DNB Group

Annual report 2019

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

Contents

About this report

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

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

We use the framework from the International Integrated Reporting Council (IIRC) and meet the requirements of the sustainability reporting standard prepared by the Global Reporting Initiative (GRI). Our process of identifying the most significant sustainability topics is based on the industry standards prepared by the SASB (Sustainability Accounting Standards Board). The sustainability data has been verified by a statutory auditor.

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

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

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

Links

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

Financial ambitions

	Financial ambitions 2020–2022	Achieved 2019
Return on equity (ROE) (Principal target)	> 12%	11.7%
Cost/income ratio (Key performance indicator)	< 40%	42.2%
Common equity Tier 1 capital ratio[1)] (Capitalisation level)	~ 17.9%	18.6%
Payout ratio (Dividend policy)	> 50%	57% / 78%[2)]

1) In accordance with the EU capital requirements regulations (CRR/CRD IV) and with management buffer included.
2) 78 per cent includes the share buy-back programme of 2.0 per cent.

Sustainability

DNB is a driving force for equality and diversity
(read more on page 44)

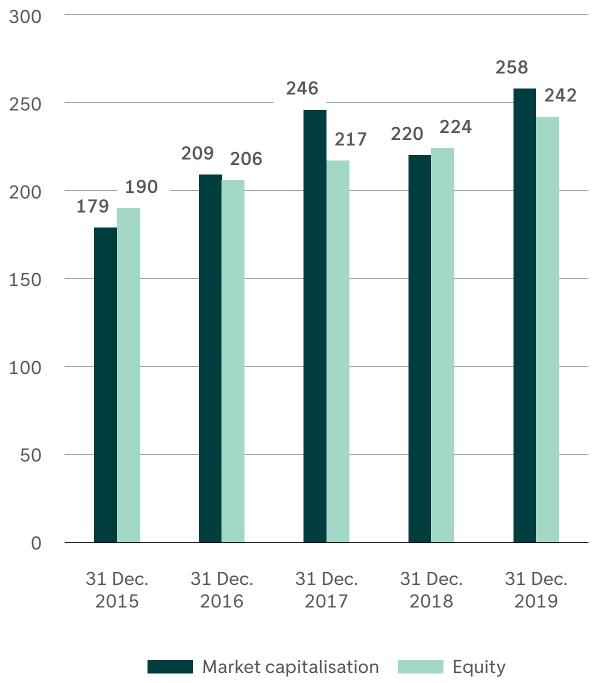
DNB finances sustainable growth through loans and investments
(read more on page 50)

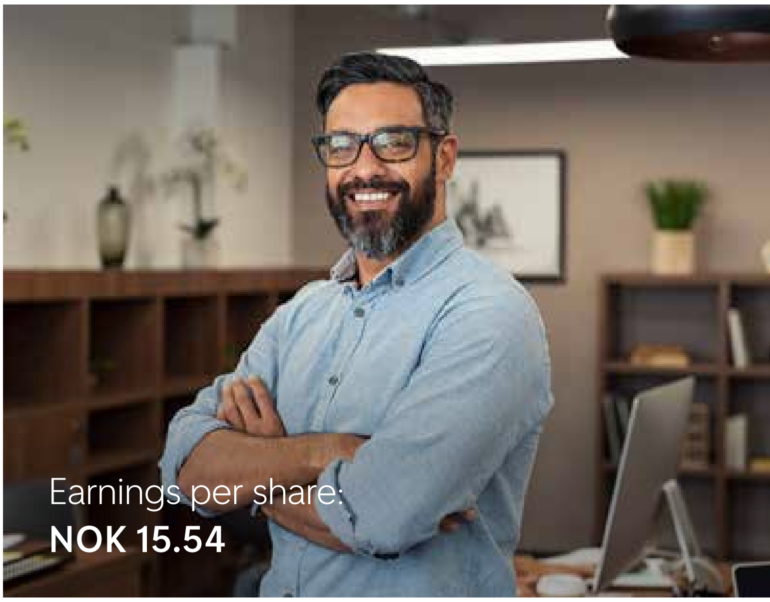
DNB combats financial crime and contributes to a safe digital economy
(read more on page 62)

DNB helps its customers manage their personal finances
(read more on page 68)

Financial highlights

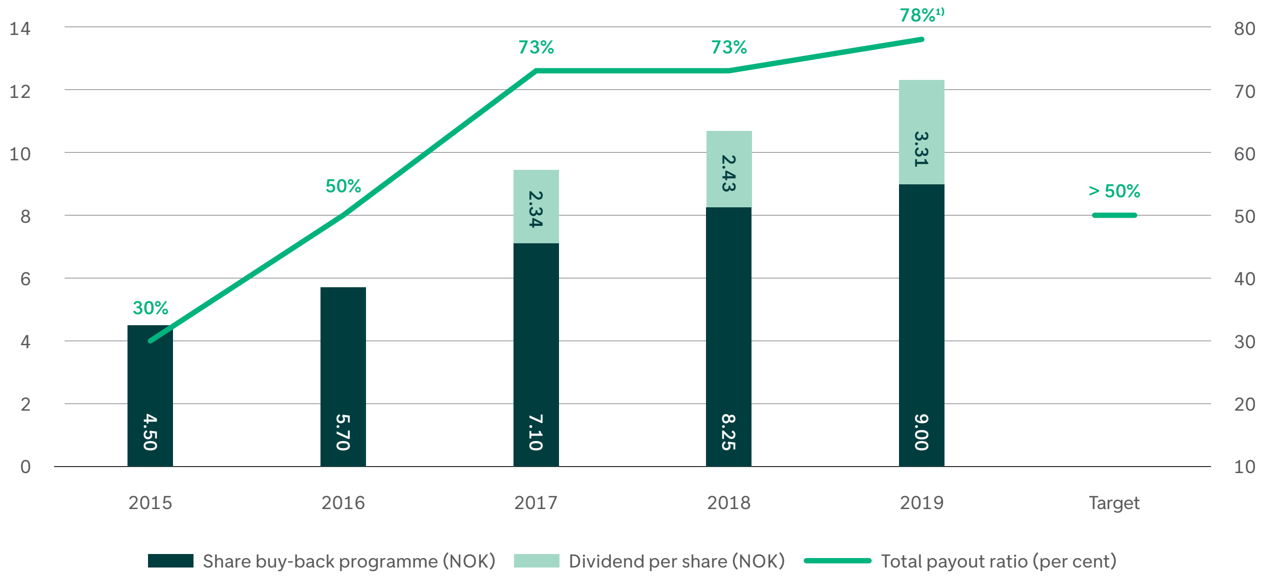
The DNB Group's market capitalisation and equity
NOK billion





Share dividend and payout ratio
NOK

Per cent



1) The payout ratio is based on the assumption that the full 2.0 per cent share buy-back programme is completed before the Annual General Meeting.

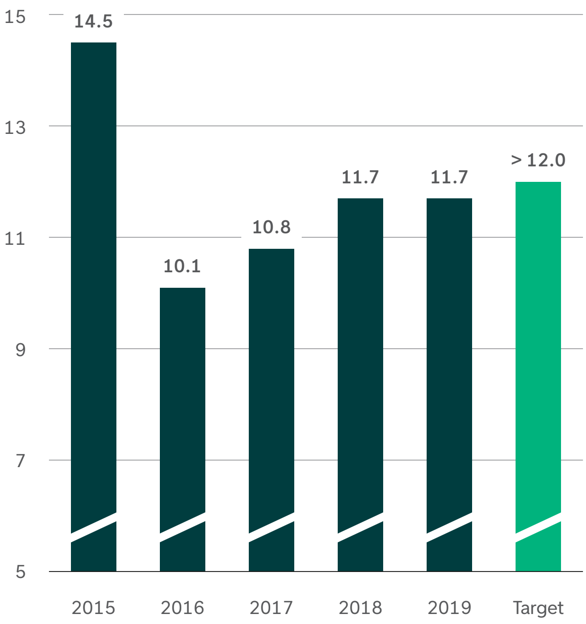
Income statement
DNB Group

Amounts in NOK million	2019	2018	2017	2016	2015
Net interest income	39 202	36 822	35 422	34 110	35 358
→ Net commissions and fees	9 716	9 310	8 448	8 280	8 862
→ Net gains on financial instruments at fair value	3 183	1 342	4 548	6 513	8 683
→ Net financial and risk result, life insurance	1 129	969	1 295	664	(389)
→ Net insurance result, non-life insurance		622	683	648	534
→ Other operating income	1 628	1 302	744	1 948	959
Net other operating income, total	15 655	13 546	15 718	18 053	18 648
Total income	54 857	50 368	51 140	52 163	54 006
Operating expenses	(22 608)	(21 490)	(21 429)	(20 693)	(21 068)
Restructuring costs and non-recurring effects	(525)	(567)	(1 165)	(639)	1 157
Pre-tax operating profit before impairment	31 724	28 311	28 547	30 830	34 096
Net gains on fixed and intangible assets	1 703	529	738	(19)	45
Impairment of financial instruments	(2 191)	139	(2 428)	(7 424)	(2 270)
Pre-tax operating profit	31 235	28 979	26 858	23 387	31 871
Tax expense	(5 465)	(4 493)	(5 054)	(4 140)	(7 048)
Profit from operations held for sale, after taxes	(49)	(204)	(1)	4	(51)
Profit for the year	**25 721**	**24 282**	**21 803**	**19 251**	**24 772**

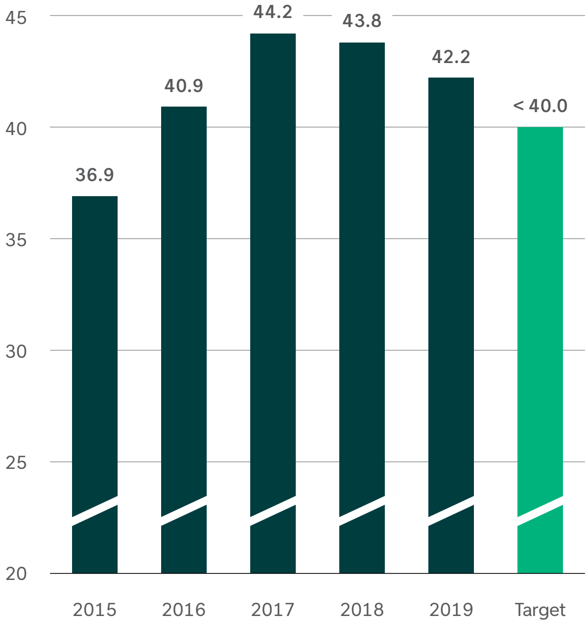
Balance sheet
DNB Group

Amounts in NOK million	31 Dec. 2019	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016	31 Dec. 2015
Total assets	2 793 294	2 634 903	2 698 268	2 653 201	2 598 530
Loans to customers	1 667 189	1 597 758	1 545 415	1 509 078	1 542 744
Deposits from customers	969 557	927 092	971 137	934 897	944 428
Total equity	242 255	223 966	216 897	206 423	190 425
Average total assets	2 906 775	2 771 998	2 856 988	2 841 117	2 946 119
Total combined assets	3 176 655	2 950 748	3 026 065	2 930 891	2 900 714

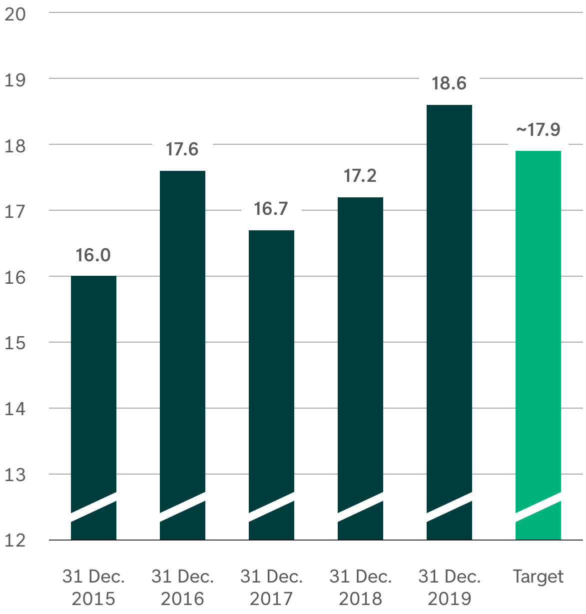
Return on equity
Per cent



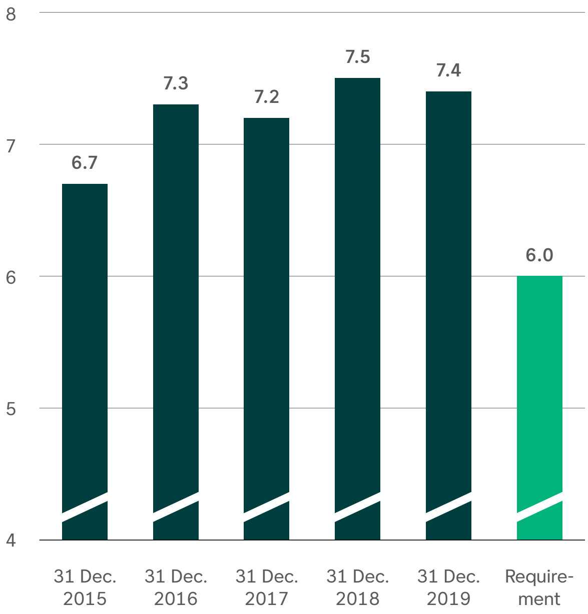
Cost/income ratio
Per cent



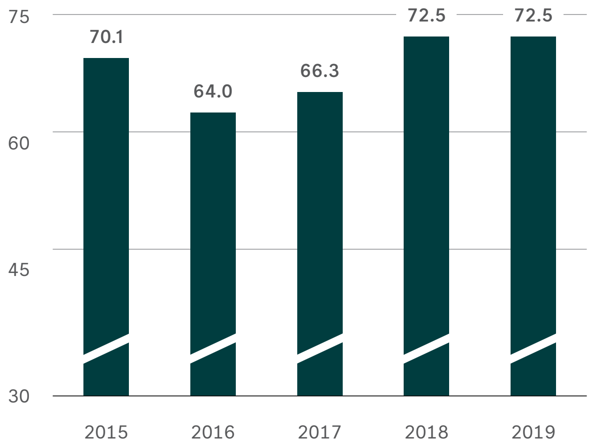
CET1 Capital ratio
Per cent



Leverage ratio
Per cent



Reputaion[1]
Points



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

Key figures and alternative performance measures

DNB Group

	2019	2018	2017	2016	2015
Return on equity, annualised (per cent)[1]	11.7	11.7	10.8	10.1	14.5
Earnings per share (NOK)	15.54	14.56	12.84	11.46	14.99
Combined weighted total average spread for lending and deposits (per cent)[1]	1.33	1.30	1.30	1.32	1.33
Average spread for ordinary lending to customers (per cent)[1]	1.84	1.94	2.07	2.04	2.17
Average spread for deposits from customers (per cent)[1]	0.51	0.29	0.17	0.21	0.01
Cost/income ratio (per cent)[1]	42.2	43.8	44.2	40.9	36.9
Ratio of customer deposits to net loans to customers at end of period[1]	58.2	58.0	62.8	62.0	61.2
Net loans and financial commitments in stage 2, per cent of net loans[1]	6.69	6.99			
Net loans and financial commitments in stage 3, per cent of net loans[1]	1.09	1.45	1.12	1.65	0.91
Impairment relative to average net loans to customers (per cent)[1]	(0.13)	0.01	(0.15)	(0.48)	(0.15)
Common equity Tier 1 capital ratio at end of period (per cent)	18.6	17.2	16.7	17.6	16.0
Leverage ratio (per cent)	7.4	7.5	7.2	7.3	6.7
Share price at end of period (NOK)	164.00	138.15	152.10	128.40	109.80
Price/book value[1]	1.20	1.06	1.23	1.10	0.98
Dividend per share (NOK)	9.00	8.25	7.10	5.70	4.50
Score from RepTrak's reputation survey in the fourth quarter (points)	72.5	72.5	66.3	64.0	70.1
Dialogues with companies where various ESG-related topics have been discussed (number)	209	176	176	72	27
Customer satisfaction index, CSI, personal customers in Norway (score)	72.8	74.7	69.5	70.2	73.9
Number of full-time positions at end of period	9 020	9 225	9 144	11 007	11 380
Female representation at management levels 1-4 (%)	38.0	38.1	37.0	33.5	31.3

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

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

CEO's statement

"Ready for the next stage"

2019 was another good and eventful year for DNB. The Norwegian economy continued its solid development, GDP growth gradually increased and unemployment continued to decline. This led to higher activity and profitability for DNB. At the same time, digitalisation and restructuring were high on the agenda in 2019 as well.

I look forward to continuing on the change journey DNB has set out on.

In order to continue to create the very best customer experiences and deliver on our financial targets, we must think differently. We need to focus more on developing our competence, and we need to work in new ways. We must explore new areas, and we must prioritise what is most important to our owners and customers, and therefore also most important to us.

Our customers use us in new ways. Over the last 15 years, we have gone from having 550 branch offices to 57. At the same time, we have never interacted more with our customers. The mobile bank has gone from 100 000 visits a year in 2010, to almost a million daily customer interactions in 2019.

The numbers say something about the changes we have gone through, but change has always been a natural part of all industries. What is new is the pace of the changes. The world is developing faster than ever. Technology, regulations and customer behaviour all drive change. This means that companies must move faster than before, and that we must adapt to changes in our surroundings faster than before.

2019 was the year we really took advantage of the opportunities that come with building our customer channels in the cloud, as we are doing with our new mobile bank, the savings app Spare and DNB Puls, our management tool for small and medium-sized enterprises. The fact that services are developed using cloud technology enables us to update, develop and improve them much faster than before. Our new mobile bank is a good example.

In the past, we could improve our mobile bank once or twice a year. The mobile bank we launched last year was updated with new functionality 14 times in 2019 alone. This allows us to create even better services for our customers. The new mobile bank already has almost twice as many active users as the old one.

We spend vast resources supporting the authorities in the fight against financial crime. We report several suspicious cases to the authorities each year, but the fight against money laundering and financial crime is complex. We are up against criminal networks that constantly develop more sophisticated tools. This means that we too must develop and improve our systems and expertise. This is work we can never regard as finished.

2019 was also a year in which the focus on sustainability and ESG in many ways went from being something everyone was talking about, to something everyone must actively relate to. ESG is short for Environmental, Social and Governance.

In DNB, we have long prioritised our work with ESG, including climate change, and this has become an integral part of how we run our business. For us, it is about ensuring long-term value creation for our customers, owners and society. Therefore, we endorse international initiatives such as the UN's Sustainable Development Goals. DNB's Board of Directors has identified goal number five on gender equality and goal number eight on decent work and economic growth as the areas where DNB has the best chance of making a difference.

We have received several motivating status reports, awards and recognitions for our work on gender equality in recent years. But there is still more to be done. Equality and diversity is about more than just gender, and it is important for us that the Group consists of people of different ages, ethnicities and professional and social backgrounds. We need diversity in order to mirror our customers, attract the best minds and solve complex issues. Groups that are too similar, think too similarly.

Financially, 2019 was a good year for DNB. We delivered a total return of 25 per cent, the best among our Nordic competitors. DNB is among the world's most solid banks, after several years of targeted efforts to build capital. We have almost tripled our capital level since the financial crisis. This makes us well-positioned to meet future regulations, and allows us to concentrate on creating value for our owners, employees, customers and society at large.

Last autumn, we presented our financial ambitions for the period up to 2022. We stand by our target of a return on equity of over 12 per cent. For 2019, the return on equity was 11.7 per cent, the same as in 2018. Is sticking to our goals a sign of low ambitions? On the contrary. At a time when our surroundings are constantly changing and the requirements we face are constantly increasing, it will require even more to deliver similar results in the future.

2019 was also the year when former CEO Rune Bjerke stepped down. During his time as CEO, we brought the whole Group together under one brand and one culture, and created significant value for our owners, society and – not least – our customers. Through digitalisation, a financial crisis, capital build-up and a drop in oil prices. It is a great privilege to take over the baton and be allowed to lead such a strong organisation with so many talented and competent colleagues.

> "Helping our customers succeed with their ambitions is the foundation of our business."

We have a long tradition in DNB of focusing on delivering the very best customer experiences. In changing surroundings. Through various conditions. We help realise our personal and corporate customers' dreams – large or small. We finance important, societal projects. We use our position and knowledge to develop the industry and to be a positive influence on our surroundings. Helping our customers succeed with their ambitions is the foundation of our business.

Our employees put in a tremendous effort every single day. For society, for our customers and for our owners. We will continue doing just that.

Kjerstin R. Braathen
Group Chief Executive Officer (CEO)

Chair of the Board's statement

"With trust comes the power to influence"

All companies are obliged to help solve the global challenges we are facing. As Scandinavia's largest financial services group, we are very aware of the fact that our position represents an opportunity as well as a responsibility to influence and to make a positive contribution to society.

In DNB, we are conscious of our role and our impact on society. We manage our customers' assets. We are a lender, an adviser and an investor. We provide financial infrastructure and we combat financial crime. We are a large employer and a major purchaser of goods and services. How we act, affects society. This involves a great deal of responsibility.

The trust of our surroundings gives us the power to influence. In order to influence society in the right direction, we must manage the trust that society has in DNB – our most important asset – responsibly. DNB's various roles and functions are linked to various expectations and requirements. Being a safe and secure bank for our customers, and safeguarding the interests of society, is important for maintaining the trust DNB has earned in a modern and digital economy. It also requires that we change in tune with our surroundings. How we create value, and how we manage this trust, is therefore the essence of our corporate responsibility.

Our corporate responsibility work is not merely a sideline to our business. It is an integral part of our work and mission. Over the past year, increased attention has been devoted to our and society's approach to climate change risks.

The world is facing significant climate challenges, and both we and our customers must adapt to a more sustainable future. Sustainable restructuring is not only about growth in green companies and industries. Equally important, if not more, is facilitating the movement of the entire business community and society in a sustainable direction. We are working continuously to achieve this in several areas, including assessing climate risk in our own loan portfolios and setting requirements for the companies we finance. Or by setting requirements for suppliers we buy services from. This way, we use our position to assert influence.

We must all work together to succeed with restructuring. Together with others, DNB is therefore working to identify established principles and frameworks that make a difference. The Poseidon Principles are an example of this, a framework developed by a group of international banks and climate experts, which includes a method for measuring the climate footprint of the companies' own shipping portfolios and an annual publication of the status of the portfolio with regard to developments required to reach the two-degree target. Another example is our endorsement of the UN Principles for Responsible Banking, which we signed along with 129 other banks in the autumn of 2019. Having common principles in place can hopefully also make it easier for others to assess the banks' efforts in the long term.

Supporting the authorities in the fight against financial crime is one of our most important missions in society. In a world with a quicker pace of change than ever, criminals are becoming increasingly devious and their methods more sophisticated. We take this challenge seriously. Although we will never be able to guarantee that our services have not been misused by criminals, it is our ambition to make it as difficult as possible for them to commit crimes. To succeed in this, we must constantly strive to improve our routines and develop our expertise. This work has high priority in all parts of the organisation, and can never be regarded as completed.

In 2019, DNB welcomed a new Group Chief Executive Officer, and Rune Bjerke stepped down after nearly 13 years as CEO. In those 13 years the bank has undergone significant changes. The Group was navigated safely through a financial crisis, a great digitalisation wave and a unique cultural transformation. This is the end of an era, and Rune Bjerke leaves behind a solid bank that is ready for the future. The Board is grateful for the work he has done for DNB's customers, employees and shareholders over a number of years.

The Board is delighted to have Kjerstin R. Braathen as new CEO. The fact that the Board has chosen an internal candidate is a recognition of the strong DNB culture that produces leaders like her. This is an expression of confidence in the competence the bank possesses and the chosen strategic direction.

Few people know DNB better than Kjerstin R. Braathen does. Throughout her 20 years in the bank, she has delivered solid results through inspiring and strong leadership. With her at the helm, DNB is well equipped to continue creating value for our customers, owners and society at large. And to further develop a very competent organisation with a culture for providing customers with innovative services and products, and for creating the very best customer experiences.

"How we act, affects society. This involves a great deal of responsibility."

DNB's ambition is to continue to be a solid and profitable bank. Because profitability and sound operations also invites trust. This allows us to make the decisions necessary to ensure long-term value creation ability, and gives us the opportunity to make choices that have a positive impact on society – now and in the future.

If one thing is certain, it is that our change journey is far from finished. We will continue our long history of delivering in line with the expectations of our owners, customers and society. Continue to develop in tune with our surroundings. And continue to support and challenge our customers in the restructuring we are facing. This is how we contribute to sustainable development, and consequently to a sustainable future.

Olaug Svarva

Olaug Svarva
Chair of the Board

DNB in brief

As Scandinavia's largest financial services group, we offer a complete range of financial services through mobile solutions, online banking, 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.

Norway's leading financial services group with **225 000** corporate customers and **2.1 million** personal customers. **1.5 million** customers actively use our Internet bank and more than **1 million** use the mobile bank.

Through our corporate app **DNB Puls** and accounting app **DNB Regnskap**, we help small businesses keep track of their business operations.

258 million payment transactions were completed in 2019, and every day, sums equivalent to 1.5 times the Norwegian national budget passed through our systems. This data provides valuable insight which we can use to create even better customer experiences.

24 060

homes sold through DNB Eiendom in 2019, which corresponds to an average market share of **18.4 per cent**.

Super-fast processing of home mortgage applications – in less than **2 minutes**.

70%

of home mortgage applications are now received digitally.

69%

In 2019, we launched the #huninvesterer (#girlsinvest) campaign to promote financial equality, contributing to, among other things, a **69 per cent** increase in new mutual fund customers from the start of the campaign.

In 2019, we arranged sustainable bonds worth **NOK 40 billion** and launched an ambition to contribute with **NOK 450 billion** to the financing of renewable energy by 2025.

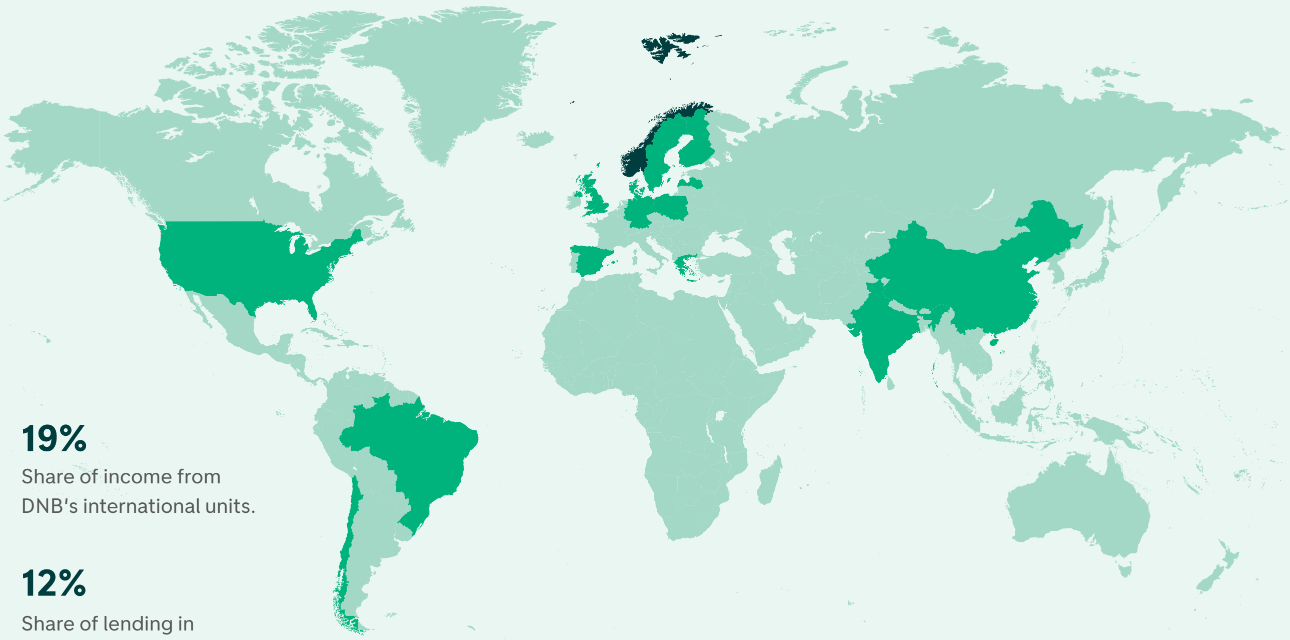
In 2019, over **4 500** startups and growth companies received help and advice from DNB's start-up pilots. Ideas met capital through **14** DNB NXT events.

DNB Markets participated in arranging bond and commercial paper issues worth more than **NOK 894 billion** to customers in 2019, and was named Norway's best brokerage house by the Norwegian magazine Kapital.

32.7%

DNB Asset Management managed **NOK 668 billion** in mutual funds and shares at the end of 2019, and had a market share of **32.7 per cent** in the Norwegian personal customer market.

DNB Livsforsikring had just over **1.3 million** personal customers with individual and group agreements, and approximately **28 000** agreements with companies at year-end 2019.



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

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

THE CUSTOMER CENTRES

Number of calls received
Personal customers: 3 544 401
Corporate customers: 393 222

Number of chat conversations:
Personal customers: 626 143
Corporate customers: 80 957

Inquiries answered by our chatbot:
Personal customers: 1 042 864
Corporate customers: 71 934

21 117 unique enquiries were handled on social media

MARKET SHARES IN NORWAY

Personal customer market as at 31 December 2019

24%
Loans from financial institutions.

36%
Policy holders' funds[1)]

29%
Deposits

38%
Mutual fund investments

26%
Home mortgages

Corporate customer market as at 31 December 2019

21%
Loans from financial institutions.

19%
Policy holders' funds[1) 2)]

37%
Deposits

32%
Mutual fund investments

Source: Statistics Norway and Finance Norway

1) Figures as at 30 September 2019.
2) Includes the public sector.

Highlights of the year

Q1

Garantert Solgt ('guaranteed sale') launched by DNB Eiendom, a real estate service ensuring customers only pay for successful sales.

New, cloud-based mobile bank launched.

DNB Markets named best investment bank by the Norwegian magazine Kapital.

Q2

Car financing operations established in Finland.

Green loans launched – for the financing of sustainable projects.

DNB Regnskap launched, an accounting program allowing easy and user-friendly access to combined accounting and banking services for companies.

Kjerstin R. Braathen assumed the position as new CEO on 1 September, while Ottar Ertzeid took over as CFO from the same date.

Samsolgt ('co-sold') launched by DNB Eiendom, offering real estate broking at a low, fixed price.

Account balances from other banks made available in DNB's mobile bank, following PSD2.

EU's capital requirements legislation (CRR/CRD IV) fully implemented in Norway and the Basel I capital floor removed.

Q3

Q4

UNEP FINANCE INITIATIVE

PRINCIPLES FOR **RESPONSIBLE BANKING**

DNB signed the UN Principles for Responsible Banking.

The campaign #huninvesterer (#girlsinvest) launched to put financial gender equality on the agenda.

DNB scored 73 per cent in the Norwegian ethical bank guide, a top ranking among Nordic banks.

Purpose and values

For almost 200 years, we in DNB have been here for you. We are Norwegian and we are international. We are tradition and innovation. We are a partner in your single life, family life, daily life, business life and community life. We are here to help with the small details and the big questions. Every day we bring together people and ideas with knowledge and capital.

Our purpose is to make your everyday life easier. As Norway's largest bank and one of the largest financial services groups in the Nordic region, we offer a complete range of financial services through mobile solutions, online banking, customer service centres, branch offices, real estate broking and international offices.

Purpose

We are here. So you can stay ahead.

This is our purpose, and the answer to why DNB is here for customers, society and employees. The purpose sets the direction for our choices and priorities. It inspires innovation and drives change.

Our values describe how we will deliver our purpose, both as an organisation and as colleagues. Our values describe what we expect from each other and what customers, our owners and society in general can expect from us.

Values

Curious

Being curious means that we seek new knowledge and learn from our experiences, so that we continuously gain new insight. We are genuinely interested in and curious about how we can make everyday life better for our customers and colleagues. We find good solutions together.

Bold

Being bold means that we challenge established truths, and make decisions even though the picture is unclear. We take responsibility for our actions, admit when we make mistakes and then learn from them. We face challenges and new competition with an unshakeable conviction that we will become even better at developing the best ideas and solutions.

Responsible

We create values in a sustainable way. We are transparent about our operations and contribute positively to society. We listen to those who have insight into and opinions about what society expects of us. We use simple language and are predictable in our actions.

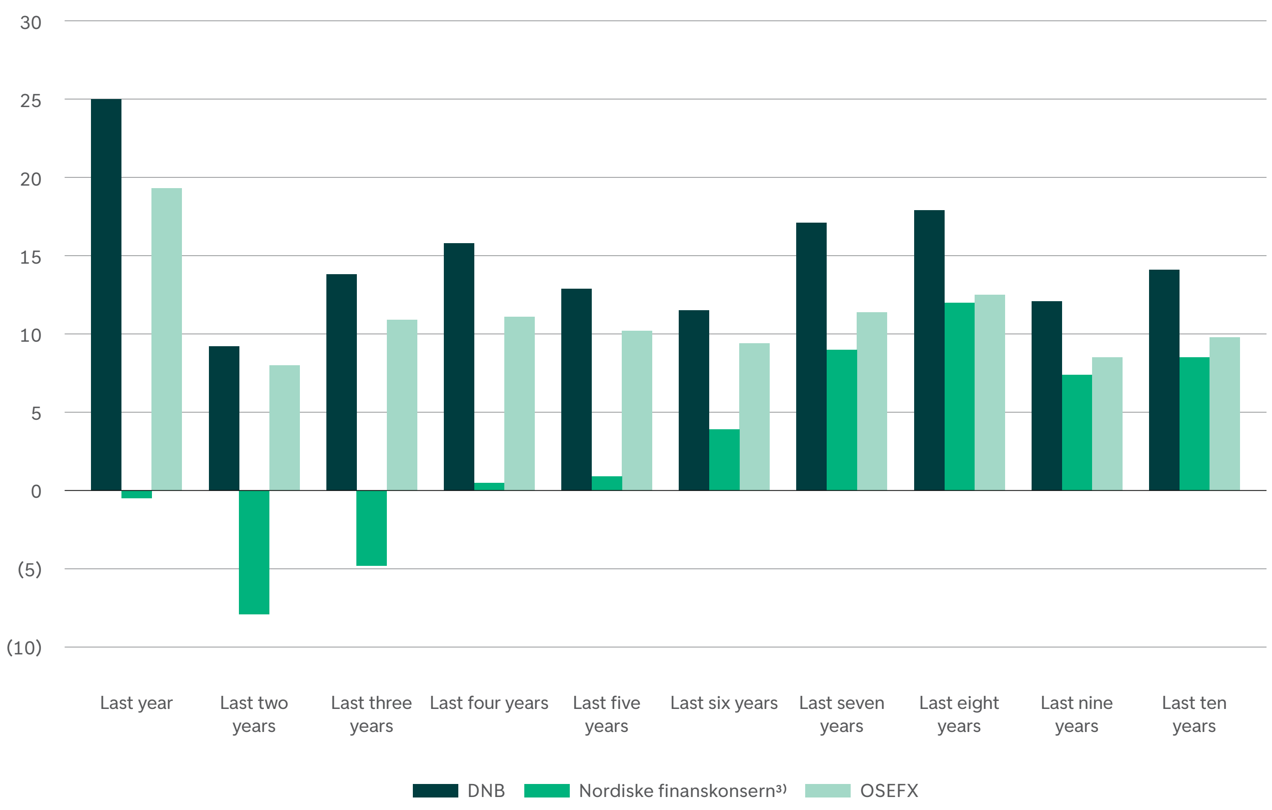
The share

DNB's value increased by as much as 25 per cent in 2019, best among our Nordic competitors.

DNB was the second largest primary listed company on the Oslo Stock Exchange, and the largest financial services group in Scandinavia, with a market capitalisation of NOK 257.6 billion at year-end 2019. The total return on the DNB share, including dividends, was 25 per cent in 2019. The unweighted average total return for the other Nordic financial services groups was negative 0.5 per cent. Over the same period, the OSEBX[1]-index increased by 16.5 per cent, while the OSEFX[2] index increased by 19.3 per cent. Over the past ten years, the DNB share has generally been priced higher than the Group's recorded equity (P/B ratio). At year-end, the share was traded at NOK 164.00 and 1.2 times recorded equity. The share price peaked at NOK 171.95 in April, while the lowest price of NOK 138.85 was recorded in January.

Total annual return as at 31 december 2019

Per cent



Source: Bloomberg

1) Oslo Børs Hovedindeks (Oslo Stock Exchange Benchmark Index).
2) Oslo Børs Fondsindeks (Oslo Stock Exchange Mutual Fund Index).
3) Nordic financial services groups: unweighted average in local currency of Nordic bank shares (Danske Bank, Nordea, SEB, Svenska Handelsbanken and Swedbank).

