]	*8 497*	*4 442*

NOTE P1 Accounting principles

Basis for preparation
DNB Bank ASA is the parent company in the DNB Group. DNB Bank 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.

Differences in the parent company's accounting principles compared with the Group's accounting principles
Investments in subsidiaries

Subsidiaries are defined as companies in which DNB Bank ASA, directly or indirectly, has control. Control over an entity is evidenced by DNB Bank 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 Bank ASA is deemed to have control where it holds, directly or indirectly, more than half of the voting rights over an entity, unless DNB Bank ASA through agreements does not have corresponding voting rights in relevant decision-making bodies. For more information see note P32 Investments in subsidiaries as at 31 December 2021.

In the financial statement of DNB Bank ASA, investments in subsidiaries are recognised at cost. At the end of each reporting period, the company assesses whether any indication of impairment exists. If such indication exists, the investment is tested for impairment.

Transactions with Group companies

Transactions with Group companies 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 Bank 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. Provisions for dividends are presented under Other liabilities and provisions in the balance sheet.

Operating segments

The parent company does not provide segment information. This information is provided in note G3 Segments in the Group's annual report.

NOTE P2 Merger of DNB ASA and DNB Bank ASA

Intragroup merger
The merger of DNB ASA and DNB Bank ASA, with DNB Bank ASA as the surviving company, was completed on 1 July 2021. Comparative figures for DNB Bank ASA have not been restated. See further information in note G2 to the consolidated accounts. As a result of the merger, DNB Bank ASA's equity increased by NOK 5 751 million.

NOTE P3 Capitalisation policy and capital adequacy

The Norwegian FSA expects DNB Bank ASA to maintain a Pillar 2 Guidance (P2G), i.e. a margin in the form of common equity Tier 1 (CET1) capital that exceeds the total capital requirement with 1.5 % of total risk exposure amount (REA). At year-end 2021, the regulatory CET1 capital ratio requirement was 14.6 per cent, while the supervisory expectation for the CET1 capital ratio was 16.1 per cent (incl. P2G). 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 and the prevailing rates.

At year-end 2021, DNB Bank ASA had a CET1 capital ratio of 21.9 per cent and a capital ratio of 28.1 per cent, compared with 21.3 per cent and 27.5 per cent, respectively, a year earlier. REA came to NOK 834 billion at year-end 2021, compared with NOK 801 billion the year before.

Following the global 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 CET 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 Regulation (EU) No 575/2013. The Norwegian leverage ratio requirement consists of a minimum requirement of 3 per cent that applies 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 the only bank in Norway that is required to have a leverage ratio of 6 per cent.

At year-end 2021, DNB Bank ASA's leverage ratio was 8.3 per cent, compared to 8.1 per cent a year earlier. DNB Bank ASA meets the total requirement of 6 per cent by a good margin.

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	
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Total equity	205 399	208 905
Additional Tier 1 capital instruments included in total equity	(16 595)	(17 995)
Net accrued interest on additional Tier 1 capital instruments	(285)	(276)
Common equity Tier 1 capital instruments	188 520	190 635
Deductions		
Goodwill	(2 391)	(2 427)
Deferred tax assets that are not due to temporary differences	(25)	(453)
Other intangible assets	(1 047)	(1 014)
Group contribution/dividend payable		(13 953)
Expected losses exceeding actual losses, IRB portfolios	(1 427)	(788)
Value adjustments due to the requirements for prudent valuation (AVA)	(914)	(683)
Adjustments for unrealised losses/(gains) on debt measured at fair value	8	29
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(336)	(527)
Common equity Tier 1 capital	182 386	170 819
Additional Tier 1 capital instruments	16 595	17 995
Tier 1 capital	198 981	188 814
Perpetual subordinated loan capital	5 752	5 640
Term subordinated loan capital	29 237	26 320
Additional Tier 2 capital	34 989	31 960
Own funds	233 970	220 774
Total risk exposure amount	833 707	801 447
Minimum capital requirement	66 697	64 116
Common equity Tier 1 capital ratio	21.9	21.3
Tier 1 capital ratio (%)	23.9	23.6
Capital ratio (%)	28.1	27.5

NOTE P3 Capitalisation policy and capital adequacy (continued)

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

Specification of risk exposure amount and capital requirements **DNB Bank ASA**

Amounts in NOK million	Nominal exposure 31 Dec. 2021	Exposure at default (EAD) 31 Dec. 2021	Average risk weights in per cent 31 Dec. 2021	Risk exposure amount (REA) 31 Dec. 2021	Capital requirements 31 Dec. 2021	Capital requirements 31 Dec. 2020
IRB approach						
Corporate exposures	857 017	678 215	44.6	302 565	24 205	24 433
Of which specialised lending (SL)	*9 673*	*9 267*	*36.6*	*3 395*	*272*	*474*
Of which small and medium- sized entities (SME)	*215 967*	*189 075*	*46.6*	*88 165*	*7 053*	*6 927*
Of which other corporates	*631 377*	*479 873*	*44.0*	*211 005*	*16 880*	*17 033*
Retail exposures	229 966	212 959	25.9	55 086	4 407	3 940
Of which secured by mortgages on immovable property	*138 669*	*138 669*	*23.6*	*32 704*	*2 616*	*2 500*
Of which other retail	*91 296*	*74 290*	*30.1*	*22 382*	*1 791*	*1 440*
Total credit risk, IRB approach	1 086 982	891 174	40.1	357 651	28 612	28 374
Standardised approach						
Central government and central banks	329 923	328 870	0.2	614	49	6
Regional governments or local authorities	43 227	38 355	1.2	450	36	40
Public sector entities	51 462	51 236	0.0	16	1	1
Multilateral development banks	29 504	29 431				
International organisations	4 696	4 696				
Institutions	569 801	488 137	21.2	103 252	8 260	7 471
Corporates	132 493	114 200	72.5	82 808	6 625	5 497
Retail	150 469	55 494	74.9	41 542	3 323	3 343
Secured by mortgages on immovable property	3 271	3 071	39.8	1 222	98	80
Exposures in default	1 990	1 309	143.1	1 873	150	150
Items associated with particular high risk	459	459	150.0	688	55	609
Covered bonds	86 478	86 478	10.0	8 648	692	812
Collective investment undertakings						24
Equity positions	132 761	132 761	100.0	132 761	10 621	8 852
Other assets	11 600	11 600	63.8	7 404	592	1 500
Total credit risk, standardised approach	1 548 133	1 346 095	28.3	381 279	30 502	28 384
Total credit risk	2 635 116	2 237 269	33.0	738 930	59 114	56 758
Market risk						
Position and general risk, debt instruments				7 746	620	752
Position and general risk, equity instruments				661	53	52
Currency risk				31	2	4
Commodity risk				0	0	0
Total market risk				8 437	675	808
Credit value adjustment risk (CVA)				6 328	506	417
Operational risk				80 011	6 401	6 133
Total risk exposure amount				833 707	66 697	64 116

NOTE P4 Credit risk management

See note G5.

The DNB Bank ASA's total forbearance exposures, in accordance with the definition of forbearance in CRD IV, are shown in the table below.

Forbearance **DNB Bank ASA**

	31 December 2021			31 December 2020		
Amounts in NOK million	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total
Gross carrying amount and loan commitments	23 006	16 573	39 579	18 220	12 076	30 296
Expected credit loss	182	5 095	5 277	357	5 319	5 676

NOTE P5 Measurement of expected credit loss

See note G6.

NOTE P6 Credit risk exposure and collateral

Credit risk exposure and collateral as at 31 December 2021 **DNB Bank ASA**

Amounts in NOK million	Maximum exposure to credit risk	Secured by real estate	Collateralised by securities	Other collateral [1)]
Deposits with central banks	294 483		22 600	
Due from credit institutions	417 777		28 023	0
Loans to customers	898 584	384 186	84 042	256 154
Commercial paper and bonds	312 638			
Financial derivatives	157 085		48	80 668
Other assets	28 358			
Total maximum exposure to credit risk reflected on the balance sheet	2 108 925	384 186	134 713	336 822
Guarantees	9 948	4		5 035
Unutilised credit lines and loan offers	552 058	55 187		71 964
Other commitments	86 636	3 351		8 695
Total maximum exposure to credit risk not reflected on the balance sheet	648 641	58 542		85 694
Total	2 757 566	442 728	134 713	422 516
Of which subject to expected credit loss:				
Deposits with central banks	*294 483*		*22 600*	
Due from credit institutions	*417 777*		*28 023*	*0*
Loans to customers	*892 439*	*379 110*	*84 042*	*256 105*
Commercial paper and bonds	*95 688*			
Total maximum exposure to credit risk reflected on the balance sheet	*1 700 387*	*379 110*	*134 665*	*256 105*
Guarantees	*9 948*	*4*		*5 035*
Unutilised credit lines and loan offers	*552 058*	*55 187*		*71 946*
Other commitments	*86 636*	*3 351*		*8 695*
Total maximum exposure to credit risk not reflected on the balance sheet	*648 641*	*58 542*		*85 676*
Total	*2 349 028*	*437 652*	*134 665*	*341 781*
Of which stage 3:				
Loans to customers	*18 930*	*3 527*		*11 847*
Total maximum exposure to credit risk reflected on the balance sheet	*18 930*	*3 527*		*11 847*
Guarantees	*1 292*			*1 292*
Unutilised credit lines and loan offers	*2 376*	*176*		*950*
Other commitments	*896*	*93*		*359*
Total maximum exposure to credit risk not reflected on the balance sheet	*4 564*	*269*		*2 601*
Total	*23 494*	*3 796*		*14 448*

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 3.6 billion in stage 3 have no credit loss due to collateralisation.

NOTE P6 Credit risk exposure and collateral (continued)

Credit risk exposure and collateral as at 31 December 2020 **DNB Bank ASA**

Amounts in NOK million	Maximum exposure to credit risk	Secured by real estate	Collateralised by securities	Other collateral [1]
Deposits with central banks	281 266		10 880	
Due from credit institutions	360 174		63 395	2
Loans to customers	883 722	362 787	81 733	216 709
Commercial paper and bonds	327 983			
Financial derivatives	198 009		494	125 662
Other assets	12 851			
Total maximum exposure to credit risk reflected on the balance sheet	2 064 005	362 787	156 503	342 373
Guarantees	11 074	52		5 842
Unutilised credit lines and loan offers	577 849	49 463		65 823
Other commitments	76 736	3 931		10 575
Total maximum exposure to credit risk not reflected on the balance sheet	665 659	53 447		82 239
Total	2 729 664	416 234	156 503	424 612
Of which subject to expected credit loss:				
Deposits with central banks	*281 266*		*10 880*	
Due from credit institutions	*360 174*		*63 395*	*2*
Loans to customers	*876 692*	*356 994*	*81 733*	*216 660*
Commercial paper and bonds	*78 820*			
Total maximum exposure to credit risk reflected on the balance sheet	*1 596 952*	*356 994*	*156 009*	*216 661*
Guarantees	*11 074*	*52*		*5 842*
Unutilised credit lines and loan offers	*577 849*	*49 463*		*65 823*
Other commitments	*76 736*	*3 931*		*10 575*
Total maximum exposure to credit risk not reflected on the balance sheet	*665 659*	*53 447*		*82 239*
Total	*2 262 611*	*410 442*	*156 009*	*298 901*
Of which stage 3:				
Loans to customers	*16 039*	*2 952*		*12 711*
Total maximum exposure to credit risk reflected on the balance sheet	*16 039*	*2 952*		*12 711*
Guarantees	*1 581*			*1 581*
Unutilised credit lines and loan offers	*2 026*	*87*		*629*
Other commitments	*900*	*31*		*325*
Total maximum exposure to credit risk not reflected on the balance sheet	*4 506*	*118*		*2 534*
Total	*20 545*	*3 069*		*15 246*

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 4.8 billion 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 2021:

- *Deposits with central banks:* Deposits with Norges Bank totalled NOK 155 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 P4 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 P4 Credit risk management.
- *Unutilised credit lines and loan offers:* Offers of loans, credits and credit lines totalling NOK 159 740 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 P4 Credit risk management.

NOTE P7 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 division between risk classes is based on an IRB probability of default (PD) as shown in the table DNB's risk classification in note P4. See also the section Probability of default (PD) in note P5 for a description of the correlation between IRB PD and IFRS PD. The amounts are based on the gross carrying amount and the maximum exposure before adjustments for impairments.

Loans as at 31 December 2021 **DNB Bank ASA**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Risk grade based on probability of default					
1 - 4	500 179	8 333		101 857	610 369
5 - 7	154 903	37 323		28 215	220 441
8 - 10	15 839	31 900		2 053	49 793
Credit impaired	(0)		26 294	670	26 964
Total	670 921	77 556	26 294	132 795	907 567

Loans as at 31 December 2020 **DNB Bank ASA**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Risk grade based on probability of default					
1 - 4	482 080	25 871		94 623	602 575
5 - 7	139 159	43 485		28 468	211 111
8 - 10	18 084	34 821		2 633	55 538
Credit impaired			26 189	456	26 645
Total	639 323	104 177	26 189	126 180	895 870

Financial commitments as at 31 December 2021 **DNB Bank ASA**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Risk grade based on probability of default				
1 - 4	425 602	3 997		429 599
5 - 7	73 780	7 675		81 455
8 - 10	8 407	8 327		16 734
Credit impaired			5 233	5 233
Total	507 789	19 998	5 233	533 020

Financial commitments as at 31 December 2020 **DNB Bank ASA**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Risk grade based on probability of default				
1 - 4	379 977	8 285		388 262
5 - 7	83 588	8 235		91 823
8 - 10	7 704	13 132		20 836
Credit impaired			5 107	5 107
Total	471 269	29 652	5 107	506 028

NOTE P8 Impairment of financial instruments

DNB Bank ASA

	2021				2020			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Originated and purchased					(3)			(3)
Increased expected credit loss	(549)	(1 240)	(3 892)	(5 681)	(1 371)	(2 677)	(10 674)	(14 723)
Decreased expected credit loss	602	1 713	3 651	5 965	859	2 394	5 093	8 346
Derecognition	138	212	62	412	4	0	76	80
Write-offs			(574)	(575)		(1)	(1 888)	(1 889)
Recoveries on loans previously written off			141	141			104	104
Total impairment	**191**	**684**	**(612)**	**263**	**(512)**	**(283)**	**(7 289)**	**(8 085)**

The contractual amount outstanding on financial assets that were written off during the reporting period and is still subject to enforcement activity, was NOK 39 million as at 31 December 2021 for DNB Bank ASA (NOK 73 million as at 31 December 2020).