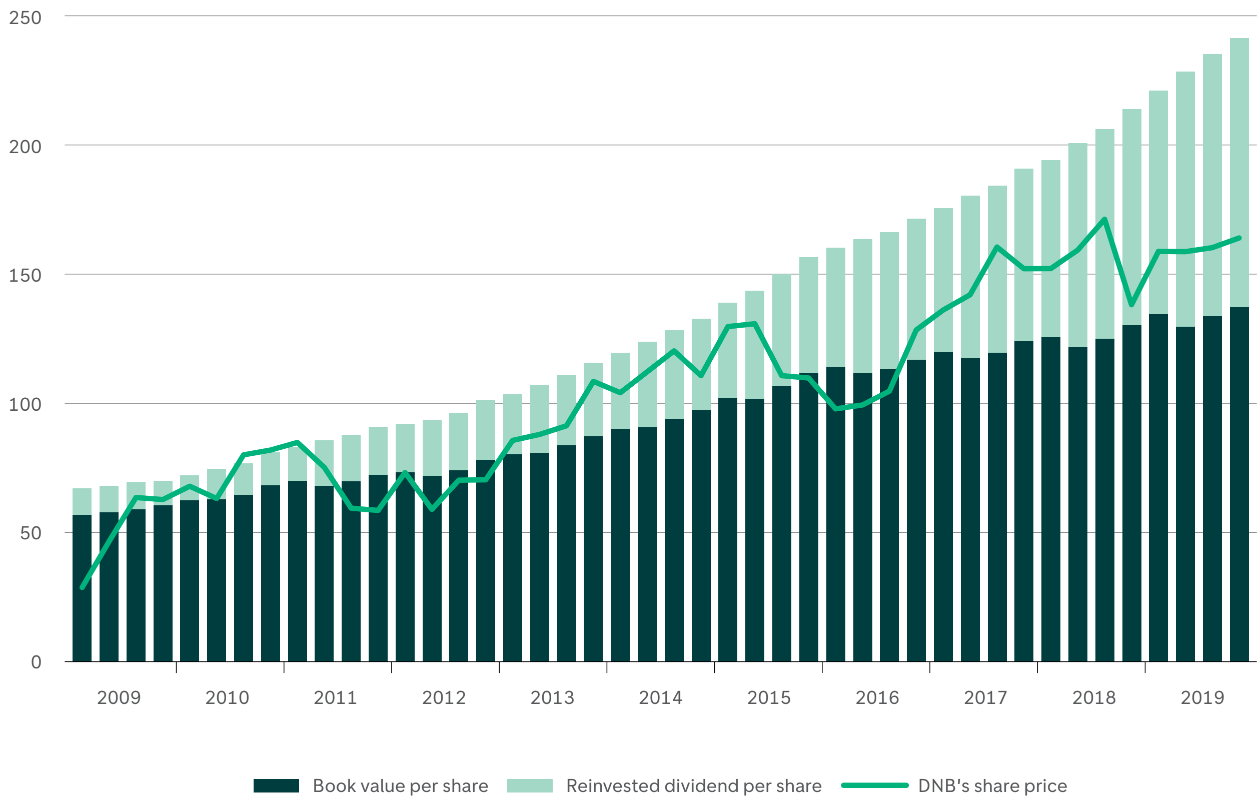
TRADING

Trading volume in 2019 ended at 1 722 million shares, equal to 6.9 million shares per day, which is in line with the volume in 2018. The value of all traded DNB shares was NOK 270 billion. Trading in open market places, such as Oslo Stock Exchange, represented 39.5 per cent, while volumes traded by systematic internalisers (SI) were reduced from 23.6 per cent in 2018 to 14.6 per cent in 2019. Correspondingly, volumes traded "off book" or in dark pools increased from 29.5 to 45.6 per cent.

At the beginning of 2019, the DNB share was weighted on all relevant Oslo Stock Exchange indices, including OSEBX, OSEAX1), OBX2) and OSEFX, with 11.1, 9.6, 14.0 and 9.2 per cent weight, respectively.

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

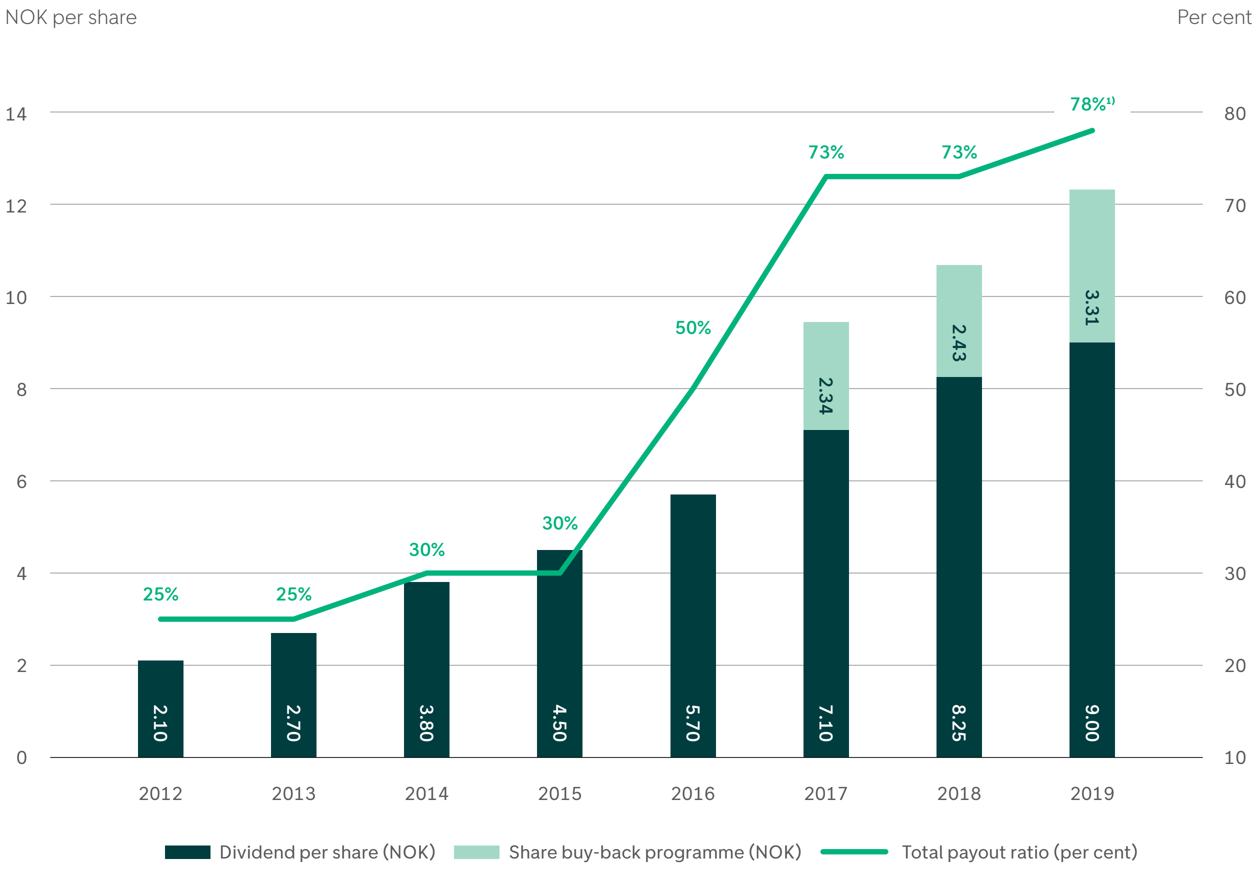
NOK



Source: DNB, Oslo Børs

1) Oslo Børs Aksjeindeks (Oslo Stock Exchange All-share Index).
2) Oslo Børs OBX-indeks (OBX Total Return Index).

Share dividends and payout ratio
NOK per share



1) The dividend payout ratio is based on the assumption that the full 2.0 per cent share buy-back programme is completed before the Annual General Meeting.

DIVIDEND POLICY

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

RATING

The creditworthiness of DNB Bank ASA is assessed by the rating agencies Moody's and Standard & Poor's (S&P). DNB Bank ASA had the following credit ratings as at 4 March 2020: Aa2 from Moody's (stable outlook) and AA- from S&P (stable outlook). Covered bonds issued by DNB Boligkreditt was rated AAA by S&P and Aaa by Moody's, both with a stable outlook.

SHARE CAPITAL AND SHAREHOLDER STRUCTURE

At year-end 2019, DNB's share capital was NOK 15 803 million, divided into 1 580 301 385 shares, each with a nominal value of NOK 10. Adjusted for completed buy-backs, there were a total of 1 570 586 385 outstanding shares.

DNB has approximately 44 445 private and institutional shareholders, of which the two largest are the Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, and Sparebankstiftelsen DNB (the DNB Savings Bank Foundation). A further description of the government's ownership can be found in the Corporate governance section on page 92.

Largest shareholders

As of 31 December 2019[1]

	Number of shares in 1 000	Ownership in per cent
Norwegian Government/Ministry of Trade, Industry and Fisheries[2]	537 302	34.21
DNB Savings Bank Foundation	130 001	8.28
Folketrygdfondet	94 902	6.04
The Vanguard Group	32 288	2.06
DWS	30 964	1.97
BlackRock	28 118	1.79
Fidelity	26 020	1.66
Schroders	19 527	1.24
Capital World	18 735	1.19
Storebrand Kapitalforvaltning	17 218	1.10

Source: DNB, VPS, Nasdaq

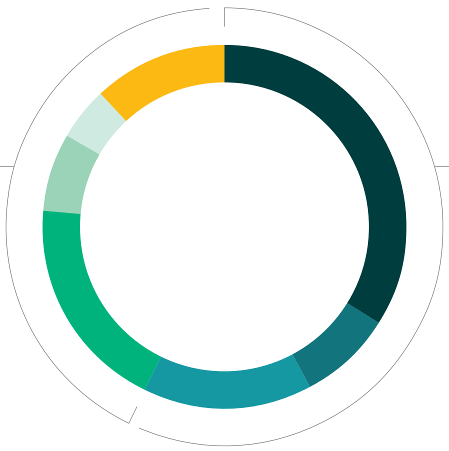
1) The actual ownership of nominee accounts is calculated based on third-party analyses. See note 49 for an overview of the 20 largest shareholders.
2) In connection with DNB's buy-back programme, the government will, in accordance with the agreement, make a proportional redemption of shares in order to maintain an ownership interest of 34 per cent. For further information on the share buy-back programme, see the Directors' report.

Ownership according to nationality as at 31 December 2019

Per cent

International investors:
43 per cent

- US: 19.0 per cent
- UK: 7.1 per cent
- Luxembourg: 4.7 per cent
- Other international: 11.8 per cent



Norwegian investors:
57 per cent

- Norwegian Government/Ministry of Trade, Industry and Fisheries: 34.2 per cent
- DNB Savings Bank Foundation: 8.3 per cent
- Other Norwegian: 15.0 per cent

Source: DNB, VPS, Nasdaq

Strategic report

Strategic report

The strategy sets the direction for our transformation in the face of macroeconomic fluctuations, changed customer behaviour and changes in regulations and other business policy issues, in addition to new technology and increased competition from traditional as well as new players. There is little doubt that the financial services industry is changing, and we have proved ourselves to be capable of change.

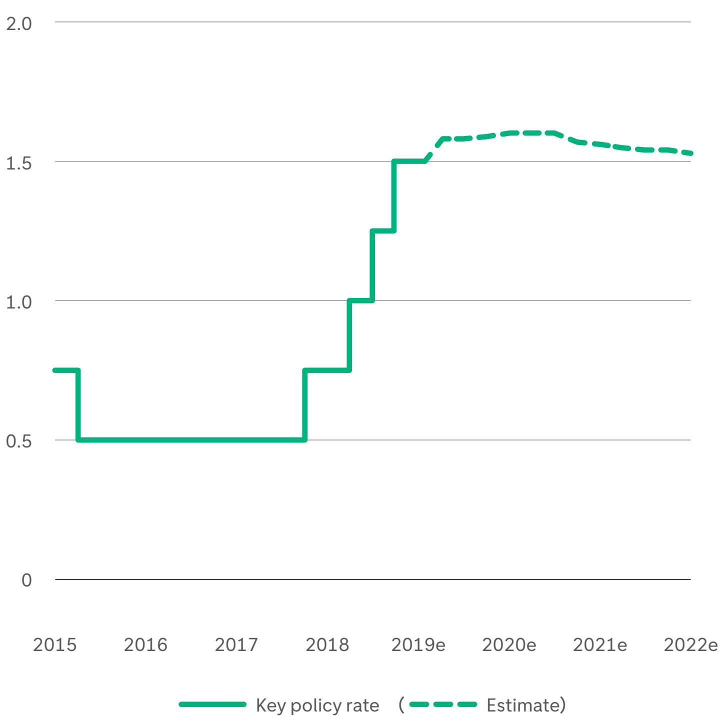
The macroeconomic situation

In the past year, the global economy has been affected by geopolitical tensions. The US-China trade war remains a major element of uncertainty, and relations between the United States and other major trading partners have been strained due to threats of import tariffs and renegotiation of agreements. Brexit also continues to cause headaches for the financial markets, and the UK political landscape has been marked by division and disagreement.

However, tensions have eased slightly in recent months, with agreement on a limited US-China trade agreement in December 2019, and the UK's exit from the EU in January 2020. Nevertheless, long-term solutions appear to be far off, and the situation will most likely continue to affect the global economy in 2020. Another key factor that has affected the global economy over the past year, is a growing focus on how society and businesses adapt to climate change. Increased climate risk affects, among other things, the risk associated with lending, insurance and reputation, and has an increasing impact on companies' financing opportunities and costs, as climate and transitional risks are included in investment and lending processes.

In the Eurozone in particular, global tensions have affected the prospects of economic growth, which has pressured many central banks into cutting key interest rates to historically low levels. This has led to significantly weaker margins and considerable

Key policy rate in Norway
Per cent

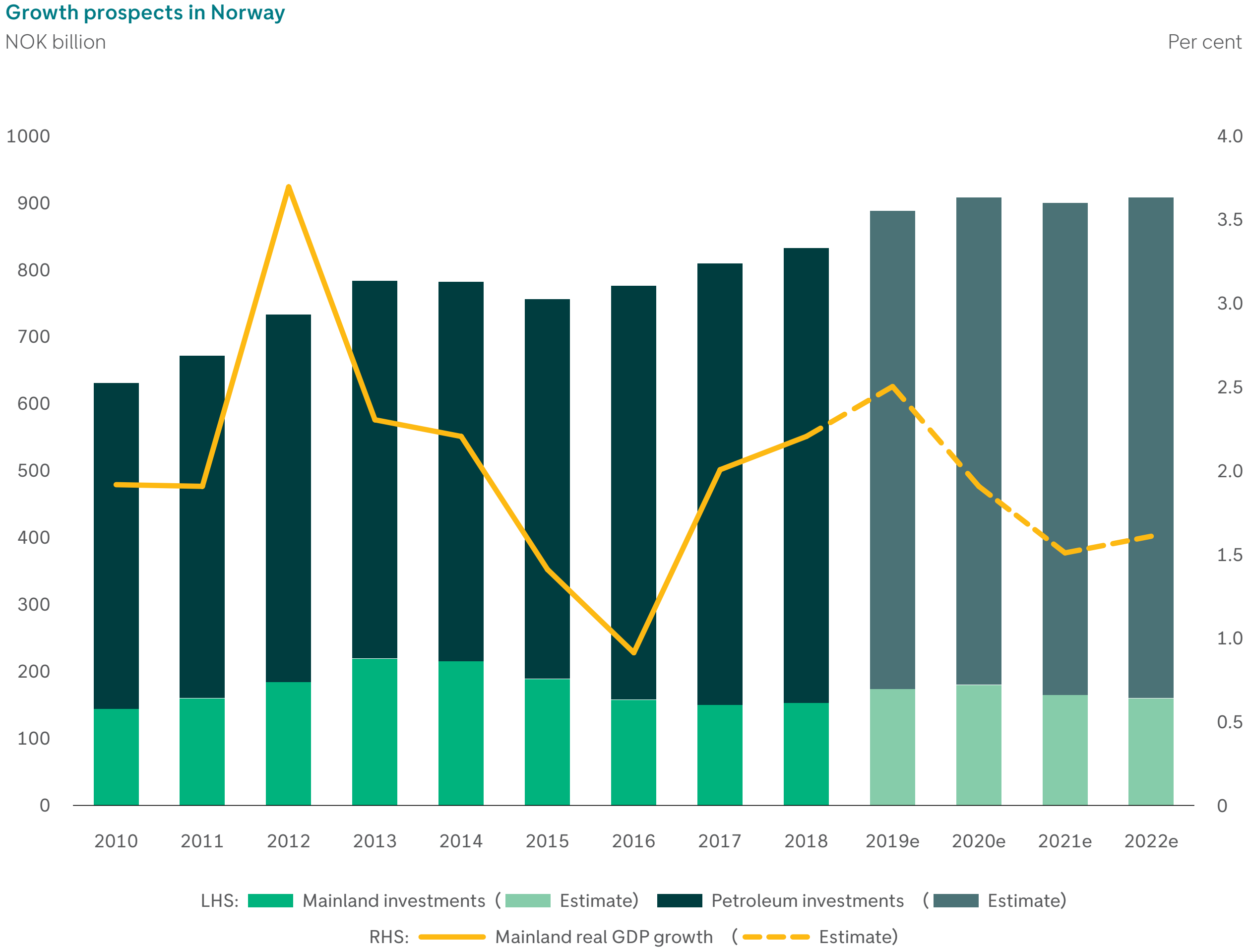


Source: Norges Bank

pressure on a number of European banks. With interest rates already low, the monetary policy scope for many central banks is very limited, increasing the need for fiscal policy measures in the future.

In contrast to the international economy, the Norwegian economy has emerged as a bright spot, with interest rates close to a neutral level, solid GDP growth and activity, and both the ability and willingness to use fiscal muscles. GDP volatility is also particularly low, aided by, among other things, a flexible workforce and a social mobility ranked by the World Economic Forum as one of the highest in the world. Through particularly stringent capital requirements, Norwegian authorities have ensured that Norwegian banks are significantly better capitalised than most other European banks, making the Norwegian financial system more stable and robust. As a systemically important bank in Norway, with some 80 per cent of revenues linked to Norwegian operations, DNB is closely integrated with the Norwegian economy. The strong Norwegian economy therefore forms a solid backdrop for DNB, providing us with a strong basis for further profitable growth.

Growth prospects in Norway



Source: Norges Bank

Goals and strategic priorities

Rapid global and domestic developments underline the need for DNB to manage risk and identify opportunities in a long-term perspective. Some of the factors that affect us directly are new technology, globalisation, climate-related risk, changed framework conditions and regulations, and changed expectations from customers and society. These must be reflected in our strategy and in our ongoing operations to ensure value creation over time.

Long-term profitability is the underlying premise for everything we do. For us, the future will be all about preserving and increasing existing revenue streams, while also finding new sources of income. Our principal goal is to create the best customer experiences and deliver on our financial targets.

CREATING THE BEST CUSTOMER EXPERIENCES

Strong customer relationships are essential to retain customers and ensure continued profitability. With a gradually more open infrastructure, lower costs attached to switching banks and declining customer loyalty, it will be increasingly difficult to 'own' the customer relationship. We must therefore earn it all over again through each experience we offer our customers.

DELIVERING ON FINANCIAL TARGETS

To achieve our goals and ensure long-term profitability, we must continue to improve, develop and streamline today's business. Our surroundings are changing at an ever-increasing pace, capital requirements have increased, and more and more is required of us to comply with regulatory requirements and new regulations. At the Capital Markets Day in November 2019, we communicated our financial ambitions for the period up to 2022. A return on equity of more than 12 per cent remains our main target. Due to increased capital adequacy requirements, this is an ambitious goal. We need to deliver more, with fewer resources, and develop products and services that are more relevant. Both to deliver the return our owners expect, and to stay competitive when we face new competitors.

Financial ambitions

	Financial ambitions 2020–2022	Achieved 2019
Return on equity (ROE) (Principal target)	> 12%	11.7%
Cost/income ratio (Key performance indicator)	< 40%	42.2%
Common equity Tier 1 capital ratio[1] (Capitalisation level)	~ 17.9%	18.6%
Payout ratio (Dividend policy)	> 50%	57% / 78%[2]

1) In accordance with the EU capital requirements regulations (CRR/CRD IV) and with management buffer included.
2) 78 per cent includes the share buy-back programme of 2.0 per cent.

Strategy and business model

We generate long-term and sustainable financial value creation for our owners. For them, it is essential that we take into account the changes around us and the long-term challenges – but also the opportunities – in the management and monitoring of the Group. This is also specified in the State Ownership Report. Risk management is therefore integrated into the Group's governance processes and management system.

Our management system ensures a balanced monitoring of our target attainment. One way of doing this, is by defining financial, operational and strategic targets and indicators (KPIs), combined with health and risk indicators. The incentive structure will also help safeguard the Group's risks and opportunities, and individual target establishment and the Group's objectives are closely linked (more on risk management and incentive structure under Corporate governance and in note 46 of the annual accounts).

Trust from those around us is imperative to achieving our purpose, and something we continuously strive to deserve. For us, trust is about our customers relying on us as a financial provider, meeting their expectations and being a solid player that contributes positively to society, e.g. by promoting financial equality, fighting financial crime and contributing to 'the green shift'.

Long-term value creation and responsible corporate governance is the basis of everything we do, and a part of our corporate responsibility. It is also about how we work with competence development and compliance, and what we require of our customers as a responsible financial player. Read more about our corporate responsibility ambitions and sustainability topics from page 44.

Strong customer relationships and a high degree of trust are imperative to keeping our customers and ensuring continued profitability.

STRATEGIC FOCUS AREAS

In recent years, we have gone from a period of building and optimising capital to a period of developing new competence and identifying new opportunities. This has been a powerful and exciting transformation. The entire organisation has demonstrated great innovation capacity and ability to faster adapt to customer needs. We have established new expertise in new areas throughout the Group. This has generated more power and energy within the organisation. We will now use this power to gain momentum and set a clear direction for the development of the Group.

Going forward, we need to make the most of the adaptability demonstrated by the organisation. We must increase our pace of innovation while balancing scarce resources such as capital and people in order to ensure implementation capacity for our main priorities.

Being a bank means something completely different today than just a few years ago. New regulations open for entirely new competitors. New players and players from other industries want to take over parts of the banks' value chains. Technological advances create new opportunities, with progressively more open infrastructures and lower switching costs for customers. Strong customer relationships and a high degree of trust are therefore imperative to keeping our customers and ensuring continued profitability.

The Norwegian authorities have decided to introduce a scheme called 'Own pension account' (EPK) from 2021, where individuals will get their total defined-contribution pension and pension capital certificate in their own EPK linked to their current employer, unless it is against their wish. This legislative amendment leads us to expect increased attention on long-term savings, and DNB is well positioned through its strong position in deposits, mutual funds and pensions.

Having a flexible technology platform is a fundamental premise for realising the Group's strategic priorities. We must ensure stable and secure operations. At the same time, we must also develop products and services that are more adapted to customer needs, at a faster pace. This requires new skills and ways of working, and a greater degree of interaction across units.

We realise that we cannot develop everything on our own. Our future business model will to a greater extent be based on providing both our own and others' products and services through our digital channels. We will be able to develop new features faster and more efficiently in collaboration with others, but this requires clear priorities and efficient use of resources.

Measures in 2019

In 2019, we achieved a good economic profit, with a return on equity of 11.7 per cent and a capital adequacy above our target of 18.6 per cent. Meanwhile, the organisation demonstrated a large degree of mobility and adaptability. We reaped the benefits of new ways of working and used new tools, which has enabled us to deliver more relevant and personalised products and services. In the course of the year, we implemented a number of measures supporting our principal targets of creating the best customer experiences and delivering on financial targets, including:

New mobile solution

In January 2019, we presented our new mobile bank to our customers. More than a million customers have started using it since its launch, and having banking services readily available on their mobile is becoming increasingly important to our customers. We are experiencing increased activity in mobile customer channels. In particular, mobile use is on the rise for transfers between own accounts, but also for paying invoices. To tailor our product offering to the customers' needs, we constantly launch large and small updates, and we have a vast network of test users who try out new functionality before it hits the market. The number of companies using the DNB Puls app, which we launched in 2018, passed 16 000 in 2019. The app helps a growing number of customers get a better overview of their business' finances, and is a handy management tool. The savings app Spare has generated a strong increase in new savings agreements, and the sale of mutual funds in Spare increased by 60 per cent from the previous year.

Establishing strategic partnerships

Partnerships with leading players to scale up our activities and further increase our innovative power will remain an important part of our business model. The establishment of the insurance company Fremtind, a partnership with SpareBank 1 Gruppen, has lifted our market position in insurance from fifth to third.

Our partnership with Nordic API Gateway has enabled us to compile account information from various players in the mobile bank, and paves the way for future integration of third-party solutions in our products and services.

Read more about how we increase our innovative power through an innovative business model and innovative product development on page 32.

Better use of customer insight

New tools have strengthened our ability to gain customer insight, and we expect this insight to increasingly support our work on internal processes such as credit assessments, and on offering more relevant and personalised services, when and where the customer needs them. This will help increase the pace of development and create new business opportunities. In 2019, loan conversion improved by 90 per cent and customer churn was reduced as a result of more advanced analysis tools.

Read more about how we create the best customer experiences with the help of enhanced customer insight on page 35.

Raise the competence of our employees

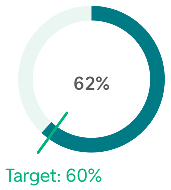
Our employees are our most important resources. We are therefore committed to keep working on developing new competence internally and further develop our skills mix in order to change in tune with our surroundings. And DNB's workforce has shown a remarkable adaptability over the past year. Internal candidates are filling more positions. Towards the end of the year, as many as 62 per cent of positions were filled by internal candidates, which is above the target of 60 per cent. We see positive effects of training our own employees and facilitating more learning programmes to strengthen internal mobility. Over the past year we have implemented several key initiatives to cover critical competence related to compliance, including AML training.

We work actively to increase diversity throughout the Group in order to gain new perspectives in an increasingly complex world, and to reflect the diversity among our customers. This is also a key part of our efforts to attract, recruit and retain talent.

Read more about how we raise the competence of our employees in the chapter Restructuring and skills enhancement on page 39.

Financial equality

Trough analyses of customer data and relevant public data, we identified a general financial bias between men and women in 2019. This is why we, as a Group, focused on closing the financial gender gap between men and women with the #huninvesterer (#girlsinvest) campaign. We quickly saw that the campaign had positive effects, and that new knowledge led to action. Not only did the total fund sales increase: for the first time in history, more women than men became mutual fund customers in DNB. Read more about #huninvesterer on page 48.



Internal candidates are filling more positions, and towards the end of the year, as many as 62 per cent of positions were filled by internal candidates, which is above the target of 60 per cent.

TCFD and Climate Reporting 2019

Climate-related financial disclosure.

DNB has endorsed the Task Force on Climate-related Financial Disclosures (TCFD) and signed the Statement of Support for the TCFD Recommendations in 2017. Our purpose is twofold: to give investors and shareholders a chance to make more informed decisions about DNB, and to signal that we seek greater disclosure from our customers.

This section outlines the progress DNB has made in adopting these voluntary recommendations and how we plan to achieve alignment with the recommendations over time. In addition, we have undertaken substantial TCFD disclosure efforts in our CDP[1)] reporting, for which we in 2019 achieved the top rating – A – for the third consecutive year.

GOVERNANCE

Corporate Responsibility is one of DNB's four strategic pillars, for which DNB's Board of Directors is ultimately responsible. DNB's governing principles for corporate responsibility, which form the basis of our obligations, processes and measuring of corporate responsibility (including climate risk-related efforts) is at the top of DNB's corporate governance hierarchy. The work of following up metrics and targets for the integration of corporate responsibility is regularly endorsed by the Board. In 2019, climate risks and opportunities were specifically addressed by both DNB's Board and Group Management, and the direction for the work in 2020 was set.

STRATEGY: SCENARIO ANALYSIS OF CREDIT AND ASSET MANAGEMENT PORTFOLIOS

DNB's engagement in two UNEP FI-led TCFD pilot projects throughout 2017 and 2018, gave us the opportunity to reflect on how we understand and manage climate-related risks and opportunities related to our business activities. However, more insight into climate risk is needed to achieve quantifiable results. In 2019, we have thus continued our work on stress-tests and scenario analyses, with a broader scope in terms of both industries and scenarios. As such, climate risk is increasingly integrated into financial planning.

Credit

In 2019, DNB committed to a second phase of UNEP FI's TCFD banking pilot, which will run to mid-2020. In this Phase 2 pilot DNB will prioritise the power and renewables and oil, gas and offshore sectors. We expand on the scenario approach developed in UNEP FI's TCFD banking pilot Phase 1, and quantify climate risk in credit portfolios for climate scenarios with temperature increases of 1.5, 2 and 4 degrees Celsius[2)]. The scenarios describe a range of severe climate-related changes, against which we stress-test our portfolio resilience in the short, medium (2030) and long (2040) term.

In addition to our international engagement, we began to further address the impact of climate-related risks and opportunities in 2019 by assessing specific sectors in our credit portfolio, such as shipping and oil, gas and offshore. Through our 2019 commitment to the Poseidon Principles, for instance, we will measure and publish the carbon intensity of our shipping portfolio starting in 2020. Read more about the Poseidon Principles on page 52.

Asset Management

DNB Asset Management actively participated in the development of a standardised methodology for measuring climate-related risks and opportunities in portfolios through UNEP FI's TCFD investor pilot project. The methodology is used to assess company and portfolio level financial impacts of climate change, across a range of climate scenarios. DNB Asset Management published a case-study in UNEP FI's report Changing Course, which was launched in May 2019. As part of the annual signatory reporting to the UN Principles on Responsible Investment (UN PRI), DNB Asset Management reported on climate-related risks and opportunities in line with the TCFD recommendations in 2019. These topics have also been important in many dialogues and in voting activity.

Through the active membership in Climate Action 100+, DNB Asset Management made several specific improvements to climate disclosure by energy companies in 2019. The five-year initiative is led by investors to target the world's 100+ largest GHG emitters, and aims to improve governance on climate change, curb emissions and strengthen climate-related financial disclosure. Read more about DNB Asset Management TCFD and climate reporting in DNB Asset Management Responsible Investment Annual Report.

RISK MANAGEMENT

DNB's most material climate-related risks and opportunities arise from lending to businesses and personal customers. Consequently, ESG issues (environmental aspects, social conditions and corporate governance) form a critical and integrated part of risk assessment in credit proposals. To further strengthen the specific attention on climate risk in the credit process, DNB's management approved several climate-related improvements in 2019:

1) Climate Disclosure Project is an organisation that runs the global disclosure system for investors and companies to manage their environmental impacts.

2) Applied climate scenarios include REMIND from Potsdam Institute for Climate Impact Research (PIK) and MESSAGE from International Institute for Applied Systems Analysis (IIASA).

1 The ESG risk assessment was strengthened to include more industry-specific ESG-related due diligence. This means that ESG is included in every customer dialogue, making DNB more resilient to ESG-driven financial impact.

2 ESG-related risk assessment was expanded to apply to all corporate loans (NOK 8 million), which means that corporate customers must have satisfactory ESG risk management in order to obtain credit.

3 Specific climate risk assessment requirements were approved and integrated into DNB's credit risk framework. This means that corporate customers must address climate risks. We engage with customers to improve resilience to climate risk exposure and successfully manage the transition to a low-carbon scenario.

4 The development of DNB's green products, such as DNB's Green Bonds and Green Loan Framework, intensified in 2019, and incentivise financial products that encourage climate-resilient business. Read more about green products on page 58.

Climate impact disclosure

Energy consumption (MWh)	2019
Own means of production	
Transportation	1 764.2
Total Energy Consumed	**1 764.2**
Energy purchased	
Electricity	32 831.2
District heating	15 949.6
Total energy purchased	**48 780.8**

1) Scope 1: Mandatory reporting of all direct emission sources where the organisation has operational control.
2) Scope 2: Mandatory reporting of indirect emissions related to purchased energy, electricity or heating/cooling where the organisation has operational control.
3) Scope 3: Voluntary reporting of indirect emissions from purchased products or services in the value chain.

Emissions (tCO_2e)	2019
SCOPE 1[1] & 2[2]	
Direct (GHG Scope 1)	403.3
Indirect (GHG Scope 2)	3 390.2
SCOPE 3[3]	
Business travel	786.1
Air travel	5 809.8
Waste management	240.4
Other	75.7
Total emissions (GHG scope 1, 2, 3)	**10 705.8**
RECs (renewable certificates) or GOs (guarantees of origin) purchased, coverage ratio	100%
CDM and Gold Standard quotas purchased, coverage ratio	100%

DNB's environmental management system is ISO 14001 certified, and DNB's ESG risk management is part of the annual ISO 14001 audit performed by DNV GL and DNB's own internal audit department.

DNB builds competence around climate risk and opportunities. In 2019, more than 200 of DNBs internal credit officers and analysts underwent climate risk training.

METRICS AND TARGETS

DNB sets targets and uses metrics to help monitor and manage our climate risk. Among our corporate ambitions from 2019, is to contribute with NOK 450 billion to the financing of renewable energy and infrastructure, and NOK 130 billion to the financing of green property in the period leading up to 2025. As of 2020, all new and refinanced shipping loans will include a clause on responsible ship recycling.

We have committed to working with customers to finance climate change and environmental solutions. In addition, we have set ambitious climate-related goals to minimise the impact of our own operations. We publicly report on our progress annually, through a variety of metrics and targets in our Sustainability Fact Book.

We report on our Scope 1, Scope 2 and several categories of Scope 3 greenhouse gas emissions in our annual Carbon Accounting Report. We follow the GHG Protocol Corporate Standard and Scope 2 Guidance for measuring and reporting both market-based and location-based Scope 1 and Scope 2 greenhouse gas emissions.

For the latest reporting and more details on DNB's environmental performance for operations, see our Carbon Accounting Report in the sustainability library (link page 2) and the Sustainability Factbook at the back of the report.

More on our work with the strategic priority areas

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

Innovative business model and product development

The market for financial services is changing. Changed customer expectations, new regulatory requirements and new competitors require that we in DNB work and prioritise in new ways. Today, the standard for digital services and customer experiences is largely set by global players from other industries. Our customers are increasingly taking it for granted that the communication they receive is relevant, personalised and tailored to their actual needs.

In order to put the customer first and meet their needs seamlessly where they are, we need to address more of the customers' problems and at the same time make the services available to the customers wherever they need them. Vipps is a good example. In 2019, after only four years in the market, Vipps was voted one of Norway's most recommended brands in YouGov's BrandIndex, and came second in a ranking of best customer experience at the annual Trade Fair arranged by Virke (the Enterprise Federation of Norway).

Our innovative power lies in both finding smart solutions and in being good at implementing them. This requires clear priorities and efficient use of resources.

WHAT DID WE DO IN 2019?

Innovation is demanding in large company groups such as DNB, as there is a great need both for improving the existing solutions and creating new ones. We have seen that it can be difficult to make the necessary prioritisations, and that resources must be used in smarter ways in the various innovation phases. We need clear roles and interfaces, a systematic structure and good methods for measuring innovation. In 2019, we therefore combined key resources within design, innovation and strategic partnership in a new unit. This unit is responsible for developing a consistent and comprehensive Group strategy for innovation, and for making the organisation, distribution of responsibility and management of innovation efforts clearer. The unit contributes with design-driven innovation and is part of the Payments & Innovation business area, whose main task is to generate greater competitive power and long-term profitable growth through strategic business development.

In this business area, we find the Open Banking unit, which in 2019 helped open up DNB's payment services infrastructure in compliance with the revised Payment Services Directive (PSD2). At DNB, Open Banking is about our ability to serve

Vipps was launched as a DNB product in 2016, and was later established as a separate company.

our customers across both our own and others' channels. Open Banking therefore wants to make it possible to provide services and offer products outside DNB's own distribution channels, and to seamlessly integrate the services of other providers into our own. Our systems, processes, business models and mindset have traditionally been based on the bank itself owning and controlling the entire value chain, through a so-called integrator model. Now, others will be able to take part in it through e.g. PSD2. It can be difficult to find the right balance between preserving and challenging the existing. This work is a high priority, and we believe that we will succeed in taking advantage of the new opportunities when we have a better understanding of our strengths and weaknesses.

All financial transactions begin and end with payments, and in the field of payment, competition has intensified in recent years. Major global technology companies are positioning themselves in the international payments market. Apple has for instance entered into an agreement with Goldman Sachs, and Google with Citibank. In addition, several major acquisitions have been made in the field of infrastructure.

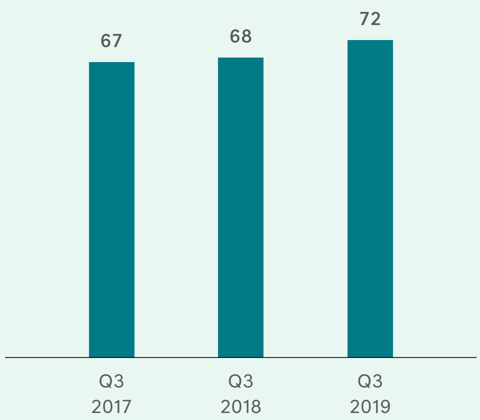
In 2019, DNB partnered with Google Pay, Garmin Pay and Fitbit Pay. Payment using smartphones and smartwatches is the common denominator. DNB has also developed a payment solution based on facial recognition, but this will require additional work before it can be used in services.

Throughout the year, the use of flexible working methods in IT development projects has also been given more attention. This makes us better equipped to test new solutions and make changes quickly. Faster development and more experimentation provide more innovation for the money and better solutions for the customers.