NOTE P9 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 **DNB Bank ASA**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	**678 866**	**53 733**	**21 251**	**753 849**
Transfer to stage 1	79 625	(78 833)	(791)	
Transfer to stage 2	(164 007)	166 338	(2 331)	
Transfer to stage 3	(3 370)	(13 748)	17 118	
Originated and purchased	249 639	20 195		269 834
Derecognition	(206 086)	(43 900)	(9 307)	(259 293)
Exchange rate movements	4 656	393	250	5 299
Other				
Gross carrying amount as at 31 December 2020	**639 323**	**104 177**	**26 189**	**769 690**
Transfer to stage 1	75 629	(74 650)	(979)	
Transfer to stage 2	(72 795)	74 400	(1 605)	
Transfer to stage 3	(1 724)	(6 396)	8 120	
Originated and purchased	243 669	7 110	1 534	252 313
Derecognition	(209 691)	(26 632)	(6 958)	(243 281)
Exchange rate movements	(3 489)	(454)	(7)	(3 950)
Other				
Gross carrying amount as at 31 December 2021 [1)]	**670 921**	**77 556**	**26 294**	**774 772**

1) *On 1 January 2021, DNB introduced a new definition of default. According to the new definition, the gross carrying amount for stage 3 customers in probation after default was NOK 1 313 million as at 31 December 2021.*

Financial commitments **DNB Bank ASA**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 1 January 2020	**442 766**	**13 537**	**3 245**	**459 547**
Transfer to stage 1	30 733	(30 504)	(228)	
Transfer to stage 2	(61 869)	62 567	(697)	
Transfer to stage 3	(1 190)	(4 241)	5 430	
Originated and purchased	394 001	1 772		395 773
Derecognition	(334 471)	(13 534)	(2 665)	(350 670)
Exchange rate movements	1 299	56	22	1 377
Maximum exposure as at 31 December 2020	**471 269**	**29 652**	**5 107**	**506 028**
Transfer to stage 1	19 721	(19 514)	(207)	
Transfer to stage 2	(18 636)	18 726	(90)	
Transfer to stage 3	(388)	(454)	841	
Originated and purchased	430 317	2 558	117	432 991
Derecognition	(393 747)	(10 907)	(531)	(405 185)
Exchange rate movements	(747)	(63)	(5)	(815)
Maximum exposure as at 31 December 2021 [1)]	**507 789**	**19 998**	**5 233**	**533 020**

1) *On 1 January 2021, DNB introduced a new definition of default. According to the new definition, the maximum exposure relating to stage 3 customers in probation after default was NOK 165 million as at 31 December 2021.*

NOTE P10 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 Bank ASA**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2020	**(168)**	**(777)**	**(8 252)**	**(9 197)**
Transfer to stage 1	(479)	458	21	
Transfer to stage 2	151	(311)	160	
Transfer to stage 3	1	411	(412)	
Originated and purchased	(257)	(217)		(474)
Increased expected credit loss	(721)	(1 865)	(10 051)	(12 637)
Decreased (reversed) expected credit loss	872	999	4 330	6 201
Write-offs			3 660	3 660
Derecognition	49	318	76	443
Exchange rate movements	(3)	(4)	(37)	(44)
Accumulated impairment as at 31 December 2020	**(555)**	**(987)**	**(10 506)**	**(12 048)**
Transfer to stage 1	(324)	320	4	
Transfer to stage 2	134	(147)	13	
Transfer to stage 3	2	74	(76)	
Originated and purchased	(207)	(73)		(280)
Increased expected credit loss	(294)	(781)	(3 495)	(4 570)
Decreased (reversed) expected credit loss	666	688	3 169	4 522
Write-offs			2 852	2 852
Derecognition	143	410	62	615
Exchange rate movements	2	4	(2)	4
Accumulated impairment as at 31 December 2021 [1)]	**(433)**	**(494)**	**(7 979)**	**(8 905)**

1) On 1 January 2021, DNB introduced a new definition of default. According to the new definition for customers in probation after default, the effect on expected credit loss was not significant as at 31 December 2021.

NOTE P10 Development in accumulated impairment of financial instruments (continued)

Financial commitments **DNB Bank ASA**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2020	**(111)**	**(358)**	**(546)**	**(1 016)**
Transfer to stage 1	(194)	191	4	
Transfer to stage 2	74	(85)	11	
Transfer to stage 3	1	176	(177)	
Originated and purchased	(295)	(82)		(377)
Increased expected credit loss	(326)	(894)	(1 260)	(2 480)
Decreased (reversed) expected credit loss	619	424	1 368	2 411
Derecognition	3	190		193
Exchange rate movements		(1)		(1)
Other				
Accumulated impairment as at 31 December 2020	**(231)**	**(438)**	**(601)**	**(1 270)**
Transfer to stage 1	(91)	90		
Transfer to stage 2	39	(41)	2	
Transfer to stage 3		17	(17)	
Originated and purchased	(156)	(20)		(176)
Increased expected credit loss	(70)	(231)	(441)	(742)
Decreased (reversed) expected credit loss	331	245	387	963
Derecognition	10	127		136
Exchange rate movements		1		1
Other				
Accumulated impairment as at 31 December 2021 1)	**(169)**	**(250)**	**(669)**	**(1 087)**

1) *On 1 January 2021, DNB introduced a new definition of default. According to the new definition for customers in probation after default, the effect on expected credit loss was not significant as at 31 December 2021.*

NOTE P11 Loans and financial commitments to customers by industry segment

Loans to customers as at 31 December 2021 **DNB Bank ASA**

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	65 722	(9)	(12)	(100)	30	65 633
Commercial real estate	195 156	(93)	(41)	(239)	111	194 894
Shipping	19 237	(23)	(29)	(167)		19 018
Oil, gas and offshore	36 195	(44)	(83)	(4 525)		31 542
Power and renewables	29 931	(13)	(1)	(505)		29 412
Healthcare	1 149	(0)	(0)			1 149
Public sector	7 319	(0)	(0)	(0)	2	7 321
Fishing, fish farming and farming	50 968	(31)	(37)	(107)	238	51 030
Retail industries	33 069	(23)	(17)	(202)	5	32 833
Manufacturing	31 738	(17)	(17)	(91)		31 613
Technology, media and telecom	10 010	(3)	(4)	(24)	11	9 989
Services	69 037	(47)	(45)	(642)	16	68 318
Residential property	82 460	(33)	(13)	(145)	2 019	84 289
Personal customers	81 359	(53)	(96)	(230)	130 270	211 251
Other corporate customers	61 419	(43)	(98)	(1 002)	17	60 293
Total [1)]	**774 772**	**(433)**	**(494)**	**(7 979)**	**132 718**	**898 584**

1) *Of which NOK 54 779 million in repo trading volumes.*

Loans to customers as at 31 December 2020 **DNB Bank ASA**

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	85 219	(16)	(34)	(353)	3	84 819
Commercial real estate	184 694	(102)	(54)	(363)	161	184 337
Shipping	23 693	(25)	(163)	(236)		23 269
Oil, gas and offshore	40 263	(81)	(153)	(6 559)		33 471
Power and renewables	24 085	(11)	(2)	(244)		23 828
Healthcare	727	(0)	(0)			727
Public sector	8 173	(0)	(0)	(0)		8 175
Fishing, fish farming and farming	47 238	(48)	(68)	(145)	253	47 231
Retail industries	31 257	(20)	(53)	(322)	20	30 881
Manufacturing	31 511	(20)	(68)	(131)		31 292
Technology, media and telecom	13 097	(7)	(8)	(15)		13 068
Services	70 657	(39)	(109)	(612)	35	69 931
Residential property	81 006	(31)	(21)	(143)	2 095	82 906
Personal customers	73 582	(116)	(119)	(391)	123 481	196 437
Other corporate customers	54 487	(38)	(135)	(993)	28	53 348
Total [1)]	**769 690**	**(555)**	**(987)**	**(10 506)**	**126 078**	**883 720**

1) *Of which NOK 54 166 million in repo trading volumes.*

NOTE P11 Loans and financial commitments to customers by industry segment (continued)

Financial commitments as at 31 December 2021 **DNB Bank ASA**

Amounts in NOK million	Maximum exposure	Accumulated impairment Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	23 894	(6)	(1)	(0)	23 887
Commercial real estate	37 108	(16)	(3)	(1)	37 087
Shipping	7 553	(5)	(3)		7 545
Oil, gas and offshore	41 915	(27)	(77)	(435)	41 376
Power and renewables	41 571	(12)	(1)		41 558
Healthcare	7 383	(1)	(0)		7 382
Public sector	6 590	(0)		(0)	6 590
Fishing, fish farming and farming	22 130	(11)	(7)	(12)	22 100
Retail industries	31 268	(14)	(5)	(5)	31 243
Manufacturing	40 095	(14)	(14)	(1)	40 066
Technology, media and telecom	10 047	(5)	(1)	(0)	10 041
Services	25 749	(18)	(44)	(6)	25 681
Residential property	37 335	(14)	(2)	(6)	37 313
Personal customers	173 136	(12)	(15)	(0)	173 109
Other corporate customers	27 248	(14)	(76)	(202)	26 956
Total	**533 020**	**(169)**	**(250)**	**(669)**	**531 933**

Financial commitments as at 31 December 2020 **DNB Bank ASA**

Amounts in NOK million	Maximum exposure	Accumulated impairment Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	21 820	(8)	(3)	(0)	21 809
Commercial real estate	25 901	(17)	(2)	(3)	25 880
Shipping	6 848	(12)	(11)	(7)	6 819
Oil, gas and offshore	29 008	(62)	(191)	(294)	28 460
Power and renewables	37 967	(15)	(0)		37 951
Healthcare	2 162	(0)	(0)		2 161
Public sector	5 848	(0)	(0)		5 848
Fishing, fish farming and farming	16 215	(12)	(6)	(9)	16 188
Retail industries	29 576	(12)	(37)	(14)	29 513
Manufacturing	38 036	(18)	(53)	(3)	37 962
Technology, media and telecom	11 623	(5)	(1)	(0)	11 617
Services	25 681	(14)	(53)	(22)	25 592
Residential property	38 030	(17)	(2)	(5)	38 007
Personal customers	186 270	(20)	(10)	0	186 240
Other corporate customers	31 043	(18)	(68)	(245)	30 711
Total	**506 028**	**(231)**	**(438)**	**(601)**	**504 758**

NOTE P12 Market risk

See note G13.

NOTE P13 Interest rate sensitivity

See note G14.

NOTE P14 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.

	DNB Bank ASA	
	Net currency positions	
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
USD	290	163
EUR	1 883	1 171
GBP	(76)	(932)
SEK	(93)	(173)
DKK	261	468
CHF	3	4
JPY	(2)	(30)
Other	5	132
Total foreign currencies	2 271	803

NOTE P15 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.

						DNB Bank ASA
	31 December 2021			31 December 2020		
Amounts in NOK million	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
Derivatives held for trading						
Interest rate-related contracts						
Forward rate agreements	821 055	1 166	915	1 208 295	1 002	851
Swaps	3 756 868	49 020	50 415	3 756 429	78 902	82 956
OTC options	45 350	509	528	105 181	451	412
Total interest rate-related contracts	4 623 273	50 695	51 857	5 069 904	80 355	84 219
Foreign exchange-related contracts						
Forward contracts	61 358	5 099	5 214	98 784	10 936	11 607
Swaps	1 752 647	40 440	20 308	1 946 533	35 379	55 341
OTC options	28 164	1 333	1 077	18 328	1 410	1 100
Total foreign exchange-related contracts	1 842 169	46 873	26 599	2 063 645	47 726	68 048
Equity-related contracts						
Forward contracts	2 978	1 506	1 133	2 490	1 405	1 216
Other	3 773	394	459	2 430	343	327
Total OTC derivatives	6 750	1 900	1 591	4 920	1 748	1 543
Futures	2 078	0	0	2 444	0	0
Other	3 919	31	22	3 427	23	59
Total exchange-traded contracts	5 997	31	23	5 871	23	59
Total equity-related contracts	12 747	1 931	1 614	10 791	1 771	1 602
Commodity-related contracts						
Swaps and options	81 654	24 831	24 379	81 234	5 051	4 619
Total commodity related contracts	81 654	24 831	24 379	81 234	5 051	4 619
Total financial derivatives trading	6 559 843	124 330	104 450	7 225 574	134 902	158 487
Derivatives held for hedge accounting						
Fair value hedges of interest rate risk						
Interest rate swaps	242 580	4 113	2 754	230 129	6 143	3 195
Total financial derivatives hedge accounting	242 580	4 113	2 754	230 129	6 143	3 195
Collateral pledged/received on financial derivatives						
Total cash collateral pledged/received		28 642	29 107		56 964	50 822
Total financial derivatives	**6 802 422**	**157 085**	**136 311**	**7 455 703**	**198 009**	**212 505**

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 G13 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 G5 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 2021, there was a NOK 300 million increase in value (positive effect on profits), compared with a NOK 211 million increase in value in 2020.

NOTE P15 Financial derivatives and hedge accounting (continued)

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.

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 2021 — **DNB Bank ASA**

Amounts in NOK million	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	72 975	(245)	(1 740)
Issued bonds	Debt securities issued	119 635	1 183	2 165
Issued bonds, non-preferred	Senior non-preferred bonds	35 691	(799)	664
Subordinated debt	Subordinated loan capital	17 584	52	131
Hedging instrument				
Interest rate swaps	Financial derivatives			(1 280)

Fair value hedges of interest rate risk as at 31 December 2020 — **DNB Bank ASA**

Amounts in NOK million	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	141 410	3 302	882
Issued bonds	Senior non-preferred bonds	8 523	(24)	27
Subordinated debt	Subordinated loan capital	19 426	163	161
Hedging instrument				
Interest rate swaps	Financial derivatives			(2 981)

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 29 million as at end-December 2021.

Residual maturity of interest rate swaps held as hedging instruments as at 31 December 2021 — **DNB Bank ASA**

	Maturity				
Amounts in NOK million	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 amounts					
Investments in bonds		1 085	8 383	54 868	7 982
Hedges of issued bonds	11 087	2 447	20 235	99 592	19 863
Hedges of subordinated debt	1 855	6 493		8 201	487

Residual maturity of interest rate swaps held as hedging instruments as at 31 December 2020 — **DNB Bank ASA**

	Maturity				
Amounts in NOK million	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 amounts					
Investments in bonds	254	314		62 329	5 746
Hedges of issued bonds	105	21 138	10 858	107 466	4 474
Hedges of subordinated debt				17 446	

NOTE P16 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.

Access to short-term funding through the bank's funding programmes was very good throughout the year, and it was the US market that consistently provided the best interest rates. A low interest rate level and ample access to liquidity as a result of Government stimulus packages contributed to high activity in the bank's US Commercial Paper (USCP) programme. This is expected to decline somewhat in the time ahead, as the Federal Reserve is getting closer to reversing its quantitative easing. In the third quarter, the first issue was made under the USCP programme using the new Secured Overnight Financing Rate (SOFR), and issues continued in the fourth quarter. From year-end, the bank stopped issues with floating interest rates linked to the London Inter-bank Offered Rate (LIBOR). Towards the end of the year, there was somewhat growing interest in the European funding programmes, primarily those in GBP, but there were also good volumes in short-term securities in EUR.

The markets for long-term funding were strong throughout the year. Prices remained stable, but saw a slight increase in credit spreads in the unsecured debt classes towards the end of the year. DNB is offered highly competitive prices, and ended the year by completing issues of senior bonds in the GBP market, as well as of subordinated loans in Norway and Sweden. In the second half of the year, the bank updated its green bond framework. Under the new framework, DNB can issue bonds that are used to fund loans for renewable energy, clean transport and green homes. At the beginning of the year, the bank issued its first green senior bond, which was very well received in the market.

During the third quarter, the Norwegian Ministry of Finance and Finanstilsynet issued clarifications relating to the minimum requirement for own funds and eligible liabilities (MREL) and the cap on subordinated debt. For DNB, this cap meant that the volume of senior non-preferred bonds originally needed to fulfil the MREL requirement was almost halved. Instead, ordinary senior bonds will be used to fulfil parts of the total requirement. DNB Bank ASA has so far issued approximately NOK 38 billion in senior non-preferred bonds. The need for long-term funding in the coming years is mainly related to the fulfilment of this requirement.

The nominal value of long-term debt securities issued by DNB Bank ASA was NOK 186 billion at end-December 2021, compared with NOK 184 billion 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 141 per cent at end-December 2021.

NOTE P16 Liquidity risk (continued)

Residual maturity as at 31 December 2021 — **DNB Bank ASA**

Amounts in NOK million	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	294 020		1 019				295 039
Due from credit institutions	328 671	57 257	20 311	9 182	2 355		417 777
Loans to customers	226 841	92 151	103 908	270 010	206 754		899 664
Commercial paper and bonds	43 111	56 035	33 367	151 710	29 465		313 688
Shareholdings						135 325	135 325
Total	892 643	205 444	158 605	430 902	238 574	135 325	2 061 493
Liabilities							
Due to credit institutions	176 623	17 370	17 020	35 322			246 335
Deposits from customers	1 235 129						1 235 129
Debt securities issued	61 007	40 710	121 667	108 389	22 059		353 833
Other liabilities etc.	32 509	1 787	2 653	171	339		37 459
Subordinated loan capital		174		27 073	5 752		32 999
Total	1 505 269	60 042	141 340	170 955	28 150		1 905 756
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	412 490	373 306	341 930	640 897	223 516		1 992 139
Outgoing cash flows	405 192	366 870	336 669	634 406	219 074		1 962 212
Financial derivatives, net settlement	315	(270)	(135)	(1 249)	(1 232)		(2 571)
Total financial derivatives	7 612	6 166	5 126	5 241	3 210		27 356
Credit lines, commitments and documentary credit	429 098	10 016	65 231	115 133	29 163		648 641

Residual maturity as at 31 December 2020 — **DNB Bank ASA**

Amounts in NOK million	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	261 282		20 674				281 956
Due from credit institutions	262 534	76 030	11 816	7 892	1 902		360 175
Loans to customers	215 919	83 990	98 399	270 364	215 882		884 553
Commercial paper and bonds	10 120	9 023	45 537	229 078	31 042		324 800
Shareholdings						113 078	113 078
Total	749 855	169 043	176 426	507 334	248 826	113 078	1 964 562
Liabilities							
Due to credit institutions	200 875	60 276	14 676	20 522			296 349
Deposits from customers	1 086 616						1 086 616
Debt securities issued	32 409	56 059	88 705	138 933	5 482		321 588
Other liabilities etc.	28 535	25	855	292	1 784		31 491
Subordinated loan capital				26 512	5 640		32 152
Total	1 348 435	116 360	104 236	186 259	12 906		1 768 196
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	488 526	402 811	297 107	704 131	266 697		2 159 271
Outgoing cash flows	493 642	412 138	305 010	693 983	267 257		2 172 030
Financial derivatives, net settlement	129	(303)	(1 144)	(2 504)	(1 283)		(5 106)
Total financial derivatives	(4 987)	(9 630)	(9 047)	7 643	(1 844)		(17 865)
Credit lines, commitments and documentary credit	471 944	7 158	64 491	98 901	23 166		665 659

Nominal future interest payments in excess of accrued interest are not included on the balance sheet date.

NOTE P17 Net interest income

	DNB Bank ASA							
	2021				2020			
Amounts in NOK million	Measured at FVTPL	Measured at FVOCI	Measured at amortised cost [1)]	Total	Measured at FVTPL	Measured at FVOCI	Measured at at amortised cost [1)]	Total
Interest on amounts due from credit institutions	1		(86)	(85)			1 679	1 679
Interest on loans to customers	179	2 218	21 869	24 266	218	2 690	24 561	27 469
Interest on commercial paper and bonds	2 572	361	0	2 934	3 555	599	1	4 154
Front-end fees etc.	0	3	415	418	1	3	337	341
Other interest income	309		5 057	5 366	847		5 201	6 048
Total interest income	**3 062**	**2 582**	**27 256**	**32 900**	**4 620**	**3 292**	**31 779**	**39 691**
Interest on amounts due to credit institutions	(0)		(148)	(148)	1		(1 530)	(1 529)
Interest on deposits from customers	(104)		(2 259)	(2 363)	(350)		(4 701)	(5 052)
Interest on debt securities issued	(205)		(1 202)	(1 408)	(300)		(3 169)	(3 468)
Interest on subordinated loan capital	0		(331)	(330)	(6)		(410)	(417)
Contributions to the deposit guarantee and resolution funds			(959)	(959)			(895)	(895)
Other interest expenses [2)]	1 366		(340)	1 026	1 182		(529)	653
Total interest expenses	**1 057**		**(5 240)**	**(4 183)**	**526**		**(11 233)**	**(10 707)**
Net interest income	**4 120**	**2 582**	**22 016**	**28 718**	**5 147**	**3 292**	**20 546**	**28 984**

1) Includes hedged items.

2) Other interest expenses include interest rate adjustments resulting from interest rate swaps. Derivatives are measured at FVTPL.

NOTE P18 Net commission and fee income

	DNB Bank ASA	
Amounts in NOK million	2021	2020
Money transfer and interbank transactions	2 689	2 674
Guarantee commissions	841	899
Asset management services	219	173
Custodial services	575	443
Securities broking	651	591
Corporate finance	1 970	1 236
Credit broking	549	319
Sales of insurance products	638	553
Other commissions and fees	894	941
Total commission and fee income	**9 026**	**7 828**
Money transfer and interbank transactions	(1 281)	(1 333)
Guarantee commissions	(27)	(34)
Asset management services	(39)	(34)
Custodial services	(288)	(241)
Securities broking	(134)	(155)
Corporate finance	(374)	(281)
Sale of insurance products	(161)	(170)
Other commissions and fees	(889)	(920)
Total commission and fee expenses	**(3 193)**	**(3 168)**
Net commission and fee income	**5 833**	**4 660**

NOTE P19 Net gains on financial instruments at fair value

	DNB Bank ASA	
Amounts in NOK million	2021	2020
Foreign exchange and financial derivatives	5 545	3 072
Commercial paper and bonds	(1 297)	805
Shareholdings	352	295
Financial liabilities	37	78
Net gains on financial instruments, mandatorily at FVTPL	4 638	4 251
Loans at fair value [1)]	(194)	176
Commercial paper and bonds [2)]	(1 393)	797
Financial liabilities [3)]	225	(61)
Net gains on financial instruments, designated as at FVTPL	(1 363)	912
Financial derivatives, hedging	(1 280)	(2 981)
Commercial paper and bonds FVOCI, hedged	(1 740)	1 959
Financial liabilities, hedged items	2 960	1 070
Net gains on hedged items [4) 5)]	(59)	48
Net realised gains on financial assets at FVOCI [6)]	(1)	0
Dividends	33	(26)
Net gains on financial instruments at fair value	**3 247**	**5 184**

1) *The change in fair value due to credit risk amounted to a NOK 3 million gain during the year and a NOK 13 million loss. 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 122 million gain during the year and a NOK 110 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 securities and liabilities, the hedged risk is measured at fair value. The rest of the instrument is measured at FVOCI in the case of commercial paper and bonds, and at amortised cost in the case of financial liabilities. 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 amortisation of fair values on discontinued hedging relationships.*
5) *DNB Bank ASA use hedge accounting for long-term borrowings in foreign currency. 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 Bank's foreign currency positions and the underlying interest rate exposure for the loan.*
6) *Recycled from other comprehensive income.*

NOTE P20 Salaries and other personnel expenses

	DNB Bank ASA	
Amounts in NOK million	2021	2020
Salaries [*)]	(7 764)	(7 259)
Employer's national insurance contributions	(1 471)	(1 333)
Pension expenses	(1 411)	(1 270)
Restructuring expenses	(13)	(69)
Other personnel expenses	(672)	(633)
Total salaries and other personnel expenses	**(11 331)**	**(10 566)**

**) Of which:*	*Ordinary salaries*	*(6 584)*	*(6 195)*
	Performance-based pay	*(886)*	*(741)*

Number of employees/full-time positions	**DNB Bank ASA**	
	2021	2020
Number of employees as at 31 December	7 930	7 661
- of which number of employees abroad	1 054	1 019
Number of employees calculated on a full-time basis as at 31 December	7 758	7 479
- of which number of employees calculated on a full-time basis abroad	1 037	1 009
Average number of employees	7 769	7 518
Average number of employees calculated on a full-time basis	7 602	7 337

NOTE P21 Other expenses

	DNB Bank ASA	
Amounts in NOK million	2021	2020
Fees	(469)	(384)
IT expenses [1)]	(3 699)	(3 595)
Postage and telecommunications	(110)	(127)
Office supplies	(35)	(23)
Marketing and public relations	(490)	(475)
Travel expenses	(38)	(52)
Reimbursement to Norway Post for transactions executed	(0)	(117)
Training expenses	(45)	(34)
Operating expenses on properties and premises [2)]	(417)	(415)
Operating expenses on machinery, vehicles and office equipment	(51)	(51)
Other operating expenses	(616)	(919)
Total other expenses	**(5 971)**	**(6 190)**

1) Systems development fees totalled NOK 1 315 million 2021 and NOK 1 494 million in 2020.
2) Costs relating to leased premises were NOK 990 million in 2021 and NOK 993 million in 2020.

NOTE P22 Depreciation and impairment of fixed and intangible assets

	DNB Bank ASA	
Amounts in NOK million	2021	2020
Depreciation of machinery, vehicles and office equipment	(2 125)	(1 974)
Depreciation of right of use assets	(675)	(667)
Other depreciation of tangible and intangible assets	(561)	(691)
Impairment of fixed and intangible assets	19	(30)
Total depreciation and impairment of fixed and intangible assets	**(3 342)**	**(3 362)**

See note P33 Intangible assets and note P34 Fixed assets.

NOTE P23 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 233 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 194 million.

NOTE P23 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 2021.

Pension expenses	**DNB Bank ASA**	
Amounts in NOK million	2021	2020
Net present value of pension entitlements	(529)	(401)
Interest expenses on pension commitments	(45)	(65)
Calculated return on pension funds	23	35
Curtailment		
Administrative expenses	(1)	(1)
Total defined benefit pension schemes	(552)	(432)
Contractual pensions, new scheme	(101)	(97)
Risk coverage premium	(55)	(50)
Defined contribution pension schemes	(702)	(691)
Net pension expenses	(1 411)	(1 271)

Pension commitments	**DNB Bank ASA**	
Amounts in NOK million	2021	2020
Opening balance	5 984	5 528
Addition due to aquisition	27	
Accumulated pension entitlements	529	401
Interest expenses	45	65
Actuarial losses/(gains), net	235	283
Changes in the pension schemes	(83)	(66)
Curtailment	(0)	
Pension payments	(236)	(230)
Exchange rate differences	83	3
Closing balance	6 584	5 984

Pension funds	**DNB Bank ASA**	
Amounts in NOK million	2021	2020
Opening balance	2 017	2 074
Addition due to aquisition	23	
Expected return	23	35
Actuarial gains/(losses), net	96	22
Curtailments		
Premium paid	19	90
Pension payments	(100)	(96)
Administrative expenses	(1)	(1)
Exchange rate differences	(6)	(108)
Closing balance	2 071	2 017
Net defined benefit obligation	4 514	3 967

Sensitivity analysis for pension calculations

The following estimates are based on facts and conditions prevailing per 31 December 2021, assuming that all other parameters are constant. Actual results may deviate significantly from these estimates.

	DNB Bank ASA							
	Discount rate		Annual rise in salaries/basic amount		Annual adjustment of pensions		Life expectancy	
Change in percentage points	+1%	-1%	+1%	-1%	+1%	0%	+1 year	-1 year
Percentage change in pensions								
Pension commitments	10-17	10-21	20-25	20-22	12-14	0	3	3
Net pension expenses for the period	16-17	20-21	22-25	20-22	12-14	0	3	3

NOTE P24 Taxes

Tax expense on pre-tax operating profit

Amounts in NOK million	DNB Bank ASA 2021	2020
Current taxes	(479)	(1 414)
Changes in deferred taxes	(5 231)	(1 128)
Tax expense	**(5 710)**	**(2 542)**

Reconciliation of tax expense against nominal tax rate

Amounts in NOK million	2021	2020
Pre-tax operating profit	28 053	23 595
Estimated tax expense at nominal tax rate 22 per cent	(6 172)	(5 191)
Tax effect of financial tax in Norway	(710)	(337)
Tax effect of different tax rates in other countries	(13)	13
Tax effect of debt interest distribution with international branches	60	288
Tax effect of tax-exempt income from shareholdings [1)]	650	1 765
Tax effect of other tax-exempt income and non-deductible expenses	477	933
Excess tax provision previous year	(2)	(13)
Tax expense	**(5 710)**	**(2 542)**
Effective tax rate	20%	11%

Income tax on other comprehensive income

Amounts in NOK million	2021	2020
Items that will not be reclassified to the income statement	51	40
Total income tax on other comprehensive income	**51**	**40**

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.

In July 2021, DNB Bank ASA received a decision from the Norwegian tax authorities relating to the deduction of external interest expenses. The decision covers the fiscal years 2015-2019 and represents a tax exposure of NOK 1.7 billion for the period in question. The effect for the years 2020 and 2021 is not significant. DNB disagrees with the tax authorities' interpretation of the legislation, and legal proceedings have been initiated. DNB is still of the opinion that it has a strong case, and no provisions have been recognised in the accounts at the end of 2021.

NOTE P24 Taxes (continued)

Deferred tax assets/(deferred taxes)		**DNB Bank ASA**
Amounts in NOK million	2021	2020
The year's changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	5 058	6 117
Changes recorded against profits	(5 231)	(1 128)
Changes recorded against comprehensive income	40	67
Currency translation differences on deferred taxes	5	2
Changes due to group contribution	(3 500)	
Deferred tax assets/(deferred taxes) as at 31 December	(3 628)	5 058

Deferred tax assets and deferred taxes in the balance sheet relates to the following temporary differences	Deferred tax assets		Deferred taxes	**DNB Bank ASA**
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
Fixed assets and intangible assets	(3)	(1 415)	2 105	94
Commercial paper and bonds		(585)	(196)	
Debt securities issued		868	(54)	
Financial derivatives	15	5 481	4 855	
Net pension liabilities	39	993	(1 088)	
Net other tax-deductable temporary differences	48	(645)	673	(2)
Tax losses and tax credits carried forward	25	453	(2 543)	
Total deferred tax assets	**124**	**5 150**	**3 752**	**92**

A significant share of the financial instruments is 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 2021 and 2020, 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 tax assets from tax losses and tax credits carried forward	31 December 2021			31 December 2020		**DNB Bank ASA**
Amounts in NOK million Tax losses carried forward	Total tax losses carried forward	Of which basis for tax assets	Recognised tax asset	Total tax carried	Of which basis for tax assets	Recognised tax asset
Norway	6 024	6 024	1 506			
Singapore	148	148	25	282	282	48
Total of tax losses and tax assets	6 172	6 172	1 531	282	282	48
Tax credits carried forward [1]			1 037			405
Total of deferred tax assets from tax losses and tax credits carried forward			**2 568**			**453**
Of which presented under net deferred tax assets			*25*			*453*
Of which presented under net deferred tax			*2 543*			

1) *All tax credits carried forward relates to taxpayers in Norway.*

NOTE P25 Classification of financial instruments

As at 31 December 2021 **DNB Bank ASA**

	Mandatorily at FVTPL		Designated			
			as at		Amortised	Carrying
Amounts in NOK million	Trading	Other 1)	FVTPL 2)	FVOCI	cost 3)	amount
Cash and deposits with central banks					295 039	295 039
Due from credit institutions					417 777	417 777
Loans to customers			6 145	126 573	765 866	898 584
Commercial paper and bonds	53 160		163 790	95 688		312 638
Shareholdings	4 568	2 510				7 078
Financial derivatives	152 972	4 113				157 085
Investments in associated companies					9 436	9 436
Investments in subsidiaries					119 228	119 228
Other assets					25 596	25 596
Total financial assets	210 700	6 622	169 935	222 261	1 632 941	2 242 460
Due to credit institutions					246 335	246 335
Deposits from customers			9 810		1 225 315	1 235 125
Financial derivatives	133 557	2 754				136 311
Debt securities issued			3 145		313 093	316 238
Other liabilities	4 834				32 576	37 411
Senior non-preferred bonds			1 077		36 691	37 769
Subordinated loan capital			454		32 593	33 047
Total financial liabilities 4)	138 391	2 754	14 486		1 886 604	2 042 236

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 14 681 million.*

As at 31 December 2020 **DNB Bank ASA**

	Mandatorily at FVTPL		Designated			
			as at		Amortised	Carrying
Amounts in NOK million	Trading	Other 1)	FVTPL 2)	FVOCI	cost 3)	amount
Cash and deposits with central banks					281 956	281 956
Due from credit institutions					360 174	360 174
Loans to customers			7 030	119 050	757 642	883 722
Commercial paper and bonds	90 588		158 574	78 782	38	327 983
Shareholdings	3 872	1 556				5 428
Financial derivatives	191 866	6 143				198 009
Investments in associated companies					2 568	2 568
Investments in subsidiaries					105 265	105 265
Other assets					12 078	12 078
Total financial assets	286 326	7 699	165 605	197 832	1 519 721	2 177 183
Due to credit institutions					296 349	296 349
Deposits from customers			14 238		1 072 380	1 086 618
Financial derivatives	209 310	3 195				212 505
Debt securities issued			6 815		311 437	318 252
Other liabilities	2 982				20 529	23 511
Senior non-preferred bonds					8 523	8 523
Subordinated loan capital			179		32 140	32 319
Total financial liabilities 4)	212 292	3 195	21 232		1 741 359	1 978 078

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 21 224 million.*

NOTE P26 Fair value of financial instruments at amortised cost

				DNB Bank ASA
	31 December 2021		31 December 2020	
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Cash and deposits with central banks	295 039	295 039	281 956	281 956
Due from credit institutions	417 777	417 832	360 174	360 257
Loans to customers	765 866	770 318	757 642	763 074
Commercial paper and bonds			38	38
Total financial assets	1 478 682	1 483 189	1 399 810	1 405 325
Due to credit institutions	246 335	246 335	296 349	296 349
Deposits from customers	1 225 315	1 225 315	1 072 380	1 072 380
Debt securities issued	313 093	313 175	311 437	312 004
Non-preferred senior bonds	36 691	36 949	8 523	8 523
Subordinated loan capital	32 593	32 577	32 140	32 253
Total financial liabilities	1 854 028	1 854 352	1 720 830	1 721 509

				DNB Bank ASA
Amounts in NOK million	Level 1	Level 2	Level 3	Total
Assets as at 31 December 2021				
Cash and deposits with central banks		295 039		295 039
Due from credit institutions		412 570	5 262	417 832
Loans to customers			770 318	770 318
Commercial paper and bonds				
Liabilities as at 31 December 2021				
Due to credit institutions		246 335		246 335
Deposits from customers		1 225 315		1 225 315
Debt securities issued		313 175		313 175
Non-preferred senior bonds		36 949		36 949
Subordinated loan capital		23 526	9 051	32 577
Assets as at 31 December 2020				
Cash and deposits with central banks		281 956		281 956
Due from credit institutions		354 968	5 289	360 257
Loans to customers			763 074	763 074
Commercial paper and bonds			38	38
Liabilities as at 31 December 2020				
Due to credit institutions		296 349		296 349
Deposits from customers		1 072 380		1 072 380
Debt securities issued		312 004		312 004
Non-preferred senior bonds		8 523		8 523
Subordinated loan capital		25 048	7 205	32 253

For information about the instruments, levels and valuation techniques used, se note G28 to the consolidated accounts.