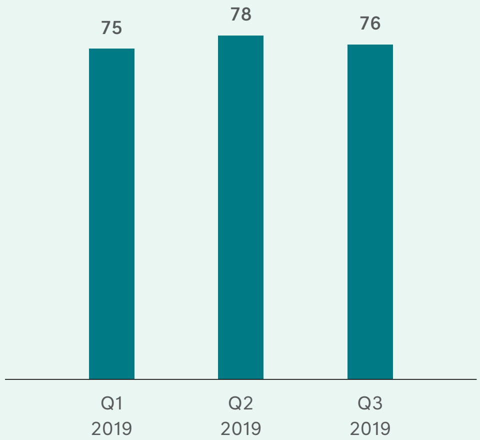
High score on innovation

We are proud of the fact that reputation surveys in 2019 continued to show a positive trend for DNB with regard to the values *Innovative* and *Modern bank*. In August, we came second in Innomag's ranking of Norway's 25 most innovative companies. In the reputation survey RepTrak, DNB received a score of 72 points in the third quarter of 2019, which is well within the category 'Good reputation'. We are pleased to see that the score has had a positive development in the last

Reptrak reputation survey
Points



Reptrak innovation survey
Points



few years, from 68 points in the third quarter of 2018 and 67 points in the corresponding quarter of 2017. RepTrak also looks at seven underlying dimensions, including innovation, where DNB scored 75, 78 and 76 points in the first three quarters of 2019, all very good numbers.

In November, DNB was also ranked the number one bank in the study called Digital leaders in Norway 2020. The study is conducted by the consultancy agency BearingPoint, and evaluates companies based on maturity within digital marketing, digital customer experiences, e-commerce and digital customer interaction. The reasons stated for DNB's high ranking were the great user experience offered by DNB across digital channels, our search engine optimisation and our activity and innovation on social media.

DNB came second in Innomag's ranking of Norway's most innovative companies.

Partnerships

Entering into and maintaining good collaborative partnerships with others was given higher priority in DNB throughout 2019. As customer expectations increase, it becomes even more important to determine where we think we can achieve good results on our own, and where we will benefit from working with others. One example is StartupLab, Norway's largest technology incubator, that DNB has collaborated with for several years. Together we have for instance arranged the leading FinTech accelerator in Norway, DNB NXT Accelerator. Furthermore, we have entered into new partnership agreements with Copenhagen Fintech Lab and TCS Coin. We cooperate with Digital Norway to share learning about the digitisation of Norway, and with the Norwegian University of Science and Technology on matters such as artificial intelligence (AI), in collaboration with major market players, including Telenor, Equinor and SINTEF.

New ways of collaborating have also led to venture investments in, for instance, Nordic API Gateway, Funding Partner, Luca Labs and Unite Living. Through our collaboration with 11:FS, one of the world's leading companies within financial technology, we have combined investment with partnership by establishing the company 11:FS Foundry in 2018. The company offers a whole new approach to the digitisation of banking services. The goal is to provide a flexible architecture for infrastructure that enables financial service providers to abandon legacy systems and outdated infrastructure, thus facilitating faster development. 11:FS Foundry will be tested in selected product areas to explore the future potential for simplification of DNB's infrastructure.

For the time being, DNB has chosen not to replace the current core system, but is focusing on gradually resolving dependencies and developing API integrations. This contributes to a more robust architecture, which at the same time reduces extra work by allowing developed services to be reused across IT systems. A more API-centric approach also makes collaboration with companies outside DNB easier, cheaper and safer.

THE WAY FORWARD

In recent years, it has become increasingly important to collect, analyse, use and, not least, store data in a safe and secure manner. Our ability to extract insight from data not only has the potential to create better and more relevant customer experiences, but could also form the basis for new business models. In 2020, we will implement solutions we have invested in involving the use of new cloud and insight tools to leverage advances in machine learning and artificial intelligence.

Digital customer channels, such as the mobile bank, dnb.no, the savings app Spare and the corporate app DNB Puls will develop new functionality and new services faster than ever. New concepts, such as Samsolgt ('co-sold') for the sale of property and a new accounting solution for companies, will challenge established markets. The automation of credit processes will provide faster and better customer experiences. More and better chatbots will answer customer enquiries more effectively.

We are in the midst of a change in the way banks work. At DNB, we are moving towards more design-driven innovation and agile business development. It is about working methodically and about answering the right questions, at the right time, in an effective manner. We test ideas on our customers on an ongoing basis, and we work with third parties when this helps us create the best solutions.

Creating the best customer experiences

To create the best customer experiences means delighting our customers with great products and services, and superb service. It means understanding the customers' needs and offering relevant and user-friendly products and services of high quality at competitive prices. Last but not least, it means transparency in pricing and terms. We want to earn our customers' trust, and our customer relationships, by providing good customer experiences. This is especially important at a time when we face new and unknown competitors in a rapidly changing market.

Our governance principles for corporate responsibility provide guidance for all product development. Customer needs must always be the starting point for the products and services we provide, and customers should be able to trust us to want what's best for them. The Code of Conduct describes our ethical principles and what is required of us in a professional as well as personal context to uphold this standard. This involves looking after the customer's interests in sales and advisory situations through open, clear and truthful communication, and taking good care of the customer's information and keeping it safe.

WHAT DID WE DO IN 2019?

Customer satisfaction

Customer satisfaction in the Norwegian personal customers market remained stable in 2019, and there were few signs of changes in the overall competitive situation. The number of bank connections per person was unchanged, and most customers had only one preferred bank. The customer satisfaction score ended at 72.0 points in the fourth quarter of 2019 – on a level with the third quarter – thereby keeping us above the 'magical' 70-point score. 60 per cent of our customers were satisfied with DNB. 15 per cent were less satisfied and gave us a low score. 70 per cent of the customers stated that there was no change in their level of satisfaction with DNB. The Internet bank, which is our most popular channel, worked well and received the highest score of all our channels. Customer service by phone and in the mobile bank also had a high customer satisfaction score.

In the corporate market, we measure customer satisfaction among small and medium-sized enterprises, and large corporate customers. The development since 2017 has been very positive

Customer satisfaction in the personal customer market in Norway was 72.8 points for the year 2019.

The mobile bank is one of our most important channels for customer interaction, and we work constantly to develop new services and functions.

among small and medium-sized enterprises. For small businesses, our score has risen from 60 points in 2017 to 67.4 points in the fourth quarter of 2019. For the medium-sized ones, customer satisfaction has gone from 65 points in 2017 to 67.9 points in the fourth quarter of 2019. Developments are monitored quarterly, and the least satisfied corporate customers are closely followed up to identify the causes. The main source of dissatisfaction among small companies is the credit application process, especially if their application has been rejected. There is a wider range of reasons for being dissatisfied among medium-sized companies, but the application process, inadequate follow-up from the bank and rejected credit applications are among the most common causes. We constantly strive to strengthen the areas where customer feedback calls for improvement. In addition, we have set up a system where advisers who come up with ideas for improvements can easily submit them. Based on this feedback, we made more than 80 improvements in the Internet bank in 2019, and the customer's voice shall always be heard when we develop new services.

For the largest corporate customers, customer satisfaction has remained at a high level for several years and stayed high in 2019, at 81 points. The positive feedback from customers is explained by high competence and service levels in teams that follow up the largest customers, combined with the fact that DNB provides a full range of banking and financial services. Although we are happy with the positive customer feedback, we constantly strive to improve. We are committed to further developing our expertise within the various industries in which our customers operate, and constantly on the lookout for new and better solutions that meet our customers' needs.

Shelf control

To guarantee the quality of our product portfolio, DNB has a standard for the approval of products and services, known as the 'Shelf Control'. The Shelf Control is an important tool for making sure that we offer products and services that benefit the customer, society and DNB. This systematic review of products and services helps increase our competitiveness and customer satisfaction, strengthens our reputation and is part of our corporate responsibility. The Group standard and procedures for compliance shall support effective product development and product approval, and improve our ability to innovate and change.

In 2018, all of DNB's products and services were reviewed and evaluated in accordance with the Group standard, and products that failed to comply with the updated standard were phased out. In 2019, we used a risk-based approach to review all products that were either new or had a higher risk profile than other products in the portfolio, and updated and approved them. This has further strengthened the quality of our product portfolio. In addition, we launched a number of new and innovative products and services in 2019, such as:

New mobile bank

We launched our new mobile bank in January 2019. In just four months, more than 800 000 customers actively used their mobile to manage their personal finances. The mobile bank is one of our most important channels for customer interaction, and we work constantly to develop new services and functions. Among the features launched in the autumn, were invoice scanning, integration of third-party accounts and 'smart saldo' ('smart balance'). Going forward, we aim to make it even easier for Norwegians to get an overview of their own finances and have everything in one place. Each month, we update the app with new and innovative solutions, to simplify and improve everyday banking for all customers in Norway. We perform monthly user tests to ensure that new services and features in the mobile bank are of good quality and provide value to the customer.

DNB Finsight

DNB Finsight was launched at Eurofinance in Copenhagen in the autumn of 2019. This is a new digital liquidity management tool, which automatically collects and compiles companies' financial data. DNB Finsight gives companies a complete overview of their current and future liquidity position, across borders, company structures and banks. Many time-consuming tasks can be automated in DNB Finsight, freeing up time for strategic decision-making for the company.

Digital banking integration

Put simply, banking integration means that the customer's accounting software and Internet bank communicate with each other. We have digitised this process for most ERP systems, and by the end of 2019, 40 per cent of new banking integration customers had used this digital solution. Our customers expect simple self-service solutions and help with digitising their own processes, and this is exactly what digital banking integration provides.

Garantert Solgt ('guaranteed sale')

In the spring of 2019, we launched a new service called Garantert Solgt. This is a sales guarantee for customers who sign a contract with DNB Eiendom to sell a property. When signing a contract, we guarantee that if the property is not sold at an accepted and communicated estimated price within six months, we will cover all costs associated with the assignment. The service is intended to give customers peace of mind and relevant advice throughout the sales process, and help them obtain the best possible price for the property.

Samsolgt ('co-sold')

In the summer of 2019, we launched the real estate service called Samsolgt. This is a digital brokerage service where the home seller and real estate agent collaborate on selling the property. The service has a fixed, low price of NOK 45 000, with no hidden or unexpected costs. Customers save time and money by doing some of the work themselves, but with a real estate agent on hand, the quality and safety remains the same. So far, we have succeeded in creating a number of good customer experiences with this service, and we will continue to do so in the coming years.

Digital cards

In 2019, we took our work on digital cards (tokens) one step further. Digital cards are a digital extension of the customers' physical payment cards, and a condition for the customers' ability to start using new and innovative mobile payment solutions. In 2018, we launched digital Visa cards for use in Fitbit Pay and Garmin Pay, and in May 2019, for Google Pay. Towards the end of the year, we also opened up for digital Mastercards. All of these initiatives support our strategy of being first choice ('top of wallet') when our sources of payment are offered in third-party payment solutions.

Pricing transparency

In 2019, DNB made a clear move to reduce investment fund management fees, the first bank to do so. Prices for a number of mutual funds were reduced to a level where the customer receives far more of the return on the underlying shares. This has been applauded from outside DNB, and replicated by other banks. In addition, DNB worked systematically to simplify the consumer finance product range. For DNB, the next step is to increase the level of activity in this market, within a responsible framework. We will not create needs, but cover needs that already exist. We believe that consumer loans serve a necessary function in the market, and that we cannot influence the market in the right direction unless we participate.

Consumer finance

In 2019, we continued our efforts to implement the strategy for unsecured credit, which ensures that we provide consumer finance responsibly. The introduction of debt information registers this summer was an important premise for this. We continued to work on reducing the number of credit cards in our product range, because we believe that customers neither want nor should have as many credit cards in their wallets as before. Our market efforts were mainly targeted at our own customers who, among other things, need to restructure their credits. Our credit strategy is well adhered to and the default frequency remains stable and healthy.

Cases handled by the financial services complaints board

The Norwegian Financial Services Complaints Board handles disputes concerning private individuals' contractual relationship with banks, finance companies, mortgage institutions or mutual fund management companies. The number of cases dealt with by the Complaints Board is an indication of DNB's ability to deliver products and services that meet customer expectations.

In 2019, the secretariat of the Norwegian Financial Services Complaints Board registered a total of just over 5 000 new cases related to banking and insurance, of which DNB was involved in 183. Of our 183 cases only 18 were subject to committee proceedings, of which 10 went in our favour and 8 in the customer's favour. In light of the large number of personal customers DNB has, the number of cases in the Financial Complaints Board in previous years and the number of cases involving other financial groups, the number of cases in the Financial Complaints Board in 2019 was as expected. The outcome was also as expected – with few cases where the decision went against the bank. This confirms that we deliver good quality products and services in line with customer expectations.

Compliance in marketing and communications

A review of all marketing and digital sales activities is implemented annually, the purpose of which is to identify possible risks linked to marketing activities related to products and services. Conflicts of interest or risks that should be dealt with, or possible negative reactions from large stakeholder groups with a certain level of public interest, are also considered. In addition, legal clarifications are part of the marketing process. We received no comments from the authorities in 2019.

THE WAY FORWARD

We will continue to create good customer experiences through providing the best products and services, and superb service. We must constantly satisfy our customers' needs and expectations, and will therefore offer ever more innovative and unique solutions. The mobile bank is one of the main channels connecting the customer and DNB, and we will work to continuously launch new services and features in the application. We will achieve this by thinking outside the box and working in new ways.

We will also focus on ensuring the quality of the existing customer portfolio, so that both we and our customers can be confident that the products and services we provide benefit the customer, DNB and society. The Shelf Control is an important tool in this respect, and we will therefore concentrate on continuously updating and quality assuring our products and services in accordance with this Group standard. We will communicate openly, clearly and honestly in advisory services and sales settings, and continue to be transparent with regard to prices, as well as terms and conditions. This way, customers can rest assured that DNB is a bank that looks after their interest.

Restructuring and skills enhancement

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

As our most important resource, it is vital that all employees have a constant desire to acquire new knowledge to stay relevant in an ever-changing working life. DNB believes that everyone needs skills enhancement, and therefore invests a great deal in learning and development for our employees.

Among other things, we work systematically with the teams that we see will need fewer employees in the future, enabling and motivating the employees to build competence to become relevant for other tasks in the future.

WHAT DID WE DO IN 2019?

We continued to develop our own training programmes in areas such as anti-money laundering (AML) and technology, as well as in human qualities that are not suitable for automation and that will be important in the future, such as creativity, communication, relationship building and complex problem-solving.

We were awarded HR Norge's Kompetansepris (competence award) for 2019, in recognition of our systematic efforts in the field of competence development. One of the reasons given for selecting us as the winner of the award is that we through various learning opportunities, learning arenas and navigation tools, facilitate knowledge sharing and learning as a natural part of each employee's everyday working life. We plan to continue and strengthen this work – focusing on both online and classroom learning. While the organisation facilitates and provides arenas for skills enhancement, it is up to the individual employee to seize the opportunities and take charge of their own learning.

In the course of the year, we established our new goal and development process with increased focus on dynamic prioritisation, learning and development – both for teams and individuals. Through this process, topics are evaluated, learning integrated and goals agreed upon for the coming period. At the same time, regular follow-up meetings (check-ins) ensure close and continuous follow-up and increased implementation capacity.

Over 90 per cent of the Group's employees are active users of our digital learning platform Motimate, which contains more than 600 internally developed courses. In 2019, hired consultants with long-term assignments were also given access to Motimate. In addition, our employees have

We were awarded HR Norge's competence award for 2019, in recognition of our systematic efforts in the field of competence development.

Attractive employer among students:

No. 1 among business students

No. 3 among IT students

No. 10 among law students

Attractive employer among professionals:

No. 3 within business

No. 5 within IT

No. 4 among lawyers

access to more than 6 000 courses and training programmes through LinkedIn Learning, and the use of this increased by approximately 30 per cent from 2018.

Increased mobility is a clear goal in the Group, and we make sure that employees receive the help and support they need to develop their further careers in DNB. We help employees become aware of their opportunities and enable them to apply for relevant vacant positions in and outside DNB. The employees are offered guidance and coaching in connection with the choices they need to make, and we facilitate internal and external periods of secondment so that they can acquire new skills. In addition, our in-house competence centre facilitates skills enhancement for everyone, offering new career paths and the opportunity to work in a flexible task force.

Our managers are instrumental in ensuring that DNB achieves its goals, and we conduct training on a continuous basis for all new managers, experienced managers and management groups. A key element is managerial behaviour that unleashes the potential of the organisation and creates a supportive atmosphere in which employees feel comfortable taking initiative and assuming responsibility. Interaction and learning across business areas is encouraged, among other things by promoting increased internal mobility. Our goal is to develop managers who build high-performing teams and make sure each individual employee reaches his or her full learning and development potential. We are continuing our work to strengthen the psychological safety in groups and teams, to make sure that good ideas are not blocked by the fear of failure. The Growth Mindset philosophy[1)] is used as a basis for further developing the desired learning culture.

DNB is an attractive employer. In a survey conducted by Universum among students in 2019, we were ranked number 1 by business students, number 3 by IT students and number 10 by law students. In a corresponding survey among professionals, we were also ranked high, with a 3rd place within business, 5th within IT and 4th among lawyers. It is important for us to be an attractive workplace within both business and IT, and we will continue our efforts to remain just that and to display to the outside world what we have to offer, in order to attract the expertise we need.

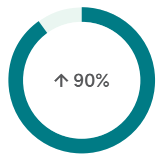
In the autumn of 2019, DNB carried out a major organisational restructuring, in which several hundred employees switched jobs and assumed new roles, and many still have a need to change or strengthen their skills in the time ahead. In restructuring processes in DNB, the management cooperates closely with the trade unions. The trade unions in DNB have been important contributors in the Group's efforts to implement changes to meet new competence needs.

THE WAY FORWARD

In 2020, DNB will continue to work with competence, culture and leadership, as is firmly ingrained in our strategy. It will not be possible nor desirable to cover the extensive need for changes in the Group's skills mix through recruitment alone. This is why we will continue to invest in systematic skills enhancement among existing employees and facilitate increased mobility between divisions and business areas.

We will continue our efforts to develop competence within critical areas such as data analysis, IT project management and security, and we will make it even easier for the employees to keep up-to-date through the development of our learning platforms and our comprehensive course offering. We will work to increase the effectiveness of our training programmes, and ensure that they lead to organisational learning.

Motimate gives us the opportunity to continuously evaluate the various courses, and enables us to ensure that the employees complete the mandatory and optional courses. The courses in Motimate have a strong correlation with DNB's strategy. This gives us good insight into how well the strategy is incorporated in the employees' skills enhancement, and we are pleased with the way we are now able to follow up on the goals we have set. The goal is to build a strong learning culture in the organisation, to focus on customer needs and to motivate all employees to be curious, bold and responsible.



Over 90 per cent of the Group's employees are active users of our digital learning platform Motimate, which contains more than 600 internally developed courses.

1) Having a Growth Mindset means believing in the ability to develop and facing complex issues with commitment rather than 'switching off' when things get difficult. Using a Growth Mindset means seeing opportunities for growth in everything you do.

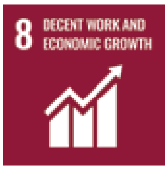
Sustainability and corporate responsibility ambitions

Our work with the UN's Sustainable Development Goals

The United Nations' Sustainable Development Goals were adopted in 2015, as a global plan of action to end poverty, combat inequality and restrict climate change by 2030. The plan consists of 17 goals, split into several sub-targets addressing the main areas that must be effectively dealt with in order to achieve the overall goals. For DNB, the sustainability goals have been a source of inspiration for our own sustainability work, and a good framework for discussions with corporate customers about how they choose to integrate sustainability into their strategy.

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

Goal 5:
Achieve gender equality and empower all women and girls.



Goal 8:
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

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

You can find out more about our work with the sustainability goals in our Sustainability Factbook and on our website.

UN's Sustainable Development Goals

Stakeholder dialogue and materiality analysis

Sustainability and corporate responsibility are still concepts that can be perceived as unclear and unspecific, especially in the absence of common definitions. It is also difficult to compare companies' actual performance and determine whether a company is doing well in terms of sustainability and corporate responsibility. To be as concrete as possible about DNB's approach to corporate responsibility and sustainability, we have used methodology from the reporting standards IIRC (International Integrated Reporting Council), GRI (Global Reporting Initiative) and SASB (Sustainability Accounting Standards Board) to define and limit the scope of our work. All three frameworks are based on the principle that a company conducts a materiality analysis. The purpose of this analysis is to identify which sustainability topics are important for the company's ability to create long-term value, and which topics the company's stakeholders are interested in. The topics included in the analysis can be classified as being related to environmental, social or corporate governance factors (also known as ESG factors).

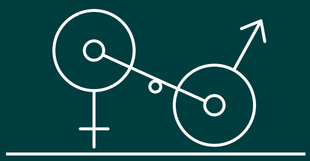
The bank's corporate responsibility ambitions and the integration of the UN's Sustainability Development Goals are both based on the bank's materiality analysis. This was last updated in 2018, and a minor revision is scheduled for 2020.

An ongoing stakeholder dialogue is important for the preparation of the materiality analysis, and for the efforts to integrate stakeholder input into decision-making processes. In the course of 2019, we were therefore in regular dialogue with customers, employees, shareholders, authorities and other relevant stakeholders in society. We received a lot of useful input through various channels, gaining a greater understanding of what our stakeholders expect from us and in which areas it is particularly important to deliver.

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

In 2019, the Board of Directors decided on four specific, overall topics and related Group ambitions for DNB's corporate responsibility and sustainability efforts. These are described on the following pages.

Sustainability topics identified as most significant for DNB



Sustainability and corporate responsibility ambitions

DNB is a driving force for equality and diversity

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

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

Equality and diversity

We have to reflect the community we are part of if we are to reach our goals of long-term value creation, high customer satisfaction and being an attractive employer. For us in DNB, the diversity and equality efforts go beyond our own employees, and are also about contributing to increased equality among our customers through our products and services, and among our suppliers by using our influential power to promote equality in companies we do business with.

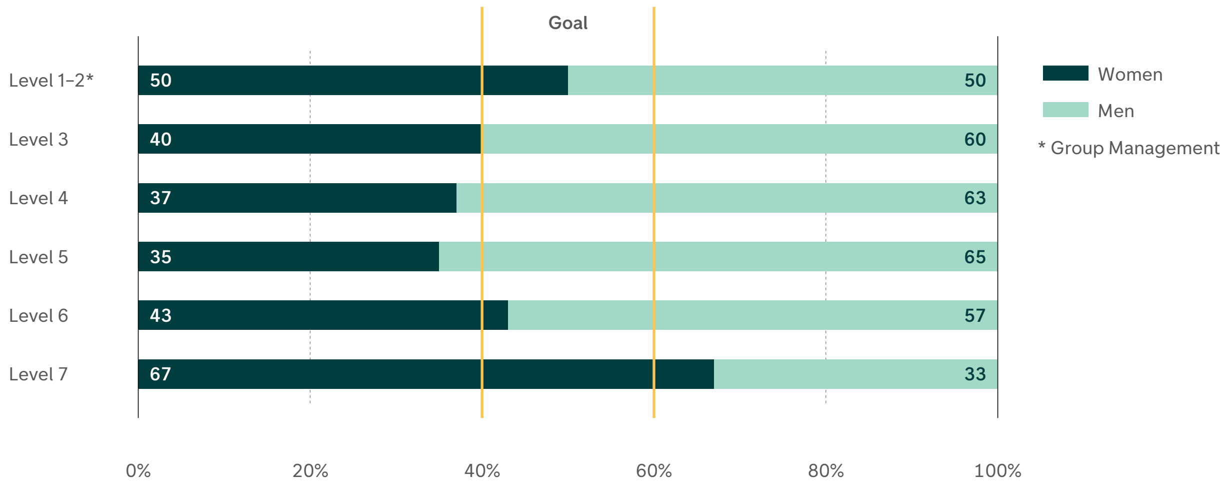
For us, equality and diversity means equal rights and opportunities to contribute in the organisation. This means creating a safe and inclusive working environment where everyone is valued for their various qualities and recognised for their talent, and where everyone can be themselves. Equality and diversity is followed up in all parts of the company, and discrimination is not accepted.

WHAT DID WE DO IN 2019?

In January 2019, equality and diversity was adopted by the Group Management team as one of four priority areas within our corporate responsibility strategy. The overarching ambition is that DNB shall be a driving force for equality and diversity, both internally and externally in the interaction with customers and suppliers.

In the spring of 2019, the Group Management team adopted an internal goal of good gender balance (40/60 either way) in management positions at all levels. This is an adjustment of the goal of 40 per cent women in the management at levels 1–4, and clarifies that the gender balance goal goes both ways. On the three top levels, we had a balance in line with the goal at the end of 2019. On lower management levels, however, we are not quite there yet (see graph). Furthermore, we see that

Gender balance at management levels



there is variation between the business areas. Some of the areas have to work on increasing the number of female managers, whereas others have the opposite problem. We will work proactively with this issue in the time ahead.

An ambition for all teams to be diverse and inclusive was also established.

To reach the established goals and ambitions, we work along three axes:

- Make sure that goals, regulatory frameworks and policies safeguard equal rights and opportunities
- Ensure that we have and utilise tools and processes for recruiting, developing and maintaining diversity
- Further develop a culture and management philosophy for diversity in the Group

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

There is a large degree of diversity in our international operations, and concrete measures have been initiated to increase diversity in the Group's Norwegian operations. Several job advertisements are published in English to reach a wider target group, and all advertisements include a wish for diversity. We are also working actively to attract employees from a broad selection of educational institutions and disciplines. In 2019, as part of our quarterly employee survey, we incorporated a separate inclusion index, which is a good indicator of and tool for inclusion in the organisation. The inclusion index for 2019 revealed a good result, and showed that most people find the working environment to be inclusive.

In the autumn of 2018, we introduced a gender-neutral parental leave scheme for our employees, regardless of where in the world they are working, with minimum 20 weeks of paid parental leave. The scheme was implemented on 1 January 2019. One of the goals of the scheme is to contribute to gender equality by giving fathers and mothers an equal opportunity to paid leave. In 2019, a total of 528 of our employees took parental leave, and 47 per cent of these were men.

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

As part of extending our work with diversity, we focused on topics such as mental health, sexual orientation and gender identity in 2019, the aim being to build competence and create a more inclusive culture where everyone can be open about who they are. We have had several courses and arrangements on the topics internally, and in June, we participated in the Oslo Pride Parade for the first time.

The need for employees with a technology background is increasing, but it is challenging to achieve a good gender balance in this area. Women are under-represented among those we recruit with a technology background. We have therefore worked to bring forward good female role models and to place various technology topics on the agenda at both internal and external arenas where women are in the target group. In 2019, DNB was awarded the ODA Award Organization for our strategic work with equality and diversity.

The same year, we were ranked the 8th best company in the world with regard to equality in the global Equileap survey, which includes more than 3 500 companies. DNB was also ranked second in the SHE Index, an index that measures how well the largest Norwegian companies are doing when it comes to gender balance. Such recognition gives us extra motivation to continue working with diversity and equality.

As a large player in Norwegian society, we have the opportunity to influence diversity and equality

We have introduced a gender-neutral parental leave scheme for our employees, regardless of where in the world they are working, with minimum 20 weeks of paid parental leave.

among our suppliers. By asking questions and challenging our suppliers on the share of women in their management teams and their general efforts in the area, we contribute to raising awareness and create positive ripple effects in our society. Read more about this in the section on responsible purchasing on page 102.

In 2019, we stepped up our efforts on financial equality, by having a strong focus on savings schemes and increasing people's competence in the area of savings and personal finances through the campaign #huninvesterer (#girlsinvest). Read more about the campaign on the next page. Towards the end of the year, a five-point list, a placard for equality, was also adopted, stating how DNB will contribute to financial equality and diversity through our products and services, and in dialogue with the customer.

As part of our efforts to set standards through our investment activities, we drew up and published expectation documents and requirements within equality and diversity. These are used for setting requirements for companies, and as a starting point for company dialogues.

THE WAY FORWARD

Strategic and targeted internal efforts on equality and diversity in recent years have yielded results, but there are still some differences between the various areas of the bank. In 2020, we will continue to work along the same lines as we did in 2019.

DNB is committed to equal pay, regardless of gender, for the same work and performance. The Group will continue to differentiate pay based on performance, but works continuously to identify and close wage gaps that may be due to gender or other diversity aspects.

In the Norwegian part of the Group, we have over several years set aside an 'equal pay pool' to equalise wage imbalances that cannot be explained by anything other than gender aspects. This was maintained in 2019, where the pool is to be distributed in the spring of 2020. In cooperation with the trade unions, it was decided that anyone returning from at least five months' parental leave will automatically receive a pay increment.

DNB has done a lot in the area of financial equality aimed at our customers and society at large, but we still have a long way to go. In future, we will therefore have a strong focus on continuing to contribute to increased equality through our products and services and in dialogue with our customers and suppliers.

#huninvesterer (#girlsinvest)

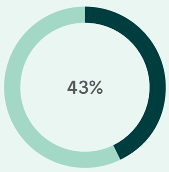
Gender equality has increased in many areas, but women and men are still not financially equal. This also holds true in Norway. Our figures show a consistent financial disparity: **Women consistently own less than men.**

Sometimes this gap is small, sometimes huge, but it is never the other way round. We have chosen to call it the 'financial gender gap'. In September 2019, we therefore launched the campaign #huninvesterer (#girlsinvest) to highlight the problem and generate interest in solving it.

Traditionally, the finance industry has primarily addressed women as consumers, not as potential investors. To raise awareness of how the financial gender gap can reduce women's influence in society, we therefore asked: "Can you run the world without owning it?" Our surveys also showed an overall lack of knowledge on this topic, which makes savings seem even more inaccessible to most people, especially in mutual funds and shares. One thing we have done to address this, is to create the website huninvesterer.no, with easily accessible knowledge and digital tools on savings. We have also held savings seminars, both digitally and in the form of events. In addition, we have shared knowledge through various media channels, our own digital channels and our advisers.

In addition to personal finances, the campaign has highlighted gender differences in the business community. Women are underrepresented in top management teams and boardrooms. Female entrepreneurs are also in a clear minority, and attract less investment capital. Our start-up pilots provide advisory services and support to potential entrepreneurs, both women and men, to lower the threshold for fulfilling the dream of starting their own business. The proportion of women who contact our start-up pilots has increased significantly over the course of the campaign. If this trend persists, the number of new female entrepreneurs will increase over time, in turn increasing the potential for innovation in the Norwegian society.

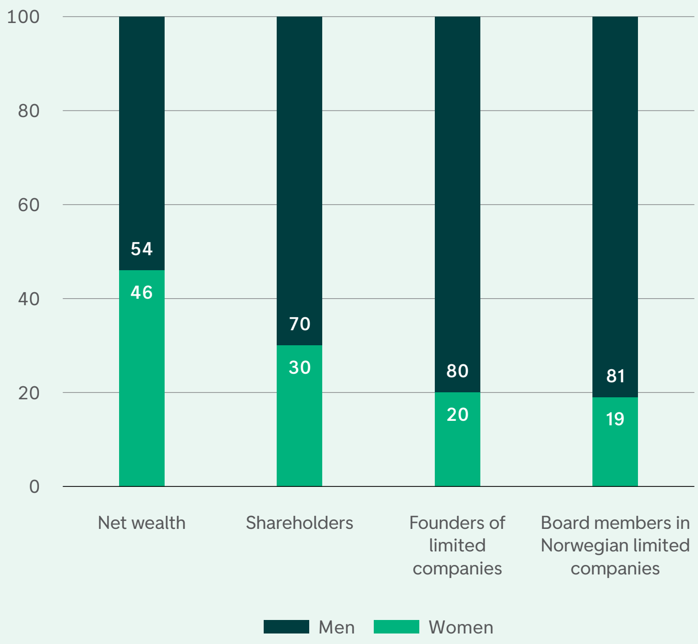
According to our own surveys, 43 per cent of the population knew about #huninvesterer in December, and this is just the beginning. It will therefore be important for us to keep the attention on financial equality and make sure that it continues to be a topic for discussion. We have been in dialogue with a number of important stakeholders and received useful input for the next phase. #huninvesterer has inspired the financial services industry and other market players to join forces to find ways of increasing financial equality. Continuing this collaboration will be crucial.



43 per cent of the population knew about #huninvesterer in December.

Financial gender gap

Percentage distribution



Source: Statistics Norway

Number of mutual fund customers

69 per cent

→ An increase of 69 per cent from the campaign was launched to the end of the year, compared with the corresponding period in 2018.

88 per cent

→ The increase among women was 88 per cent.

Savings app Spare

109 per cent

→ The app had 109 per cent more downloads from the start of the campaign to the end of the year, than in the corresponding period last year.

Sustainability and corporate responsibility ambitions

DNB finances sustainable growth through loans and investments

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

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

- Towards 2025, DNB will contribute with a total of NOK 450 billion to the financing of renewable energy and infrastructure.
- Towards 2025, DNB will contribute with a total of NOK 130 billion to the financing of green property development.
- In 2020, all new and refinanced shipping loans shall include a clause about responsible ship recycling.
- Sustainability forms part of the risk assessment for loans to companies (above NOK 8 million).
- DNB's start-up pilots shall each year help at least 5 000 startups.
- DNB shall contribute with NOK 200 million in growth loans to businesses that need capital to grow.

Responsible lending and investment

Responsible lending to corporate customers

The aim of the DNB Group's credit activities is to meet customer needs without coming into conflict with the bank's and our customers' responsibility to contribute to a sustainable development of society. We integrate corporate responsibility in our operations because it is morally and ethically right. It is also sound risk management. DNB's long-term profitability is dependent on our customers also integrating corporate responsibility in their strategic choices. Our customers are in the same situation. They both want to, and to an increasing degree have to, invest in sustainability to streamline their operations, save costs, get access to capital and leverage new business opportunities – in short, to be competitive. This represents opportunities for profitable and sustainable growth for DNB. As a lender, DNB has influential power. By requiring our customers to be accountable we can both contribute positively to society and reduce our customers' as well as our own risk.

WHAT DID WE DO IN 2019?

Greater focus on ESG and climate risk in credit decisions

Corporate responsibility assessments are an ever-more important factor in our credit decisions. Environmental, social and governance (ESG) factors are essential elements in credit decisions related to all our corporate customers. In 2019, we decided to extend the scope of the climate risk assessments we make in connection with our credit decisions.

ESG-related aspects were also an important part of the thousands of customer dialogues we carried out in 2019. We are seeing an increasing level of commitment among our customers on these topics, and are receiving good feedback. Together with our customers, we help raise awareness and implement measures related to risks and opportunities associated with climate issues, corporate responsibility and sustainability.

Group ambitions

Our lending activities contribute to a much needed sustainable and responsible restructuring of the business community in Norway and internationally. In 2019, as the first Nordic commercial bank, we set ourselves specific and long-term goals for contributions towards the financing of renewable energy and infrastructure, sustainable property development and responsible ship-breaking.

Sustainable loans

A framework for sustainable products was introduced in the autumn of 2018. The framework is based on the internationally recognised Green Loan Principles and describes sustainable causes that will qualify for sustainable products in DNB. In 2019, eight loans totalling NOK 3.3 billion were issued under this framework. One of these was the first green loan in the seafood sector, a loan of USD 69 million to Atlantic Sapphire in the United States, the world's first land-based salmon farming facility.

Another loan went to REC Solar, where DNB and three other banks financed a green loan of USD 150 million related to solar panels that are 20 per cent more efficient than traditional panels. The sustainable product framework will be updated in 2020 to include more products, and will also be adapted to the EU's coming classification system for sustainable economic activities (taxonomy) as this is further developed.

In 2019, we saw a growing interest in loans where the terms and conditions are linked to the attainment of various sustainability-related goals (so-called 'sustainability-linked loans'). One of the companies we provided with this type of financing was Norsk Hydro ASA. DNB acted as the agent and coordinator of a USD 1.6 billion credit facility where the interest rates will be determined by the extent to which they succeed with their climate strategy, which includes a commitment by Hydro to reducing greenhouse gas emissions by 10 per cent by 2025.

International cooperation

As one of the world's leading shipping banks, DNB has for several years made targeted efforts to contribute to increased responsibility and sustainability in the shipping industry. In 2017, we joined the bank initiative called Responsible Ship Recycling Standards (RSRS). This is a voluntary framework, drawn up by banks that are

In connection with a credit facility arranged by DNB totalling USD 1.6 billion, Norsk Hydro ASA has committed to reducing greenhouse gas emissions by 10 per cent by 2025.

In 2019, we introduced separate clauses on responsible recycling in close to 90 per cent of all new loan agreements in the sector. The goal for 2020 is 100 per cent.

active in ship financing, to promote responsible ship-breaking. By setting requirements in loan agreements, more shipowners will want to recycle their ships according to standards that reduce harm to the environment and risk to workers. Efforts have been made to include more banks in the RSRS, and by the end of 2019, ten banks endorsed the framework. In 2019, we introduced separate clauses on responsible recycling in close to 90 per cent of all DNB's new loan agreements in the sector. The goal for 2020 is 100 per cent.

In 2018 and 2019, DNB participated actively, along with Citigroup and Société Générale, in the preparation of the 'Poseidon Principles', a new global framework for responsible financing of ships. Through this framework, we commit to measuring and publishing the climate-related adaptation of our shipping portfolios, starting in 2020. The measurement will be made on the basis of ship-specific carbon intensity data that the shipping companies are required to report to the International Maritime Organization (IMO). As the first initiative of its kind among banks, the Poseidon Principles have received a great deal of attention, and by the end of 2019, 15 banks had joined the initiative.

As a result of our work with the Poseidon Principles, we have also played an active part in other initiatives related to shipping and climate issues, including contributing to the preparation of a study on carbon tax in international shipping. Furthermore, we joined the 'Getting to Zero Coalition', which is an initiative led by large organisations such as the World Economic Forum and the Global Maritime Forum, and which includes more than 80 leading companies associated with the shipping industry from around the world. The goal of the initiative is to accelerate the development and deployment of commercially viable deep-sea zero-emission vessels by 2030.