NOTE P27 Financial instruments at fair value

				DNB Bank ASA
Amounts in NOK million	Level 1	Level 2	Level 3	Total
Assets as at 31 December 2021				
Loans to customers		126 573	6 145	132 718
Commercial paper and bonds	57 372	254 915	351	312 638
Shareholdings	5 633	566	879	7 078
Financial derivatives	2 663	152 564	1 858	157 085
Liabilities as at 31 December 2021				
Deposits from customers		9 810		9 810
Debt securities issued		3 145		3 145
Non-preferred senior bonds		1 077		1 077
Subordinated loan capital		454		454
Financial derivatives	2 411	132 295	1 605	136 311
Other financial liabilities [1)]	4 834			4 834
Assets as at 31 December 2020				
Loans to customers		119 050	7 030	126 080
Commercial paper and bonds	49 220	278 442	283	327 945
Shareholdings	3 931	798	699	5 428
Financial derivatives	375	195 757	1 877	198 009
Liabilities as at 31 December 2020				
Deposits from customers		14 238		14 238
Debt securities issued		6 815		6 815
Subordinated loan capital		179		179
Financial derivatives	465	210 526	1 513	212 505
Other financial liabilities [1)]	2 982			2 982

1) *Short positions, trading activities.*

The levels
For information about the levels in the fair value hierarchy, see note G29 to the consolidated accounts.

The instruments in the different levels

Loans to customers (level 2 and 3)
Loans in level 2 in DNB Bank ASA mainly consist of retail loans with floating interest rate measured at FVOCI. Since the fixed-rate period is very short, amortised cost is considered to be a good estimate of fair value. The corresponding loans are measured at amortised cost in the Group, due to a hold to collect business model.

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. 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.

For information about the other financial instruments included in the table, see note G29 to the consolidated accounts.

NOTE P27 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Bank ASA

	Financial assets				Financial liabilities
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
Carrying amount as at 31 December 2019	**8 495**	**356**	**633**	**1 868**	**1 536**
Net gains recognised in the income statement	173	(75)	219	141	367
Additions/purchases	4 245	315	33	1 247	914
Sales	(2 300)	(340)	(187)		
Settled	(3 583)			(1 408)	(1 331)
Transferred from level 1 or level 2		365			
Transferred to level 1 or level 2		(371)			
Other		34		29	27
Carrying amount as at 31 December 2020	**7 030**	**283**	**699**	**1 877**	**1 513**
Net gains recognised in the income statement	(196)	(28)	187	(474)	(372)
Additions/purchases	2 504	626	31	1 211	1 199
Sales	(818)	(568)	(36)		
Settled	(2 376)	(11)		(756)	(734)
Transferred from level 1 or level 2		917			
Transferred to level 1 or level 2		(859)	(2)		
Other		(9)			
Carrying amount as at 31 December 2021	**6 145**	**351**	**879**	**1 858**	**1 605**

Breakdown of fair value, level 3

DNB Bank ASA

	31 December 2021			31 December 2020		
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings	Loans to customers	Commercial paper and bonds	Share-holdings
Principal amount/purchase price	6 212	353	500	6 902	278	490
Fair value adjustment	(76)	(9)	379	118	1	209
Accrued interest	9	7		10	4	
Carrying amount	6 145	351	879	7 030	283	699

Breakdown of shareholdings, level 3

DNB Bank ASA

Amounts in NOK million	Unquoted equities	Private Equity (PE) funds	Other	Total
Carrying amount as at 31 December 2021	702	171	6	879
Carrying amount as at 31 December 2020	573	116	10	699

Sensitivity analysis, level 3

DNB Bank ASA

	31 December 2021		31 December 2020	
Amounts in NOK million	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Loans to customers	6 145	(25)	7 030	(29)
Commercial paper and bonds	351	0	283	0
Shareholdings	879		699	

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.

NOTE P28 Offsetting

The table below presents the potential effects of DNB Bank ASA's netting arrangements on financial assets and financial liabilities.

						DNB Bank ASA
Amounts in NOK million	Gross amount	Amounts offset in the statement of financial position	Carrying amount	Netting agreements	Other collateral [1]	Amounts after possible netting
Assets as at 31 December 2021						
Cash and deposits with central banks [2]	22 600		22 600		22 600	
Due from credit institutions [2]	28 023		28 023		28 023	
Loans to customers [2]	84 042		84 042		84 042	
Financial derivatives [3]	157 085		157 085	22 617	58 099	76 369
Liabilities as at 31 December 2021						
Due to credit institutions [2]	83 439		83 439		83 439	
Deposits from customers [2]	6 766		6 766		6 766	
Financial derivatives [3]	136 311		136 311	22 617	58 151	55 542
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		63 395	
Loans to customers [2]	81 733		81 733		81 733	
Financial derivatives [3]	198 009		198 009	17 876	108 281	71 853
Liabilities as at 31 December 2020						
Due to credit institutions [2]	102 289		102 289		102 289	
Deposits from customers [2]	4 112		4 112		4 112	
Financial derivatives [3]	212 505		212 505	17 876	107 925	86 704

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 P29 Transferred assets or assets with other restrictions

Transferred assets still recognised in the balance sheet		DNB Bank ASA
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Repurchase agreements		
Commercial paper and bonds	30 582	10 846
Derivatives		
Commercial paper and bonds	32 473	66 991
Securities lending		
Shares	996	448
Total repurchase agreements and securities lending	64 051	78 286

Liabilities associated with the assets		DNB Bank ASA
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Repurchase agreements	30 631	10 743
Derivatives	32 473	66 991
Securities lending	1 046	470
Total liabilities	64 149	78 205

NOTE P30 Securities received which can be sold or repledged

Securities received	**DNB Bank ASA**	
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Reverse repurchase agreements		
Commercial paper and bonds	141 046	149 675
Securities borrowing		
Shares	18 495	21 081
Total securities received	159 541	170 756
Of which securities received and subsequently sold or repledged:		
Commercial paper and bonds	*63 102*	*81 754*
Shares	*12 085*	*14 007*

NOTE P31 Investments in associated companies

			DNB Bank ASA			
			Ownership share (%)		Carrying amount	
Amounts in NOK million	Head office	Industry	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
Fremtind AS [1)]	Oslo	Insurance	35	35	6 714	
Vipps AS	Oslo	Payment services	45	45	1 867	1 733
Eksportfinans AS	Oslo	Financial services	40	40	719	719
Other associated companies					136	116
Total					**9 436**	**2 568**

1) See note G2 regarding the merger with DNB ASA. As part of the merger, DNB ASA's ownership in Fremtind Forsikring AS were transferred to DNB Bank ASA.

NOTE P32 Investments in subsidiaries

Investments in subsidiaries as at 31 December 2021 — **DNB Bank ASA**

Amounts in 1 000 *Values in NOK unless otherwise indicated*		Share capital	Number of shares	Ownership share in per cent	Carrying amount
Foreign subsidiaries					
DNB Invest Denmark	DKK	877 579	877 578 841	100	10 955 472
DNB Baltic Invest	EUR	5 000	1 000	100	3 272 991
DNB Bank Polska	PLN	1 257 200	1 257 200 000	100	1 773 563
DNB Asia [1)]	USD	38 226	150 000 000	100	181 850
DNB Asia [1)]	SGD	20 000	20 000 000	100	100 769
DNB Auto Finance	EUR	100	100	100	911 677
DNB Capital [2)]	USD			100	21 176 160
DNB Luxembourg	EUR	70 000	70 000	100	699 197
DNB Markets Inc.	USD	1	1 000	100	3 233
DNB Sweden	SEK	100 000	100 000 000	100	14 121 336
DNB (UK) Limited	GBP	1 154 200	1 154 200 000	100	13 724 935
Domestic subsidiaries					
DNB Livsforsikring [3)]		1 641 492	64 827 288	100	17 982 795
DNB Asset management [3)]		274 842	220 050	100	2 182 107
DNB Boligkreditt		4 527 000	1	100	30 334 000
DNB Eiendom		10 003	100 033	100	168 241
DNB Eiendomsutvikling		91 200	91 200 000	100	330 885
DNB Gjenstandsadministrasjon		3 000	30	100	3 000
DNB Invest Holding		1 000	200 000	100	22 703
DNB Næringsmegling		1 000	10 000	100	24 000
DNB Ventures		100	1 000	100	83 468
IOS Tubular Management		900	750	100	42 200
Kongsberg Industrieiendom		100	1 000	100	10 000
Ocean Holding		10 000	1 000	100	217 129
Godfjellet		9 636	8 030	100	721 600
Vipps		100	1 000	100	85
UniMicro		1 000	600 000	60	184 200
Total investments in subsidiaries					**119 227 596**

1) *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.*
2) *DNB Capital LLC, a limited liability company, has paid-in capital of USD 2.4 billion.*
3) *See note G2 regarding the merger with DNB ASA. As part of the merger, DNB ASA's ownership of the wholly owned subsidiaries DNB Livsforsikring AS and DNB Asset Management AS were transferred to DNB Bank ASA.*

Hedging of investments in subsidiaries

In DNB Bank ASA, currency risk associated with foreign currency investments in subsidiaries is subject to fair value hedging. The hedging instruments used are mainly debt securities issued. Changes in the value of the investments and hedging instruments resulting from exchange rate movements are recorded in the income statement.

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NOTE P33 Intangible assets

DNB Bank ASA

Amounts in NOK million	Goodwill	Capitalised systems development	Other intangible assets	Total
Cost as at 1 January 2020	2 843	2 949	695	6 486
Additions		346		346
Derecognition and disposals			(219)	(219)
Exchange rate movements	51	2	25	78
Cost as at 31 December 2020	2 894	3 297	501	6 692
Total depreciation and impairment as at 1 January 2020	(467)	(1 938)	(689)	(3 094)
Depreciation		(347)	(3)	(351)
Derecognition and disposals			219	219
Exchange rate movements		(0)	(24)	(25)
Total depreciation and impairment as at 31 December 2020	(467)	(2 286)	(498)	(3 250)
Carrying amount as at 31 December 2020	**2 427**	**1 011**	**3**	**3 441**
Cost as at 1 January 2021	2 894	3 297	501	6 692
Additions		356	7	362
Derecognition and disposals	(242)			(242)
Exchange rate movements	(38)	(0)	(18)	(55)
Cost as at 31 December 2021	2 615	3 652	490	6 757
Total depreciation and impairment as at 1 January 2021	(467)	(2 286)	(498)	(3 250)
Depreciation		(326)	(3)	(329)
Derecognition and disposals	242			242
Exchange rate movements	2	(0)	17	19
Total depreciation and impairment as at 31 December 2021	(224)	(2 612)	(483)	(3 318)
Carrying amount as at 31 December 2021	**2 391**	**1 041**	**7**	**3 438**

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 P1 Accounting principles.

Goodwill per unit

DNB Bank ASA

	31 December 2021		31 December 2020	
	Required rate of return *Per cent*	Recorded *NOK million*	Required rate of return *Per cent*	Recorded *NOK million*
Personal customers	12.0	982	11.9	982
Small and medium sized enterprises	12.0	483	11.9	483
DNB Finans - car financing	12.0	766	11.9	798
Other	12.0	160	11.9	165
Total goodwill		**2 391**		**2 427**

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 P34 Fixed assets

Amounts in NOK million	Bank buildings and other properties	Machinery, equipment and vehicles	Fixed assets operating leases	Other fixed assets	Right of use assets	Total
						DNB Bank ASA
Accumulated cost as at 31 Dec. 2019	163	3 835	11 284	24	5 290	20 596
Additions	1	313	3 397	1	97	3 809
Disposals	(5)	(34)	(1 954)	(0)	(2)	(1 996)
Reorganisations		0		(0)		
Exchange rate movements	0	(1)	408	1	12	420
Cost as at 31 Dec. 2020	159	4 112	13 135	26	5 397	22 829
Total depreciation and impairment as at 31 Dec. 2019	(67)	(2 385)	(2 927)	(7)	(654)	(6 039)
Disposals		35	1 516	1	2	1 553
Depreciation [1)]	(10)	(512)	(1 790)	(1)	(689)	(3 001)
Impairment		(3)				(3)
Exchange rate movements	0	(3)	(120)	(0)	4	(120)
Total depreciation and impairment as at 31 Dec. 2020	(77)	(2 869)	(3 321)	(7)	(1 337)	(7 610)
Carrying amount as at 31 Dec. 2020	82	1 244	9 814	19	4 060	15 219
Accumulated cost as at 31 Dec. 2020	159	4 112	13 135	26	5 397	22 829
Additions	0	292	4 116	3	100	4 511
Revaluation					757	757
Disposals		(501)	(2 317)	(0)	(953)	(3 772)
Reorganisations		1				1
Exchange rate movements	1	(2)	(367)	(5)	13	(358)
Cost as at 31 Dec. 2021	160	3 901	14 567	23	5 314	23 967
Total depreciation and impairment as at 31 Dec. 2020	(77)	(2 869)	(3 321)	(7)	(1 337)	(7 610)
Adjustments					(757)	(757)
Disposals		394	1 064	0	950	2 408
Depreciation [1)]	(12)	(376)	(1 959)	(3)	(685)	(3 035)
Impairment						
Exchange rate movements	(1)	5	604	0	(1)	607
Total depreciation and impairment as at 31 Dec. 2021	(89)	(2 846)	(3 612)	(10)	(1 830)	(8 387)
Carrying amount as at 31 Dec. 2021	71	1 055	10 955	14	3 485	15 580

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 Bank ASA has not placed any collateral for loans/funding of fixed assets, including property.

NOTE P35 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)

	DNB Bank ASA	
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Gross investment in the lease		
Due within 1 year	1 405	1 361
Due in 1-5 years	49 051	46 579
Due in more than 5 years	15 431	13 030
Total gross investment in the lease	65 887	60 970
Present value of minimum lease payments		
Due within 1 year	1 361	1 319
Due in 1-5 years	39 498	37 508
Due in more than 5 years	10 270	8 681
Total present value of lease payments	51 130	47 508
Unearned financial income	14 757	13 462
Unguaranteed residual values accruing to the lessor	175	97
Accumulated loan-loss provisions	5 093	2 814
Variable lease payments recognised as income during the period	137	76

Operational leases (as lessor)

	DNB Bank ASA	
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Future minimum lease payments under non-cancellable leases		
Due within 1 year	134	126
Due in 1-5 years	6 955	6 395
Due in more than 5 years	812	451
Total future minimum lease payments under non-cancellable leases	7 902	6 971

Leases (as lessee)

	DNB Bank ASA	
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Minimum future lease payments under non-cancellable leases		
Due within 1 year	80	107
Due in 1-5 years	547	504
Due in more than 5 years	3 660	4 095
Total minimum future lease payments under non-cancellable leases	4 287	4 706
Total minimum future sublease payments expected to be received under non-cancellable subleases	260	221

	DNB Bank ASA
Amounts in NOK million	Total lease liability
Lease liabilities as at 1 January 2020	5 060
Interest expense	115
Additions	16
Revaluation of existing lease liability	80
Cancellations	(47)
Payments	(783)
Other	(9)
Lease liabilities as at 31 December 2020	4 432
Interest expense	92
Additions	103
Revaluation of existing lease liability	820
Cancellations	(802)
Payments	(795)
Other	15
Lease liabilities as at 31 December 2021	3 864

NOTE P36 Other assets

	DNB Bank ASA	
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Prepayments/accrued income	732	544
Amounts outstanding on documentary credits and other payment services	1 858	1 113
Unsettled contract notes	2 492	2 875
Other amounts outstanding [1)]	24 008	8 864
Total other assets [2)]	**29 091**	**13 395**

1) DNB Bank ASA had outstanding Group contributions totalling NOK 18 708 million as at 31 December 2021.

2) Other assets are generally of a short nature.

NOTE P37 Deposits from customers by industry segment

	DNB Bank ASA	
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Bank, insurance and portfolio management	37 465	39 026
Commercial real estate	53 627	52 791
Shipping	68 745	28 043
Oil, gas and offshore	70 024	67 626
Power and renewables	42 264	18 403
Healthcare	12 116	13 545
Public sector	56 677	55 189
Fishing, fish farming and farming	17 698	14 670
Retail industries	39 191	39 834
Manufacturing	72 014	63 791
Technology, media and telecom	27 066	23 081
Services	127 229	114 092
Residential property	19 803	20 383
Personal customers	435 122	407 028
Other corporate customers	156 085	129 117
Deposits from customers	**1 235 125**	**1 086 618**

NOTE P38 Debt securities issued

Changes in debt securities issued

DNB Bank ASA

Amounts in NOK million	Balance sheet 31 Dec. 2021	Issued 2021	Matured/ redeemed 2021	Echange rate movements 2021	Other adjustments 2021	Balance sheet 31 Dec. 2020
Commercial papers issued, nominal amount	166 847	3 163 394	(3 100 104)	(34 373)		137 931
Bond debt, nominal amount [1]	147 367	19 186	(43 540)	(3 395)		175 115
Adjustments	2 023				(3 183)	5 206
Debt securities issued	**316 238**	**3 182 580**	**(3 143 644)**	**(37 768)**	**(3 183)**	**318 252**

Maturity of debt securities issued as at 31 December 2021 [1] [2]

DNB Bank ASA

Amounts in NOK million	NOK	Foreign currency	Total
2022		166 847	166 847
Commercial papers issued, nominal amount		166 847	166 847
2022	3 620	51 798	55 417
2023	5 335	50 627	55 962
2024	125	30 108	30 233
2025	1	449	451
2026	5	1 945	1 950
2027		1 640	1 640
2028 and later		1 713	1 713
Bond debt, nominal amount	9 087	138 280	147 367
Adjustments	(139)	2 162	2 023
Debt securities issued	8 948	307 290	316 238

1) *Excluding own bonds.*
2) *In the table above, the maturity profile is based on the call date, i.e. DNB's first option to redeem the bond.*

NOTE P39 Senior non-preferred bonds

See note G43.

NOTE P40 Subordinated loan capital and perpetual subordinated loan capital securities

See note G44.

NOTE P41 Other liabilities

	DNB Bank ASA	
Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Short-term funding	627	700
Short positions trading	4 834	2 982
Accrued expenses and prepaid revenues	3 638	3 247
Documentary credits, cheques and other payment services	558	454
Unsettled contract notes	1 501	1 930
Group contributions/dividends (internal)	10 500	13 205
Accounts payable	1 379	1 795
General employee bonus	276	254
Lease liabilities	3 864	4 432
Proposed dividends for 2021	15 116	
Other liabilities	2 894	2 445
Total other liabilities [1)]	**45 189**	**31 444**

1) *Other liabilities are generally of a short-term nature.*

NOTE P42 Equity

Share capital

The share capital of DNB Bank ASA as at 31 December 2021 and 31 December 2020 was NOK 19 379 562 763 divided into 1 550 365 021 shares, each with a nominal value of NOK 12.50.

DNB Bank 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 has proposed a dividend of NOK 9.75 per share for 2021, for distribution as of 5 May 2022.

Fund for unrealised gains

The restricted share of retained earnings (fund for unrealised gains) in DNB Bank ASA totalled NOK 2 630 million as at 31 December 2021 and NOK 4 231 million at 31 December 2020.

Own shares

At the Annual General Meeting on 27 April 2021, the Board was given an authorisation for a new share buy-back program of 3.5 per cent. There have been no buy-backs under this authorisation.

Treasury shares

Treasury shares held by DNB Markets for trading purposes, acquired following the merger with DNB ASA, are presented below.

		DNB Bank ASA	
Amounts in NOK million	Share capital	Other equity	Total equity
Balance sheet as at 31 December 2020			
Merger DNB ASA	(1)	(7)	(7)
Net sale of treasury shares	0	9	10
Reversal of fair value adjustments through the income statement		(3)	(3)
Balance sheet as at 31 December 2021	**(0)**	**(0)**	**(0)**

Additional Tier 1 capital

An additional Tier 1 capital instrument of NOK 1 400 million, issued in 2016, was redeemed in 2021.

				DNB Bank ASA
Year raised		Carrying amount in currency	Interest rate	Carrying amount in NOK
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				16 595

NOTE P43 Remunerations etc.

See note G47.

Remuneration to the statutory auditor		**DNB Bank ASA**
Amounts in NOK 1 000, excluding VAT	2021	2020
Statutory audit [1]	(16 901)	(18 253)
Other certification services	(2 550)	(2 521)
Tax-related advice [2]	(3 187)	(2 635)
Other services	(2 035)	(1 884)
Total remuneration to the statutory auditor	**(24 673)**	**(25 293)**

1) *Includes fees for interim review.*
2) *Mainly refers to tax-related advice to employees on international assignments.*

NOTE P44 Information on related parties

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. See note G48 for transactions with other companies.

Transactions with DNB Group companies

	DNB Bank ASA	
	Group companies [1]	
Amounts in NOK million	2021	2020
Loans as at 31 December	381 729	311 665
Other receiveables as at 31 December [2]	41 122	16 590
Deposits as at 31 December	106 159	100 267
Other liabilities as at 31 December [2]	32 830	51 965
Interest income	2 831	4 356
Interest expenses	(85)	(427)
Net other operating income [3]	10 195	12 460
Operating expenses	(313)	(318)

1) *The table includes transactions with subsidiaries and sister companies. Investments in bonds issued by related parties are described below and are not included in the table.*
2) *Other receivables and other liabilities as at 31 December 2021 and 2020 were mainly group contributions and financial derivative contracts with DNB Boligkreditt as counterparty.*
3) *DNB Bank ASA recognised NOK 6 510 million and NOK 9 413 million in group contributions from subsidiaries in 2021 and 2020, respectively.*

Major transactions and agreements with related parties

DNB Boligkreditt AS

DNB Boligkreditt AS (Boligkreditt) is 100 per cent owned by DNB Bank ASA. As part of ordinary business transactions, a large number of banking transactions are entered into between Boligkreditt and the bank, including loans, deposits and financial derivatives used in currency and interest rate risk management. Transactions are carried out on market terms and are regulated in the “Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS” (the transfer agreement) and the “Contract between DNB Bank ASA and DNB Boligkreditt AS concerning purchase of management services” (the management agreement).

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. During 2021, portfolios of NOK 26.0 billion (NOK 49.2 billion in 2020) were transferred from the bank to Boligkreditt.

Under the management agreement, Boligkreditt purchases services from the bank, including services relating to administration, bank production, distribution, customer contact, IT operations and financial and liquidity management. Boligkreditt pays an annual management fee for these services based on the lending volume under management and the achieved lending spreads. The management fee paid in 2021 totalled NOK 1.8 billion (NOK 1.0 billion in 2020).

At end-December 2021 the bank had invested NOK 53.9 billion (NOK 59.9 billion in 2020) in covered bonds issued by Boligkreditt.

Boligkreditt enters into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 32.7 billion at end-December 2021 (NOK 25.8 billion in 2020).

Boligkreditt has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 245 billion.

DNB Livsforsikring AS

As part of the company's ordinary investment activity, DNB Livsforsikring has subscribed for covered bonds issued by Boligkreditt. At year-end 2021, DNB Livsforsikring’s holding of listed Boligkreditt bonds was valued at NOK 0.3 billion (NOK 1.5 billion in 2020).

NOTE P45 Largest shareholders

Shareholder structure in DNB Bank ASA as at 31 December 2021	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
The Capital Group Companies	112 196	7.2
Folketrygdfondet	96 732	6.2
BlackRock	51 974	3.4
The Vanguard Group	34 822	2.2
Deutsche Bank AG Group	29 760	1.9
State Street Corporation	21 334	1.4
T. Rowe Price Group	19 782	1.3
DNB Asset Management	19 062	1.2
Storebrand Kapitalforvaltning	18 287	1.2
Kommunal Landspensjonskasse	16 693	1.1
Schroders	15 476	1.0
Danske Bank Group	14 616	0.9
Nordea	12 751	0.8
Davis Selected Advisers	11 473	0.7
Svenska Handelsbanken	10 499	0.7
Polaris Capital Management	10 447	0.7
Ameriprise Financials	10 101	0.7
APG Groep	9 722	0.6
Total largest shareholders	1 172 852	75.7
Other shareholders	377 513	24.3
Total	1 550 365	100.0

The owners of shares in nominee accounts are determined on the basis of third-party analyses.

NOTE P46 Shares in DNB Bank ASA held by senior executives

	Number of shares alloted in 2021[1)]	Number of shares 31 Dec. 2021
Board of Directors of DNB Bank ASA		
Olaug Svarva, chair		14 500
Svein Richard Brandtzæg, vice chair		556
Gro Bakstad		4 000
Julie Galbo		755
Lillian Hattrem		1 578
Jens Petter Olsen		6 000
Stian Tegler Samuelsen		1 067
Jaan Ivar Semlitsch		200
Eli Solhaug		3 127
Kim Wahl		12 000
Group Management as at 31 December 2021		
Kjerstin R. Braathen, CEO	11 586	60 062
Ida Lerner, CFO		7 072
Benjamin Golding, group EVP		
Mirella E. Grant, GCCO		1 875
Håkon Hansen, group EVP	2 601	22 603
Sverre Krog, CRO		2 421
Maria Ervik Løvold, group EVP	2 533	7 383
Thomas Midteide, group EVP	2 295	29 872
Anne Sigrun Moen, group EVP		744
Alexander Opstad, group EVP	10 427	38 639
Harald Serck-Hanssen, group EVP	3 315	50 382
Ingjerd Blekeli Spiten, group EVP	2 703	14 060
Group Audit		
Tor Steenfeldt-Foss, group EVP		

1) *Including fixed salary shares. See note G47 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 Bank ASA.

NOTE P47 Contingencies

See note G50.

STATEMENT PURSUANT TO SECTION 5-5 OF THE NORWEGIAN SECURITIES TRADING ACT

We hereby confirm that the annual accounts for the Group and the company for 2021 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, 9 March 2022
The Board of Directors of DNB Bank ASA

Olaug Svarva
(Chair of the Board)

Svein Richard Brandtzæg
(Vice Chair of the Board)

Gro Bakstad

Julie Galbo

Lillian Hattrem

Jens Petter Olsen

Stian Tegler Samuelsen

Jaan Ivar Semlitsch

Eli Solhaug

Kim Wahl

Kjerstin R. Braathen
Group Chief Executive Officer (CEO)

Ida Lerner
Chief Financial Officer (CFO)

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of DNB Bank ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DNB Bank ASA (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021 and 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. The consolidated financial statements of the Group comprise the balance sheet as at 31 December 2021, 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 comply with applicable legal requirements,

> the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and 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 give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with 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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 14 years from the election by the general meeting of the shareholders in 2008 for the accounting year 2008.

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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 2021. 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 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

Basis for the key audit matter
Loans to customers represent NOK 1 744 922 million (60 per cent) of total assets for the Group as at 31 December 2021. Financial commitments amount to NOK 737 854 million as at 31 December 2021. The corresponding amounts in the financial statements of the Company are NOK 898 584 million and NOK 533 020 million, respectively. Total expected credit losses (ECL) on loans to customers and financial commitments for the Group amount to NOK 11 192 million, of which NOK 1 823 million is based on model calculations (stages 1 and 2) and NOK 9 369 million is based on individual assessments (stage 3). The corresponding amounts in the financial statements of the Company are total expected credit losses (ECL) on loans to customers and financial commitments of NOK 9 992 million, of which NOK 1 345 million is based on model calculations (stages 1 and 2) and NOK 8 647 million is based on individual assessments (stage 3).

The ECL calculation 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, the complexity of the calculation and the effect on estimates, we consider ECL a key audit matter.

Expected credit losses are disclosed in note G5, G6, G7, G8, G9, G10, G11 and G12 in the financial statements of the Group and note M5, M6, M7, M8, M9, M10 and M11 in the financial statements of the Company.

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Our audit response
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 increases 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 the expected future cash flows and valuation of underlying collateral. Due to the ongoing pandemic, we had increased focus on the uncertainty in the estimated future cash flows and values of collateral for companies in segments that have been significantly affected by Covid-19.

Valuation of Financial Instruments
Basis for the key audit matter
Unlisted or illiquid financial instruments measured at fair value are valued based on models that use assumptions that are not observable in the marketplace. The valuation of these instruments therefore has a higher risk of errors. Such instruments comprise assets of NOK 61 213 million and liabilities of NOK 1 605 million measured at fair value in the consolidated balance sheet and classified as level 3 instruments within the fair value hierarchy. The corresponding amounts for the Company are NOK 9 233 million and NOK 1 605 million, respectively. 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.

Level 3 instruments measured at fair value are disclosed in note G29 in the financial statements of the Group and note M27 in the financial statements of the Company.

Our audit response
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.

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IT environment supporting financial reporting

Basis for the key audit matter

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.

Our audit response

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 of the IT environment and in assessing and testing the operative effectiveness of controls.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and Group Chief Executive Officer) is 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 board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and 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 or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

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Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group'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 the Group, 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 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 and the Group'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 and the Group'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.

Statsautoriserte revisorer
Ernst & Young AS

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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 and the Group 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.

We communicate with the board of directors 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 the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the board of directors, 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 requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of DNB Bank ASA we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name dnbbankasa-2021-12-31-nb.zip, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements included in the annual report have been prepared, in all material respects, in compliance with the ESEF Regulation.

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Management's responsibilities
Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor's responsibilities
Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report has been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 9 March 2022
ERNST & YOUNG AS

Kjetil Rimstad
State Authorised Public Accountant (Norway)

(*This translation from Norwegian has been prepared for information purposes only.*)

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To the Board of Directors of DNB Bank ASA

INDEPENDENT ACCOUNTANT'S ASSURANCE REPORT

Scope

We have been engaged by DNB Bank ASA to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on DNB Bank ASA 's reporting on corporate responsibility as DNB Bank ASA has defined and referred to in the Company's GRI index (see the document "GRI Index 2021" on www.dnb.no/sustainability-reports) (the "Subject Matter") as of 31 December 2021 and for the period from 1 January 2021 to 31 December 2021.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the for reporting on corporate responsibility, and accordingly, we do not express a conclusion on this information.

Criteria applied by DNB Bank ASA

In preparing the Subject Matter, DNB Bank ASA applied the relevant criteria from the Global Reporting Initiative (GRI) reporting on corporate responsibility standards, "Core" option (the "Criteria"). 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 for reporting on corporate responsibility.

DNB Bank ASA's responsibilities

The Board of Directors and Group Chief Executive Officer (management) are responsible for the selecting the Criteria, and for presenting the Subject Matter 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 Subject Matter, 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 Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for 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 Subject Matter is presented in accordance with the Criteria, and to issue a 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 conclusions.

Building a better working world

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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 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.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Review of DNB Bank ASA's process for preparation and presentation of the for reporting on corporate responsibility to develop an understanding of how the reporting is conducted 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 those in charge
- 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. We also performed such other procedures as we considered necessary in the circumstances.