Climate risk has received increasing focus in recent years. In 2017 and 2018, DNB participated actively in a TCFD pilot (Task Force on Climate-related Financial Disclosures) under the auspices of UNEP FI (United Nations Environment Programme Finance Initiative). In 2019, we decided to proceed with this work in a UNEP FI Phase II pilot. The purpose of this project is to quantify climate risk in the loan portfolio using scenario and sensitivity analyses. These climate risk efforts will be continued, and the plan is to prepare a UNEP FI report on the results of the pilot in 2020. Read more about this in a separate article about TCFD on page 30.

Since 2018, DNB has also had an active role in the UN Global Compact Action Platform for Sustainable Ocean Business, for instance in the work on Sustainable Ocean Principles.

The equator principles – three new renewable projects

In 2019, three power generation projects in Chile, Norway and Sweden were processed in accordance with the Equator principles. The Equator Principles is a global framework used by banks to assess and manage risks related to environmental and social aspects of project funding and project-related corporate loans. Read more about this in the sustainability library (link on page 2).

Coordination of internal risk assessment

The large corporates business area conducted a risk analysis related to corporate responsibility in 2019. In addition to gaining a better understanding of the various types of risk that DNB is exposed to, the analysis and the project have provided a basis for coordinating the methods for assessing corporate responsibility risk in the 'know-your-customer' process and in the credit process. This will ensure that we get a better distribution of resources between customers who are more exposed to ESG factors and those who have a lower exposure.

The project has also provided a good basis for updating the Group standard for corporate responsibility, the credit manual and sector guidance notes.

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

Training of employees

In 2019, all new credit employees upgraded their skills in responsible lending through DNB's training platform Motimate. The course is mandatory for all employees who work with corporate customer credit and for relevant employees in the Group Risk Management unit. DNB's central credit management environment also conducted training for key credit employees, and 35 dilemma training courses were held for employees working with small and medium-sized corporate customers.

The aim was to raise awareness around risk factors that we are exposed to through our customer relationships. A general introduction to corporate responsibility, our governing documents and assessment tools is part of the training for all new employees. Furthermore, corporate responsibility ambassadors were appointed for all segments in the corporate customer area. The CR ambassadors know the regulations and tools extremely well and have been an important success factor for the effective implementation of corporate responsibility in the credit process.

THE WAY FORWARD

DNB will continue to integrate ESG and climate risk into the 'know-your-customer' process and the credit process. In addition to updating sector strategies, we will finalise new guidelines and develop more specific assessment criteria. We will also continue our efforts to facilitate the registration and storage of the ESG risk level of customers. This will enable better reporting of ESG risk. Existing e-learning courses on corporate responsibility will be updated, and new courses will be developed. In 2020, we will prioritise training measures that contribute to strengthening expertise within climate risk. There will also be a need to improve the knowledge on human rights and labour rights in order to be prepared for new requirements and expectations as a result of the Norwegian Ethics Information Committee's proposal for a law on transparency in supplier chains. A new version of the Equator Principles will come into force on 1 July 2020, and we will need to prepare managers and staff for the resulting changes. The sustainable product framework that was developed in 2018, will be expanded to include more products and also be adapted to the EU's coming classification system for sustainable economic activities.

Customer dialogue and initiatives related to corporate responsibility will continue on a larger scale in 2020. We see many opportunities for sustainable growth and want to be a sparring partner and adviser for our customers with regard to new business opportunities. As a bank, lending is one of the areas where we have the greatest power of influence. In 2020, we will establish advisers within sustainable finance in the corporate customer area.

We are pleased with our efforts to integrate corporate responsibility in the lending activities in the course of 2019. It has laid a good foundation for our further work with corporate responsibility, and has created positive ripple effects in the organisation. In the time ahead, we will continue the initiated processes and introduce new initiatives in line with DNB's strategic work in this area.

Responsible lending and investment

Responsible investment

Responsible and sustainable investment means taking the environment, social conditions and sound corporate governance (ESG factors) into consideration in investment management, and contributing to a sustainable development. In DNB, we manage large sums of money on behalf of our customers, through DNB Livsforsikring, management of mutual funds and active portfolios, and the Group's equity investments.

Customer expectations and regulatory conditions place ever-increasing demands on being a responsible and sustainable fund manager. In DNB, we want to influence companies in a sustainable direction and contribute to value creation, both in order to uncover risks and opportunities and to raise specific ESG issues.

In 2019, we engaged in 209 dialogues with 184 companies, discussing various ESG-related topics.

The main purpose of our 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. The work is done in accordance with DNB's Group standard for responsible investments, published in DNB's sustainability library. The main measures used include active exercise of ownership rights through dialogue and voting, integration of ESG-related risks and opportunities in the management, standard setting and exclusions. Read more about this in DNB Asset Management's Annual Report Responsible Investments.

WHAT DID WE DO IN 2019?

Our work on responsible and sustainable investment is constantly evolving, and therefore we updated the Group standard for responsible investments in 2019. Companies where more than 30 per cent of revenues or activities are related to thermal coal or oil sands will still be candidates for exclusion. We have also introduced an additional criterion, whereby companies with an annual coal extraction of more than 20 million tonnes or coal power capacity of more than 10 000 MW may also be subject to observation or excluded from the investment universe. We apply forward-looking assessments of companies, acknowledging those that contribute to the transition to a low-emission society.

This work is organised by defining long-term and short-term focus areas, among other things. In addition to the long-term focus areas human rights, climate change and water, we paid special attention to the following topics in 2019: equality and diversity, the oceans, product safety and quality, supplier chains in developing countries and deforestation and land use. In 2019, we prepared and published expectation documents related to equality and diversity and global voting, and updated our previous expectation documents related to serious environmental harm and human rights. These documents form an important part of our standard-setting efforts, and are used as a basis for setting requirements and initiating dialogues with companies on these topics.

As an active owner, we aim to influence companies in a positive direction through reactive and proactive dialogue and through casting votes. In 2019, we engaged in 209 dialogues with 184 companies, discussing various ESG-related topics. Such dialogues are structured processes with clear objectives, in which milestone attainment is also measured. Examples of such objectives may be for companies to have appropriate privacy protection procedures in place, or to protect indigenous peoples' rights. Moreover, we voted at 143 Annual General Meetings (AGMs) in Norway and 73 internationally. At 16 of these AGMs, we voted on shareholder proposals for measures related to climate issues as well as equality and diversity, and at the AGMs of 16 Norwegian and 36 international companies, we voted against the company's recommendations. We have an ongoing dialogue with the companies' Boards of Directors, management teams and election committees to help ensure that cases presented at the AGMs are in accordance with sound corporate governance. When voting in board elections, we emphasise a high level of expertise and diversity in the composition of the board. An important part of our work with responsible investments, is participation in investor collaborations on climate risk and opportunities through Climate Action 100+ and on the prevention of deforestation and irresponsible land use through UNPRI (UN Principles for Responsible Investment).

Climate change involves both risks and opportunities for companies and portfolios that we manage on behalf of our customers, and can have a significant financial effect. The expectation document on climate is an important starting point for systematic exercise of active ownership through voting and dialogue with companies. Nevertheless, exclusions are still necessary. At year-end 2019, a total of 178 companies were excluded due to our exclusion criteria, for example activities related to thermal coal or oil sands. A complete overview of these companies can be found in the sustainability library (link on page 2).

In line with the ever-more stringent regulatory requirements for climate reporting and sustainable finance operations, we have started working to identify and measure climate-related risks and opportunities at corporate and portfolio level. One way we do this, is through the use of scenario analyses, recommended by the Task Force on Climate-Related Financial Disclosures (TCFD) as a tool for identifying possible outcomes for climate-related risk and opportunity factors on corporate and portfolio level (read more on page 30). We have contributed to the report with a case study on how the tool can be used as part of our active ownership approach through dialogues with companies, and for identifying climate risk and opportunities. The project report was published in the spring of 2019 and is available on the website for the UN Environmental Programme, UNEP (see link below). In 2019, as part of the annual 'signatory' reporting to the UNPRI (UN Principles for Responsible Investment), we also reported on their questions regarding climate issues for the first time. Reporting on climate issues was voluntary, but in future will be mandatory.

Assessing significant aspects of environmental protection, social conditions and corporate governance is essential for making sound investment decisions. We have therefore continued to integrate ESG considerations into information and portfolio systems and investment decisions.

We offer responsible and sustainable mutual funds that suit different customer preferences when it comes to sustainability. All of our mutual funds meet the requirements in our Group standard for responsible investment. Customers who wish to invest in mutual funds with extended exclusion criteria, can choose funds that also exclude conventional weapons, alcohol and commercial gambling. In addition, we have mutual funds with a climate and environment-related sustainability profile, which exclude fossil energy and carbon-intensive companies. Furthermore, we have a mutual fund with a mandate to invest in companies within renewable energy and energy efficiency. In 2019, we expanded our offering of mutual funds with a climate and environment-related sustainability profile by launching the fixed-income fund DNB Low Carbon Credit.

In order to raise awareness and increase knowledge of responsible and sustainable investment, we held our second annual sustainability conference for customers and other stakeholders in the autumn of 2019.

The annual evaluation of the results of our work 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 Annual Report Responsible Investments, which is presented to the Board of Directors of DNB Asset Management, and which is available on our website.

THE WAY FORWARD

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

Climate, water and human rights will remain our long-term focus areas. In 2020, we will also prioritise the following short-term focus areas: natural diversity, the oceans, product safety and quality, deforestation and land use, and supplier chains in developing countries.

Focus on climate risks and opportunities will still be high on our agenda in 2020 – both in terms of how we incorporate it into investment decisions and how we will measure this at corporate and portfolio level, in addition to what we are already doing with regard to carbon footprint and scenario analysis. We also expect to vote on several shareholder proposals related to climate issues.

Furthermore, with the EU's action plan for sustainable finance, we are beginning to see the consequences of the regulatory conditions in Europe and in Norway. As a leading fund manager, it is important to stay ahead of the rules and regulations that will apply to us and our customers, both in terms of the EU's taxonomy and reporting requirements.

For a complete list of excluded companies and more on responsible and sustainable investments and company dialogue, visit the sustainability library (link on page 2).

Report from UNEP FI TCFD Investor Pilot Project:
unepfi.org/wordpress/wp-content/uploads/2019/05/TCFD-Changing-Course-Oct-19.pdf

Measuring the carbon footprint of mutual funds

As part of efforts to measure and reduce exposure to companies with high climate risk, in 2016, DNB started to measure the carbon footprint of all equity funds. In 2019, we began to disclose the carbon footprint on fixed-income funds where there was sufficient carbon data available. Carbon footprint, also called carbon intensity, is the measurement of a company's greenhouse gas emissions relative to a company's turnover, and is one of several factors that says something about a company's climate risk and impact. After identifying the carbon risk in the portfolios, there are several ways of reducing the risk.

DNB uses information from MSCI ESG Research about companies' greenhouse gas emissions. The companies' carbon footprint is weighted by the respective holding in the portfolios, and the same is done for the index. In the calculations, any cash in the portfolios is distributed proportionally between the other companies. For companies without emission data, an estimated figure for the company produced by MSCI ESG has been used in the calculation. In addition, some companies do not have either reported or estimated data. DNB reports the carbon footprint in CO_2 equivalents, as defined by the Greenhouse Gas Protocol. Scope 1 includes direct emissions from sources that are owned or controlled by the organisation and Scope 2 includes indirect emissions associated with the generation of acquired and consumed energy. Indirect emissions associated with purchased goods and services, as well as the use and disposal of products that fall under Scope 3 are not included due to lack of reported data from companies. For so-called 'avoided' emissions, which refer to emission reductions resulting from the company's products and services, methodological and data-related gaps have prevented the widespread inclusion as part of the carbon footprint process. The method for reporting greenhouse gas emissions is under development and may be subject to change.

The graph below shows 32 equity funds, 2 fixed-income funds and their respective reference indices where data on greenhouse gas emissions was available for more than 75 per cent of the funds' investments. These funds represent about 96 per cent of the total market value of DNB's equity funds. For the first time, we are also publically reporting the carbon footprint for a selection of our fixed-income products, where sufficient carbon data is available. The carbon emissions data coverage for the Nordic fixed-income universe is currently low, but we are actively working to increase the disclosure of this information. Carbon footprinting of the fixed-income funds utilise largely the same approach as that implemented for equity funds, namely the Weighted Average Carbon Intensity, endorsed by the Task Force on Climate-related Financial Disclosures (TCFD). An important difference is that any holdings determined to be in 'green bonds' are not included in the calculation of the footprint on fixed-income funds. While we believe that green bonds can have considerable emission reduction potential, potentially even contributing to avoid emissions, these were not included for lack of a standardised methodology regarding avoided emissions. This approach is in line with current best practice in the market. Some funds are not included due to the lack of emission data. The graph is a snapshot of the portfolio as at 31 December 2019 and shows that compared with the respective benchmarks, the majority of the funds had a lower or equal carbon footprint.

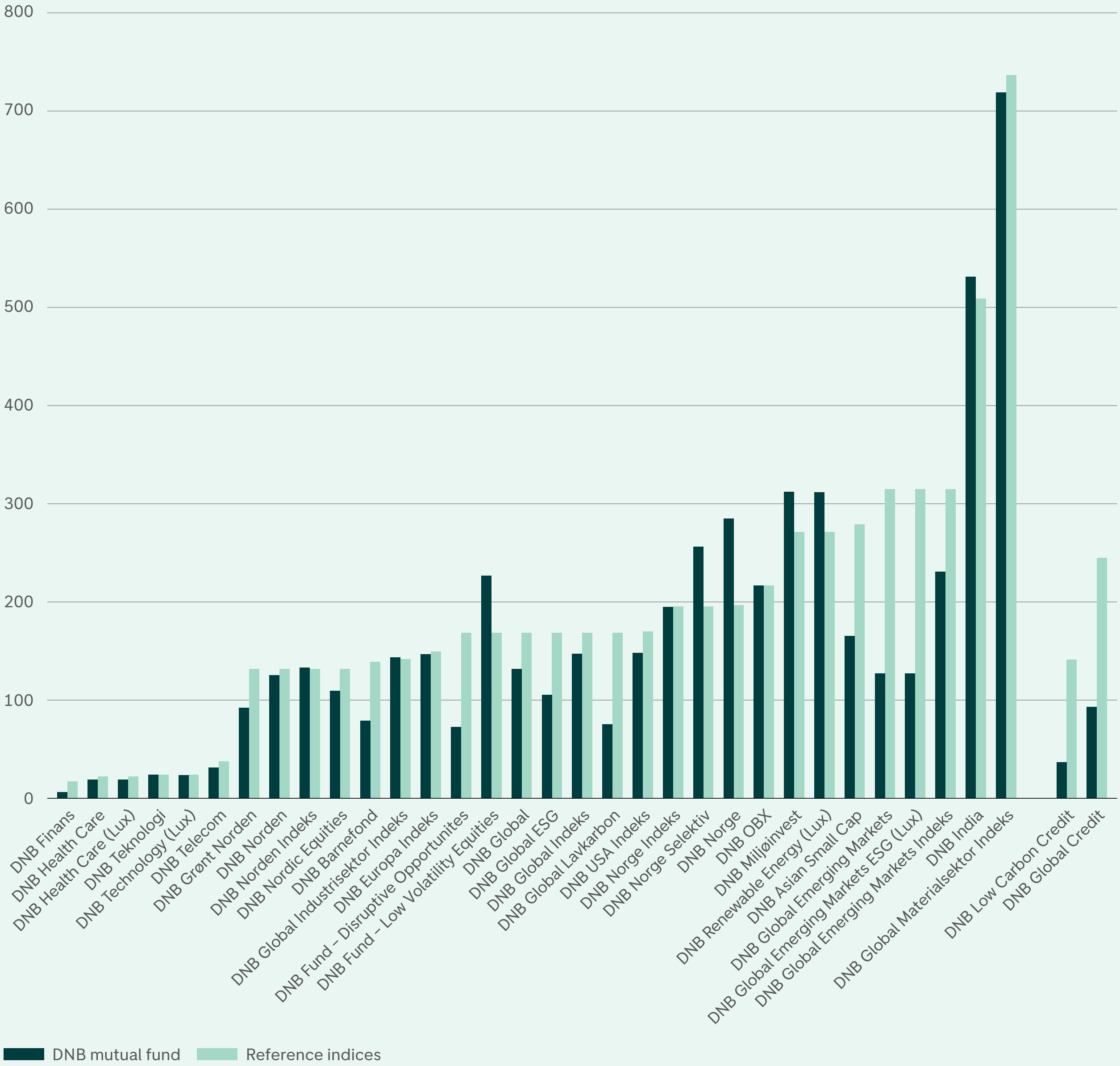
There is significant uncertainty surrounding data on greenhouse gas emissions. This is driven not only by regional variations in practices for reporting emissions, which have been shown to vary considerably between markets and companies of different sizes, but also from the use of estimated figures when companies do not report emissions. Despite these uncertainties, DNB is of the opinion that greenhouse gas emissions are an important factor to include in the analyses of companies' climate risk and impact.

In an effort to increase the quality and coverage of reported emissions, DNB is a supporter of the Task force on Climate Related Financial Disclosures (TCFD) and CDP. As part of our work with TCFD, we have utilised scenario analysis to assess the performance of our funds under different warming scenarios. Please refer to the TCFD section on page 30 for more information.

Carbon footprint, also called carbon intensity, is the measurement of a company's greenhouse gas emissions relative to a company's turn-over, and is one of several factors that says something about a company's climate risk and impact.

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

Tonnes of CO_2 equivalent for every USD 1 million of revenue



Responsible loans and investments

Sustainable bonds

During 2019, we experienced a sharp increase in the importance of Environmental, Social and Governance (ESG) factors in financial markets. Sustainability has become a key aspect for investors when evaluating potential investments, and sustainable investment strategies are gaining traction. This imposes new requirements on companies in need of capital, and access to capital is to a greater extent being influenced by the companies' sustainability profiles. As a result, we are seeing an exponential growth in the demand for sustainable bonds, such as green and social bonds, where funds are earmarked for investments with environmental and social benefits.

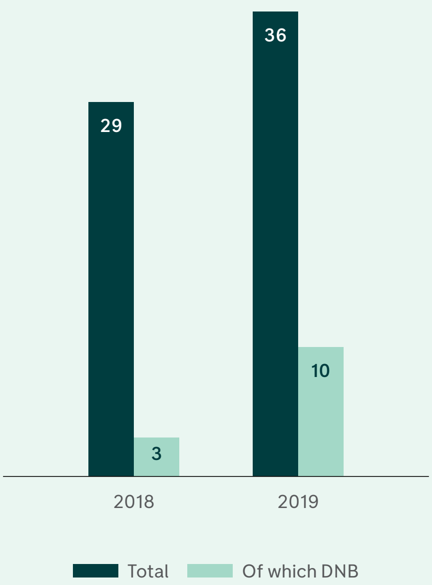
WHAT DID WE DO IN 2019?

In 2019, the number of sustainable bonds issued set new records, both from a global and a Norwegian perspective. In total, NOK 36 billion in green bonds was issued from Norwegian banks, companies and institutions, up from NOK 29 billion in 2018. DNB is the market leader in Norway with a 27 per cent market share. Including our international operations, we participated in sustainable bond transactions with a nominal value of NOK 40 billion in the course of the year, which is an increase of 75 per cent from 2018.

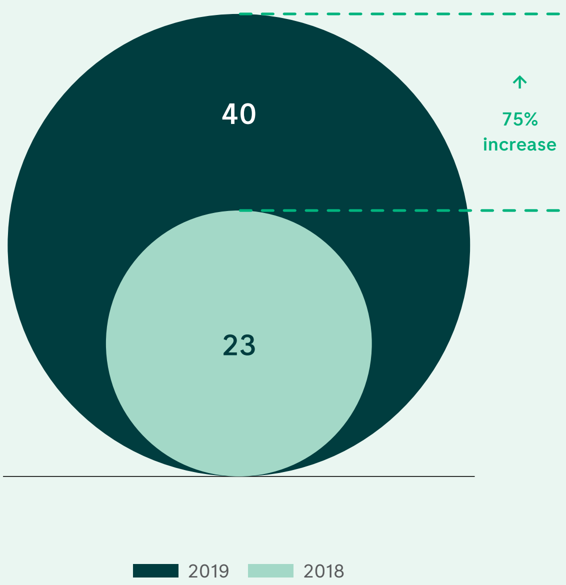
THE WAY FORWARD

We are pleased with our activity growth so far, and hope to further increase volumes going forward. In DNB, we aim to continue our active role in the future development of the sustainable bond market, and we wish to promote further diversification in terms of sector activity. To fulfil the Paris Agreement, we need to see a green shift in all sectors, and the sustainable bond market is an important source of funding for sustainable development.

Green bonds issued in Norway
NOK billion



Participation in global transactions with sustainable bonds
NOK billion



DNB helps startups succeed

Norway is completely dependent on the establishment of more companies. Based on projections in a report on future prospects from the Norwegian Ministry of Finance (Perspektivmeldingen) and with the help of the analysis provider Ny Analyse, DNB has found that in order to preserve the welfare model, more than 77 000 new companies must be established each year, on top of the established companies thriving and growing.

Being the best bank for people starting up new businesses is important to us, not only because it is profitable to be an attractive bank for new companies, but also because we consider it part of our corporate responsibility to help ensure that more businesses are established and succeed. We will make sure that companies have a greater chance of success together with DNB.

Both startups and the general population perceive us as 'the best bank for people who want to start up a company'.

The measures we implement are related to both the services and the meeting places we offer, and to cooperation with other key players. Our work to help start-up companies succeed is founded on our governance principles, and is in accordance with our purpose and values. The Board of Directors and Group Management team follow the start-up initiatives closely and participate in the social debate about correct and important measures to implement in order to promote innovation and restructuring. Furthermore, the members of the Group Management are active participants in arenas and events which are relevant for entrepreneurs and for companies in a period of restructuring and growth.

WHAT DID WE DO IN 2019?

According to a survey conducted by Cicero in 2019, DNB already has the most complete offering of bank products and services for businesses.

DNB Puls

The DNB Puls app makes it easier for the managing director and chair of the board to take the pulse of the business. Among other things, it provides an overview of all accounts, a balance forecast, key figures compared with industry and competitors, as well as tips on how to run the company better. In the course of 2019, around 19 000 companies started using the solution. More and more functionality is added to the app, and every single day, new businesses start using the service.

DNB Regnskap

The accounting solution DNB Regnskap, which was launched in 2019, provides small businesses with banking and accounting services in one and the same solution. More than 5 300 companies chose to start using the service, and the number

Our team of start-up pilots. From left: Hoang Minh Trinh, Sinde Beathe Fure (head of section), Kristin Berg Holter, Mads Andersen, Shan Afzal and Olle Kronvall.

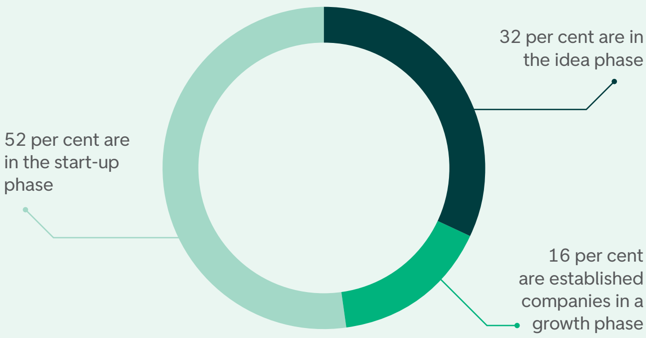
is steadily increasing. Banking and accounting are closely linked, and we find that the customers really appreciate these services being provided from the same place. Therefore, further developing this type of solution is a natural part of DNB's future plans.

Start-up pilots

To simplify the everyday working life of entrepreneurs, DNB has a dedicated team of five start-up pilots who help startups and growth companies with a wide range of questions and issues. This service is free of charge and you do not need to be a customer to use it. The start-up pilots are asked questions about everything from company types, reporting and financing, to strategic questions about growth, business models and the testing of ideas.

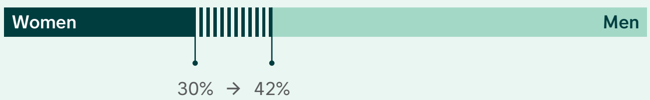
In the course of 2019, the start-up pilots provided personal advice to more than 4 500 companies and reached many more through articles and content on DNB's digital channels. They also focused on skills sharing in the entrepreneurial community, gave lectures and workshops, and in other ways contributed to fifty-odd events organised by universities, agencies, start-up houses and other key players.

Who do the start-up pilots help?[1]



#huninvesterer (#girlsinvest)

Increase in the share of women who contacted the start-up pilots in November 2019



1) Based on measurements from the fourth quarter of 2019

The start-up pilots also make up a specialist environment for all DNB employees working with startups, within both innovation and development teams, and for account officers who want to enhance their skills to become an even better adviser for their customers.

The start-up book

In 2019, we published a revised edition of the Norwegian Start-up Book from 2014. This is a popular handbook containing tips and tricks for those who dream of starting their own business.

DNB NXT

Through DNB NXT, we have established Norway's largest meeting place for entrepreneurs and investors. The goal is to help good ideas meet capital and expertise. In 2019, a total of 14 events were held across the country. We also arranged NXT Ocean as part of the Nor-Shipping conference in June. This year's topic was 'Pioneering a sustainable tomorrow', which is about us needing people who dare to think completely new to create a sustainable business future. The events facilitated 3 000 meetings between investors and entrepreneurs, and more than 7 000 meeting requests were sent through our digital meeting place 'NXT Matcher' in the course of the year.

DNB NXT Accelerator

In cooperation with StartupLab, we arranged DNB NXT Accelerator for the third time in 2019. This is a 3-month accelerator programme for start-up companies within the field of technology. The goals of this programme are to speed up the development of the start-up companies and to explore the possibilities for establishing partnerships that can open up commercial opportunities both for the start-up companies and for DNB. A new element this year was that one of DNB Venture's portfolio companies was also included in the programme. This showed that the programme is also suitable for companies that are in the growth phase. DNB has signed a new three-year partnership agreement with StartupLab, which also includes three new accelerator programmes.

Cooperation with start-up communities

DNB has a number of cooperation agreements with entrepreneur and start-up communities across the country. Examples are MESH and StartupLab in Oslo, FLOW in Tromsø, DIGS in Trondheim, Innovation Dock in Stavanger and StartupLab in Bergen. This collaboration means that we support our partners financially, but it is primarily important in order to get close to the target group, understand their needs and constantly improve our offering of products and services to entrepreneurs.

#huninvesterer (#girlsinvest)

In 2019, we had a major focus on equality and diversity. The financial gender gap was launched as a concept, and we showed Norway the large differences that exist between the genders, also within the entrepreneurial community. Our purpose is to help even more women start up their own business, and we encourage both women and men who are considering becoming entrepreneurs to contact one of our start-up pilots for help and advice on how to get started. Through the campaign, we see that the share of women who contact our start-up pilots has increased, and we hope that this trend persists. Over time, this will also contribute to more female entrepreneurs. Read more about #huninvesterer on page 48.

Growth loans

In addition to helping startups, it is important for us to be a good partner for growth companies. Towards the end of 2018, we set aside NOK 200 million to be granted in loans to growth companies, and throughout 2019, we have offered this product as a pilot project. We have not fully succeeded with this initiative, as only NOK 59 million of this amount has been allocated. In the course of 2020, we will therefore consider other measures. The growth guarantee scheme in collaboration with Innovation Norway has, for instance, proven to have a much better effect. NOK 425 million in loans has been granted through this measure, and this is a scheme we wish to strengthen. We will also continue to look for new and better schemes, in order to become an even better partner for growing businesses.

THE ROAD AHEAD

In the course of 2019, several banks stated that they want to invest in startups. We applaud this! At the same time, it means that we have to work even harder to maintain our position as the best bank for those who want to start up their own business in the future. Our commitment to start-up companies is a clear priority for DNB. This means that in 2020, we will work on strengthening the elements that we know work, adjusting what can be improved and identifying new elements that meet the needs of the target group.

Sustainability and corporate responsibility ambitions

DNB combats financial crime and contributes to a safe digital economy

We work systematically to prevent DNB's products and services from being used for criminal activity. Our goal is to be our customers' most trusted player when it comes to delivering safe, digital banking services in a modern economy with an ever-increasing degree of digitalisation.

- 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.

Preventing financial crime and corruption

Financial crime, such as fraud, corruption, work-related crime and money laundering, is a serious societal problem and a threat to our welfare system, and also undermines a healthy business environment.

The principal goal for DNB's efforts against financial crime is to reduce financial loss for our society, our customers and the bank, while maintaining the same level of trust in the bank's products and services. One of the ways we do this is by preventing the laundering of proceeds derived from criminal acts, thus helping to combat profit-motivated crime.

Everyone should trust DNB to work actively to fight financial crime in society in general, and against our customers in particular. We follow developments in the threat landscape closely and continuously adjust our efforts according to changes in trends and methods.

Banks represent a channel criminals can use to launder the proceeds of illegal activity. Banks and financial institutions are obliged to contribute to the prevention and detection of money laundering.

Fighting financial crime is demanding work, and reducing the risk of being exploited by criminals requires a high level of expertise and significant resources. In addition to combating money laundering, DNB constantly strives to prevent crime that generates proceeds. For example, DNB uses considerable resources to combat fraud, and has zero tolerance for all forms of corruption. Everyone in DNB shall act in an open, transparent and accountable manner. This is clearly stated in DNB's Code of Conduct, which describes our ethical standards. All managers and employees in DNB are required to complete training to ensure compliance and the right competence.

Digital crime and fraud are steadily on the increase, and this trend is expected to persist. Digitalisation and globalisation affect the development, have made it easier to commit mass fraud and cause rapid changes in the threat landscape. At the same time, transactions are increasingly expected to flow quickly and efficiently, also across national borders. The criminals who commit fraud are well organised, and the proceeds finance other serious crimes and terror. Efforts to prevent fraud are an important part of DNB's financial crime prevention. In 2019, criminal groups adapted more to the Norwegian market than in previous years, and we are seeing methods specifically targeted at defrauding Norwegian bank customers.

WHAT DID WE DO IN 2019?

In 2019, DNB registered an increase of 25 per cent in the number of customers who were victims of digital fraud. A large part of this escalation can be attributed to the criminals' increasing use of social media to spread false information. For example, a number of Norwegian celebrities found that they were being used in advertisements for fake investment sites and products on various social media. In our experience, many customers were deceived by these ads. Cases are growing in size and complexity, and each case involves more victims. In total, we stopped fraud attempts amounting to NOK 993 million against our customers and the Group in 2019, and we worked actively to prevent fraud by investigating and reporting suspicious activity. We handled 4 042 fraud cases, 89 of which were reported. These reports included several cases of mass fraud against our customers, and there was also a significant increase in the number of reports where customers had made their accounts available to others for money laundering purposes (acting as so-called money mules). The majority of fraud cases were related to fake online investment platforms, but the method attracting most media attention was exploiting the limited digital knowledge of older customers. We registered several serious cases of fraud against large corporate customers as a result of criminals being able to read, send and forge company e-mail. The largest single loss for one customer was NOK 26 million.

Over the course of the year, we reported a large number of cases of suspicious activity to EFE (the Norwegian Financial Intelligence Unit) in Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime). Individual cases may include multiple customer relationships and transactions. These cases involved suspicions of money laundering or terrorist financing.

In 2019, we stopped fraud attempts against our customers and the Group worth NOK 993 million.

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

In November, Økokrim launched an investigation of DNB after disclosures of possible corruption and money laundering in the Icelandic fisheries company Samherji, as DNB has been one of the company's bank connections.

Raising awareness and building competence in society in general are key elements in crime prevention. DNB contributes actively to this by holding presentations in Norway and abroad. In 2019, for instance, we visited local police forces in Norway, Norwegian intelligence agencies and Europol. Several of the Group's employees are high in demand as speakers. As a result of this, DNB was given the Fidus security award by NorSIS (Norwegian centre for information security), for open and honest communication on security issues. We have an active media strategy aimed at contributing to raise the level of competence and awareness in society, and have attained a high standing in the media due to our efforts to improve digital security and combat financial crime. At the same time, we focus on developing the competence of our employees through e-learning, classroom training and seminars. For instance, all employees have completed basic anti-corruption training. Furthermore, a group of employees was selected for a comprehensive training programme where the candidates assumed operational anti-money laundering (AML) positions after completing the training.

For the Group, it is important to build expertise in anti-money laundering regulations and compliance. Extensive training measures were implemented in the Group during the latter part of 2019 – both in the individual business areas and support units and for all managers up to and including level 4, as well as in our subsidiaries. The Board of Directors of DNB Bank ASA, board members in our subsidiaries and the Group Management team also underwent training. By the end of 2019, a total of 9 979 persons had completed the basic course in anti-money laundering and counter financing of terrorism, while 10 092 persons had completed the basic course in anti-corruption.

Training and evaluation of results must be regularly carried out and adapted to the needs of the organisation. This is an ongoing process, which the Group has given high priority.

THE WAY FORWARD

We work every single day to protect our customers and avoid being subjected to fraud or misused for criminal purposes. We have an interdisciplinary team specialised in combating financial crime. Our employees in this area have backgrounds from areas such as the police, finance, IT and regulatory authorities. We actively share our knowledge and experience with other banks. In addition, we use our expertise to help our customers be more vigilant in order to avoid falling victim to fraud. We have strengthened our AML efforts by establishing a central AML function (Group AML) and improving our electronic monitoring system. Our efforts to fight financial crime are part of our corporate responsibility and will continue with full force in 2020, helping DNB stay ahead in a constantly changing risk landscape.

In DNB, we strongly believe that cooperation between banks is key to crime prevention, and we will continue to share our expertise and knowledge, among other things through Nordic Financial CERT (NFCERT) and Nordic KYC Utility (Know your customer). Moreover, we maintain close contact with the police and other authorities to combat crime. The criminals constantly adapt. We follow developments in the threat landscape closely, and continuously adjust our efforts as trends and methods change.

Information security and stable IT systems

As Norway's largest bank, DNB is an important player, which requires us to provide user-friendly, stable and secure solutions – for our customers and for society at large. A well-functioning banking system is a fundamental prerequisite for making payments in shops, paying bills and making transfers between accounts in different banks and countries.

DNB operates and manages a number of IT systems and handles large amounts of data of both a personal and commercial nature. An increasing reliance on digital solutions makes it important to ensure that services are available, that data are accurate and that they do not end up in the wrong hands. Therefore we need extensive security measures and employees with sufficient knowledge of how to manage digital services and data in a safe manner.

This is essential to maintain our customers' trust and thereby our competitive strength. Stable and secure IT systems are also a basic prerequisite for increasing our innovative power.

WHAT DID WE DO IN 2019?

If we are to be confident that the measures we implement actually contribute to better security and more stable IT services, they must be based on good risk assessments. DNB has therefore strengthened the IT risk management in 2019.

Several measures that contributed to increased operational stability were taken in 2019, such as systematic efforts to improve operational processes and to further develop the proactive monitoring system the bank has established. The most comprehensive measure implemented was transferring large parts of the IT operations responsibility from HCL to TCS in the autumn of 2019. Now that both application development and operations are provided by one supplier for a significant part of the bank's portfolio, we expect positive effects on operational stability and several other areas.

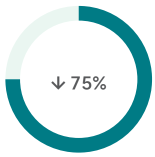
All in all, the bank reaped the benefits in 2019 of the stabilisation work that has gone on for several years. Over the past four years, the number of days with operational problems for customers or employees has been reduced by as much as 75 per cent. At the end of 2019, even with the change of service provider, the number of days was 27, which is considered acceptable.

The Group is also working systematically to improve and further develop information security. An important part of this work is to strengthen the bank's digital defence system so that it has several levels of robust security measures. We are also working continuously to enhance and upgrade IT solutions, strengthen security competence among employees and further develop domestic and international cooperation. In 2019, we carried out several projects with the aim to automate tasks within areas such as user and access management. Information security training for all employees continued in 2019, and additional security training for the Group's IT specialists was also carried out. A National Security Month campaign was arranged in 2019 as well, with a number of events that received a great deal of attention and support.

Every day, DNB experiences cyberattacks where criminals attempt to enter our IT systems, gain access to data or carry out digital fraud. The methods of attack are constantly evolving, and we note that the attackers are willing to spend considerable time and resources to achieve their goals. The Group handled around 10 000 IT security incidents in 2019, an increase from 6 500 in 2018. None of these events had serious consequences for customers or the Group.

If a serious IT incident were to strike DNB, it is crucial that it is dealt with effectively, so that we are able to quickly resume normal operation. To do this, we must be trained to deal with such incidents, and a large number of exercises are therefore carried out each year.

In the second half of 2019, organisational changes were made in the Group's IT and security functions. The most business-related IT development is now merged with the business areas they serve, while joint IT and back office functions have been brought together in the new support unit Technology & Services.



Over the past four years, the number of days with operational problems for customers or employees has been reduced by as much as 75 per cent.

In 2019, DNB was given the Fidus security award for open and honest security communication.

In 2019, we received the Fidus Award for good security and a high level of trust in society. Such recognition is gratifying and commits us to work even harder to maintain a high level of trust. We are more visible both in various security environments and in the media, which has led to an increase in the number of requests to give presentations and share our experiences at external events. We have also increased the attention on this topic internally through several presentations, and by strengthening the follow-up of security at our international offices.