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Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter as of 31 December 2021 and for the period from 1 January 2021 to 31 December 2021 in order for it to be in accordance with the Criteria.

Oslo, 9 March 2022
ERNST & YOUNG AS

(*This translation from Norwegian has been made for information purposes only.*)

Kjetil Rimstad
State Authorised Public Accountant (Norway)

FINANCIAL CALENDAR 2022

Annual General Meeting	26 April
Distribution of dividends	5 May
First quarter	28 April
Second quarter	12 July
Third quarter	20 October

ANNUAL GENERAL MEETING

The Annual General Meeting of DNB Bank ASA will be held digitally on 26 April 2022 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 Bank 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 AND INFORMATION ON ESTIMATION UNCERTAINTY

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. In connection with reporting on sustainability targets and corresponding KPIs, it is necessary to estimate figures where underlying data is inadequate or unavailable, or will be developed over time. Particular uncertainty is thus associated with these parameters.

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COLOPHON

DNB's annual report for 2021 has been produced by Group Financial Reporting and Public Affairs & Sustainability.

Concept and design: Hyper
Layout accounts and notes: DNB
Translation: Marianne Perkis Nørstebø, Kristin Dobinson and Pål Jørgen Bakke, DNB

DNB Group

Sustainability Factbook 2021

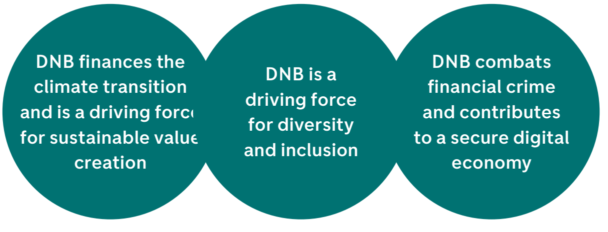
Contents

DNBs Sustainability Factbook 2021 is produced by DNB Public Affairs & Sustainability

Design: Hyper

About the Sustainability Factbook

This factbook is a supplement to the 2021 annual report, and gives a brief overview of the most material topics with regard to DNB's influential power relating to sustainable development and ability to create long-term value. In 2021, we carried out a new materiality analysis, supplementing it with an impact analysis (see pages 30–33 in the annual report), and thus we were able to identify which topics are strategically important to DNB, in the context of the expectations our stakeholders have of us. The analyses help us identify areas where we have a major impact and can contribute to positive societal development. We have condensed the most important topics into these three main areas, which guide our sustainability efforts and formed the foundation for DNB's sustainable strategy:



We launched our updated sustainable strategy in June 2021, taking a clear position as a driving force for the sustainable transition (see page 26–29 in the annual report). We have set a target of reaching net-zero emissions from our financing and investment activities by 2050, and sub-targets for reducing the emissions intensity in the portfolio by 2030. We will give a status update for these goals in the factbook.

Together with the description of the topics in the sustainable strategy, the Sustainability Factbook constitutes DNB's sustainability reporting in accordance with the GRI Standards. The factbook has been verified by the bank's statutory auditor.

Material topics

DNB finances the climate transition and is a driving force for sustainable value creation

- Financing the green transition and reducing greenhouse gas emissions
- Sustainable products
- Circular economy
- Biodiversity
- ESG assessments in credit analyses and asset management

DNB is a driving force for diversity and inclusion

- Diversity and inclusion
- Attractive workplace
- Competence and employee development

DNB combats financial crime and contributes to a secure digital economy

- Preventing financial crime and money laundering
- Information security
- Stable IT systems
- Data protection

Creating the best customer experiences

- Responsible customer advisory services and marketing
- Responsible lending to personal customers
- Innovative and user-friendly products and services

Financial ambitions	Ambitions	Achieved in 2021
Return on equity (ROE) (Overriding target)	> 12.0%	10.7 %
Cost/income ratio (Key performance indicator)	< 40.0%	43.0 %
Common equity Tier 1 capital ratio[1)] (Capitalisation level)	> 17.6%	19.4 %
Payout ratio (Dividend policy)	> 50.0%	61.9 %

1) Expectations from the supervisory authorities as at 31 December 2021, including counter-cyclical buffer requirement at the same level as before the pandemic.

Sustainability ambitions	Ambitions	Achieved as of 31 Dec. 2021
DNB finances the climate transition and is a driving force for sustainable value creation		
Finance and facilitate sustainable activities by 2030	NOK 1 500 billion	NOK 313 billion
Reduce the portfolio's emissions intensity by 2030	Oil and gas: 25% Shipping: 1/3 Commercial property: 25–35%	Se pages 68–73 in the annual report
Increase total assets in mutual funds with a sustainability profile in 2025	NOK 100 billion	NOK 27 billion
– and reduce the emissions intensity of DNB Livsforsikring's portfolio by 2030	up to 55%	Se pages 72–73 in the annual report

DNB is a driving force for diversity and inclusion

DNB combats financial crime and contributes to a secure digital economy

Purpose and values

Our mission:

We are here. So you can stay ahead.

Our values:

We are curious, bold and responsible.

Sustainable strategy

DNB will be a driving force for sustainable transition, and we will use our position and expertise to actively help our customers to move in a more sustainable direction, through the provision of advisory services, financing and clear requirements. Our overriding target is net-zero emissions from our lending and investment portfolio, as well as from our own operations, by 2050. We will primarily use positive influence, but may also choose not to finance or invest in certain companies or industries that are not in line with our strategy. At the same time, we must also keep our own house in order and work actively with sustainability in DNB's own operations, both as an employer and as a purchaser.

The strategy focuses on three priority areas where we have the greatest opportunity to use our influence, and which reflect the Group's greatest risks and opportunities:

- → DNB finances the climate transition and is a driving force for sustainable value creation
- → DNB is a driving force for diversity and inclusion
- → DNB combats financial crime and contributes to a secure digital economy

Our work with the UN Sustainable Development Goals

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

DNB supports all 17 of the SDGs. At the same time, we have identified specific goals that are particularly relevant to our business operations, in line with the materiality analysis and DNB's sustainable strategy. We have identified three main SDGs that reflect the three priority areas of the strategy, and that are areas where we believe that we are particularly well placed to make a positive contribution:

- **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.
- **SDG 13:** Take urgent action to combat climate change and its impacts.

Other SDGs we are focusing on, and which reflect our materiality analysis, are SDGs 7, 9, 10, 12, 14, 15 and 16. Through our roles as employer, investor, lender, and facilitator and supplier of financial infrastructure, we are seeking to contribute positively to fulfilling these SDGs, and reducing our negative impact in these areas.

UN Sustainable Development Goals

DNB's top priority SDGs

Other SDGs prioritised by DNB

Other SDGs

All 13 topics in this factbook are linked with one or more of the UN SDGs.

ESG assessments in credit analyses and asset management

Responsible lending to corporate customers

What does it mean/why is it important?

As a large lender, DNB has real influence on its customers. By requiring accountability, we can contribute positively to society while reducing our customers' risk, as well as our own. DNB's long-term profitability depends on our customers making choices to reduce risk and seize opportunities in sustainable restructuring. This is increasingly a matter of competitiveness – our customers' and our own.

Status 2021

- → For all customers with a total credit commitment of more than NOK 8 million, ESG risk must be commented on in the credit proposal.
- → ESG risk assessment tools must be used for all credit commitments above NOK 50 million.
- → DNB started using the updated ESG risk assessment tool for corporate customers in 2021. More than 1 500 credit customers were risk assessed using this tool during the year. We trained all credit analysts, account managers and relevant Corporate Banking managers, as well as credit officers.
- → In 2021, 18 projects were financed in accordance with the equator principles. 17 of them were renewable power generation projects, including DNB's first financing of a project for solar power battery storage.
- → Responsible Ship Recycling Standard: We achieved our ambition of 100 per cent of our loan agreements having responsible ship recycling clauses. The ambition was maintained and expanded to include new offshore loans, and the target has also been reached there.
- → Sustainability-related topics were an important part of the several thousand customer dialogues we conducted in 2021.

Responsible area in the bank

Corporate Banking

Governing documents

Group standard for corporate responsibility in DNB's credit activities

Link to the UN Sustainable Development Goals

Measurement parameter	2019	2020	2021	Target (if relevant)	Comment
GRI FS8 ESG: Products and services	46.2	51.0	60.7		Direct loans to renewable energy (solar, wind and hydropower) in NOK billion
Number of new equator projects	3	11	18		

ESG assessments in credit analyses and asset management

Responsible investments

What does it mean/why is it important?

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 (DAM), as well as through the Group's equity investments.

The main purpose of this work is to achieve 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 when it comes to responsibility and sustainability.

For a full ESG report relating to responsible investment, see the 2021 Annual Report on Responsible Investment, published by DNB Asset Management.

Status 2021

- 241 structured dialogues were conducted with 177 companies in 2021, to discuss various ESG topics with measurement of progress. Running dialogues were also conducted, and they were increasingly proactive.
- As part of the active exercise of ownership rights, we voted at 155 general meetings in Norway and 169 internationally.
- Work continued during 2021 on developing analytical tools and methods to survey climate-related risks and opportunities at company and portfolio level. An important part of this work has been to collaborate with UNEP FI and other investors to identify best practice, and to further develop scenario analyses and other forward-looking methods.
- In 2021, we decided, as part of the net-zero 2050 ambition, to set a target of increasing the total assets in mutual funds with a sustainability profile to NOK 100 billion by 2025. In addition, the goal is for half of net flows in 2025 to go to such mutual funds.
- We launched several mutual funds with a sustainability profile in 2021, including an index fund with a benchmark index that seeks to be in line with the Paris Agreement. In addition, we relaunched a global equity fund that uses the UN Sustainable Development Goals as a framework for its investments.
- DNB Livsforsikring increased its ambition to reduce the emissions intensity of its portfolio from 40 per cent to 55 per cent by 2030 (baseline is an average of the period 2017–2019).

Responsible area in the bank

Wealth Management

Governing documents

Group standard for responsible investments

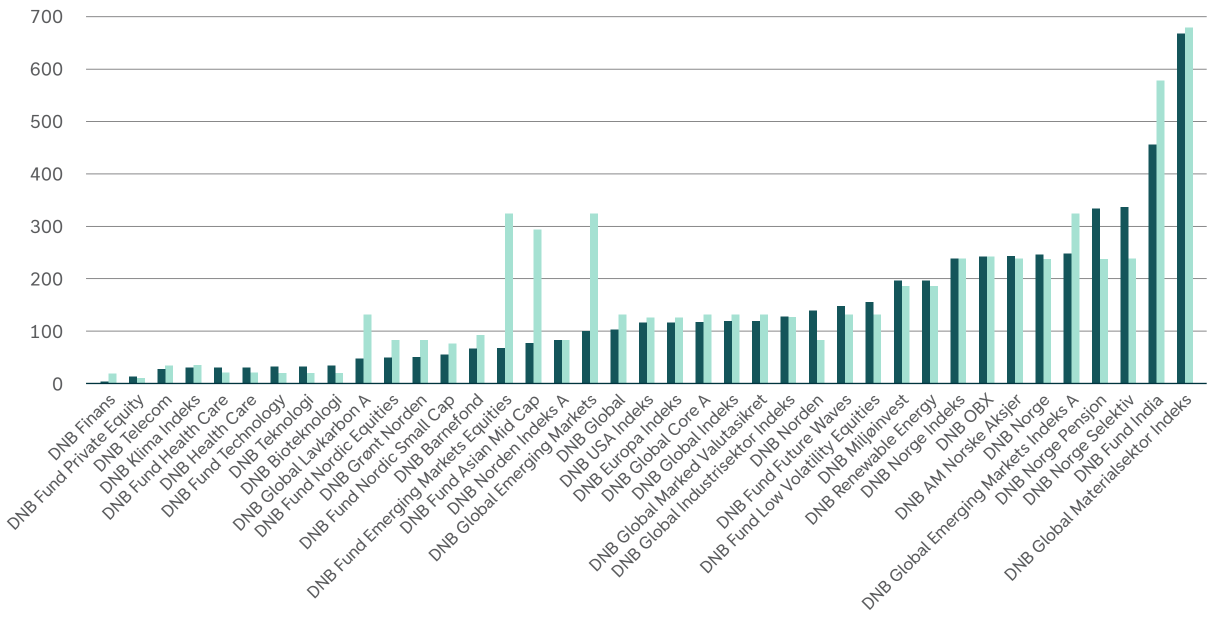
Link to the UN Sustainable Development Goals

Measurement parameter	2019	2020	2021	Target (if relevant)	Comment
GRI 305-4: Greenhouse gas emissions/ GHG emissions					See Carbon footprint of mutual funds (Montreal Carbon Pledge) on dnb.no/sustainability-reports
GRI FS10: Dialogue	209	229	241		Number of meetings with companies where various ESG-related topics were discussed
GRI FS 11: Positive/negative screening	1.31%	2.48%	3.11%		Percentage of total assets subject to a combination of negative and positive environmental and/or social screening
GRI FS8: Financial ESG products	8.9	18.4	26.9		Total assets invested in mutual funds with a sustainability profile, in NOK billion
Share of total assets with negative environmental and/or social screening	100%	100%	100%		

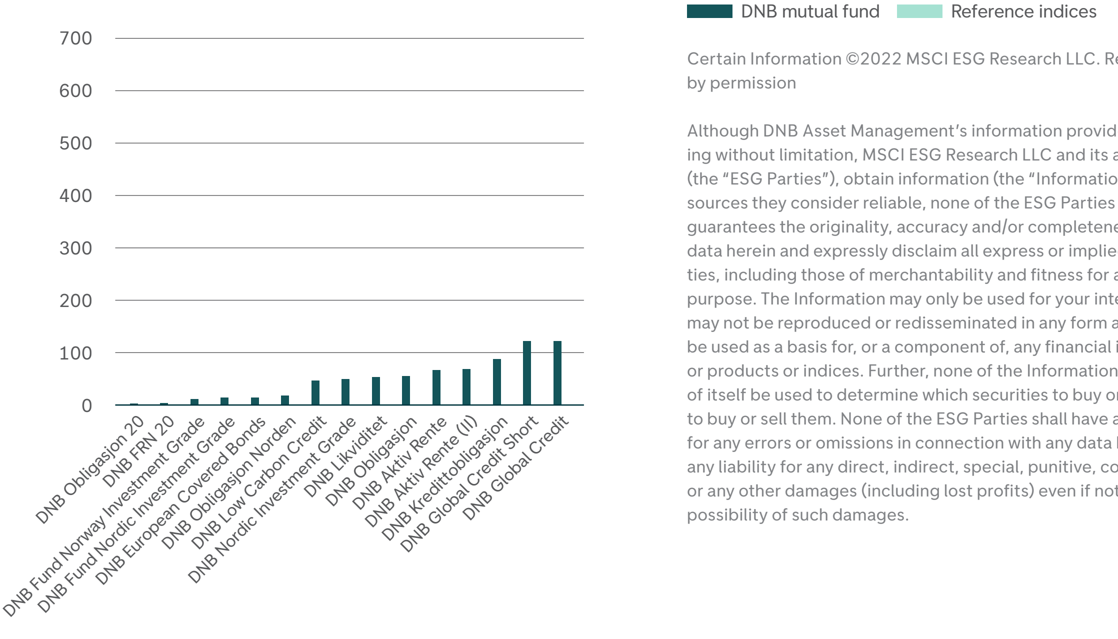
Greenhouse gas emissions of DNB's mutual funds relative to reference indices

Tonnes of CO_2 equivalents for every USD 1 million in revenue

Equity fund



Fixed-income fund



Reducing greenhouse gas emissions

What does it mean/why is it important?

DNB has set a target of net-zero emissions from the financing and investment portfolio by 2050. To get there, we aim to reduce emissions intensity at both portfolio level and in significant sectors by 2030 (compared to 2019 levels). Oil and gas, shipping and real estate are the sectors where DNB can make the greatest impact, and with the best data availability and highest emissions intensity. The targets include customers' Scope 1 and Scope 2 emissions[1)] where they can be measured and the data is available.