THE ROAD AHEAD

We will maintain our efforts to ensure that DNB remains a safe and secure financial institution for customers and for society. Stable and secure IT solutions are essential parts of financial operations. This requires good IT risk management, and we will continue to develop this in 2020 to establish a stronger connection between IT risk and the risk situation in DNB's business areas. At the same time, we will continue to develop our security solutions and strengthen our defence against cyberattacks.

In the time ahead, our security efforts will also be further developed by increasing the involvement of business areas and support units, strengthening supplier management and further developing crisis management. To build competence and maintain a high level of security awareness, we will also continue working on communication and training.

The ongoing efforts to improve operational stability will also continue. The main area of focus in 2020 will be to leverage stabilisation effects across IT operations and development. We do this by modernising old solutions, introducing new machines and infrastructure and linking application development and operations much closer together.

Privacy protection

An increasingly digitised world provides new business opportunities, if the available data is used in a sound and legal manner. The digital world is dependent on data, but access to data requires trust. DNB's processing of personal data must be transparent, meaning that we are open about what we do, how we do it and why we do it – this is also a requirement in the personal data protection legislation[1]. Our customers' trust in us to not misuse the personal data they have entrusted us with, is absolutely essential for DNB to succeed in the future.

WHAT DID WE DO IN 2019?

In DNB, we have over several years worked diligently with the implementation of the new personal data protection legislation that entered into force in 2018. 2019 was also characterised by high activity in the area of privacy protection, and several of the processes and procedures that were drawn up and implemented when the legislation came into force, were revised. Good compliance with the personal data protection legislation means ensuring continuous improvement and further development of existing processes and procedures, which must constantly be adapted to new or changed ways of processing personal data. In DNB, we have also implemented a data tool to document and provide an overview of processing activities and associated deletion and storage rules, as well as completed Data Protection Impact Assessments (DPIAs). The DPIA process was improved in 2019, and selected employees underwent training both in the process and in the use of the data tool.

It is crucial that customers receive good and relevant information about how we process personal data in DNB, and the information must be given in a clear and understandable manner. DNB's privacy statement will never be constant, but will be continuously updated, further developed and improved – as it was throughout 2019. In order to ensure that we meet the data protection legislation's information requirements in a good way, we must continue to focus on this in future as well.

1) Act of 15 June 2018 No. 38 relating to the processing of personal data, which entered into force on 20 July 2018, and Regulation (EU) 2016/679 (General Data Protection Regulation).

Furthermore, it is important for DNB to ensure transparency towards the authorities in connection with the development and launch of new and innovative products and services. In 2019, meetings were held with both the Norwegian Consumer Council, the Norwegian Data Protection Authority and Finanstilsynet (the Financial Supervisory Authority of Norway) to discuss privacy issues and provide information on certain types of processing of personal data.

We also continued our efforts to improve, streamline and automate the process that safeguards each individual's right to access their own information. We are still receiving a large number of requests for access, indicating an increased focus on privacy protection among our customers. At the same time, there are very few complaints about DNB's right of access process. The complaints we have received are a source for identifying what improvements can and should be made in the right of access process.

The benefits and challenges of digitalisation have been central in 2019, and at DNB, we are working to ensure that data protection is well integrated in our processes, systems, products and services (Data Protection by Design). We are constantly working to ensure that innovation and compliance with regulations go hand in hand in an integrated process.

In DNB, we want to build one of Norway's leading expert teams within privacy protection, and in 2019 we hired five new privacy protection experts. DNB's Data Protection Officer (DPO) in Norway and in the EU is increasingly being involved in the business areas through established meeting places, and has the right and opportunity to participate in DNB's management meetings when privacy protection is discussed. Key data protection roles have also been established in DNB's business areas to strengthen competence, allocate responsibilities and ensure top level commitment. This helps ensure a consistent and comprehensive approach to Group-wide privacy protection challenges and coordinated and up-to-date management reporting from both a business-related and a compliance-related perspective. Strengthening the expertise on privacy protection and establishing data protection roles in the business areas and support units have been necessary to help DNB to better safeguard privacy protection associated with the complex issues that the rapid digital development entails.

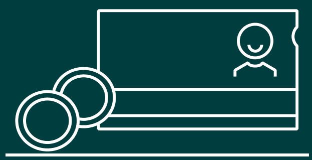
With the new personal data protection legislation, a new sanctions regime was introduced, with the aim of ensuring a better, more harmonised and more effective compliance with the legislation. The first fines from data protection authorities in Norway and Europe have been issued, and the supervisory authorities have so far shown a willingness to impose high fines for the most serious violations. We find that breaches of personal data security are quickly detected in DNB, and that we have a low threshold for reporting these to the Norwegian Data Protection Authority. In 2019, DNB was not issued any violation penalties or orders to rectify by the Norwegian Data Protection Authority.

THE ROAD AHEAD

Compliance with the personal data protection legislation and transparency in the processing of our customers' personal data is demanding in the current rapid digital development, and involves a steadily increasing and ever-more advanced processing of personal data. Focus on privacy protection will therefore be important for DNB in the future as well, to retain the trust of our customers and owners. We will continue to work, both nationally and internationally, to ensure integrated privacy protection in all parts of DNB's operations, systems, products and services (Data Protection by Design). Our privacy protection culture must be further developed and privacy protection will remain high on the agenda of the Group's management teams and boards. Measures have also been initiated to further enhance the competence on privacy protection among DNB's employees. DNB's governing documents in the field of privacy protection will be revised in 2020 to ensure that we continue to safeguard the privacy of our customers, employees and other registered individuals in a good way. In addition, the DPO's reporting to the management will be developed and improved.

A responsible and reassuring privacy protection is a prerequisite for DNB to achieve its financial goals and ensure the best customer experiences. This means that in future, we must keep up the good and continuous work of ensuring DNB's compliance with the data protection legislation.

In 2019, we hired five new privacy protection experts.



Sustainability and corporate responsibility ambitions

DNB helps its customers manage their own finances

Financial literacy is essential to making the right financial decisions. As a major player, we have a responsibility, but also a unique opportunity to help our customers with this. Through our work, we therefore want to increase our customers' financial know-how to help them develop good habits. This benefits the customer, DNB and society.

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

Financial literacy

Increased financial literacy will also make customers more aware of their needs, and require more relevant and tailored financial services. It may therefore strengthen our market position in various customer segments, and also our position as a responsible player in Norwegian society and as a financial advisor.

WHAT DID WE DO IN 2019?

We implemented a number of initiatives to increase our customers' financial literacy, the most important of which was the #huninvesterer (#girlsinvest) campaign:

#huninvesterer and savings

Gender equality has increased in many areas, but women and men are still not financially equal. This also holds true in Norway. Our figures show a consistent financial disparity: Women consistently own less than men. We call this the 'financial gender gap', and in September 2019, we launched the #huninvesterer campaign to bring attention to this problem and generate interest in solving it. Insufficient financial literacy is one of the main reasons for the financial gender gap. Our own studies show that the knowledge of smart savings alternatives and forms of saving is generally low among the population. One thing we have done to address this, is to create the website huninvesterer.no, with easily accessible knowledge and digital tools on savings. We have also held savings seminars, both online and as physical events. #huninvesterer has led to more customers saving regularly, through savings agreements for mutual funds and bank deposits, among other things. From the start of the campaign to year-end, we saw a 69 per cent increase in the number of mutual fund customers compared with the same period in 2018. The increase for women was 88 per cent. The savings app Spare had more than twice as many downloads as in the corresponding period in 2018.

You can read more about #huninvesterer in a separate article on page 48.

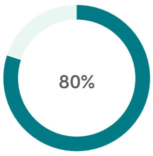
A valuable lesson

Studies show that four out of five 20–30 year-olds say that they did not learn enough about personal finances in school to do as well as they should as adults. Moreover, as many as nine out of ten parents would like schools to teach more personal finances and basic financial understanding. In April 2019, DNB therefore launched version 2.0 of 'A valuable lesson'. A valuable lesson is a tool that teaches children aged 7 to 16 about personal finances in a simple and enjoyable manner. Through five modules, they learn about budgeting, consumption, savings, currency and loans, and also about how adult life and how society works. This will give them a basis for good financial management later in life.

We have talked about A valuable lesson in various media, school visits, customer conversations, local events such as football tournaments and festivals, and at DNB's own events. A valuable lesson was completed approximately 9000 times from its launch in April to the summer of 2019, and more than 20 000 children were introduced to A valuable lesson at our events over the summer. Our own surveys show that A valuable lesson was well-received, and the children find it informative and fun. We feel that we have succeeded in being present in different arenas.

Ung (young)

Our own surveys also show that perceived knowledge of personal finances is lower among young Norwegians than their older compatriots, and that perceived knowledge increases with age. We have therefore focused on giving 18-year-old customers an introduction to personal finances. Increasing financial literacy is believed to be particularly important for this age group, as this is the age when you lay the foundation for your financial future. Through electronic communication, we have given them useful advice and tips on personal finances, including bank cards, savings and insurance. We have also approached parents with children soon to turn 18 and given them useful information about what happens to their children's accounts when their kids turn 18. The results demonstrate the need for, and interest in, this topic among our younger customers and their parents. In 2019, the number of active equity trading customers in the 18–33 age group doubled, a clear indication of more young people taking a more active interest in their own savings.



80 per cent of 20–30 year-olds say that they did not learn enough about personal finances in school to do as well as they should as adults.

We have focused on giving 18-year-old customers an introduction to personal finances.

We have also come closer to the young target group through Instagram. The 'DNB Ung' account was launched in the autumn of 2018, and has been a great success. On this account, members of the target group share tips and advice, ask questions and find answers. In return we get important insight about the young, while also building our reputation. Young people say that they find the content relevant, motivating, credible, fun and educational, and 77 per cent say that the advice they receive gives them a better impression of DNB.

Inheritance

DNB also held around 20 local inheritance seminars in 2019. All of them were fully booked, and the participants gave us good feedback. This indicates a need and a request for more knowledge on this topic.

THE WAY FORWARD

As a major player, we have an opportunity to be a good financial adviser to our customers and the Norwegian people. In the future, we will therefore continue to focus on being a good financial adviser. We will give special attention to children and young people through A valuable lesson, using it in customer meetings, local meeting arenas and at DNB's own events when suitable. In 2020, we will set targets for this work and follow up on them to ensure that as many children and young people as possible can enjoy this tool. We will also continue to focus our attention on 18-year-olds, giving them good tips and advice in early adulthood. Our mobile bank and Spare are good channels for providing an overview and knowledge of own finances, and will be our primary channels for young customers as well. In addition, we will continue to focus on saving and financial equality between genders, and on local events to increase competence. We will also seek to meet our customers' demand for more knowledge on inheritance law through local seminars.

A SELECTION OF OTHER ACTIVITIES

Business management

Not everyone who runs a business is an economist. Nor do they need to be. Still, we know that sufficient financial understanding and expertise is key to running a healthy and profitable business. We have therefore implemented a number of initiatives to help businesses, especially start-ups. The Start-up book, which contains useful advice for entrepreneurs, and the Start-up pilots are both good examples. Read more about them in the chapter DNB helps start-ups succeed.

Analyses and seminars

Our macro analysts, portfolio managers and other subject matter experts actively contribute to competence building through various media. We organise a wide range of market-relevant seminars and conferences that serve as valuable meeting places and knowledge venues for private individuals, the business community and the public sector. To reach as many as possible, events are spread out geographically throughout the country. On our analysis web pages, we offer a wide range of market analyses within economics and securities markets, and webcasts produced by DNB Markets.

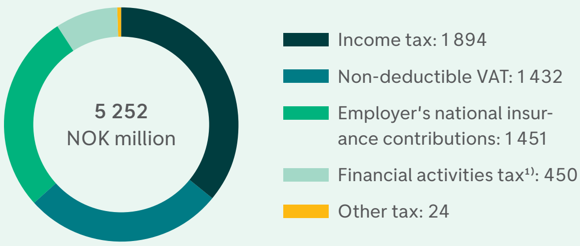
DNB's tax contribution

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

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

In 2019, the total tax contribution amounted to NOK 9 102 million, of which NOK 5 252 million was paid to the authorities and NOK 3 850 million was tax collected on behalf of the authorities.

HOW MUCH TAX DID THE DNB GROUP PAY IN 2019?



Taxes paid constitute a cost for the Group and include:

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

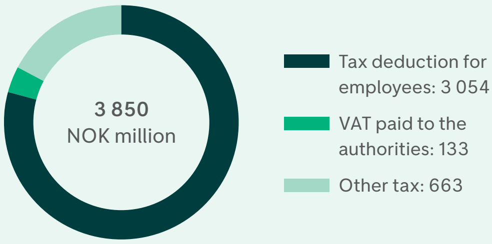
Non-deductible value added tax (VAT)
DNB pays VAT on purchases of goods and services. The Group is only allowed partial deductions for input VAT, which means that a large part of the VAT constitutes a cost for the Group. The amount includes all non-deductible input VAT on the purchase of goods and services.

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

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

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

HOW MUCH TAX DID THE DNB GROUP COLLECT ON BEHALF OF THE AUTHORITIES IN 2019?



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

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

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

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

1) Consists of extra income tax amounting to NOK 78 million and additional employer's national insurance contributions of NOK 372 million.

Governance

Board of Directors of DNB ASA

As at 4 March 2020

The Board of Directors of DNB ASA is the Group's supreme governing body. Through the Group Chief Executive, the Board shall ensure 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 and DNB Bank since 2018. Chair of the Compensation and Organisation Committee.

Background: Bachelor's degree from Trondheim Economic University College and MBA from the University of Denver. CEO of Folketrygdfondet (manager of 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.

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

No. of board meetings: 15 of 15
No. of shares: 7 000[1)]

Tore Olaf Rimmereid
(born 1962)

Role in the Board: Vice Chair of the Board of DNB since 2012 (board member since 2008). Chair of the Risk Management Committee and member of the Audit Committee.

Background: Master's degree in Economics and Business Administration ('Siviløkonom') and authorised financial analyst from the Norwegian School of Economics. Deputy CEO and SVP of Hafslund E-CO AS. Former President and CEO of E-CO Energi, head of the Finance and Administration Department in the Norwegian Broadcasting Corporation, NRK, and Group Executive Vice President, Financial Reporting and Finance, in SpareBank 1 Gruppen. Experience from Kreditkassen.

Other key positions of trust: Chair of the Board of Stiftelsen Asplan and board member in Kruse Smith AS and Space Norway AS. Former positions include chair and member of the boards of Energi Norge, Opplandskraft DA, Oppland Energi AS, ODIN Forvaltning AS, Hafslund ASA, E-CO Energi AS, First Securities AS and SpareBank 1 Livsforsikring. Former political adviser for the Conservative Party's parliamentary group.

No. of board meetings: 14 of 15
No. of shares: 10 611[1)]

Karl-Christian Agerup
(born 1962)

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

Background: Graduate of the Copenhagen Business School, and Master of Science in Management from the Massachusetts Institute of Technology. Managing Director of Oslotech AS. Former founder and partner of Northzone Ventures, founder and Managing Director of Hugin ASA, and background as a project manager in McKinsey & Company.

Other key positions of trust: Chair of the Board of Startup-Lab AS and Oslo ShareLab AS. Board member in iAleap AS and deputy board member in Blommenholm Industrier AS. Former board member in several companies, including Schibsted, Aftenposten, Norfund, Zalaris ASA, Admincontrol AS and Nevion Europe AS.

No. of board meetings: 15 of 15
No. of shares: 6 400[1)]

Gro Bakstad
(born 1966)

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

Background: Master's degree in Economics and Business Administration ('Siviløkonom') and state-authorised public accountant from the Norwegian School of Economics. Extensive experience within economics, finance and strategy work. Executive Vice President for the Network Norway division at Posten Norge AS since 2019. Former Chief Financial Officer and Executive Vice President for the Mail division at Posten Norge AS, financial adviser at Procorp and Chief Financial Officer of Ocean Rig.

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

No. of board meetings: 11 of 11
No. of shares: 0[1)]

Carl A. Løvvik
(born 1952)

Role in the Board: Board employee representative in DNB since 2011. Member of the Compensation and Organisation Committee.

Bakgrunn: Chief employee representative in DNB. Employed as an insurance agent in 1988 and has worked within marketing in DNB Livsforsikring and as a manager at DNB Livsforsikring's Customer Service Centre.

No. of board meetings: 15 of 15
No. of shares: 1 622[1)]

Jorunn Løvås
(born 1957)

Role in the Board: Board employee representative in DNB since November 2019.

Background: Employed in the personal customer market since 1974. Full-time employee representative and board member in the Finance Sector Union DNB since 2000. Former chief employee representative for Personal Banking, Large Corporates and International, Group Risk Management and Group Compliance.

Other key positions of trust: Former deputy board employee representative in DNB.

No. of board meetings: 4 of 4
No. of shares: 0[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. Chief Executive Officer (CEO) of Orkla. Former CEO of Dixons Carphone International and Elkjøp Nordic AS, Chief Operating Officer of Statoil Retail Europe, Managing Director of Rema Industrier AS and Associate Partner in McKinsey.

Other key positions of trust: Chair of the Board of Elkjøp Norge AS. Former Chair of the Board of Statoil Norge AS. Former and current Chair of the Board or board member in several Norwegian companies.

No. of board meetings: 12 of 15
No. of shares: 21 300[1)]

1) Shareholdings in DNB as at 31 December 2019. Shares held by the immediate family and companies in which the shareholder has decisive influence are also included.

Board of Directors of DNB Bank ASA

As at 4 March 2020

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

Olaug Svarva
(born 1957)

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

Background: Bachelor's degree from Trondheim Economic University College and MBA from the University of Denver. CEO of Folketrygdfondet (manager of 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.

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

No. of board meetings: 15 of 15
Number of shares: 7 000[1)]

Kim Wahl
(born 1960)

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

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

Other key positions of trust: Chair of the Board and co-founder of the Voxtra Foundation, established in 2008 focusing on local investments in East Africa. Board member in UPM Kymmene Corporation and former board member i Intermediate Capital Group plc and the Kavli Trust. Has previously held a number of board positions in various industries.

No. of board meetings: 13 of 15
Number of shares: 12 000[1)]

Lillian Hattrem
(born 1972)

Role in the Board: Board employee representative in DNB Bank since 2016.

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

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

No. of board meetings: 15 of 15
Number of shares: 10 752[1)]

Jens Petter Olsen
(born 1961)

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

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

No. of board meetings: 10 of 10
Number of shares: 3 070[1)]

1) Shareholdings in DNB as at 31 December 2019. Shares held by the immediate family and 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.

In September 2019, we implemented a reorganisation and established a new Group Management team. The purpose was to create more consistent customer experiences, bring IT closer to the business side, and to boost our customer communication, digitalisation and compliance efforts.

CUSTOMER AREAS

Personal Banking (PB)

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

Corporate Banking (CB)

CB serves DNB's corporate customers. The segment includes the Group's Norwegian corporate customers, the public sector, all international customers and financial institutions. Our ambition is to maintain our leading position in Norway and strengthen it internationally within selected industries for our largest customers, while strengthening our initiatives in the small and medium-sized corporate customer and startup sectors. The corporate customer segment 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. Risk management activities support the general customer activities with products and prices.

Wealth Management (WM)

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

Payments & Innovation (P&I)

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

STAFF AND SUPPORT UNITS

The Group's staff and support units are responsible for operational tasks and group services, and provide the company with infrastructure and cost-efficient services.

Reporting structure

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

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

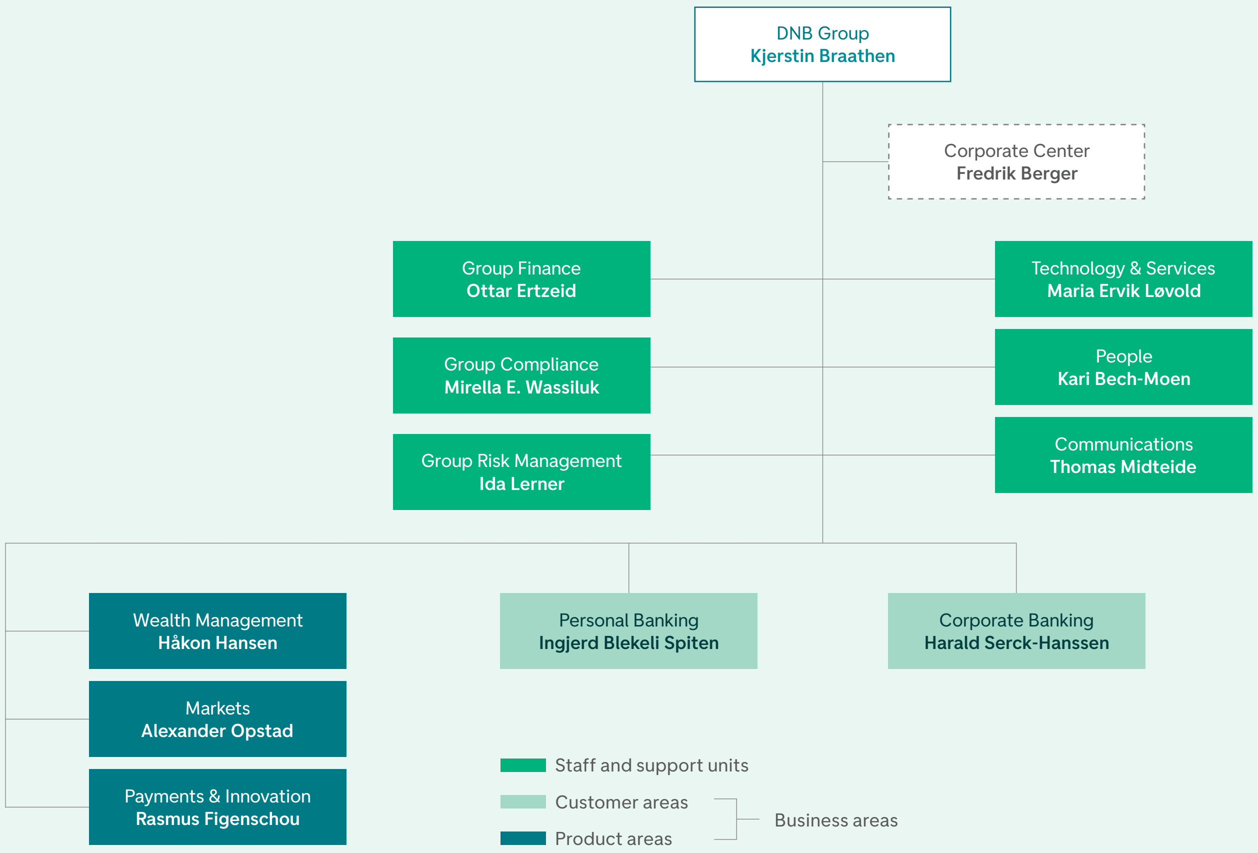
As a result of the organisational changes, the reporting structure has changed as of 1 January 2020, and there are now two customer segments: personal customers and corporate customers.

Legal structure

For an overview of the Group's legal structure, please visit dnb.no/en/about-us/about-the-group.html.

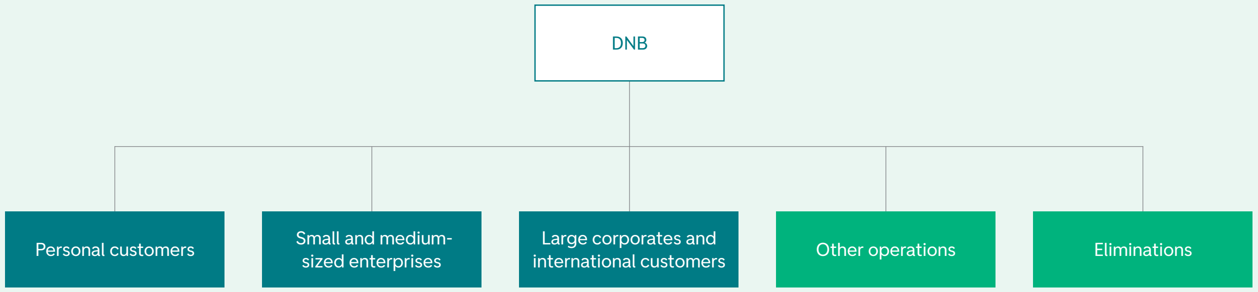
Operational structure

As at 4 March 2020



Reporting structure

As at 31 December 2019



Group Management

As at 4 March 2020

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

Kjerstin R. Braathen
(born 1970)

Group Chief Executive Officer (CEO) since 2019.

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

Other professional experience: Previous experience from Hydro Agri International.

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

No. of shares: 31 878[1)]

Ottar Ertzeid
(born 1965)

Group Chief Financial Officer (CFO) since 2019.

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

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

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

No. of shares: 240 577[1)]

Kari Bech-Moen
(born 1977)

Group Executive Vice President of People since 2019.

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

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

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

No. of shares: 474[1)]

Rasmus Figenschou
(born 1979)

Group Executive Vice President of Payments & Innovation since 2019.

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

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

Other professional experience: Analyst at Simmons & Company International.

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

No. of shares: 10 568[1)]

1) Shareholdings in DNB as at 31 December 2019. Shares held by the immediate family and companies in which the shareholder has decisive influence are also included.

Håkon Hansen
(born 1966)

Group Executive Vice President of Wealth Management since 2019.

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

Key positions of trust: Chair of the Board in DNB Livsforsikring and DNB Luxembourg.

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

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

No. of shares: 9 890[1)]

Ida Lerner
(born 1975)

Group Chief Risk Officer (CRO) since 2017.

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

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

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

No. of shares: 4 255[1)]

Maria Ervik Løvold
(born 1979)

Group Executive Vice President of Technology & Services since 2019.

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

Other professional experience: Lawyer at Brækhus Advokatfirma.

Education: Law degree from the University of Oslo.

No. of shares: 1 822[1)]

Thomas Midteide
(born 1974)

Group Executive Vice President of Communications since 2019.

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

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

Education: Journalist degree from Oslo University College. Subsidiary subject in political science and criminology from the University of Oslo.

No. of shares: 15 034[1)]

Alexander Opstad
(born 1981)

Group Executive Vice President of Markets since 2019.

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

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

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

No. of shares: 16 441[1)]

Harald Serck-Hanssen
(born 1965)

Group Executive Vice President of Corporate Banking since 2019.

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

Key positions of trust: Board member in DigitalNorway.

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

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

No. of shares: 41 324[1)]

Ingjerd Blekeli Spiten
(born 1971)

Group Executive Vice President of Personal Banking since 2018.

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

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

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

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

No. of shares: 4 758[1)]

Mirella E. Wassiluk
(born 1969)

Group Chief Compliance Officer (CCO) since 2018.

Other professional experience: Director General in the Ministry of Finance. Experience from Bayerische Landesbank (Munich), University of Cologne and the Norwegian Central Securities Depository.

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

No. of shares: 858[1)]

1) Shareholdings in DNB as at 31 December 2019. Shares held by the immediate family and companies in which the shareholder has decisive influence are also included.

Corporate governance

Corporate governance in DNB is about how the Board of Directors and DNB's management exercise their roles to preserve and develop the company's values in an optimal manner. Sound corporate governance and good leadership are crucial factors for sustainable and responsible operations, and shall ensure that DNB's business operations are conducted responsibly and profitably, in the best interests of customers, owners, employees and other stakeholders. Sound corporate governance strengthens the trust in DNB, which is crucial to ensure competitiveness and viability.

Corporate governance is a combination of processes and structures applied for governance and control, and sets requirements for the conduct of the Board of Directors, management and employees.

DNB's Board of Directors and management annually review the principles for corporate governance and their implementation. Below is an account of the Group's corporate governance principles and practice pursuant to the Norwegian Financial Institutions Act with appurtenant regulations, as well as section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance.

This chapter is divided into three parts:

A Describes the main priorities of the Board of Directors in 2019.

B Accounts for DNB's compliance with section 3-3b second paragraph of the Norwegian Accounting Act. DNB does not deviate from the requirements in any way.

C Accounts for how DNB follows up the Norwegian Code of Practice for Corporate Governance. DNB complies with the Code of Practice.

Deviations are accounted for in section 6 and section 14.

A Main priorities of the Board of Directors in 2019

This part gives an account of the Board's main priorities in 2019 and an overall assessment of corporate governance and internal control.

THE MAIN PRIORITIES OF THE BOARD OF DIRECTORS IN 2019 WERE:

- the work with strategic priorities, the Group's financial ambitions, compliance and corporate governance.
- the appointment of Kjerstin R. Braathen as new CEO of DNB with effect from 1 September. In this connection, the Board carried out a broad search, considering several external and internal candidates. Kjerstin R. Braathen has worked in DNB for more than 20 years and previously held the position of Chief Financial Officer.
- the follow-up of the reorganisation in the Group in the autumn of 2019, which included the merger of business areas within the corporate market to Corporate Banking, and a closer link between certain IT units and the business areas.
- a decision at the beginning of the year to update DNB's overarching strategy and consider several specific strategic topics, including IT infrastructure, Nordic banking cooperation on payment solutions (P27), cash management agreements and IT procurement strategy.
- a decision on specific ambitions for how to integrate sustainability and corporate responsibility into the business, with a view to building trust among customers, employees and players in Norwegian society (more information below).
- follow-up of compliance, in particular anti-money laundering efforts (more information below), in addition to the compliance situation for major international units.
- adoption of the updated Code of Conduct. The purpose of the update was to make the Code of Conduct clearer and more precise, and thus easier to relate to for employees, customers and owners.
- a decision to clarify managers' responsibility for promoting compliance with sound corporate governance in the job instructions for all managers at levels two to four. The purpose is to help strengthen the internal corporate governance culture.

The Board's overall assessment of corporate governance and internal control, the follow-up of the anti-money laundering work and sustainability and corporate responsibility are further elaborated below.

THE BOARD'S OVERALL ASSESSMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

No cases of significant control failure were identified in 2019. It is the Board's view that DNB has the appropriate systems, procedures and measures in place to ensure proper corporate governance and internal control.

Sections 9 and 10 of part C provide a more detailed and comprehensive overview of the Board's work, risk management and internal control.

There are no significant changes in the Board's follow-up of corporate governance compared with previous years.

FURTHER STRENGTHENING OF ANTI-MONEY LAUNDERING EFFORTS

In 2019, the Board of Directors had a strong focus on the Group's anti-money laundering (AML) efforts. A Group programme was launched to strengthen these efforts, and the Board has followed up on the status throughout the year.

The Group AML function was established, which is responsible for Group-wide processes and tasks such as information sharing and the standardisation of routines in order to fulfil DNB's duties under the Money Laundering Act, and to contribute to the implementation in close cooperation with the business areas.

AML is a key area of competence in DNB, and training measures are continually implemented through e-learning courses, classroom training and seminars. The completion rate is monitored. To further strengthen competence, the Group has prepared a broadly composed training programme that was completed by a group of selected employees in 2019. After completing the programme, candidates move into various positions relevant to their training.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

In 2019, the Board decided on specific ambitions for the integration of sustainability and corporate responsibility into the business operations in order to build trust among customers, employees and players in Norwegian society and create long-term value. Group ambitions have been prepared for the following four topics:

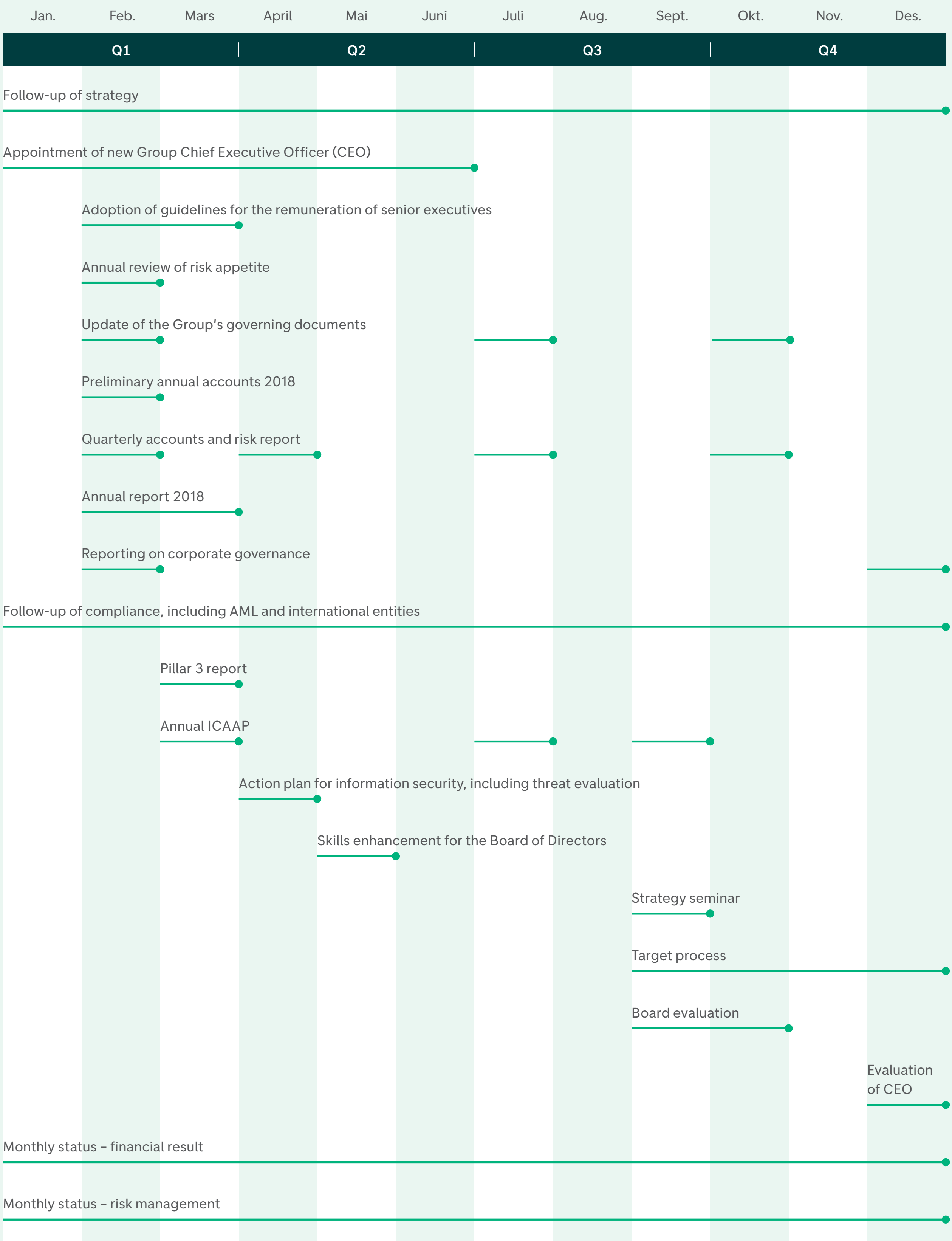
1. DNB is a driving force for equality and diversity
2. DNB provides loans and investments for sustainable growth
3. DNB combats financial crime and contributes to a safe digital economy
4. DNB helps its customers manage their own finances

The Board also decided that DNB would endorse the Principles of Responsible Banking, established by UNEP FI (United Nations Environment Programme Finance Initiative). This framework aims to set a global standard for responsible banking and to help coordinate the financial sector with the UN's Sustainability Goals and the Paris Agreement.

The Board also followed up the work on climate risk and expected regulatory requirements. Climate risk will affect DNB and represents a financial risk, and the Board was informed of DNB's models for managing, monitoring and reporting climate risk.

Read more about DNB's ambitions for sustainability and corporate responsibility in the chapter Strategic report.

Overview of the Board of Directors' activities in 2019



B Section 3-3b second paragraph of the Norwegian Accounting Act (statement on corporate governance)

The description accounts for DNB's compliance with section 3-3b second paragraph of the Norwegian Accounting Act. The numbers refer to the second paragraph's numerical order.

1–3

Specification of the recommendations complied with by DNB, information on where the recommendations are available and reasons for any non-conformance with the recommendations
The DNB Group's corporate governance structure is based on Norwegian legislation. DNB complies with the Norwegian Code of Practice for Corporate Governance dated 17 October 2018 issued by the Norwegian Corporate Governance Board, NUES. The Code of Practice is available on nues.no. Any deviations from the Code of Practice are accounted for under the description of DNB's compliance with the Code of Practice.

4

A description of the main elements in the Group's internal control and risk management systems linked to the financial reporting process
See section 10 under part C The Norwegian Code of Practice for Corporate Governance.

5

Articles of Association that completely or partially extend or depart from provisions stipulated in Chapter 5 of the Public Limited Companies Act
DNB ASA's Articles of Association do not deviate from Chapter 5 of the Public Limited Companies Act, which governs general meetings.

6

The composition of governing bodies and a description of the main elements in prevailing instructions and guidelines for the work of these bodies and any committees
See sections 6, 7, 8 and 9 under part C The Norwegian Code of Practice for Corporate Governance.

7

Articles of Association that regulate the appointment and replacement of members of the Board of Directors
See section 8 under part C The Norwegian Code of Practice for Corporate Governance.

8

Articles of Association and authorisations that allow the Board to decide that the enterprise is to repurchase or issue the enterprise's own shares or equity certificates
See section 3 under part C The Norwegian Code of Practice for Corporate Governance.

C The Norwegian Code of Practice for Corporate Governance

The description accounts for DNB's compliance with the 15 sections in the Code of Practice. There are no significant deviations between the Code of Practice and the way it is complied with in DNB. One deviation is accounted for in section 6 and one in section 14.