Oil and gas: DNB aims to reduce the CO_2 emissions intensity related to the upstream oil and gas portfolio by 25 per cent from 2019 to 2030.
Shipping: DNB aims to reduce the emissions intensity in the shipping portfolio by 1/3 from 2019 to 2030.
Commercial property: DNB aims to reduce the emissions intensity related to energy consumption in the commercial property portfolio by 25–35 per cent from 2019 to 2030.
Life insurance: Our goal is to reduce the emissions intensity of the life insurance portfolio by 55 per cent before 2030, with the baseline set in 2019.

Status 2021

- Oil and gas: The emissions intensity for lending is compared against the baseline year 2019. There was a reduction in emissions intensity of 11.1 per cent in 2020, and of 3.1 per cent in 2021. The reason for these fluctuations is explained in the annual report on page 70.
- Shipping: The emissions intensity of lending to this sector increased by 2.9 per cent from 2019 to 2020. The reason is explained in the annual report on pages 71–72.
- Commercial property: Due to a lack of source data, it has been impossible to set a baseline or a final reduction target for emissions intensity for this sector.
- Life insurance: Our goal is to reduce the emissions intensity of the life insurance portfolio by 55 per cent by 2030, compared with the baseline in 2019. In 2020, the emissions intensity was reduced by 45 per cent. The reduction was unusually large, which was primarily due to a low share of investments in energy in the underlying mutual funds throughout the year. In 2021, the emissions intensity increased by 21.2 per cent, mainly due to an increase in the share of investments in energy in the underlying mutual funds once again. Volatility is expected in the time ahead, as indicated by these fluctuations from year to year. Compared with the baseline in 2019, the emissions intensity was 20.6 per cent lower in 2021. This indicates a positive development in terms of reaching the target of a 55 per cent reduction by 2030.

Responsible area in the bank
Corporate Banking, Wealth Management

Governing documents
Group standard for corporate responsibility in DNB's credit activities, Group standard for responsible investments

Link to the UN Sustainable Development Goals

13 CLIMATE ACTION

1) Scope 1: Direct emissions (fixed assets the company has operational control over, e.g., the use of fossil fuels).
Scope 2: Indirect emissions from purchased energy – electricity and district heating/cooling.

Measurement parameter	2019	2020	2021	Target (if relevant)	Comment
Oil and gas – emissions intensity	100%	88.9%	96.9%	75%	See page 70 of the annual report for further information.
Shipping – emissions intensity	100%	102.9%	n.a.	66.7%	See pages 70-72 of the annual report for further information.
Commercial property	n.a.	n.a.	n.a.	66-75%	Final baseline and targets for commercial property have not yet been set due to a lack of data. The target is therefore tentative.
DNB Livsforsikring – portfolio's emissions intensity	100%	55%	79.4%	45%	See pages 72-73 of the annual report for further information

Financing the climate transition through sustainable products

What does it mean/why is it important?

As Norway's largest financial services group, DNB has considerable influence on the sustainable transition in Norway and internationally. 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 good risk management. Our long-term profitability depends 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.

In 2021, we wanted to be even more ambitious and launched an updated sustainable strategy for the Group. One of the strategic priorities is for DNB to finance the climate transition and be a driving force for sustainable value creation. Our goal is to finance and facilitate sustainable activities worth NOK 1 500 billion by 2030. The previous funding targets (NOK 450 billion to the financing of renewable energy and infrastructure and NOK 130 billion to the financing of green property development) are included in the new target of NOK 1 500 billion. To achieve this goal, we must be able to offer our customers good, sustainable products. This has been a main priority in 2021, and we have implemented several measures across various business areas.

Status 2021

- In 2021, DNB contributed NOK 217 billion to the financing and facilitating of sustainable activities. This is a 126 per cent increase from 2020, when the volume was NOK 96 billion.
- Altogether, since 2019, we have contributed NOK 313 billion to the financing and facilitation of sustainable activities.
- DNB Finans contributed NOK 14.5 billion in financing of electric vehicles through loans and leasing in the four Nordic countries.
- DNB Markets helped facilitate 47 sustainable bonds with a total volume of NOK 83 billion. This represents an increase of almost 130 per cent from 2020.
- DNB launched an updated framework for sustainable products in 2021. The framework and associated criteria show the activities eligible for green financing from DNB. To a large extent, the update takes the EU taxonomy into account.
- We updated the process for sustainability-linked loans, a product where the loan's terms and conditions are linked to customers' work on one or more agreed sustainability indicators.
- We introduced sustainable pension savings with the new Next Generation pension profile, which allows customers to steer their savings towards fossil-free and thematic climate and environmental investments.
- We continued to offer particularly good loan terms to private customers who order solar panels through Fjordkraft. We also expanded our cooperation agreements with Ishavskraft and Bodø Energi.
- 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 among reporting banks, and 2.5 per cent above the ideal curve that supports the climate targets of the International Maritime Organization.

Responsible area in the bank

Corporate Banking

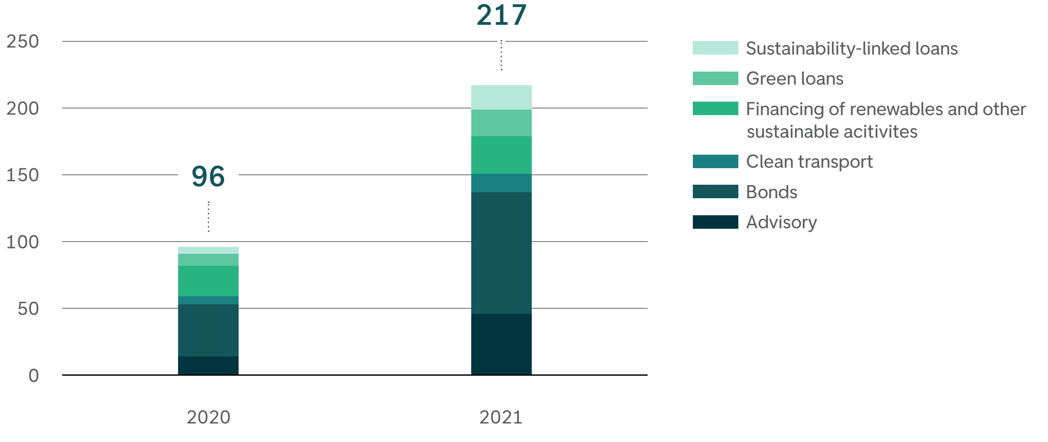
Governing documents

Group standard for corporate responsibility in DNB's credit activities

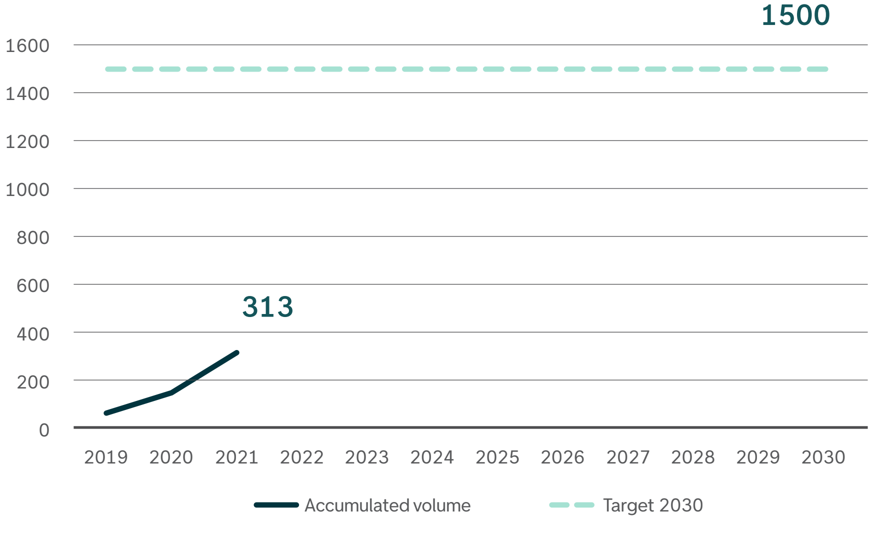
Link to the UN Sustainable Development Goals

Measurement parameter	2019	2020	2021	Target (if relevant)	Comment
GRI FS8 ESG: Products and services	46.2	51.0	60.7		Direct loans to renewable energy (solar, wind and hydropower) in NOK billion
Number of new equator projects	3	11	18		
Green bonds - market share Norway	27%	35%	14%		
Green bonds - total transaction amount	NOK 40 billion	NOK 39 billion	NOK 83 billion		Increase of almost 130% from 2020 to 2021.

Target attainment in 2021: Sustainable financing by product
NOK billion



Target attainment in 2021: Financing target for sustainable activities
NOK billion



Biodiversity

What does it mean/why is it important?

Climate change and loss of biodiversity are closely interconnected. Nature absorbs large amounts of greenhouse gases and mitigates the harmful effects of climate change[1]. Promoting biodiversity is therefore an important part of the solution to the climate challenges we face, and key to achieving the UN Sustainable Development Goals. According to the World Economic Forum, loss of biodiversity is one of the gravest risks to the world economy in the next ten years. The EU has estimated that half of the total global GDP is at risk due to the business sector's dependence on nature and its services.

Based on this, biodiversity was defined as a thematic focus area for DNB Asset Management in 2020. We have been working on related topics such as the oceans, deforestation and land use for a long time. This work has focused, among other things, on palm oil, meat production, soy, UNESCO World Heritage Sites and sustainable oceans. In 2022, biodiversity will become a focus area for lending activities and the entire DNB Group.

Status 2021

- In 2021, DNB Asset Management signed the Finance for Biodiversity Pledge, a call for the protection of biodiversity. The initiative is supported by 84 stakeholders with more than EUR 12.6 trillion in total assets.
- DNB Asset Management launched an expectation document for biodiversity. The document describes our expectations of companies with regard to biodiversity, including deforestation.
- Based on the expectation document, we conducted 23 dialogues focusing on biodiversity and deforestation in 2021. We conducted the dialogues both individually and in various investor collaborations and initiatives, including the FAIRR Initiative.[2]

Responsible area in the bank

Wealth Management

Governing documents

Group standard for responsible investments

Criteria and expectations Biodiversity

Criteria and expectations Sustainable oceans

Link to the UN Sustainable Development Goals

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

Measurement parameter	2019	2020	2021	Target (if relevant)	Comment
Number of commitments/dialogues focusing on biodiversity and deforestation	n.a.	n.a.	23		

1) Link to PBES' Report on Biodiversity and Climate Change: https://ipbes.net/events/launch-ipbes-ipcc-co-sponsored-workshop-report-biodiversity-and-climate-change

2) The FAIRR Initiative is a global network of investors working together on issues related to intensive animal production, and in general on opportunities and risks associated with food systems. FAIRR is a non-governmental voluntary organisation that helps investors exert their influence as responsible asset managers, while safeguarding the long-term value of investment portfolios.

Diversity and inclusion

What does it mean/why is it important?

For us, diversity means everything that makes people and groups unique and different from each other, whether visible traits such as age, gender, functional ability and ethnicity, or invisible traits such as sexual orientation, religious beliefs, competence, life experiences, personality and interests. In DNB, inclusion covers initiatives and practices aimed at giving everyone the same opportunities to contribute to the organisation and to be themselves regardless of their background. Having a diverse and inclusive working environment pays off, and is in keeping with our ethical foundation.

The fact that our employees are diverse makes DNB a better company. If we are to achieve our goals of long-term value creation, high levels of customer satisfaction and being an attractive employer, we need to reflect the society we are part of. Having employees with varied perspectives and backgrounds helps us create value for our customers. This will give us a strong competitive advantage going forward.

For us in DNB, our efforts to promote equality and diversity extend beyond our own employees. We want to contribute to increased equality among our customers, through our products and services, as well as in the operations of our suppliers.

Status 2021

- In 2021, Group Management adopted an updated diversity action plan.
- 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.
- DNB was ranked as the seventh 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. We were ranked as number one in the Banking and Financial Services category.
- The gender balance target (40/60) at all management levels stands, and in 2021 we reached the target for two out of five management levels (see illustration).
- We continued our commitment to financial equality through the #huninvesterer ('#girlsinvest') campaign. In 2021, we highlighted the financial gender gap.
- The inclusion index in the 2021 employee survey produced consistently good results, and showed that most employees view the working environment as inclusive. Perceived inclusion is scored on a scale of 1-6, and the goal is to have a score of at least 5 for the Group as a whole. In 2021, the score was 5.3.

Responsible area in the bank

People

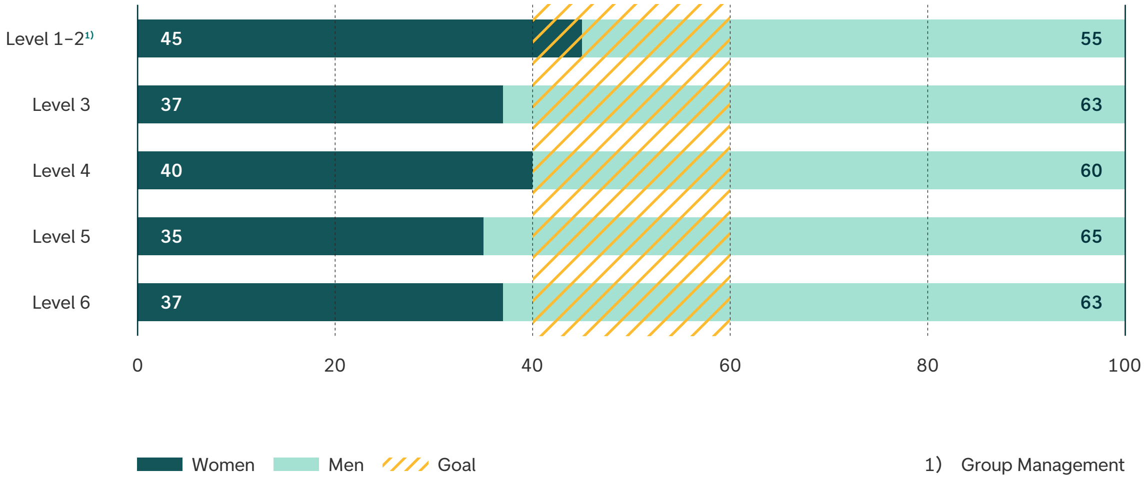
Governing documents

Corporate governance in DNB, DNB's Code of Conduct

Link to the UN Sustainable Development Goals

Measurement parameter	2019	2020	2021	Target (if relevant)	Comment
GRI 405-2: Ratio of basic salary and remuneration of women to men	82.1	83.9	85.0	100%	Women's salary as a share of men's (average fixed salary)
Share of women at management levels 1-4	38.0	39.5	39.8	40%	In 2019, measurement parameters were changed to gender balance in management positions
Perceived inclusion among employees	5.1	5.2	5.3	>5	Perceived inclusion is measured on a scale of 1-6 through the Group's employee survey.

Gender balance at management levels
Per cent



Preventing financial crime and money laundering

What does it mean/why is it important?

In DNB, we give high priority to efforts to prevent and uncover financial crime, money laundering and terrorist financing. Crime of this kind is a serious problem for society and a threat to the welfare system and the business community. An overarching goal of our work in this area is to reduce financial losses for society, customers and DNB, and to maintain people's trust in our products and services. This work is an important part of our corporate responsibility.

Profit-motivated crime affects DNB and its customers directly, and we spend considerable resources on preventing fraud, for example. In addition, criminals may misuse our services and products to launder the proceeds from criminal acts or to finance terrorism. Money laundering can be linked to many types of crime, including human trafficking, assault or abuse, and drug trafficking offences. We work continuously to prevent and detect money laundering and to ensure a high level of compliance with money laundering rules and legislation.

Status 2021

- DNB prevented fraud against customers and the Group worth NOK 734 million in 2021 (NOK 1 180 million in 2020).
- We registered a 68.8 per cent increase in customers exposed to fraud in digital channels compared to 2021.
- The share of averted fraud attempts was 79.6 per cent in 2021. This is down from 82.6 per cent in 2020, but there has also been a significant increase in the number of fraud attempts.
- We investigated 6 110 cases, and over the course of the year reported 1 689 cases to EFE (the Norwegian Financial Intelligence unit) in Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) due to suspicion of money laundering or terrorist financing.
- In 2021, we also saw fraud relating to government-guaranteed loans that were part of the Government's support package. Several cases were reported to the police, and we worked closely with Økokrim.
- In November 2019, Økokrim launched an investigation of DNB following 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.
- In May 2021, Finanstilsynet (the Financial Supervisory Authority of Norway) imposed an administrative fine of NOK 400 million on DNB, due to weaknesses in compliance with the anti-money laundering rules and legislation (more on this in the annual report on pages 109–110).
- In the autumn of 2021, a new programme was started to ensure progress in the anti-money laundering work, and a central, governing professional environment was established in addition to the considerable number of employees already working with anti-money laundering.

Measurement parameter	2019	2020	2021	Target (if relevant)	Comment
GRI 205-2: Anti-corruption training	n.a.	98.8	98.3		The figure for 2020 reported in the factbook for 2020 does not correspond with the figure reported here. The reason for this is that the figure is calculated only on the basis of permanent employees.
DNB 3: Anti-money laundering and anti-terrorist financing training	n.a.	n.a.	98.2		The course has been mandatory for all employees, but was only introduced as an indicator in 2021.

Responsible area in the bank

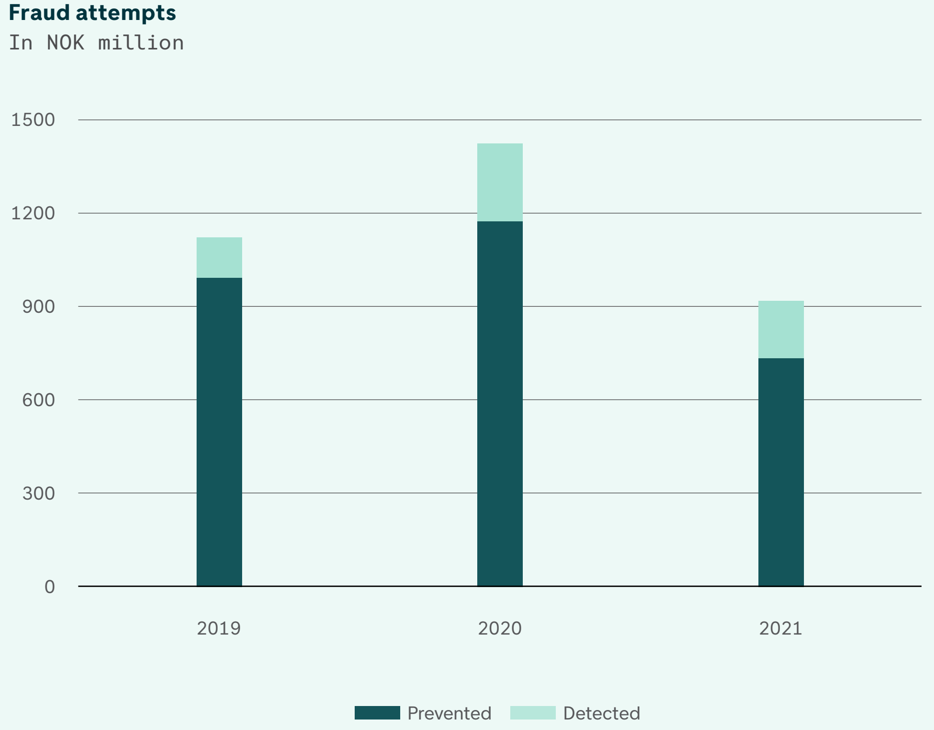
Each unit is responsible for ensuring compliance with AML rules and legislation, as well as other rules and legislation concerning financial crime, in its own operations. Group AML is responsible for standardising procedures and for following up the implementation of procedures in the areas of AML and 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 (ABC), Group standard for AML/CFT, Group standard for international sanctions, routine for anonymous internal whistleblowing channel

Link to the UN Sustainable Development Goals

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Fraud attempts
In NOK million
1500
1200
900
600
300
0
2019
2020
2021
Prevented
Detected

Information security and stable IT systems

What does it mean/why is it important?

DNB is an important player in Norwegian society, which means that we must provide our customers and society with secure, stable and user-friendly solutions. Due to rapid technological and threat landscape developments, it is increasingly important to work systematically and purposefully to prevent cyberattacks and other security incidents. Good security work is key to retaining the trust of our customers and society in general, and to maintaining our long-term competitiveness and innovation power.

Stable and secure operations are one of our main focus areas, and well-functioning IT services are essential for having satisfied customers. Systematic efforts over several years have produced good results in terms of operational stability, and have reduced downtime considerably.

Status 2021

- → In 2021, we had 13 days with serious IT operational incidents. This is a decrease from 17 days in 2020 and 27 days in 2019.
- → Cyberattacks against DNB are becoming more advanced and complex. In 2021, DNB registered 14 470 attacks, compared with 16 967 the year before. None of the incidents had serious consequences for customers or the Group, but they illustrate the importance of security work.
- → In 2021, we drew on important lessons from the previous year to develop a new and more flexible working model. In 2020, we made necessary adjustments to our IT systems for home office use during the pandemic, and at the same time adopted new ways of working, while in 2021 we focused on people and processes.
- → We continued to operationalise the new organisation throughout 2021, and we are now seeing clear effects, including a clearer division of responsibilities, more standardised and efficient work processes and more user-friendly solutions.
- → By the end of December, 96 per cent of all employees had completed the basic training, and 82 per cent had taken the mandatory courses for 2021.

Responsible area in the bank

Technology & Services

Governing documents

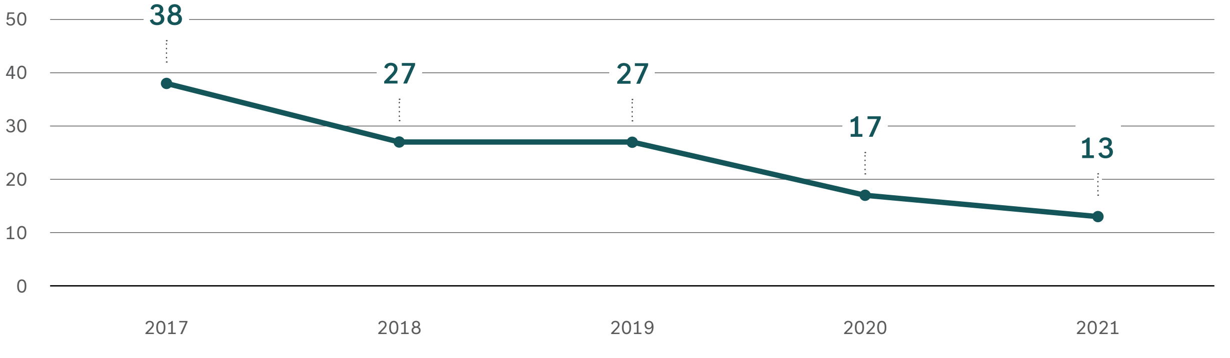
DNB's Code of Conduct, DNB's privacy statement, DNB's ethical guidelines for business partners, Group policy for security

Link to the UN Sustainable Development Goals

Measurement parameter	2019	2020	2021	Target (if relevant)	Comment
Days with incidents resulting in services being unavailable or having long response times	27	17	13		

Days with incidents resulting in services being unavailable or having long response times

Number of days



Data protection

What does it mean/why is it important?

Creating the best customer experiences is an overarching goal for DNB. Our customers expect good technical solutions that simplify the use of financial services. The increasing use of digital financial services requires access to information. Customers expect us to process their personal data in a responsible manner, and trust us to follow the data protection rules and legislation and not misuse their data. Should deviations occur, they must be dealt with quickly and efficiently. In order for us to have satisfied customers, we need to have their trust. This trust must be well managed and maintained. This means that we must be transparent about how we process personal data, and that data protection must be incorporated into all processes and solutions in DNB.

Status 2021

- In 2021, we improved several processes and drew up new Group instructions. At the same time, we updated the governing documents for data and data protection.
- In line with the Group's governance model, a decision was made in 2021 to organise the tasks and responsibilities relating to data protection in a new way. It was also decided to centralise the responsibility for selected Group-wide processes and tools.
- A new and updated deviation management process was implemented in 2021. We still have a low threshold for reporting personal data security breaches, and in 2021 we sent 76 deviation reports to the Norwegian Data Protection Authority. DNB was not issued any orders or non-compliance fees by the Norwegian Data Protection Authority in 2021.
- We completed a series of Data Protection Impact Assessment (DPIA) in 2021, to prevent undesirable processing consequences for customers.
- We continued our work to build one of Norway's leading specialist environments in the area of data protection, and introduced several new positions, both in the business areas and centrally, as well as in connection with the Data Protection Officer function.
- 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 2021, DNB received 1 079 requests for access. We also received 306 requests for the transfer of data in a machine-readable format (data portability) and 401 requests for the deletion of personal data.
- 97 per cent of permanent employees have completed basic privacy training.

Measurement parameter	2019	2020	2021	Target (if relevant)	Comment
Incurred fines or orders from the Norwegian Data Protection Authority due to GDPR violations	0	0	0		

Responsible area in the bank

Within the DNB Group, subsidiaries of DNB Bank 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 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 DPO function and Group instructions for the processing of personal data about employees.

Link to the UN Sustainable Development Goals

Responsible customer advisory services and marketing

What does it mean/why is it important?

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. Our ethical principles describe 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.

Status 2021

- In 2021, customer satisfaction was measured at 73.3. This was a decline from 73.6 in 2020.
- The Norwegian Financial Services Complaints Board (FinKN) dealt with 224 cases related to banking in 2021, 47 of which involved DNB. They ruled in favour of DNB in 37 cases, 5 went in the customer's favour and 5 were rejected.
- In 2021, efforts to risk-assess all third parties with whom we have an agreement were systemised. Random checks and evaluations are carried out each quarter to ensure that our processes and routines are under control, and violations or deviations are reported and logged.
- We launched the campaign Ditt økonomiske DNA (your financial DNA), including a new mapping and advisory tool.

Responsible area in the bank

Personal Banking

Governing documents

Corporate governance in DNB, Group policy for financial management, Group policy for compliance

Link to the UN Sustainable Development Goals

Measurement parameter	2019	2020	2021	Target (if relevant)	Comment
Customer satisfaction score	72.8	73.6	73.3		
Cases processed by the Norwegian Financial Services Complaints Board (GRI 417-2)	18	12	47		
Comments or fines from supervisory authorities related to marketing (GRI 417-3)	0	0	3		We received three comments, but no fines from the supervisory authorities relating to marketing.

Innovative products and user-friendly services

What does it mean/why is it important?

The financial services market is constantly changing, and we expect to see a fast pace of development in the financial industry in the time ahead. The COVID-19 pandemic has further accelerated the digital shift, and customers want and expect seamless services. Self-service solutions have become increasingly common, and the digital journey will require more of banks in the time ahead than it has until now.

To succeed in this market and create the best customer experiences, we must constantly improve and renew ourselves. In a Group like DNB, there is a great need to both improve existing solutions and create new ones. 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.

New technology and new business models do not only involve challenges, they also provide opportunities for increased value creation and better customer experiences.

Status 2021

- The new dnb.no website is the digital flagship that meets visitors and customers. Here, customers will find the full breadth of DNB's services and products. For example, we have introduced new calculators for home mortgages, car loans, foreign exchange and financing, as well as separate pages with content tailored to different customer segments.
- The internet bank has more than 1.5 million users. In the autumn of 2021, we launched the first beta version of a brand new, cloud-based internet bank for both personal customers and businesses.
- At the start of 2021, the mobile banking app for private customers surpassed 1 million active users, and it has an AppStore rating of 4.7 out of 5.
- In 2021, the corporate banking app DNB Puls went from being an app for the smallest companies to becoming a mobile banking app for all Norwegian corporate customers. The growth was 35.8 per cent for the year, and by the end of 2021, more than 38 000 companies had downloaded the app, which helps them gain better control over – and overview of – their own finances.
- We hosted DNB NXT Accelerator for the fifth time, in partnership with StartupLab.
- Our new equity trading solution was launched for 450 000 customers.
- Greatly helped by shutdowns, travel restrictions, good times on the stock exchange and the #huninvesterer (#girlsinvest) campaign, customers had invested NOK 27 billion in mutual funds at the end of 2021, which is an increase of 87 per cent from the previous year.

Responsible area in the bank

Payments & Innovation

Governing documents

Corporate governance in DNB

Link to the UN Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Measurement parameter	2019	2020	2021	Target (if relevant)	Comment
RepTrak score on innovation in DNB, Q4	78	80	75		
RepTrak score relating to products and services, Q4	76	78.4	73		

Attractive workplace

What does it mean/why is it important?

DNB wants to be an attractive employer, able to attract and retain the best people. Our employees are the heart of the organisation, and our most important resource and competitive advantage. We believe in continuous learning, a constructive feedback culture and a diverse and inclusive organisation. Over the past year, the organisation has demonstrated a strong ability to change and adapt to the new framework conditions brought about by the pandemic. We will build on these strengths and experiences in the time ahead.

Status 2021

- → The coronavirus pandemic has naturally affected everyday life. Good job transition management enabled DNB to transfer employees from units with less activity to units with more pressing tasks, e.g., those in direct contact with customers. This has been done in close cooperation with the employees and trade unions.
- → Throughout the year, we implemented infection control measures in the workplace, in line with applicable infection control rules. When working from home has been mandatory, our employees have done so as far as possible.
- → We introduced a scheme for the purchase of necessary home office equipment, offered several online exercise classes and provided support in the form of counselling. We gave employees access to, and training in the use of, the remote collaboration tool Teams.
- → A survey showed that employees felt proud to be working in DNB, with a score of 86 points in 2021, the same as in 2020.
- → Absence due to illness was 3.4 per cent for DNB in Norway in 2021, the same as in 2020. For DNB's international offices, absence due to illness was 1.2 per cent in 2020, compared with 2.2 per cent the previous year.

Responsible area in the bank

People

Governing documents

Group standard for health, safety and environment (HSE)

Link to the UN Sustainable Development Goals

Measurement parameter	2019	2020	2021	Target (if relevant)	Comment
Percentage of employees proud to work in DNB	82	86	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	794 8.1%	660 6.8%	729 7.4%		*Turnover is calculated on the basis of all permanent employees who have left DNB, for whatever reason (incl. severance packages etc.)

Competence and employee development

What does it mean/why is it important?

It is important for DNB 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 2021

- We were rated as the most attractive employer among business students in the Universum survey for the sixth year running. Among IT students we were ranked fourth, and among law students, twelfth.
- The pandemic has increased the need for expertise in areas such as digital remote collaboration tools, self-management and leadership from a distance.
- We continued our efforts to develop our own training programmes.
- All DNB employees have access to our digital learning platform Motimate, and over 98 per cent are active users.

Responsible area in the bank

People

Governing documents

DNB's 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	2019	2020	2021	Target (if relevant)	Comment
Number of employees who have completed Motimate courses	9 282	9 141	9 778		
GRI 404-2: Upgrading employee skills	n.a.	n.a.	n.a.		Includes several indicators. Seepages 92–95, in Strategic report.

Responsible purchasing

What does it mean/why is it important?

In 2021, DNB purchased goods and services for approximately NOK 9.2 billion. Of 4 520 suppliers, 122 accounted for around 80 per cent of 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, by updating DNB's ethical guidelines for business partners. The updated guidelines were applied in 2021. We also launched a new third-party risk management (TPRM) tool in 2021, which we use 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.

DNB has a notification channel for suppliers, through which violations of DNB's ethical guidelines for business partners can be reported. Violations of this kind are handled by DNB's Group Chief Audit Executive, who is responsible for notifications and whistleblowing, and they are treated as strictly confidential.

Status 2021

- 1 453 supplier reviews were performed in 2021, of existing as well as new suppliers. 9 per cent of these suppliers were considered to have a higher inherent risk and had to undergo a more thorough assessment before a final decision was made.
- 61 per cent of important suppliers (with a large share of purchases and of great significance to DNB's operations) have undergone the EcoVadis analysis, an increase of 4 percentage points from 2020. The average score was 62/100.
- Sustainability continued to be an important topic in meetings with, and the follow-up of, our suppliers.
- DNB's ethical guidelines for business partners (previously known as DNB's Code of Responsible Business Conduct for Suppliers) were revised and updated

Responsible area in the bank

Group Finance

Governing documents

DNB's ethical guidelines for business partners, DNB's procurement principles, DNB's anti-corruption guide

Link to the UN Sustainable Development Goals

Measurement parameter	2019	2020	2021	Target (if relevant)	Comment
Number of audits of important suppliers (based on risk and share of procurements)	2	3	3		

We are here.
So you can stay ahead.

DNB

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