SECTION 1

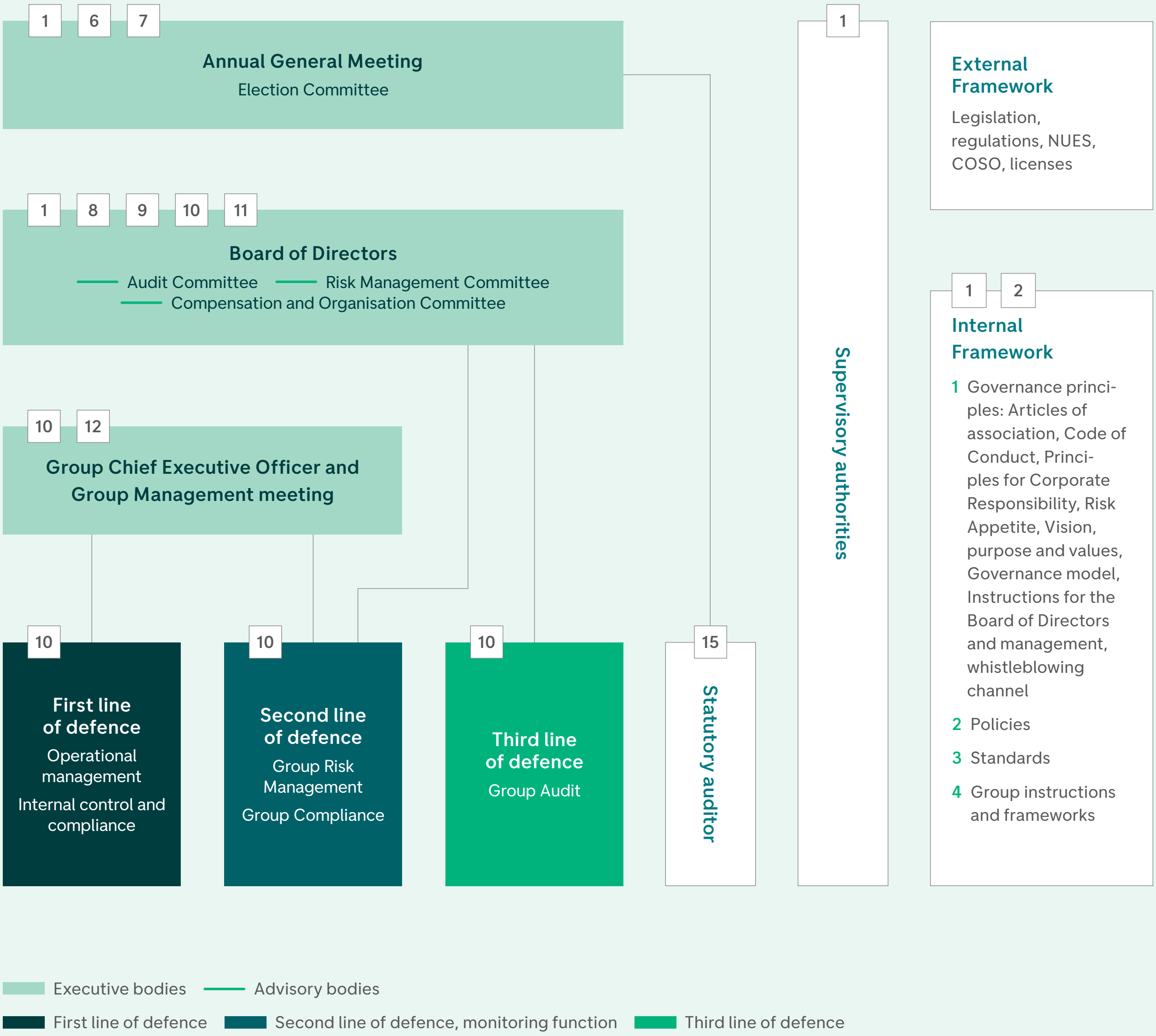
IMPLEMENTATION OF AND REPORTING ON CORPORATE GOVERNANCE

DNB is an international financial services group with operations in a number of countries. The Group has licences from several public authorities. The regulatory requirements are very complex, and the consequences of non-compliance could be severe. In addition to Norwegian law, companies in the DNB Group are also subject to local legislation abroad.

The figure on the next page illustrates the governing bodies of DNB ASA and the framework that sets out external and internal requirements as well as the principles for our business operations. The holding company DNB ASA owns the subsidiaries DNB Bank ASA, DNB Livsforsikring AS and DNB Asset Management AS, with underlying companies, where the operations are run. Each of the subsidiaries has its own Board of Directors.

Governing bodies of DNB ASA

As at 31 December 2019



The numbering refers to the relevant sections in the Code of Practice.

Governing bodies of DNB ASA

As at 31 December 2019

	No. of shares as at 31 Dec. 2019[1]	No. of shares as at 31 Dec. 2018[1]
BOARD OF DIRECTORS		
Members		
Olaug Svarva, Oslo (chair)	7 000	7 000
Tore Olaf Rimmereid, Oslo (vice chair)	10 611	10 611
Karl-Christian Agerup, Oslo	6 400	6 400
Gro Bakstad, Oslo	0	0
Carl A. Løvvik, Bergen[2]	1 622	1 458
Jorunn Løvås, Asker[2]	0	0
Jaan Ivar Semlitsch, Stabekk	21 300	12 300
Deputies for the employee representatives		
Stian Samuelsen, Svelvik[2]	578	578
ELECTION COMMITTEE		
Camilla Grieg, Bergen (chair)	0	0
Jan Tore Føsund, Oslo	0	0
Ingebret Hisdal, Oslo	0	0
André Støylen, Oslo	9 500	9 500
RISK MANAGEMENT COMMITTEE		
Tore Olaf Rimmereid, Oslo (chair)	10 611	10 611
Karl-Christian Agerup, Oslo	6 400	6 400
Gro Bakstad, Oslo	0	0
AUDIT COMMITTEE		
Gro Bakstad, Oslo (chair)	0	0
Karl-Christian Agerup, Oslo	6 400	6 400
Tore Olaf Rimmereid, Oslo	10 611	10 611
COMPENSATION AND ORGANISATION COMMITTEE		
Olaug Svarva, Oslo (chair)	7 000	7 000
Carl A. Løvvik, Bergen	1 622	1 458
Jaan Ivar Semlitsch, Stabekk	21 300	12 300

	No. of shares as at 31 Dec. 2019[1]	No. of shares as at 31 Dec. 2018[1]
GROUP MANAGEMENT		
Group Chief Executive Officer (CEO)		
Kjerstin R. Braathen	31 878	28 540
Group Chief Financial Officer (CFO)		
Ottar Ertzeid	240 577	234 059
Group Executive Vice President Personal Banking		
Ingjerd Blekeli Spiten	4 758	1 714
Group Executive Vice President Corporate Banking		
Harald Serck-Hanssen	41 324	37 986
Group Executive Vice President Wealth Management		
Håkon Hansen	9 890	6 891
Group Executive Vice President Markets		
Alexander Opstad	16 441	24 360
Group Executive Vice President Payments & Innovation		
Rasmus Figenschou	10 568	7 837
Group Executive Vice President People		
Kari Bech-Moen	474	0
Group Executive Vice President Group Risk Management		
Ida Lerner	4 255	3 781
Group Executive Vice President Technology & Services		
Maria Ervik Løvold	1 822	823
Group Executive Vice President Group Compliance		
Mirella E. Wassiluk	858	384
Group Executive Vice President Communications		
Thomas Midteide	15 034	12 439
GROUP AUDIT		
Tor Steenfeldt-Foss	0	0
STATUTORY AUDITOR		
Ernst & Young AS (EY)	0	0

1) Shareholdings in DNB ASA, shares held by the immediate family and companies in which the shareholder has decisive influence are also included. Cf. section 7-26 of the Norwegian Accounting Act.

2) Not independent.

Supervisory authorities

The DNB Group's operations in Norway are subject to supervision by Norwegian authorities, including Finanstilsynet (the Financial Supervisory Authority of Norway), Norges Bank, the Norwegian Data Protection Authority and others. DNB's operations abroad are subject to supervision either by corresponding authorities in the country in question, by Norwegian supervisory authorities or by both foreign and Norwegian supervisory authorities. The Board of Directors aims to have an open and constructive dialogue with all such authorities.

In Norway, Finanstilsynet reviews annual and interim reports and the Group's Internal Capital Adequacy Assessment Process, ICAAP, and reviews the Group's recovery plan.

Hierarchy for governing documents

Level 1	Governance principles
Level 2	Policies
Level 3	Standards
Level 4	Instructions and frameworks

Level 1: Governance principles

The governance principles constitute the highest governance level. In these principles, the Board of Directors provides the main framework for all governance of operations. They can be defined by legal requirements or include areas that are of special importance to the Group, and they define the desired culture, behaviour and distribution of responsibility at Group level.

DNB's governance principles include:

- the company's Articles of Association, available at dnb.no/en/about-us/about-dnb/board-of-directors.html
- purpose and values, further described on page 16
- Code of Conduct, further described below
- corporate responsibility principles, further described in section 2
- risk appetite principles, further described in section 10
- governance model and division of responsibilities, further described on page 77
- instructions for the Board of Directors and Group Management, available at dnb.no/en/about-us/about-dnb/board-of-directors.html

Code of Conduct

In order to live up to DNB's purpose and values and achieve DNB's strategic goals, everyone in DNB must act in a way that safeguards the interests of the bank's customers, owners, employees and other stakeholders, now and in the future. This way, DNB continues to build trust – the bank's most important asset. The trust of our customers, owners and the market in general is essential for DNB to maintain sustainable operations over time. To earn this trust, it is important to maintain a high ethical standard in all operations, so that DNB as a financial services group is perceived as open, transparent, clear in its communication and with a high level of integrity.

The Code of Conduct is DNB's main ethics framework and describes how permanent and temporary employees in the DNB Group, hired consultants, board members and other elected officers are expected, obliged and required to act.

DNB's Code of Conduct reflects the Group's values and is the foundation of the culture. The Code of Conduct has been adopted by the Board of Directors of DNB ASA and is available in the sustainability library (link on page 2).

The Code of Conduct includes guidelines in areas such as: corporate responsibility, customer service, communication, HSE, discrimination and harassment, confidentiality and protection of information, privacy protection, whistleblowing, conflicts of interest, tax, inside information, substance abuse, anti-corruption and anti-money laundering.

Violation of the Code of Conduct may result in liability under labour, criminal and tort law.

All DNB employees are required to complete a compulsory Code of Conduct course.

Managers in DNB must promote compliance with sound corporate governance in the Group and ensure that employees understand the obligations that follow from the governing documents, have an active approach to compliance and complete the necessary training.

The Code of Conduct has also been included as a topic in the introductory program for new employees, and in the training of new managers in DNB.

Transparency and taxes

The principles that form the basis for all communication regarding DNB's income taxes and tax reporting is openness, transparency and consistency, and this is in line with the guidelines in the Code of Conduct. The report 'DNB Tax footprint' describes DNB's tax contributions and general approach to tax. Furthermore, the annual country-by-country reporting is an important tool for achieving greater tax transparency vis-à-vis the tax authorities in the countries where DNB operates. DNB's contribution to taxes and fees is described on page 71. Read more in DNB's tax footprint in the sustainability library (link on page 2)

Whistleblowing

The Group's Code of Conduct states that employees shall report reprehensible conduct without delay to their immediate superior, his or her superior, their contact person in HR or the HSE officer. In cases of reprehensible conduct related to the working environment, the safety representative may also be notified. If this does not lead anywhere, or if an employee is not comfortable addressing the issue through any of these channels, a notification can be submitted using DNB's whistleblowing channel. The internal whistleblowing channel is an electronic, confidential channel also designed for anonymous whistleblowing. If an employee wishes to speak to a trusted independent person in advance of a possible whistleblowing, this can be done internally (through the Group Chief Audit Executive) or externally (through an external adviser). The Group Chief Audit Executive is normally the main recipient of notifications, and the whistleblowing channel is also available for temporary employees and consultants. In connection with whistleblowing cases, the person making the notification shall have access to personal support and guidance from an independent party. If applicable, DNB shall also implement appropriate measures to prevent retaliation against the whistleblower. The whistleblowing rules do not apply to matters related to individual employees' employment relationship, such as personnel conflicts or disputes related to the employment agreement.

In 2019, 15 internal notifications were registered in DNB's whistleblowing channel, compared with 21 cases in 2018. The majority of cases in 2018 and 2019 were issues related to the working environment and what appeared to be personnel disputes. In six of the cases in 2019, the whistleblower chose to remain anonymous.

Level 2: Policies

The Board has adopted nine key policies to support the DNB Group's corporate governance:

1. Compliance
2. Financial management
3. People
4. Communication
5. Supplier management
6. Operational excellence
7. Risk management in DNB
8. Security
9. Tax

The policy for communication sets the framework for the guidelines for shareholder relations

The communication shall be open, truthful and unambiguous, and reflect a high ethical standard. DNB's target groups shall receive equal treatment through complete, timely and understandable communication. All information about the Group's financial position and development shall be given to all stakeholders at the same time. Information practices shall continually be further developed based on what is perceived to be best practice. See also section 13.

In 2019, the Board adopted a tax policy to strengthen risk management and compliance in this area. In addition to DNB's own tax, the policy also includes claims related to customer tax and other third party tax.

Level 3: Standards

All level three documents are linked to one or more policies, and the responsibility for ensuring that they are based on the overarching governance documents adopted by the Board, is delegated to the group executive vice presidents. This way, the Board and the Group Chief Executive Officer (CEO) can make sure that all important processes in the Group are covered through underlying documents and 'ground rules'. This helps create consistent corporate governance.

Level 4: instructions and frameworks

The lowest level in the hierarchy of governing documents comprises instructions and frameworks. The credit manual, the anti-money laundering framework and the accounting manual are examples of documents at this level.

Implementation of the governing documents

Each manager is responsible for the implementation of and compliance with DNB's governing documents in their respective units. DNB offers a comprehensive selection of online training material for use on PCs and mobiles, including courses, dilemma training and quizzes, and this is an important tool to implement governing documents across the organisation. The completion rate for mandatory courses is monitored by managers.

The Group has a Group-level coordinator for corporate governance, who supports the operational units through training, templates and tools for practical implementation. The Group coordinator shall also develop and maintain the framework for corporate governance at Group level, and review and approve the need for new governing documents.

Group managers at levels 2 and 3, group executive vice presidents and executive vice presidents, and the heads of international offices and major subsidiaries, report the results of the implementation of the governing documents for their respective units. The Group coordinator for corporate governance assesses the outcome of the reporting and the necessary measures, in cooperation with persons with operative responsibility. A summary report is sent to the Board and the measures are followed up.

Deviations from the Code of Practice:
None

SECTION 2

BUSINESS

The purpose of DNB ASA is ownership of or ownership interests in other enterprises engaged in banking, insurance and financing and activities related to this, within the scope of prevailing Norwegian legislation. The complete Articles of Association of DNB ASA can be found on the Group's website, dnb.no/en/agm.

The Directors' report describes the Group's targets and strategies, and the market is kept updated through investor presentations in connection with quarterly financial reporting, capital markets days and presentations on special subjects. The Group's governing bodies are illustrated in section 1 above. The Board's work is described in section 9.

Corporate responsibility

Working with corporate responsibility represents sustainability in practice. By bringing together capital, labour and competence, DNB contributes to increased value creation. Corporate responsibility is also about how DNB creates long-term value, for shareholders as well as other stakeholders (employees, customers and society at large).

1. **DNB generates long-term and sustainable financial value creation for its owners.** This means that we emphasise corporate responsibility in all decision-making processes.
2. **DNB contributes positively to society.** This means that we define specific goals and measures related to selected United Nations Sustainable Development Goals and work systematically to reach these goals.
3. **DNB is honest and trustworthy.** This means that our products and services are always tailored to our customers' needs. We want the best for our customers. In a world with new market entrants and major change, we aspire to be a bank that customers trust.
4. **DNB is transparent about its operations.** This means that we are open about the dilemmas we face when balancing short-term and long-term considerations. Through dialogue with stakeholders, we will listen and identify what society expects of us.

Find out more about our ambitions for sustainability and corporate responsibility in the chapter Strategic report and under Part A: Main priorities of the Board of Directors in 2019.

Security management

In 2019, DNB updated its governing documents and principles for security management. The amendments are intended to:

- improve the conditions for comprehensive management and reporting of security status across organisational functions
- clarify the differences between governing and executive responsibilities and tasks
- strengthen the dialogue between security functions and the persons responsible for the implementation of and compliance with security management in the Group

In 2019, DNB partnered with the Norwegian National Cyber Security Centre to collaborate on a common threat landscape and safeguard the fundamental security of digital value chains across societal functions. DNB is generally active in national cooperation forums, clearly fulfils its corporate responsibility and ensures that the bank's security measures are responsible and create value for the customers.

Read more about security in the chapter Preventing financial crime and corruption from page 63.

Deviations from the Code of Practice:
None

SECTION 3

EQUITY AND DIVIDENDS

The Board of Directors continually reviews the capital situation in light of requirements and expectations from Finanstilsynet and other supervisory authorities, and from the company's targets, strategies and intended risk profile. See the Group's report on risk and capital management (Pillar 3) for a further description of the rules on capital requirements and expectations from supervisory authorities, the principles applied by DNB to estimate capital requirements, as well as a more detailed explanation of the Group's capital adequacy. The report is available on the Group's website, ir.dnb.no.

The Board of Directors considers the Group to be well capitalised in relation to current regulatory requirements. DNB continually adapts its operations to new liquidity and capital requirements. Indicated future changes are also taken into account.

Dividends

DNB's overall objective is to create long-term value for its owners, partly through a positive development in the share price and partly through a predictable dividend policy. The Group's long-term dividend policy is 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. DNB's ambition is to increase the nominal dividend per share every year. Excess capital will be paid out to the owners, through a combination of cash dividends and share buy-back programmes.

Repurchase of shares

To ensure flexibility in the Group's capital management, the Board of Directors has on previous occasions asked the General Meeting for an authorisation to repurchase own shares. An agreement has been entered into with the Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, for the redemption of a proportional share of government holdings to ensure that the government's ownership percentage remains unchanged. In order to optimise the level of capital in the company, the General Meeting authorised the Board of Directors on 30 April 2019 to repurchase own shares for a total face value of up to NOK 632 120 554, corresponding to 4 per cent of the company's share capital. The authorisation was used. For more information about the repurchases, see Director's report.

Increases in share capital

At the present time, no authorisation has been granted to the Board of Directors for an increase in the share capital of DNB ASA.

Deviations from the Code of Practice:
None

SECTION 4

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

DNB ASA has one class of shares. In the Articles of Association and in the work carried out by the Board of Directors and Group Management, the strong protection of minority shareholders is emphasised in the form of equal treatment, requirements for majority votes and the obligation to disclose transactions with close associates. All shares carry equal voting rights. In connection with increases in share capital, existing shareholders will be given pre-emptive rights, unless such rights are derogated from due to special circumstances. In such case, the reasons for such a derogation will be specified. In cases when the Board of Directors asks the General Meeting for an authorisation to repurchase own shares, shares will be purchased through the stock market at market price.

Largest shareholder

The Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, is DNB ASA's largest shareholder, owning 34 per cent of the shares. According to the State Ownership Report (Report to the Storting (White Paper) no. 8 (2019–2020) The state's direct ownership of companies – sustainable value creation), the purpose of state ownership in DNB ASA is to retain a leading technology and financial services group headquartered in Norway. The state's objective as an owner is to maximise the long-term return. The government refers to the fact that a holding that gives negative control contributes to this end. The government will thus maintain its holding in DNB ASA and has come to the conclusion that the holding will not be reduced below 34 per cent.

The shares held by the Ministry are managed by the Department of Ownership, subject to special management guidelines that stipulate, among other things, that the Norwegian government cannot have representatives on the board of directors of financial institutions, but that the government, through participation in election committees, must ensure that the governing bodies include representatives from all shareholder groups. The guidelines require that the Ministry act in a manner conducive to equal treatment of DNB's shareholders.

Transactions with close associates
Conflicts of interest and the impartiality of board members are described in more detail under section 9 below. With respect to the Group's other employees and elected officers, the Group's Code of Conduct lays down detailed rules regulating transactions with close associates. As a general rule, an employee or elected officer will be considered disqualified if circumstances exist that may lead others to believe that he or she promotes interests other than those of the DNB Group. Employees must be aware of potential conflicts of interest if they combine positions of trust with other roles in the Group.

Where a transaction is not immaterial for either the DNB Group or the close associate involved, unless it is a matter for consideration by the General Meeting according to stipulations in the Public Limited Companies Act, the Board of Directors will ensure that a valuation by an independent third party is available. This also applies to any transactions between companies in the DNB Group where minority shareholders are involved. Not immaterial transactions with close associates are described in a note to the annual accounts.

Deviations from the Code of Practice:
None

SECTION 5

SHARES AND NEGOTIABILITY

The shares in DNB ASA are listed on Oslo Børs (the Oslo Stock Exchange) and are freely negotiable. The Articles of Association include no form of restriction on negotiability.

Deviations from the Code of Practice:
None

SECTION 6

GENERAL MEETING

The highest authority in DNB is the General Meeting, where DNB ASA's shareholders exercise ownership control through the power of their votes. According to the Articles of Association, the Annual General Meeting (AGM) is to be held before the end of April. The notice and registration form will be sent to shareholders and published on the Group's website no later than 21 days prior to the date of the AGM. The registration deadline will be set as close to the meeting as possible. The notice includes an overview of cases for consideration. The procedure for voting and for proposing resolutions is described in the notice of the AGM. Shareholders can vote on each individual case and are given the opportunity to vote in advance. Shareholders can also authorise someone to act on their behalf. It is not yet possible to vote for individual candidates to the Board of Directors and the Election Committee, in order to achieve the desired overall skills mix, but this will be considered.

The members of the Board and the chair of the Election Committee are normally present at the AGM. The meeting is chaired by an independent chairperson.

The General Meeting elects shareholder representatives to the Board of Directors, and members of the Election Committee. The General Meeting also selects the statutory auditor.

The minutes from the AGMs are available on dnb.no/en/agm.

Deviations from the Code of Practice:
It is not yet possible to vote for individual candidates, in order to achieve the desired overall skills mix, but this will be considered.

SECTION 7

ELECTION COMMITTEE

In accordance with DNB ASA's Articles of Association, the General Meeting has established an Election Committee consisting of four members. The Election Committee submits justified recommendations to the General Meeting for the election of members to the Board of Directors and the Election Committee. The General Meeting has laid down instructions for how the Election Committee should carry out its duties. The members of the Election Committee shall be shareholders or representatives for shareholders and shall, as far as possible, represent all shareholders. No member of the Board of Directors or representative of the Group Management is a member of the Election Committee.

According to the instructions for the Election Committee, there should be rotation among the committee members. The Election Committee held 15 meetings in 2019. The Committee proposed candidates for election to the Board of Directors and the Election Committee. The Election Committee also prepared matters for consideration in 2020.

Information about the Election Committee and closing dates for proposing candidates can be found on dnb.no/en/agm.

Deviations from the Code of Practice:
None

SECTION 8

BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

The Board of Directors of DNB ASA ("the Board") shall administer the company's affairs. The Board shall ensure that business operations are soundly organised, which includes making sure that the requirements for the organisation of the business and the establishment of appropriate management and control systems are fulfilled.

The Board of Directors has up to seven members, up to five of whom are elected by the shareholders and two are representatives for the employees. No member of the Group Management team is a member of the Board of Directors. When electing members to the Board of Directors, the need for both continuity and independence should be met, while ensuring a balanced board composition.

To strengthen the board members' representation and the boards' competence, joint board meetings are held for the Boards of DNB ASA and DNB Bank ASA.

No one may be a member or chair of the Board of Directors for a consecutive period of more than 12 years. A new 12-year period begins if an ordinary board member is elected Chair of the

Board, or vice versa. No one may hold a position as an ordinary board member and/or Chair of the Board for a total period exceeding 20 years. Members are elected for terms of up to two years. As at 31 December 2019, the Board had seven members, of whom five were elected by the shareholders and two were representatives for the employees. Three of the members were women, of whom two were elected by the shareholders and one represented the employees.

The curricula vitae and board meeting attendance in 2019 of each board member are found in the presentation of the Boards of DNB ASA and DNB Bank ASA from page 74. The Board of Directors considers the independence of its members, and their conclusion is presented in the listing of governing bodies. When new board members are nominated, their suitability is assessed, including their independence. The assessment is followed up on an annual basis by requesting a written confirmation from the board members. The Group has initiated processes to continually monitor which other assignments are held by the board members. See also the description under section 9 about transactions with close associates. The presentation of the Board of Directors lists any assignments for the Group and any significant appointments or assignments in other companies and organisations held by the members of the Board.

Board members are encouraged to hold shares in the company. The presentation of governing bodies specifies the number of DNB shares held by members of the governing bodies and their close associates as at 31 December 2019.

Deviations from the Code of Practice: None

SECTION 9

THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility for the management of DNB. Through the CEO, the Board shall ensure a sound organisation of business activities. The Board of Directors has approved instructions governing its work and administrative procedures, including matters to be considered by the Board, the CEO's tasks and obligations towards the Board and rules on convening and conducting meetings. Instructions for the Board of Directors are available at dnb.no/en/about-us/about-dnb/board-of-directors.html. The Board of Directors draws up an annual plan for its activities, covering duties stipulated in laws, regulations, resolutions passed by the authorities, the Articles of Association and decisions made by the General Meeting. The Board of Directors also issues instructions for the CEO.

In the strategy processes, the Board of Directors considers whether goals and guidelines are unambiguous, adequate, well-operationalised and easily comprehensible for all employees. All key guidelines are available to the employees through DNB's intranet or by other means.

The Board determines principal goals, strategic choices and financial plans for the Group. The Board is updated on DNB's financial position and development by approving quarterly and annual reports, and through monthly reviews of the Group's financial position and development. Furthermore, the Board shall ensure that operations are subject to adequate control and that the Group's capital position is satisfactory relative to the risk and scale of operations. The Board of Directors' responsibilities and implementation and monitoring of risk management and internal control are described in section 10 below. The Board also presents a statement to the General Meeting proposing guidelines for remunerations to senior executives. See section 12 below.

The Board evaluates its own work and work methods annually, and the evaluation forms the basis for adjustments and measures. In addition, the Board's competencies, overall and those of each board member, are evaluated.

Part A of this chapter explains the most important matters the Board has worked on in 2019.

Conflicts of interest and partiality

Instructions for the Board of Directors of DNB ASA state that a board member cannot participate in deliberations or decisions on issues where he or she personally or his or her close associates would be seen as having a direct or indirect personal or financial interest in the matter. The same principle is embodied in the Group's Code of Conduct. It is the duty of each board member to ensure that he or she is without prejudice in deliberations of specific matters. The Board of Directors must approve agreements between the company and a board member or the CEO. The Board shall also approve agreements between the company and third parties where a board member or the CEO can be perceived to have a prejudicial interest in the matter.

Board members must inform the Board of Directors if they have a direct, significant interest in an agreement entered into by the company or another company in the DNB Group. The same applies if such agreement is signed by a company outside the DNB Group in which the board member has an ownership interest, serves on the board or has a senior management position. A notification of this should be sent to the Chair of the Board, with a copy to the Group Secretariat.

Board members, or companies with which they are associated, should not take on special assignments for companies in the DNB Group other than their board membership. If they do so anyway, the Board of Directors must be informed. Remuneration for such assignments is subject to approval by the Board of Directors.

The Board of Directors held a total of 15 board meetings in 2019. The number of meetings attended by the various board members is shown in the presentation of the board members, from page 74.

Audit committee and risk management committee

In 2019, the Audit Committee and the Risk Management Committee consisted of three of the independent board members, in addition to one observer. From November 2019, the committees also include a board member elected by the employees.

The committees are working committees for the Board of Directors, preparing matters and acting in an advisory capacity.

Members are elected for a term of up to two years among the external members of the Board of Directors, and the chairperson is appointed for a term of one year at a time. The committee members must have the overall competence required to fulfil their duties based on the organisation and operations of the Group. At least one of the members of the Audit Committee must have accounting and/or auditing expertise. In the Risk Management Committee, at least one member must have experience from identifying, assessing and managing risk exposures in large, complex companies. The members of the committees are included in the presentation of the Group's governing bodies. The objectives, responsibilities and functions of the committees are in compliance with international rules and standards and are described in group standard procedures. The committees normally have eight meetings each year. See the Pillar 3 report for a further description of the committees' duties, under Financial reports and presentations on ir.dnb.no.

Compensation and organisation committee

The Board of Directors of DNB ASA has a Compensation and Organisation Committee consisting of four members of the company's Board of Directors. The committee normally meets six to seven times a year. One of the members is a board member elected by the employees.

The Compensation and Organisation Committee prepares matters for the Board of Directors, and its primary responsibilities are to:

- annually evaluate and present its recommendations for the total remuneration awarded to the CEO
- annually prepare proposed targets for the CEO
- prepare and recommend proposed remuneration awarded to the Group Chief Audit Executive
- ensure that the remuneration for the heads of the risk management and compliance control units is determined so as not to affect, or likely affect, their objectivity
- act in an advisory capacity to the CEO with respect to remuneration and other important personnel-related matters concerning members of the Group Management team and others who report to the CEO
- consider other matters as decided by the Board of Directors and/or the Compensation and Organisation Committee
- review other personnel-related issues which can be assumed to entail great risk to the Group's reputation

The Committee shall also prepare selected matters for the Board relating to culture, management and succession planning.

Deviations from the Code of Practice:
None

SECTION 10

RISK MANAGEMENT AND INTERNAL CONTROL

The ability to identify and manage risk is the core of the financial operations and a condition for long-term value in DNB.

Risk management is a strategic tool which will help DNB reach the Group's targets. 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, DNB shall at all times be able to identify, manage, monitor and report risk that is relevant to DNB's target attainment.

The Group shall only assume risk which is understood and can be managed. DNB distinguishes between risk taken actively, to maximise returns (such as credit risk), and risk that generates no return and should be kept acceptably low (operational risk). The DNB culture shall be characterised by individual responsibility, transparent methods and processes that support sound risk management.

Internal control consists of processes and systems for assessing and verifying that risk management works as intended and supports the Group's target attainment. The objective is to ensure effectiveness, reliable reporting and compliance with laws, regulations and internal requirements.

Risk appetite

Risk management framework

The risk appetite framework forms part of the strategic management of the Group and consists of limits and assessment principles for the types of risks that are of importance to DNB. The risk appetite principles were updated by the Board in 2019, and form part of the governance principles on the highest level of DNB's hierarchy of governing documents.

The Board uses the framework to determine DNB's long-term risk profile, by optimising the risk-earnings ratio. The risk appetite framework gives a comprehensive and balanced overview of the risks the Group is willing to accept to achieve its goals. This is a prerequisite for goal accomplishment over time. Sound risk management involves the effective identification, handling, monitoring and reporting of relevant risks in DNB.

The Group's risk appetite consists of both risk statements and related limits for risk management in DNB. Statements and limits are linked to the following risk categories, considered to be of particular significance to DNB:

- profitability and earnings
- capital adequacy
- credit risk
- market risk
- liquidity risk
- operational risk
- reputational risk

Several dimensions may be included in the individual risk categories, each of which has specified limits and/or assessment principles that determine the limits of acceptable risk. Each category, and related limits, has a designated coordinator in the second line of defence, responsible for establishing follow-up routines, and for monitoring changes in the utilisation of limits.

Climate risk and financial risks related to corporate responsibility and sustainability (ESG) have been integrated in the credit process. See more information on DNB's ambition to provide loans and investments for sustainable growth on page 50.

The Group's risk appetite shall be assessed at least once a year in a renewal process initiated by the Group Chief Risk Officer (CRO). The framework is approved by the Board of Directors in the course of the first quarter, and subsequently forms the basis for risk reporting throughout the year. The renewal process shall be carried out independently of strategic and financial planning processes. The current risk appetite shall be a point of reference for the Group's strategic and financial plans.

Risk appetite monitoring

Managers are responsible for conducting business operations in accordance with the established risk framework and accepted levels.

Risk appetite is reported to the Board through risk reports every quarter. In addition, the Group Management team receives a monthly report. The Group's status is assessed against the risk appetite limits, and appears in the form of a green, yellow, orange or red status light. Each status has a clearly defined meaning, and defined courses of action apply if limit values are breached.

Recovery plan

DNB has a hierarchy of contingency measures reflected in a recovery plan. The recovery plan is meant to ensure that the Group can resume operations after a serious emergency situation without involving or getting support from the authorities. The recovery plan is prepared as an integrated part of the Group's risk and capital management framework and will be activated if pre-defined recovery indicators are breached. Recovery indicator breaches will trigger a thorough evaluation of the situation and an assessment of relevant actions. If the recovery is unsuccessful, the authorities will assume the operation of the company. The authorities are responsible for developing a plan for this phase.

Because the risk appetite framework functions as an early warning system, there are a number of overlaps between the indicators in the risk appetite framework and the recovery plan.

Internal control framework

Internal control in DNB consists of the following main components: control environment, risk assessments, control activities, information and communication, and monitoring. This model is based on the European Banking Authorities' Guidelines on Internal Governance and the framework from the Committee of Sponsoring Organizations of the Treadway Commission, COSO.

DNB's system for internal control

The purpose of DNB's system for internal control is to ensure:

1. efficient operations
2. responsible business operations
3. sufficient identification and measurement of risk, and risk-mitigating measures
4. reliable financial and non-financial information reported both internally and externally
5. responsible administrative and accounting procedures
6. compliance with laws, regulations, supervisory requirements and the institution's internal guidelines, processes, rules and decisions

COSO is a global framework that outlines the recommended components of internal control, including a defined control environment, risk assessment, control activities, information and communication, as well as monitoring activities.

The responsibility for risk management and internal control is divided among three lines of defence:

- **The first line of defence** includes all of the Group's operative functions. It is the operative managers' responsibility to establish, manage and follow up internal control within their own area of responsibility, including processes and activities to reach defined goals relating to operational efficiency, reliable financial reporting, risk management and compliance with laws and regulations. The employees are responsible for carrying out the established internal control through their daily work tasks.
- **The second line of defence** consists of independent and autonomous control functions, which monitor, report on and give advice about risk-related issues and compliance using a risk-based approach, and which monitor and follow up the internal control activities carried out by the management and employees in the Group's operative functions. In DNB, second line of defence functions are organised under Group Risk Management and Group Compliance.
- **The third line of defence** is Group Audit, which uses a risk-based approach to review and evaluate the Group's governance and internal control processes. Group Audit is independent of the Group's executive management and reports to the Board of Directors of DNB ASA.

DNB has defined processes to identify, evaluate and manage significant risks. These methods include:

- The Risk Management Committee: responsible for evaluating the quality of the Group's risk management and internal control
- The Audit Committee: responsible for evaluating the quality of the Group's financial reporting
- The Board's review of the plans for both external and internal audits
- Annual summary and presentation of the management's reporting of the internal control work to the Board
- The Board's review of the internal auditor's assessment of the internal control, described below
- Statutory auditor's summary of the results of the audit, see section 15
- Discussions with the management regarding necessary measures to address areas where the risk is too high

The Group's report on capital requirements and risk management, the Pillar 3 report, includes a description of risk management and internal control, capital management and calculation in DNB, as well as an assessment and follow-up of various types of risk. Furthermore, the report gives an account of DNB's adaptations to and fulfilment of the capital requirements legislation. The report is available on the Group's website ir.dnb.no.

The Group continued its efforts to implement a GRC system (Governance, Risk, Compliance) in 2019. This tool is meant to support the implementation of operational risk management, compliance and internal control over financial reporting. In 2019, the Group established a module for operational risk management and internal control, and implemented the module for selected units. The implementation of this module in the rest of the Group will have high priority, also in 2020. A project was initiated to consider a module for monitoring regulatory changes.

The Group has previously introduced a module for registering operational incidents, and the tool for reporting breaches of the personal data protection legislation has been established. The project for implementing the GRC tool is managed by Group Risk Management in cooperation with Group Finance, Group Compliance and relevant business areas and support units.

The Non-Financial Risk Committee (NFRC), an advisory body intended to follow up and coordinate the management of non-financial risk across the Group, was established in 2019. Among the risk areas followed up by the NFRC are operational risk, which includes risk related to money laundering, security, behaviour, third parties and compliance. Prioritised subject areas are safeguarded through specialist groups reporting to the NFRC.

Internal audit

Independent and effective audits will help ensure satisfactory risk management and internal control, as well as reliable risk and financial reporting. Group Audit receives its mandate from the Board of Directors of DNB ASA, which also approves the department's annual plans and budgets.

Group Audit's responsibilities can broadly be divided in two:

- On behalf of the Board of Directors of DNB ASA, the CEO and the Boards of Directors of major subsidiaries: ensure the establishment and implementation of adequate and effective risk management and internal control
- Assess whether risk identification, established management processes and control measures effectively contribute to strengthening the Group's ability to reach its targets

Group Audit carries out audits of units in the DNB Group. An audit plan is prepared, which is discussed with Group Management, reviewed by the Audit Committee and approved by the Board of Directors. Group Audit's risk assessments form the basis for determining which units should be given priority in the auditing process, and are prepared in consultation with the Group Management, Audit Committee and Board of Directors. After the audits have been completed, audit reports are prepared, which include the results of the audit, a description of any identified weaknesses or deficiencies and proposed measures, specifying responsible persons and deadlines for implementation of the measures. The audit reports are sent to the heads of the relevant audited units. An audit summary, reviewing the overall risk management and internal control in the DNB Group, is presented to the Boards of Directors of DNB ASA and DNB Bank ASA every six months. The Boards of Directors also receive a monthly summary of the audit reports for all units in the Group.

Information about the statutory auditor can be found in section 15 below.

Key components of internal control over financial reporting

Financial reporting in the Group shall be in compliance with relevant laws and regulations and internal guidelines for operations. DNB aims to have low operational risk, and the Group standard for internal control over financial reporting sets explicit requirements for processes and procedures to ensure high-quality reporting.

Ongoing risk assessments are made of processes that entail a risk of errors in financial reporting. Key controls have been established to ensure internal control of all processes with a risk of serious error. In addition, risk-mitigating measures are established for processes that continue to involve high or medium risk after key controls are implemented.

The results of the internal control of financial reporting are reported by all units to Group Finance each quarter, and followed up on an ongoing basis. The Group Management team and the Audit Committee receive annual updates.

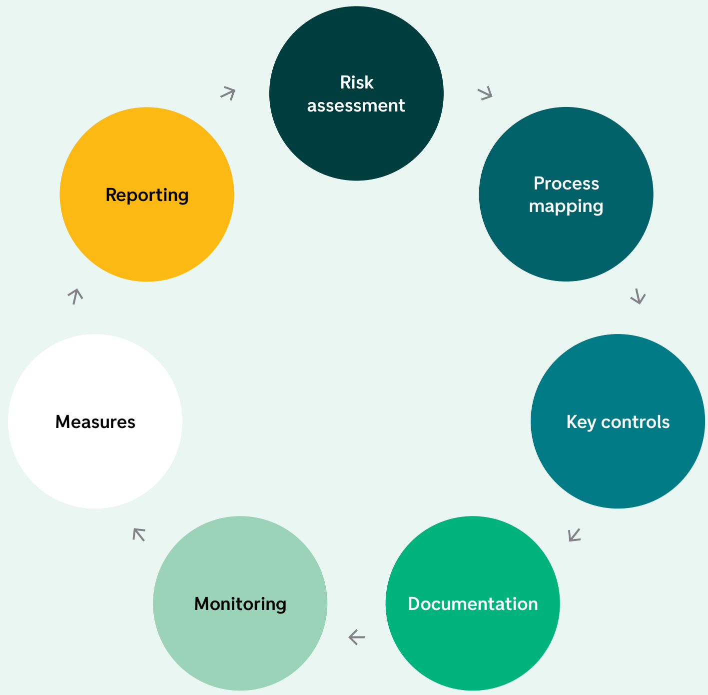
The Boards of Directors

The Board of Directors of DNB ASA, represented by the Audit Committee, reviews the financial reporting process and ensures that the Group's internal control, including the internal audit and risk management systems, functions effectively. In addition, the committee shall ensure that the Group has independent and effective external audit procedures. The Board of Directors has prepared guidelines to ensure reliable, relevant, timely and uniform reporting to shareholders and other capital market participants. The guidelines also cover internal needs. Together, these are called guidelines for financial reporting. The guidelines set quality assurance requirements for the financial reporting process applying to all units in the Group, including requirements to avoid any manipulation of the accounts.

The Audit Committee reviews quarterly financial reporting for the DNB Group. The Committee makes a thorough review of discretionary assessments and estimates in addition to any changes in accounting practice.

The Committee monitors the Group's internal control systems and the internal audit, making sure that they function effectively, and considers changes in systems and procedures which are

The process for internal control over financial reporting in the DNB Group



presented to the Board of Directors for approval.

In connection with its review, the Committee has discussions with management, Group Audit and the statutory auditor. The statutory auditor provides a report to the Committee on the main features of the audit carried out in the previous accounting year, including a special review of any material weaknesses identified in internal control relating to the financial reporting process.

The Committee considers the Group Management's annual self-assessment of the level of and effectiveness of the internal control over financial reporting.

At least once each quarter, the Committee has separate meetings with the statutory auditors on behalf of the Board of Directors without any representatives from management present. In addition, the Committee has meetings with the Group Chief Audit Executive at least once a year without any representatives from the management present.

The Audit Committee considers the quarterly accounts and the proposed annual accounts for DNB ASA and the DNB Group. After the quarterly accounts and proposed annual accounts for the respective companies have been reviewed by the executive management and the Audit Committee, they are considered by the Boards of Directors of DNB ASA and DNB Bank ASA. The annual accounts are approved by the General Meeting.

The Audit Committee also considers the proposed statutory and consolidated accounts of DNB Bank ASA and DNB Livsforsikring AS and the statutory accounts of DNB Boligkreditt AS. The Board of Directors of DNB Livsforsikring AS considers the quarterly accounts and the proposed annual accounts. The annual accounts are approved by the respective companies' General Meeting.

Group Management

The CEO and the Group Chief Financial Officer (CFO) continually considers the financial results and target attainment of the business areas as well as critical aspects and events which will affect their future performance and optimal resource utilisation. Group Finance is headed by the CFO, and is organised outside the business areas. Group Finance is responsible for financial reporting.

A review covering, inter alia, these subjects is made in cooperation with the individual business areas at least on a quarterly basis. If required, the risks associated with financial reporting, both in the short and the long term, are assessed at the meetings. The CEO, the CFO, managers in the relevant unit and relevant experts participate in the meetings, which are chaired by the CEO. For the next year, semi-annual meetings have been scheduled with Group Risk Management, Group Compliance and People in the same manner.

The Group Management team will monthly review financial reporting and risk appetite, including trends in profit and loss and balance sheet items, the current status relative to statutory requirements, results for legal units and analyses of and comments to the financial performance of business areas and support units.

Reporting units

The heads of reporting units are responsible for ongoing financial monitoring and reporting. All these units have management teams and accounting units adapted to their organisation and operations. Managers must ensure that adequate and effective internal control is implemented in accordance with established requirements, and are responsible for complying with these requirements.

The units are responsible for assessing internal control of financial reporting each quarter and reporting the results of their assessment to Group Finance. Every year, a comprehensive evaluation is made of compliance with external and internal regulations concerning internal control over financial reporting. The results, along with planned improvement measures, are reported to the head of the Group Financial Reporting division.

Group Finance

Group Finance prepares financial reports for the DNB Group and ensures that such reporting is in line with prevailing legislation, accounting standards, current accounting principles and guidelines from the Board of Directors. Group Finance also prepares guidelines explaining the requirements to be met by local units, including an accounting manual. Processes and a number of control measures have been established to ensure that the financial reporting is of high quality. The measures include rules concerning authorisations, the division of responsibilities, reconciliation, change management, IT controls and management reviews.

Unit for Internal Control over Financial Reporting

The unit with responsibility for quality assurance of internal control of financial reporting is organised under Group Finance. The unit sets requirements for the design of and monitors internal control over financial reporting in the Group.

On behalf of the CFO, the unit for internal control over financial reporting identifies, assesses and monitors the risk of errors in the Group's financial reporting in cooperation with the heads of the reporting units.

A process has been established for self-assessments of the level and effectiveness of the internal control over financial reporting. A summary of the units' quarterly assessment of internal control of financial reporting is discussed as needed with the CFO, Group Management team, the Audit Committee and the Board of Directors of DNB ASA in connection with their review of the Group's quarterly and annual accounts.

Auditing

See description of the internal audit above.

The annual accounts of all the companies in the DNB Group are audited by the statutory auditors, who, within the limits stipulated in international standards on auditing and quality control, ISA, cooperate with Group Audit.

As part of the audit, Group Audit assesses the established internal control over financial reporting in selected processes. Every year, the statutory auditor prepares a report which summarises the results of the financial audit. The report accounts for any weaknesses and deficiencies in the internal control over financial reporting. The report is sent to those who are responsible for financial reporting in the audited units and companies for comment before being considered by the Audit Committee and the Board of Directors of DNB ASA. The results of any such audits of financial reporting are described in Group Audit's semi-annual report to the Boards of Directors of DNB ASA and DNB Bank ASA and the Audit Committee.

Deviations from the Code of Practice:
None

SECTION 11

REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration paid to members of the Board of Directors, which is proposed by the Election Committee and approved by the General Meeting, is not performance-based or linked to options in DNB ASA. The Board of Directors must approve any remuneration from the company to members of the Board of Directors other than ordinary remuneration for their service on the Board of Directors, the Audit Committee, the Risk Management Committee and the Compensation and Organisation Committee. Note 46 to the annual accounts for the DNB Group shows remunerations to senior executives and elected officers in DNB ASA.

Deviations from the Code of Practice:
None

SECTION 12

REMUNERATION OF SENIOR EXECUTIVES

Guidelines for executive pay

DNB's guidelines for determining remunerations to the CEO and other members of the Group Management team should, at all times, support prevailing strategy and values, while contributing to the attainment of the Group's targets. The total remuneration to the CEO and other senior executives consists of basic salary (main element), benefits in kind, variable salary, pension and insurance schemes. When determining the variable remuneration of the CEO and other senior executives for 2019, strong emphasis was once again placed on Group measurement parameters for financial key figures, customer satisfaction and corporate reputation.

DNB's remuneration scheme is in accordance with the regulations on remuneration schemes in financial institutions, investment firms and management companies for mutual funds. The Group has identified senior executives, risk takers and independent control functions, referred to below as other senior executives. The Group's guidelines are also in keeping with the Norwegian government's guidelines for remuneration of senior executives.

Group Chief Executive Officer

The total remuneration to the CEO is determined on the basis of a total evaluation of performance, in addition to comparisons with remuneration levels for corresponding positions in the market. The remuneration should be competitive, but not market-leading.

The variable remuneration of the CEO is performance-based and determined on the basis of the Group's return on equity, Tier 1 capital ratio and cost/income ratio, in addition to developments in customer satisfaction, DNB's reputation and internal measurement parameters related to corporate culture and innovation. The variable remuneration of the CEO cannot exceed 50 per cent of fixed salary. Payment of minimum 50 per cent of variable remuneration is deferred and conditional in the form of DNB shares. The remuneration in shares is divided into three, subject to minimum holding periods (deferred and conditional), with one-third payable each year over a three-year period.

A conditional agreement has been entered into with the CEO, that a supplement of 30 per cent of the ordinary fixed salary is to be paid in shares. This amount is set aside throughout the year, and the net amount after tax is used to purchase shares in DNB ASA after the end of the year, with a minimum holding period for as long as the person is a member of the Group Management team. This arrangement requires a decision at the Annual General Meeting in 2020, and in case the General Meeting does not agree to the scheme, the remuneration element will be paid in cash.

Other senior executives

The total remuneration to other senior executives is determined based on the same framework as the remuneration to the CEO. The total remuneration should ensure that DNB attracts and retains senior executives with the desired skills and experience. The level of variable remuneration in DNB is considered to be moderate relative to prevailing levels in international financial institutions and other large Norwegian groups of companies.

Variable remuneration is awarded to individual employees within limits allocated to each unit and an overall assessment of the individual's attainment of predetermined financial and non-financial targets.

The variable remuneration scheme is performance-based without exposing the Group to unwanted risk. This is ensured by the strong correlation between individual targets and the Group's governance model. Payment of minimum 50 per cent of variable remuneration is deferred and conditional in the form of DNB shares. The remuneration paid in shares is divided into three, subject to minimum holding periods (deferred and conditional), with one-third payable each year over a three-year period. Variable remuneration cannot exceed 50 per cent of fixed salary for senior executives.

A conditional agreement has been entered into with some group executive vice presidents, that a supplement of 30 per cent of ordinary fixed salary is to be paid in shares. This amount is set aside throughout the year, and the net amount after tax is used to purchase shares in DNB ASA after the end of the year, with a minimum holding period for as long as the person is a member of the Group Management team. This arrangement requires a decision at the Annual General Meeting in 2020, and in case the General Meeting does not agree to the scheme, the remuneration element will be paid in cash.

The Board of Directors' statement concerning executive remunerations

The Board of Directors presents a statement to the General Meeting proposing guidelines for remunerations to senior executives. The statement and information about remuneration paid to individual members of the Group Management team can be found in note 46 to the annual accounts for the DNB Group.

Other aspects

No employees in the DNB Group have any outstanding subscription rights or similar. See also the description of the Board of Directors' Compensation and Organisation Committee in section 9 above. For more information about the Group's remuneration schemes, see note 46 to the annual accounts.

Deviations from the Code of Practice: None

SECTION 13

INFORMATION AND COMMUNICATION

The Group presents the Norwegian and international markets with extensive analytical information in connection with the quarterly reporting of financial information and presentations on particular topics. Parallel to this, the same information is made available to all interested parties on the websites of Oslo Børs and the Group.

Guidelines have been drawn up for the reporting of financial information to shareholders, investors and analysts. The guidelines also cover the Group's contact with shareholders other than through Annual General Meetings. The guidelines are based on openness and take into account the requirement for equal treatment of all participants in the market. They can be found on the Group's website ir.dnb.no/about-dnb.

An overview of the dates for major events such as the Annual General Meeting, the publication of interim reports, public presentations and dividend payments is published on ir.dnb.no.

All DNB employees have access to the guidelines for financial reporting, including requirements for the internal control over financial reporting. Group Finance holds regular meetings with units in the Group to give information about and increase the understanding of the requirements for internal control over financial reporting.

Deviations from the Code of Practice:
None

SECTION 14

CORPORATE TAKE-OVERS

The Board of Directors of DNB ASA will handle any take-over bids in compliance with the principle of equal treatment of shareholders. Parallel to this, the Board will help ensure that shareholders are given as complete information as possible in all situations that will affect shareholder interests. Cf. section 4, which gives an account of the Norwegian government's intention to retain its 34 per cent holding in DNB ASA, as required by the Norwegian parliament.

Deviations from the Code of Practice:
The Board of Directors has chosen not to determine explicit guiding principles on how to act in the event of a take-over bid. The background for this exception is that the Norwegian government owns 34 per cent of the shares in DNB ASA, thus such principles are not very relevant. The Board of Directors otherwise endorses the wording in this section of the Code.

SECTION 15

EXTERNAL AUDITOR

DNB's statutory auditor is EY. The statutory auditor annually submits a plan for the audit to the Audit Committee.

Guidelines have been drawn up for the use of statutory auditors, including restrictions on what additional services can be undertaken, approval of fees and guidelines to invite tenders for external audit services. The audit partner responsible for carrying out the audit can hold this responsibility for a maximum of seven years. The selected audit firm can hold this responsibility for a maximum of 20 years, and tenders for audit services shall be invited at least every 10 years.

The Audit Committee submits a recommendation regarding the choice of statutory auditor to the Board of Directors, which submits a recommendation to the General Meeting. At least once each quarter, the Committee has separate meetings with the statutory auditors on behalf of the Board of Directors without any representatives from management present.

The Committee submits a recommendation regarding the statutory auditor's remuneration to the Board of Directors, which presents the remuneration proposal to the General Meeting for approval.

The statutory auditor must provide a report to the Audit Committee on the main features of the audit carried out in the previous accounting year, including particular mention of any material weaknesses identified in the internal control relating to the financial reporting process. The auditor must also provide the committee with:

- an audit plan
- a confirmation of the auditor's independence
- an overview of services provided other than statutory audit services

The Audit Committee evaluates the work performed by the statutory auditor on an annual basis.

Deviations from the Code of Practice:
None

Responsible purchasing

In 2019, DNB in Norway purchased goods and services for approximately NOK 11.8 billion. We have around 5 900 suppliers, 140 of which represent approximately 80 per cent of the Group's procurement costs. Important purchase categories for the bank 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 our suppliers are from the Nordic countries, Western Europe or North America.

Our ability to create value for our customers depends on good deliveries from and a successful cooperation with our suppliers. It is important to us that our purchases are of good quality, delivered at a competitive price and produced in a responsible manner in keeping with our requirements and expectations. We are constantly seeking to reduce risk related to corporate responsibility in our supply chain, and also want to help our suppliers improve and increase their level of awareness in this area. As service deliveries make up the main part of our purchases, topics related to working conditions are often prioritised, but we also work with matters related to the environment, ethics and the supply chain. Our corporate responsibility work in the supply chain is followed up by a separate steering group established for the area.

WHAT DID WE DO IN 2019?

In order to ensure a fair and transparent procurement process, purchases in DNB are conducted according to both the Group's procurement principles and guidelines and a defined procurement process. Assessments and initiatives related to corporate responsibility are an integral part of these processes, both before the choice of supplier is made and during the contract period. What DNB expects from suppliers should be specified in the tender documents and in the contracts, which also include the DNB Code of Responsible Business Conduct for Suppliers. The principles are based on prevailing regulations and the OECD Guidelines for Multinational Enterprises, the UN Global Compact, the UN's Guiding Principles on Business and Human Rights and the ILO Core Conventions. The principles set clear requirements with respect to human rights and labour standards, environmental management and ethical business conduct, as well as suppliers' responsibility vis-à-vis sub-suppliers.

DNB uses the analysis and sharing tool EcoVadis as support in the assessment of how our suppliers handle risks and opportunities related to corporate responsibility. In this work, priority is given to the largest and/or most critical suppliers or suppliers considered to represent a higher level of risk due to their industry, geographical location or history. At the end of the year, suppliers representing a total of 64 per cent of DNB's relevant supplier expenses had been analysed using EcoVadis, and received feedback and improvement suggestions regarding their work on corporate responsibility. The results of our analysis are included in the evaluation of suppliers and discussed in supplier meetings, in order to challenge suppliers to be conscious of their corporate responsibility and to work on continuous improvement. Although suppliers may find it challenging to fill out the questionnaire that forms the basis of the analysis, it is our experience that the resulting tool and dialogue contributes to increased awareness and improvements.

DNB had planned to conduct three on-site supplier audits in 2019, to verify compliance with the Code of Responsible Business Conduct for Suppliers. Such audits are carried out in partnership with a statutory auditor, and suppliers are selected based on an assessment of risk and criticality. Two of the audits were carried out in 2019 as planned, whereas one was postponed to the beginning of 2020 due to major changes in the supplier collaboration. The suppliers that were selected were from the communications, IT and credit management industries. DNB follows up on any findings after the audits. Some audits are more challenging than others, such as those involving subcontractors or suppliers in higher-risk areas. However, we still find that audits are the best tool for finding opportunities for improvement and learning, both for DNB and for the suppliers.

We are also to an increasing degree setting requirements for, and working together with, suppliers on matters of particularly relevance to the item or service provided. This usually takes place in connection with the tender process, but we also work with suppliers during the contract period to achieve improvements. One example is the work on gender equality, which is one of the focus areas in DNB's corporate responsibility efforts. In 2019, we carried out a tendering process for framework contracts for consultancy services. Gender equality and diversity were discussed throughout this process: in the questions to the suppliers during the tendering process, in the assessment of the answers and as requirements in the contract. Furthermore, it is important that the dialogue continues in the subsequent cooperation. In 2019, we have continued our special focus on gender equality in the dialogue with our largest business partners in the legal, IT and media and advertising industries. We find that these efforts contribute to increased awareness and create ripple effects in the industries.

THE ROAD AHEAD

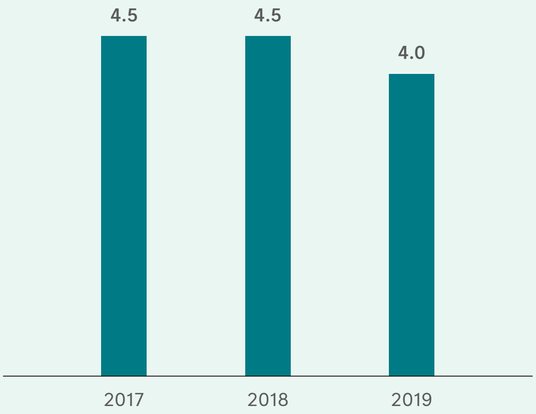
Efforts to ensure a responsible supplier chain are reported to and approved by the steering committee for Supply Chain Sustainability. The steering committee finds the development in this area to be satisfactory, and the efforts in 2020 will thus continue along the same lines as in 2019, with supplier audits, evaluations through EcoVadis and dialogue on prioritised issues. An ongoing project on third-party risk is also expected to help strengthen the risk-based aspects of this work.

Working conditions

As an employer, DNB is required to facilitate a good working environment and balance the needs and expectations of the employees and DNB. Our employees are the Group's most important resource, and employees should be given good opportunities to develop, enhance their skills and assume new responsibilities. We are dependent on committed and motivated employees to reach our business targets and to succeed in fully implementing the Group's strategy. In order for us to perform better, encourage more good initiatives and promote development, we need individuals and teams that work well together. When our employees feel valued and seen, they become more committed and proud to work in DNB. This helps us retain and attract people with the right competence.

By working together across units and making use of new working methods, we will create good customer experiences.

Sickness absence rate[1)]
Per cent



1) In the Norwegian part of the Group's operations.

WHAT DID WE DO IN 2019?

DNB aims to be an employer that works actively to provide a safe and positive working environment. Learning, interaction and psychological safety are examples of elements in the strategy that will contribute to a positive development of the working environment. In DNB, we encourage our employees to be physically active and to take care of their own health.

Employees are to a great extent proud to work in DNB, with a score of 82 points measured in the employee survey for 2019. The score is the calculated average on a scale of 0–100 where 100 means 'totally agree' with the statement "I am proud to work in DNB". This is a slight decline from a score of 84 points from the past two years, but this was to be expected due to the reorganisation process DNB was in at the time of the last survey.

In 2019, the sickness absence rate for DNB in Norway was 4.00 per cent, which constitutes a marked reduction from the previous year, when the rate was 4.5 per cent. For DNB's international offices, the number was 1.7 per cent. We work systematically and thoroughly in all units to reduce the sickness absence rate, and preventive working environment measures and systematic follow-up of sickness absence are essential parts of the HSE work. Maintaining an open dialogue on well-being and working environment issues is necessary to identify and manage relevant risk factors affecting the working environment and absence due to illness.

In 2019, we had a team of employees, equivalent to 3.5 full-time positions, working to ensure a structured process for the follow-up of long-term sickness absence. The team was in dialogue with nearly 500 employees on long-term sick leave and their managers. Experience shows that close follow-up starting from an early stage increases the likelihood of employees on long-term sick leave returning to their jobs full time. In cases where this is not possible, a thorough assessment will be made to determine the employee's remaining work capacity and possible degree of disability. Support from management and co-workers in these processes has given good results.

THE ROAD AHEAD

The aim of DNB's employee surveys is to contribute to organisational development and good working conditions by focusing on the areas interaction, learning, change and inclusion. Based on the results, the various units will choose from standardised and quality-assured workshops to work on the topics found to be the most important.

The mapping process for the working environment (HSE inspection) is to be revised and expanded to include more of what can be termed psychosocial factors. In addition, the execution of the various employee surveys shall be coordinated, and the results shall to a greater extent be seen in context.

Through new tools and processes, we will in 2020 focus on personal effectiveness, easier interaction, increased flexibility and better meetings – all areas that are of significance to good working conditions.

Directors' report and annual accounts

Directors' report

Operations in 2019

DNB recorded profits of NOK 25 721 million in 2019, an increase of NOK 1 439 million, or 5.9 per cent, compared with 2018. The increase in profits was driven by higher net interest income.

Return on equity was 11.7 per cent, at the same level as in the year-earlier period, and earnings per share were NOK 15.54, up from NOK 14.56 in 2018.

The common equity Tier 1 (CET1) capital ratio was 18.6 per cent, up from 17.2 per cent in 2018.

The Board of Directors has proposed a dividend for 2019 of NOK 9.00 per share, which is an increase of 9.1 per cent from 2018 and corresponds to 57 per cent of profits. Including the share buy-back programme of 2.0 per cent, the total payout ratio is 78 per cent. When considering the dividend proposal, the Board of Directors took the regulatory capital adequacy requirements into account. The payout ratio is in accordance with the Group's ambition to increase dividend payments.

Net interest income increased by NOK 2 379 million, or 6.5 per cent, from 2018, as a result of higher volumes in all customer segments and positive repricing effects.

Net other operating income increased by NOK 2 109 million compared with the previous year, mainly due to a positive effect from basis swaps of NOK 1 628 million. Net commissions and fees showed a healthy increase and were up NOK 405 million, or 4.4 per cent, from the previous year.

Total operating expenses increased by NOK 1 075 million from 2018 due to increased IT expenses as well as higher salaries and personnel expenses.

There were net impairment losses on financial instruments of NOK 2 191 million in the full year of 2019, compared with reversals of NOK 139 million in 2018. Impairment losses within the personal customers and small and medium-sized enterprises segments were on the same level as last year, whereas the large corporates and international customers segment had an increase in impairment losses of approximately NOK 2 260 million. This increase can partly be explained by large net reversals within oil, gas and offshore in 2018 and a large impairment loss related to one specific customer in the third quarter of 2019.

Overall, forecasts for most macro indicators remained stable and the asset quality of the portfolio as a whole remained strong in 2019.

Share buy-back programme

The Annual General Meeting in 2019 gave the Board of Directors an authorisation to repurchase up to 3.5 per cent of the company's share capital, as well as an authorisation to DNB Markets of 0.5 per cent for hedging purposes, valid until the Annual General Meeting in 2020. DNB has also received approval from Finanstilsynet (the Financial Supervisory Authority of Norway) to repurchase up to 2.0 per cent of the shares, as well as 0.5 per cent for hedging purposes, assuming DNB meets the capital requirements. As at 6 February 2020, DNB had announced share buy-back programmes totalling 2.0 per cent.

At the turn of the year, DNB had repurchased shares corresponding to 0.61 per cent of the issued shares. In addition, a proportion of the Norwegian government's holding, equivalent to 0.32 per cent of the issued shares, will be redeemed after the AGM in 2020, resulting in repurchases of 0.93 per cent in total.

Strategy and targets

DNB's overarching goals are to create the best customer experiences and to reach its financial targets. Several strategic priorities and ambitions have been drawn up to ensure target attainment. Read more in Strategic report from page 22.

Review of the annual accounts

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the accounts have been prepared on a going concern basis and that the going concern assumption applies.

Pursuant to Section 3-9 of the Norwegian Accounting Act, DNB prepares consolidated annual accounts in accordance with IFRS, International Financial Reporting Standards, approved by the EU. The statutory accounts of DNB ASA have been prepared in accordance with Norwegian IFRS regulations.

Net interest income

Amounts in NOK million	2019	2018
Lending spread, customer segments	28 096	28 152
Deposit spread, customer segments	4 808	2 742
Amortisation effects and fees	3 370	3 200
Operational leasing	1 731	1 525
Deposit guarantee and resolution fund fees	(1 106)	(564)
Other net interest income	2 304	1 766
Net interest income	39 202	36 822

Net interest income increased by NOK 2 379 million, or 6.5 per cent, from 2018. This was mainly due to increased lending volumes, deposit spreads and higher interest income from equity. Four interest hikes were implemented over the course of the year. The positive net interest income development was partly offset by an increase in the resolution fund fee and deposit guarantee fund levy of NOK 542 million.

There was an average increase in the healthy loan portfolio of NOK 77.7 billion, or 5.4 per cent, parallel to a NOK 15.4 billion, or 1.6 per cent, increase in average deposit volumes from 2018. Combined spreads widened by 3 basis points compared with the year-earlier period. Average lending spreads for the customer segments narrowed by 10 basis points, and deposit spreads widened by 21 basis points.

Net other operating income

Amounts in NOK million	2019	2018
Net commissions and fees	9 716	9 310
Basis swaps	270	(1 358)
Exchange rate effects additional Tier 1 capital	(143)	721
Net gains other financial instruments	3 057	1 979
Net financial and risk result, life insurance	1 129	969
Net insurance result, non-life insurance		622
Profit from investments accounted for by the equity method	410	314
Other operating income	1 218	988
Net other operating income	15 655	13 546

Net other operating income was up NOK 2 109 million from 2018. Net commissions and fees increased by NOK 405 million, or 4.4 per cent, mainly driven by increased sale of insurance products and investment banking services. Basis swaps contributed positively with NOK 1 628 million. Other operating income went up by NOK 230 million, due to a general increase in all underlying items.

Operating expenses

Amounts in NOK million	2019	2018
Salaries and other personnel expenses	(12 534)	(11 741)
Restructuring costs	(69)	(123)
Other expenses	(7 472)	(7 789)
Depreciation of tangible and intangible assets	(2 850)	(2 024)
Impairment of tangible and intangible assets	(207)	(380)
Operating expenses	(23 133)	(22 057)

Total operating expenses were up NOK 1 075 million. This was mainly due to increased IT, personnel and pension expenses, as well as a provision of NOK 200 million in 2019 related to a legal claim. Reference is made to note 50 to the annual accounts for further information. The increase in pension expenses was largely a result of an increased return of NOK 253 million related to the compensation scheme.

The cost/income ratio was 42.2 per cent in 2019, down from 43.8 per cent in 2018.

Impairment of financial instruments

Amounts in NOK million	2019	2018
Personal customers	(354)	(287)
Commercial property	(124)	82
Shipping	105	8
Oil, gas and offshore	(274)	1 079
Other industry segments	(1 544)	(744)
Total impairment of financial instruments	(2 191)	139

There were net impairment losses on financial instruments of NOK 2 191 million in the full year of 2019, compared with reversals of 139 million in 2018.

Impairment losses increased in both the personal customers and commercial real estate segments compared with 2018, but impairment losses nevertheless remained at a low level.

The shipping segment experienced net reversals of NOK 105 million in 2019. This was an increase in reversals of NOK 97 million compared with 2018. The reversals were primarily related to a positive development for one customer in stage 3.

Net impairment of financial instruments for the oil, gas and offshore segment amounted to NOK 274 million in 2019. This represents an increase of NOK 1 354 million compared with 2018. The increase can primarily be explained by large reversals within stage 2 in 2018 due to improved macro forecasts. Although the modest improvement in macroeconomic developments continued in 2019, impairment losses on stage 3 customers led to net impairment losses in 2019.

For other industry segments, net impairment losses increased by NOK 800 million in 2019 compared with 2018. The increase can primarily be explained by a large impairment loss related to one specific customer in stage 3 in the third quarter of 2019.

Overall, forecasts for most macro indicators remained stable and the asset quality of the portfolio as a whole remained strong in 2019.

TAX

The DNB Group's tax expense for the full year 2019 is estimated at NOK 5 465 million, representing 17.5 per cent of pre-tax operating profit.

Funding, liquidity and balance sheet

2019 was an active year for DNB in the short-term funding market, and there was generally a high level of interest in the bank's securities with both long and short maturities. While USD was the main short-term funding currency for DNB, the European market was influenced by low interest rates in continental Europe, and due to Brexit in the UK, some instability was noticed here. On the other hand, with high activity in the long-term funding market towards the end of 2019, the bank used this increased flexibility to reduce the outstanding volumes somewhat in the short-term market.

There was some instability in the long-term funding market at the end of 2018, which continued into the first quarter of 2019. Spread levels peaked in mid-January before starting to narrow again. The spreads narrowed significantly from mid-January until the summer, while spread levels remained more or less stable in the second half of the year. Despite volatile markets, funding activity was high as usual in the first quarter, with large volumes issued. In March, the US ten-year Treasury yield fell below the three-month Treasury bill, and ten-year German bonds fell below 0 per cent, a clear indication of the market's fear of an upcoming recession. The ongoing trade war between the US and China, in addition to concerns about Brexit, added to this sense of uncertainty. In October, the European Central Bank (ECB) restarted their asset purchase programme, which had been on hold since the beginning of 2019. DNB was very active in the senior and covered bonds market in the first half of the year. In the fourth quarter, the bank reassumed the activity with some sizeable senior bond issues. Over the course of the year, there was also an increasing number of issues of so-called senior non-preferred bonds in the market, due to the upcoming minimum requirement for own funds and eligible liabilities (MREL). Overall, DNB had good access to long-term funding markets at attractive spreads throughout the year.

The nominal value of long-term debt securities issued by the Group came to a total of NOK 654 billion at the end of 2019, compared with NOK 604 billion the previous year. The average remaining term to maturity for these long-term debt securities was 3.7 years at the end of December, compared with 4.1 years a year earlier.

The short-term liquidity requirement, Liquidity Coverage Ratio, LCR, remained stable at above 100 per cent throughout the year and stood at 138 per cent at end-December 2019.

Total combined assets in the DNB Group were NOK 3 177 billion at year-end 2019, up from NOK 2 951 billion a year earlier. Total assets in the Group's balance sheet were NOK 2 793 billion at the end of the year, and NOK 2 635 billion a year earlier. Of this, total assets in DNB Livsforsikring amounted to NOK 340 billion and NOK 316 billion, respectively.

Loans to customers increased by NOK 69.4 billion, or 4.3 per cent, from end-December 2018. Customer deposits were up NOK 42.5 billion, or 4.6 per cent, during the same period. The ratio of customer deposits to net loans to customers was 58.2 per cent at end-December, up from 58.0 per cent a year earlier.

Corporate governance

The management of DNB is based, inter alia, on the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. Read more about the Group's corporate governance principles and practice from page 82 in the Governance chapter.

Capital

On 31 December 2019, Norway fully implemented the EU's capital requirements legislation CRR/CRD IV, and the so-called Basel I floor was removed.

The DNB Group's common equity Tier 1 (CET1) capital ratio was 18.6 per cent at the end of December 2019, up from 17.2 per cent at year-end 2018. The CET1 capital increased by NOK 1.5 billion from a year earlier to NOK 178.3 billion at year-end 2019. Retained earnings contributed to an increase in CET1 capital of approximately NOK 10 billion, while the share buy-back programmes and investment in Fremtind reduced the CET1 capital by NOK 5 and 3 billion, respectively.

Risk-weighted assets were reduced by NOK 69 billion from end-December 2018 to NOK 961 billion at end-December 2019. Reduced risk-weighted assets in stage 3 loans and the Luminor sale contributed to a reduction of NOK 44 and 18 billion respectively. Furthermore, a reduction in the capital requirement for loans to small and medium-sized enterprises (the SME supporting factor) was introduced as a consequence of the new CRR / CRD IV regulations. This resulted in a reduction in the risk-weighted assets of NOK 17 billion, partly offset by a higher risk factor for regional portfolios as a result of regulatory, increased security margins for loss given default (LGD).

The leverage ratio was 7.4 per cent at the end of December 2019, down from 7.5 per cent at the end of December 2018. 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 risk-weighted assets that include credit risk, market risk and operational risk. In addition to meeting the minimum requirement, DNB must satisfy various buffer requirements (Pillar 1 and Pillar 2 requirements). DNB's ambition is to have a common equity Tier 1 capital ratio of around 17.9 per cent, including a management buffer.

	2019	2018
Common equity Tier 1 capital ratio, per cent	18.6	17.2
Tier 1 capital ratio, per cent	20.8	18.5
Capital ratio, per cent	22.9	20.8
Risk-weighted assets, NOK billion	961	1 030
Leverage ratio, per cent	7.4	7.5

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 2019, DNB complied with these requirements by a good margin, with excess capital of NOK 40.1 billion.

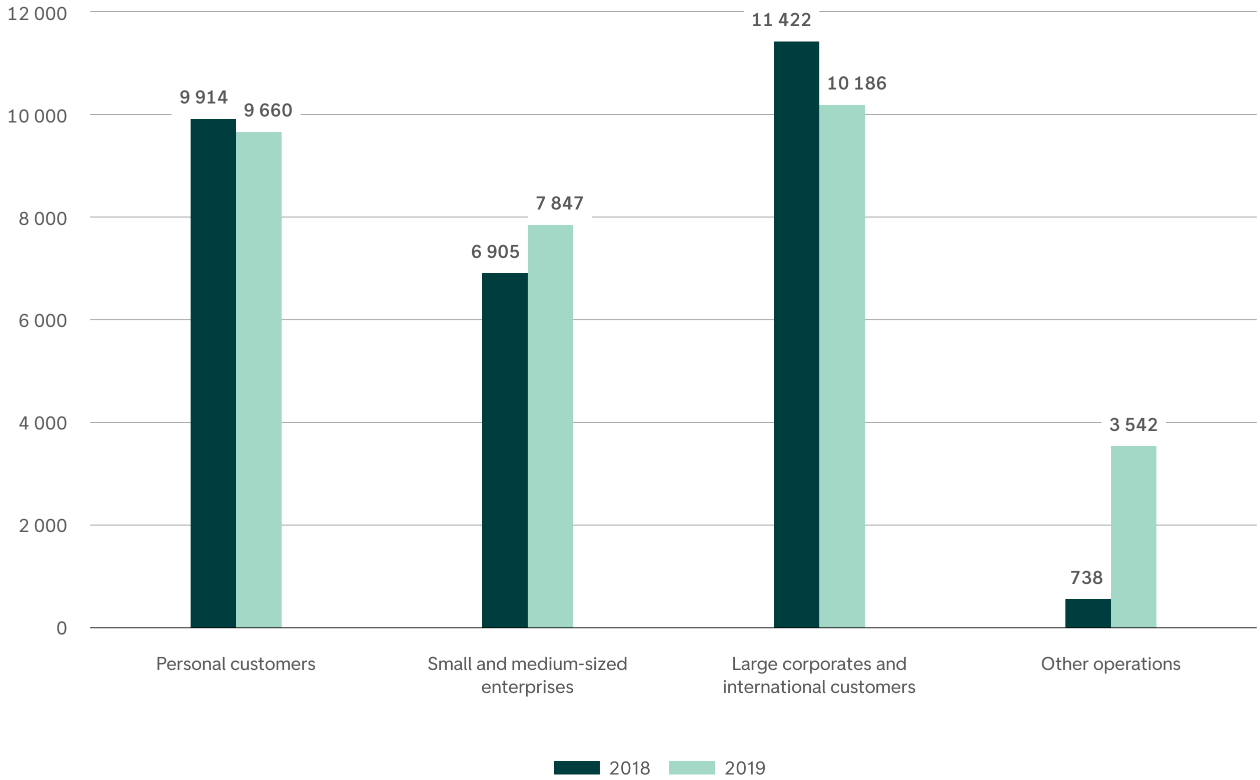
Read more about capitalisation in the Group's Pillar 3 report at ir.dnb.no.

Segments

Financial governance in DNB is adapted to the different customer segments. The follow-up of total customer relationships and segment profitability are two important dimensions when making strategic priorities and deciding on where to allocate the Group's resources. Reported figures reflect the Group's total sales of products and services to the relevant segments.

Due to the reorganisation of the Group in the autumn of 2019, segment reporting will change from the first quarter of 2020.

Pre-tax operating profit
NOK million



Total exposures

Portfolio composition[1)]

1) Portfolio composition in terms of exposure at default (EAD).

PERSONAL CUSTOMERS

This segment includes the Group's more than 2 million personal customers in Norway. The personal customers segment delivered sound results in 2019, with a pre-tax operating profit before impairment of NOK 10 016 million and a return on allocated capital of 15.1 per cent.

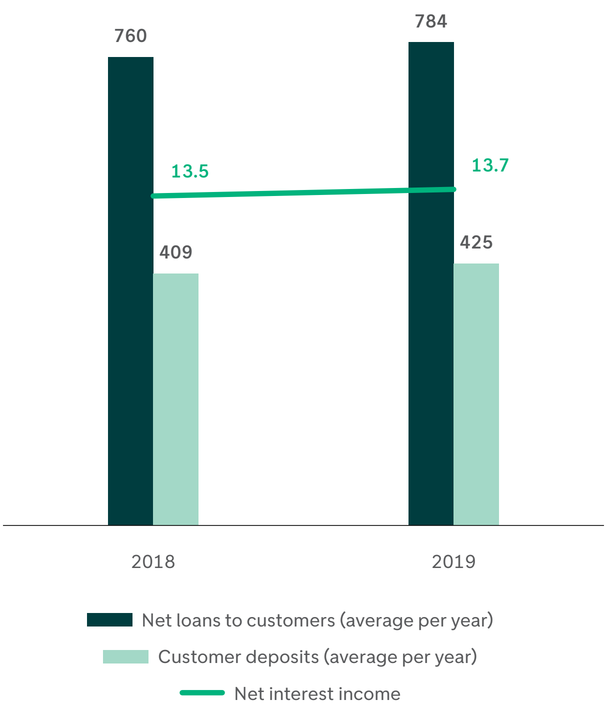
Profit in NOK million	2019	2018
Net interest income	13 703	13 452
Net other operating income	4 896	5 117
Total income	18 599	18 569
Operating expenses	(8 583)	(8 386)
Pre-tax operating profit before impairment	10 016	10 183
Net gains on fixed assets	(4)	49
Impairment of financial instruments	(353)	(318)
Pre-tax operating profit	9 660	9 914
Profit for the year	7 245	7 435

Average balance sheet items in NOK billion		
Net loans to customers	784.3	760.0
Deposits from customers	424.6	408.9

Key figures in per cent		
Return on allocated capital	15.1	15.8

Developments in loans, deposits and net interest income

NOK billion



Net interest income increased by NOK 251 million, corresponding to 1.9 per cent, from 2018. Combined spreads on loans and deposits narrowed by 0.03 percentage points in the period. Average net loans for 2019 rose by 3.2 per cent from the previous year, while deposits showed an increase of 3.8 per cent on average. The establishment of Fremtind affected both income and expenses compared with 2018, as non-life insurance in DNB Forsikring AS in 2018 was consolidated in the personal customer segment. As of 2019, the segment's profit for non-life insurance products consist of sales commissions from Fremtind.

Net other operating income decreased by 4.3 per cent from 2018. Effects of the establishment of Fremtind and a reduction in net income from payment services are the main explanations for the negative development, while the increase in activity in DNB Eiendom contributed positively.

Operating expenses increased by 2.3 per cent due to increased IT and real estate activity, in addition to extraordinary impairment of IT systems, which explain the cost growth from 2018. The development was partly offset by the establishment of Fremtind, as well as a streamlining of the distribution.

Net impairment of financial instruments maintained a stable, low level with 0.05 per cent of average net loans. There is low risk in the home mortgage portfolio, and impairment losses within consumer finance also remained stable throughout the year.

The market share of credit to households stood at 23.5 per cent at the end of December 2019, down from 24.0 per cent from the same period in 2018. The market share of total household savings was 30.2 per cent. DNB Eiendom had an average market share of 18.4 per cent in 2019, down from 18.7 per cent a year earlier.

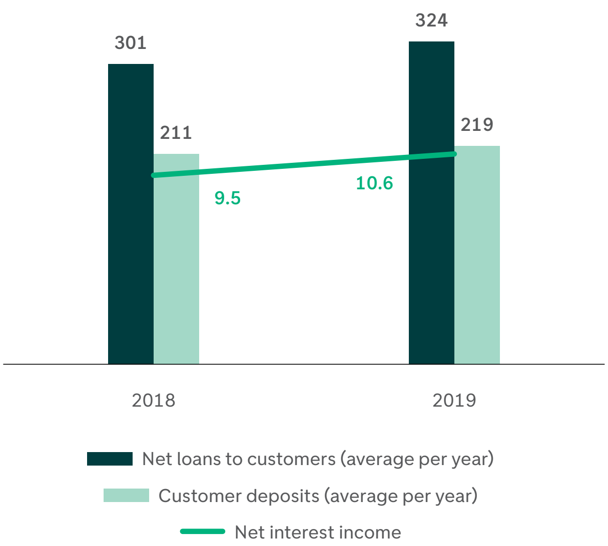
DNB aspires to achieve continued profitable growth in the personal customers segment and will sustain its efforts to adapt products, solutions, customer service and cost level to the competitive situation of the future. The mobile bank is one of the main communication channels between DNB and its customers, and is continuously developed. In December 2019, it passed the 1 million mark for unique users, while the Internet bank had 1.5 million unique users with a total of 65 million logins in 2019.

SMALL AND MEDIUM-SIZED ENTERPRISES

This segment includes sales of products and advisory services to the Group's small and medium-sized corporate customers in Norway. Strong growth in net interest income contributed to very solid pre-tax profits before impairments in 2019, despite increased costs. Impairment losses were up from the previous year, but remained at a satisfactorily low level. Combined, this resulted in an improvement in the pre-tax operating profit of as much as 13.6 per cent from 2018. The segment delivered a total return on allocated capital of 18.3 per cent in 2019, compared with 18.2 per cent in 2018.

Profit in NOK million	**2019**	**2018**
Net interest income	10 628	9 530
Net other operating income	2 344	2 157
Total income	12 971	11 688
Operating expenses	(4 544)	(4 228)
Pre-tax operating profit before impairment	8 427	7 459
Net gains on fixed assets	(0)	3
Impairment of financial instruments	(595)	(566)
Profit from repossessed operations	16	8
Pre-tax operating profit	7 847	6 905
Profit for the year	5 885	5 179
Average balance sheet items in NOK billion		
Net loans to customers	323.6	301.0
Deposits from customers	219.5	211.4
Key figures in per cent		
Return on allocated capital	18.3	18.2

Developments in loans, deposits and net interest income
NOK billion



Net loans to customers showed an average increase of 7.5 per cent from 2018, while deposits rose by 3.8 per cent. Higher loan volumes and wider deposit spreads contributed to a growth in net interest income of 11.5 per cent compared with 2018.

Net other operating income showed an increase of 8.7 per cent from 2018. Income from interest rate hedging products and capital market activities contributed to raising the income in this product area from the previous year. Increased sales of pension products and guarantees, as well as higher income from payment services, also contributed to the income increase.

Operating expenses increased by 7.5 per cent from 2018, of which ordinary expenses increased by 5.0 per cent and depreciation related to increased operational leasing increased by 16.3 per cent. Restructuring costs amounted to NOK 23 million in 2019 compared to NOK 1 million in 2018.

Net impairment of financial instruments in 2019 totalled NOK 595 million. This represented 0.18 per cent of average loans. Most of the impairment losses in 2019 were related to a few customers. The quality of the portfolio is considered to be satisfactory. Developments are closely monitored, and preventive measures are continually considered and implemented to retain the strong portfolio quality.

DNB aims to help companies succeed. This involves making it easy to be a customer by offering easy-to-use digital solutions and by being more than a bank. Much attention is paid to automation and digitalisation of products and services that meet customers' needs and expectations in the time ahead. Towards the end of 2018, DNB launched two new services that made corporate customers' lives easier. These services were the accounting app DNB Regnskap for the smallest companies, and DNB Puls, which is a separate app for managing the company's finances from a mobile phone. Throughout 2019, there has been a strong focus on developing these services and reaching the target groups through targeted marketing. In parallel with this, DNB is working to be the best possible adviser with expertise in start-up and growth companies, selected industries and a wide range of traditional banking services.

In 2019, DNB also performed a comprehensive analysis of the proportion of women in the corporate market, both among entrepreneurs and in the form of participation in the business sector. This was used in the second phase of the #huninvesterer (#girlsinvest) marketing campaign, which focuses on gender equality and inspiring more women to become entrepreneurs. Read more about #huninvesterer on page 48.

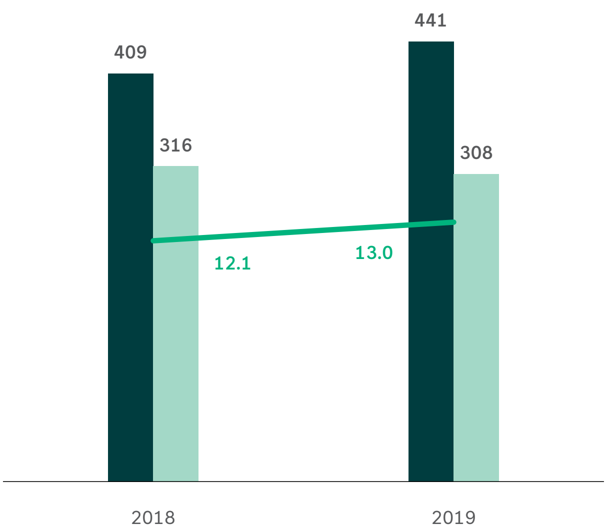
LARGE CORPORATES AND INTERNATIONAL CUSTOMERS

This segment includes the Group's largest Norwegian corporate customers and all international corporate customers. Higher loan volumes and wider deposit spreads, together with a low cost increase, led to an improvement of 8.2 per cent in operating profit before impairment. The large impairment reversals in 2018 nevertheless meant that the return on allocated capital was still somewhat reduced compared with 2018.

Profit in NOK million	2019	2018
Net interest income	13 008	12 111
Net other operating income	5 527	5 442
Total income	18 534	17 553
Operating expenses	(7 000)	(6 890)
Pre-tax operating profit before impairment	11 534	10 663
Net gains on fixed assets	16	(0)
Impairment of financial instruments	(1 240)	1 022
Profit from repossessed operations	(124)	(263)
Pre-tax operating profit	10 186	11 422
Profit for the year	7 741	8 785
Average balance sheet items in NOK billion		
Net loans to customers	440.6	409.0
Deposits from customers	308.0	315.9
Key figures in per cent		
Return on allocated capital	11.8	13.2

Developments in loans, deposits and net interest income

NOK billion



The trend in volume growth over the past years has been affected by measures to rebalance operations, including restructuring of portfolios and reducing exposures within shipping, oil and offshore-related sectors.

Average loans to customers increased by 7.7 per cent from the previous year. From year-end 2018 to year-end 2019, lending increased by 1.5 per cent, while the underlying growth rate excluding exchange rate effects was 1.2 per cent. Average customer deposits decreased by 2.5 per cent. Deposit volumes were up 6.2 per cent from year-end 2018 to year-end 2019.

Net interest income increased by 7.4 per cent. Combined spreads widened by 0.09 percentage points from 2018, ending at 1.34 per cent in 2019. Both the lending and deposit spreads showed a positive development throughout the year.

Net other operating income increased by 1.6 per cent from the previous year. Low long-term interest rates and volatile foreign exchange markets resulted in increased income from currency and hedging products. There was a strong demand for investment banking services, and income increased from last year.

Total operating expenses showed an increase of 1.6 per cent from 2018.

Net impairment of financial instruments amounted to NOK 1 240 million in 2019. In comparison, there were reversals of NOK 1 022 million in 2018, mainly within oil, gas and offshore. Measured in proportion to average loans, net impairment of financial instruments amounted to 0.28 per cent i 2019. Net stage 3 exposures amounted to NOK 12.3 billion at the end of 2019.

The main aim for the segment is to strengthen profitability and contribute to fulfilling DNB's long-term ambitions. Active portfolio management will continue in 2020 by channelling capital and resources to segments, customers and transactions that will ensure higher profitability in the longer term. An 'originate and distribute' approach, which gives higher turnover in the portfolio, will ensure lower final hold on DNB's books and increase ancillary income. DNB will continue to focus on utilising in-depth industry expertise, offering a wide range of financial services and modern technological solutions to priority customers. Through close relations with leading companies, DNB is well-positioned to help our customers meet their extensive financial needs. This will form the basis for increasing the contribution from non-lending products, such as investment banking, defined-contribution pensions, trade finance, leasing and factoring products.

OTHER OPERATIONS

The segment comprises the business activities in the risk management operations in Markets and traditional pension products in DNB Livsforsikring, in addition to several group items not allocated to the segments.

Profit in NOK million	**2019**	**2018**
Net interest income	1 863	1 729
Net other operating income	5 251	3 783
Total income	7 113	5 511
Operating expenses	(5 367)	(5 506)
Pre-tax operating profit before impairment	1 746	5
Net gains on fixed assets	1 691	477
Impairment of financial instruments	(4)	(0)
Profit from repossessed operations	109	256
Pre-tax operating profit	3 542	738
Tax expense	1 356	2 339
Profit from operations held for sale, after taxes	(49)	(194)
Profit for the year	4 849	2 883

Average balance sheet items in NOK billion		
Net loans to customers	128.1	111.0
Deposits from customers	37.2	61.7

Pre-tax operating profit was NOK 3 542 million in 2019, an increase of NOK 2 804 million from the previous year.

The profit in the segment is affected by several Group items and market value changes that may vary greatly from year to year. Of the NOK 1 468 million increase from 2018 in net other operating income, 764 million were market value changes related to basis swaps and currency hedging of additional Tier 1 capital.

In the presentation of the customer segments, a nominal tax rate is used, and tax in other operations is the difference between the Group's tax expense and calculated tax in the segments. Tax in 2018 was affected by new tax rules for life insurance and pension companies, which had a positive transitional effect.

Within Markets' risk management activities, income was reduced by NOK 280 million compared with the year-earlier period, and return on allocated capital was close to 11 per cent. Increased regulatory requirements with associated costs and a flat interest rate curve were the main reasons for the declining result. Income from money market activities, repurchase agreements (repo trading) and effects of tighter credit spreads in the bond portfolio contributed positively.

For traditional pension products with guaranteed return, net other operating income reached a strong level of NOK 1 610 million in 2019, up NOK 216 million from 2018 due to higher profits both in the corporate portfolio and in the common portfolio. The increase in results also reflects higher level of administration income and risk result.

Return on IBNS provisions (claims provisions) has been moved from interest result to risk result in accordance with applicable legislation. The new practice was implemented in December 2019, with a gross full-year effect of NOK 140 million. The effect for owners is NOK 120 million on the risk result and minus NOK 113 million on the financial result. This effect is caused by differing profit-sharing principles for interest and risk results. Moving the claims provisions from interest result to risk result increases the owner's profit by NOK 7 million.

As a result of the ongoing transformation from defined-benefit pensions to defined-contribution pensions, premiums for defined-benefit pensions fell by 4 per cent over the last 12 months. Pension capital associated with defined-contribution pensions grew by 30 per cent in the same period, approximately 12 percentage points from net premiums and 18 percentage points from return on investments. Results from defined-contribution pensions are included in the customer segments.

The solvency margin with transitional rules was 202 per cent as of 31 December 2019, including proposed dividend. Without transitional rules, the solvency margin was 169 per cent as at 31 December 2019.

Corporate responsibility

Corporate responsibility in DNB is about how the Group creates value by considering both risks and opportunities in a long-term perspective, and forms a natural part of the company's operations and activities. Ethical, environmental and social issues are integrated into corporate governance through corporate responsibility principles, which provide the overall framework for the strategic management of the Group.

Through integrated annual reporting and reporting according to the Global Reporting Initiative (GRI), which includes descriptions of the topics DNB has defined as most important to work with, DNB meets the authorities' requirements for corporate responsibility reporting.

Read more about DNB's ambitions for corporate responsibility and how corporate responsibility is taken into account in all our activities in Strategic report from page 22, and in Corporate governance from page 72. More detailed information on reporting on the most important sustainability topics can be found in the Sustainability Factbook at the back of the report.

Employees and competence

Adapting to the new banking reality, with rapid changes in customer behaviour, digitalisation and stricter capital adequacy requirements, also characterised organisational and leadership development in 2019. Systematic efforts were made to ensure that the Group has the right competencies and to promote change capacity, adaptability and employee engagement. Furthermore, work was done on the reorganisation of the Group from September 2019.

The sickness absence rate in DNB's Norwegian operations was 4.0 per cent in 2019.

Read more about the priorities that are considered to be essential to ensuring the right competencies on page 39, about working conditions on page 103 and about equality and diversity on page 45, with a more detailed description in note 22 Salaries and other personnel expenses in the annual accounts.

New regulatory framework

CHANGES IN CAPITAL REQUIREMENTS FOR BANKS

On 31 December 2019, the EU's capital requirements regulations CRR/CRD IV were fully implemented in Norway. This regulatory framework helps highlight the strong capital adequacy of DNB. At the same time, the Norwegian Ministry of Finance has clearly signalled that there should be no easing of the capital requirements for banks as a result of the removal of the so-called Basel I floor and the reduction of the capital requirement for lending to small and medium-sized enterprises (the SME supporting factor). The Ministry is therefore adjusting the use of policy instruments in the banks' capital requirements so that a greater share of the risk is covered by the capital requirements in Pillar 1.

For DNB and other banks using the advanced IRB approach, the systemic risk buffer requirement will increase from 3 to 4.5 per cent with effect from 31 December 2020. For DNB's exposures abroad, the buffer rate set in the country in question will apply, and for exposures in countries that have not set a systemic risk buffer requirement, the rate will be 0 per cent. This means that the systemic risk buffer requirement for DNB is reduced from 4.5 to about 3.1 per cent. In order to avoid double regulation, the Ministry intends to establish a transitional rule that will contribute to consistency between the capital requirements in Pillar 1 and Pillar 2.

The Norwegian Ministry of Finance is also introducing a floor for the average risk weighting of lending for real estate, especially aimed at foreign banks with operations in Norway. The countercyclical capital buffer requirement was raised from 2 per cent to 2.5 per cent with effect from 31 December 2019, in line with the previous decision. The effective requirement for DNB is 2.1 per cent.

MREL REQUIREMENTS DETERMINED

A key element of the new Banking Recovery and Resolution Directive (BRRD) is that capital instruments and debt can be written down and/or converted to equity (bail-in), so that losses are covered and the capital adequacy is strengthened enough for the bank's operations to continue. To this end, the BRRD introduces a minimum requirement for own funds and eligible liabilities (MREL) that can be written down or converted into equity. This requires, among other things, the banks to issue a new category of unsecured debt, so-called non-preferred senior debt or Tier 3 capital.

On 20 December 2019, Finanstilsynet (the Financial Supervisory Authority of Norway) introduced a requirement which implies that the DNB Group must have a total MREL capital corresponding to 36.7 per cent of its risk-weighted assets based on the adjusted balance as at 31 December 2018, resulting in a need for NOK 157 billion in convertible debt. The requirement must be met by 30 June 2020. Until year-end 2022, DNB is allowed to use current preferred senior debt which has been issued by DNB Bank ASA before 1 January 2020, and which meets further criteria, to help fulfil this requirement. The non-preferred senior debt must be issued by DNB ASA. However, DNB has initiated a process to merge DNB ASA and DNB Bank ASA, and this will make DNB Bank ASA the ultimate parent company of the Group. The intention of this merger, which requires the permission of the Norwegian Ministry of Finance, is to enable DNB to issue non-preferred senior debt from DNB Bank ASA.

NEW RULES ON SECURITISATION UNDERWAY

A working group appointed by the Norwegian Ministry of Finance has considered the implementation of the EU's rules on securitisation in Norwegian law. The working group has concluded that failure to implement the rules correctly and in full will constitute a breach of Norway's obligations under the EEA Agreement. DNB is thus one step closer to a system where Norwegian banks are allowed the same access as banks in the EU to use this type of instrument for both funding and risk management. The Ministry of Finance is expected to present a bill in the course of 2020.

SUSTAINABLE FINANCE HIGH ON THE EU'S AGENDA

The European Commission's action plan on sustainable finance includes a number of different initiatives, and the pace of development is high. Among the initiatives introduced are a classification system (taxonomy) for sustainable economic activities, financial benchmarks for carbon footprints and more stringent requirements for disclosures relating to sustainable investments and sustainability risks. The Commission is also working on a labelling scheme for sustainable financial products and an EU standard for green bonds.

By 2022, banks are required to report on sustainability and ESG risk (Environmental, Social and Governance). The European Banking Authority (EBA) has been tasked with preparing a report on ESG risk management in banks, and on how supervisory authorities can include this in their supervisory review and evaluation process (SREP). The European Commission is also considering whether it is appropriate to give banks a capital requirement discount for 'green' assets and/or increased capital requirements for 'brown' assets. A revised version of the action plan for sustainable finance is expected in the third quarter of 2020.

HOME MORTGAGE REGULATIONS TO BE CONTINUED FOR ONE MORE YEAR

The purpose of the Home Mortgage Regulations is to contribute to a sustainable development in household debt. Following a public consultation in the autumn of 2019, where Finanstilsynet recommended a tightening of the regulations, the Norwegian Ministry of Finance decided to continue the current Home Mortgage Regulations until 31 December 2020. The Ministry pointed out, among other things, that the Home Mortgage Regulations are having the intended effect, and that it would be expedient to evaluate them and the Consumer Loan Regulations at the same time.

CREDIT INFORMATION COMPANIES WILL ENABLE BETTER CREDIT ASSESSMENTS

In 2019, two debt information companies became fully operational in Norway, and all banks licenced to provide unsecured loans are obliged to furnish these two companies with information about established loan agreements and credit line agreements.

The debt information services are intended to function as an aid for both customers and banks. It is now easier for customers to get an overview of their own debt situation, and banks can easily check the actual amount of debt a loan applicant has. Banks can thus conduct a better credit assessment of customers seeking loans, which may prevent consumers from taking up more debt than they can service.

OWN PENSION ACCOUNT FROM 2021

The Norwegian Parliament (Stortinget) has adopted a legislative amendment which allows the establishment of so-called 'own pension accounts'. The amendment will enter into force next year and entails that previously earned pension capital certificates will automatically be moved to the pension provider of the current employer. This way, all defined-contribution pensions, both old and new accruals, will be gathered in one place. The individual will be given the opportunity to move the pension account to a provider of his or her choice.

PROPOSED AMENDMENTS TO THE LEGISLATION FOR GUARANTEED PENSION PRODUCTS

The current legislation for guaranteed pension capital contributes to the customers' pension funds being managed in a short-term perspective and with low risk. This leads to low expected returns and loss of purchasing power, as well as a lack of profitability and competition in the market. Finanstilsynet has therefore prepared a proposal for regulatory amendments. Initially, the measures will apply to paid-up policies, but they could also be relevant for defined-benefit pensions and individual pension products with a guaranteed rate of return. The Norwegian Ministry of Finance submitted the proposals for public consultation in January 2020.

PSD2 AND OPEN BANKING

The EU's revised payment services directive, PSD2, has now entered into force in Norway. The directive was mainly implemented in the Norwegian Financial Institutions Act and the Payment Services Regulations in March 2019. The technical regulations for secure customer authentication came into force on 14 September 2019, and this, in effect, marked the start of the provision of third-party services related to account information and account-to-account payments in Norway. So far, interest seems to be limited among potential providers as well as consumers. This is in line with the experience in markets where developments have progressed further. DNB is actively working to position the bank with a view to protecting its existing business operations, while making the most of the potential and reducing the disadvantages of Open Banking.

REGULATORY SANDBOX ESTABLISHED TO FACILITATE INNOVATION

Finanstilsynet has created a regulatory sandbox for the fintech industry. The sandbox will give businesses the opportunity to test new products and services on a small scale under close supervision by Finanstilsynet, the aim being that the sandbox will contribute to technological innovation and the entry of more new players in the market. The sandbox is also intended help enhance Finanstilsynet's understanding of new technological solutions and business models, and make it easier to identify potential risks or the need for regulatory changes at an early stage.

TAX ADVISERS' DISCLOSURE OBLIGATION AND DUTY OF CONFIDENTIALITY

In the Official Norwegian Report NOU 2019:15, the so-called Skatterådgiverutvalget (tax advisers committee) proposes that a disclosure obligation be imposed towards the Norwegian tax authorities. The disclosure obligation shall apply to both tax advisers and customers, who are thus obliged to disclose information about tax arrangements that pose a risk of aggressive tax planning, in line with international recommendations (BEPS). The committee proposes to implement this in Norway in the same manner as in the EU, to a large extent based on the EU Council Directive DAC 6. The proposal is comprehensive and will primarily have consequences for lawyers, accountants and others who offer tax advice. Financial institutions may also become subject to the disclosure obligation. In addition, the committee has proposed that correspondence between in-house lawyers and their clients shall no longer be subject to legal privilege. The proposals have been circulated for public comment and are now being considered by the Ministry of Finance.

NEW SECURITY ACT MAY RESULT IN STRICTER SECURITY MEASURES

The new Security Act entered into force on 1 January 2019. In accordance with the act, the ministries have been responsible for designating so-called basic national functions ('grunnleggende nasjonale funksjoner', GNFs) in the course of 2019, and for identifying companies within their respective sectors that fulfil such functions. The government has announced that a proposal will be presented in the spring of 2020.

Macroeconomic developments

The escalation of trade barriers between China and the US was a contributing factor to weaker growth in the two economies in 2019. This had a negative impact on the rest of the world and contributed to weaker global growth. DNB believes growth will slow further to 2.8 per cent in 2020, the weakest year since 2001 (apart from the financial crisis). Eurozone economies have seen a sharp decline, not only as a result of the trade war, but also because of a downturn in the German automotive industry. In the UK, the economy is still characterised by the uncertainty over Brexit. The United Kingdom did leave the EU on 31 January 2020 with a transitional agreement, but negotiations on a trade agreement will be demanding and the economy will probably continue to be characterised by persistent uncertainty.

The central banks have responded to the weak economic development with a more expansionary monetary policy. The US Federal Reserve cut interest rates three times in 2019, while the European Central Bank announced a package of interest rate cuts and new quantitative easings. Monetary policy is likely to remain expansionary in the years ahead, but has already been stretched with both negative interest rates and large bond purchases in some economies. There is a risk that fiscal policy stimuli will be necessary. Improved economic key figures towards the end of 2019 may indicate that the need for further stimuli has been somewhat reduced.

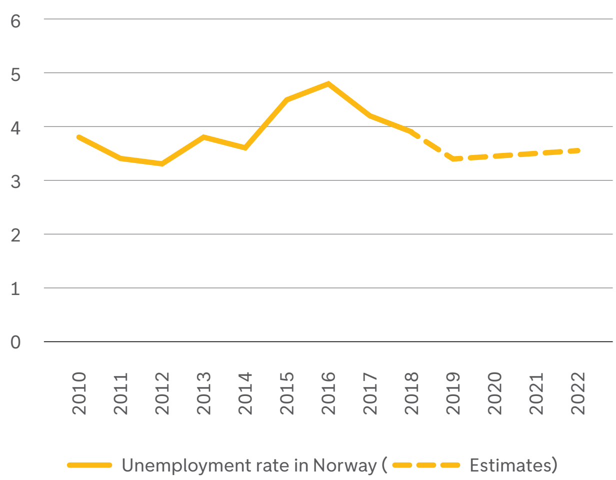
The positive development in the Norwegian economy continued into the fourth quarter of 2019, and the Norwegian economy

Annual wages and influation

Percentage change from previous year

Unemployment rate

Per cent



is currently experiencing a boom. It is modest in strength and duration, however, and primarily driven by positive growth impulses from oil investments. The outlook for oil investment in 2020 is considerably weaker because several large projects are moving towards completion without projects of similar scope taking over. Combined with weaker growth for our trading partners, this contributes to a slowdown in the Norwegian economy in 2020 and a slight drop below normal (which DNB Markets estimates at approximately 1.75 per cent) the following year.

Good growth in employment in recent years has helped reduce unemployment to a low level in the historical context. DNB expects unemployment to remain low in 2020, but increase modestly over the next couple of years. Wage growth is projected at just over 3 per cent in the forecast period, which is from 2019 to 2023.. A weak Norwegian krone will contribute to an inflation close to the target of 2 per cent this year, but the moderate wage growth leads us to believe that price inflation will decrease to slightly below the target in the coming years. Lower electricity prices will also help to curb inflation somewhat.

Due to low unemployment, a weak krone and inflation close to the target, Norges Bank has raised interest rates four times in just over a year, most recently to 1.50 per cent in September 2019. At the same time, the central bank signalled that the interest rate peak has most likely been reached. This message was reiterated at the monetary policy meeting in December, and DNB expects the key policy rate to remain at the current level in the years ahead.

Housing price growth was moderate in 2019, while the turnover remained high. Interest rate rises, a plentiful supply of housing and home loan and consumer loan adjustments have most likely contributed to curbing inflation, while low unemployment and good income growth have kept it up. Looking ahead, DNB expects a slightly weaker economy, but also that the number of new housing units will be somewhat lower than in 2019 and that interest rates will remain at current levels. DNB therefore expects continued moderate inflation in the coming years.

Household credit growth has diminished over the past two to three years, and is now approaching the income growth. Mortgage and consumer loan regulations, as well as the establishment of the debt register in the summer of 2019, have most likely contributed to this decline. A more moderate rise in housing prices and slightly higher interest rate levels in the past year have probably also been contributing factors. Due to continued moderate housing price growth and a continuation of regulations, we expect credit growth to slow down somewhat in the coming years.

Future prospects

On the Capital Markets Day in November, DNB announced that a return on equity (ROE) of more than 12 per cent remains the overall financial target for DNB. Several factors will contribute to reaching the ROE target: increased net interest income, growth in commissions and fees from capital-light products combined with a number of cost control initiatives. Growth in income is expected to exceed growth in costs. In addition, DNB will focus on capital efficiency based on the new CRR/CRD IV capital requirements implemented in Norway, effective as of year-end 2019.

The increase in Norges Bank's key policy rate from 1.25 per cent to 1.50 per cent in September, followed by DNB's announcement of increased interest rates effective from November, will have full effect in the first quarter of 2020.

Between 2020 and 2022, the annual increase in lending and deposit volumes is expected to be between 3 and 4 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 have a cost/income ratio below 40 per cent.

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

At the end of 2019, the current common equity Tier 1 capital ratio requirement for DNB was 17.1 per cent, including a management buffer (Pillar 2 Guidance) of 1.0 per cent, while the actual figure achieved was 18.6 per cent. DNB's ambition is to have a common equity Tier 1 capital ratio of around 17.9 per cent (including a management buffer). The second phase of the investment in Fremtind was concluded in January 2020, and a 5.0 per cent increase in ownership to 40 per cent is expected during the first quarter of 2020. These transactions will reduce the common equity Tier 1 capital ratio by 0.2 percentage points.

The Group's dividend policy is unchanged, with a payout ratio of more than 50 per cent in cash dividends and an ambition of an increase in the nominal dividend per share each year. In addition to dividend payments, repurchases of own shares will be used as a flexible tool to allocate excess capital to DNB's owners.

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. DNB is well capitalised and fulfils the regulatory requirements in addition to having an adequate buffer.

When considering the dividend proposal for 2019, the Board of Directors has taken into account the capitalisation requirements and the Group's ambition to have a dividend payout ratio of more than 50 per cent. The Board of Directors has thus proposed a dividend for 2019 of NOK 9.00 per share. The proposed dividend gives a dividend yield of 5.5 per cent based on a share price of NOK 164.00 as at 31 December 2019, and corresponds to a payout ratio of around 57 per cent. A dividend of NOK 8.25 per share was paid for 2018.

In connection with the satisfactory attainment of the Group's financial targets, the Board of Directors has decided to make allocations of NOK 257 million to the Group's employees.

ALLOCATIONS

Profits for 2019 in DNB ASA came to NOK 28 455 million, compared with NOK 13 327 million in 2018. The profits for 2019 can mainly be attributed to the transfer of Group contributions and dividends from subsidiaries.

Amounts in NOK million	2019	2018
Profit for the year	28 455	13 327
Proposed dividend per share (NOK)	9.00	8.25
Share dividend	14 035	13 105
Transfers to other equity	14 420	222
Total allocations	28 455	13 327

In view of the DNB Group's capital adequacy ratio of 22.9 per cent and common equity Tier 1 capital ratio of 18.6 per cent at year-end 2019, the Board of Directors is of the opinion that, following the proposed allocations, DNB ASA will have adequate financial strength and flexibility to provide sufficient support to operations in subsidiaries and meet the Group's expansion requirements and changes in external parameters.

Oslo, 4 March 2020
The Board of Directors of DNB ASA

Olaug Svarva
(Chair of the Board)

Tore Olaf Rimmereid
(Vice Chair of the Board)

Karl-Christian Agerup

Gro Bakstad

Carl A. Løvvik

Jorunn Løvås

Jaan Ivar Semlitsch

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

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DNB Group

Income statement

Amounts in NOK million	Note	2019	DNB Group 2018
Interest income, amortised cost	18	60 225	52 621
Other interest income	18	5 123	5 039
Interest expenses, amortised cost [1)]	18	(23 661)	(18 792)
Other interest expenses [1)]	18	(2 486)	(2 046)
Net interest income	18	**39 202**	**36 822**
Commission and fee income	20	13 484	13 235
Commission and fee expenses	20	(3 768)	(3 925)
Net gains on financial instruments at fair value	21	3 183	1 342
Net financial result, life insurance	1	696	574
Net risk result, life insurance		433	395
Net insurance result, non-life insurance	1		622
Profit from investments accounted for by the equity method	36	410	314
Net gains on investment properties	35	92	62
Other income		1 126	926
Net other operating income		**15 655**	**13 546**
Total income		**54 857**	**50 368**
Salaries and other personnel expenses	22	(12 603)	(11 864)
Other expenses	23	(7 472)	(7 789)
Depreciation and impairment of fixed and intangible assets	24	(3 058)	(2 404)
Total operating expenses		**(23 133)**	**(22 057)**
Pre-tax operating profit before impairment		**31 724**	**28 311**
Net gains on fixed and intangible assets		1 703	529
Impairment of financial instruments	8, 9, 10	(2 191)	139
Pre-tax operating profit		**31 235**	**28 979**
Tax expense	1, 26	(5 465)	(4 493)
Profit from operations held for sale, after taxes		(49)	(204)
Profit for the year		**25 721**	**24 282**
Portion attributable to shareholders		24 603	23 323
Portion attributable to non-controlling interests		(5)	
Portion attributable to additional Tier 1 capital holders		1 123	959
Profit for the year		**25 721**	**24 282**
Earnings/diluted earnings per share (NOK)	48	15.54	14.56
Profit for the year as a percentage of total assets		0.88	0.88

1) *The presentation of interest income from derivatives has been changed as of 31 December 2019. Figures in previous periods have been restated correspondingly. See Note 1 Accounting principles for more information.*

Comprehensive income statement

		DNB Group
Amounts in NOK million	2019	2018
Profit for the year	**25 721**	**24 282**
Actuarial gains and losses	(3)	(117)
Property revaluation	278	(21)
Items allocated to customers (life insurance)	(278)	21
Financial liabilities designated at FVTPL, changes in credit risk [1)]	232	221
Tax	(63)	(18)
Items that will not be reclassified to the income statement	165	86
Currency translation of foreign operations	462	1 309
Currency translation reserve reclassified to the income statement		(2)
Hedging of net investment	(459)	(1 060)
Hedging reserve reclassified to the income statement		1
Financial assets at fair value through OCI	59	
Tax	(208)	265
Items that may subsequently be reclassified to the income statement	(147)	512
Other comprehensive income for the year	**19**	**599**
Comprehensive income for the year	**25 740**	**24 881**

1) *The measurement category for debt securities issued in Norwegian kroner with floating rates has been changed from FVTPL to amortised cost as of 31 December 2019. A gain of NOK 251 million before tax (NOK 188 million after tax) has been recognised in the Comprehensive income statement, due to the correction. Comparative information has not been restated. The correction does not impact the CET1 capital ratio.*

Balance sheet

			DNB Group
Amounts in NOK million	Note	31 Dec. 2019	31 Dec. 2018
Assets			
Cash and deposits with central banks	27, 28, 29	304 746	155 592
Due from credit institutions	9, 10, 27, 28, 29, 30	102 961	130 146
Loans to customers	9, 10, 27, 28, 29, 30	1 667 189	1 597 758
Commercial paper and bonds	27, 28, 29, 33	376 323	409 328
Shareholdings	27, 29, 31, 33	36 247	39 802
Financial assets, customers bearing the risk	27, 29, 34	98 943	77 241
Financial derivatives	15, 27, 29, 30	125 076	124 755
Investment properties	35	17 403	16 715
Investments accounted for by the equity method	36	16 559	16 362
Intangible assets	37	5 454	5 455
Deferred tax assets	26	1 224	996
Fixed assets	38	19 098	9 240
Assets held for sale		1 274	5 044
Other assets	40	20 798	46 469
Total assets		**2 793 294**	**2 634 903**
Liabilities and equity			
Due to credit institutions	27, 28, 29, 30	202 782	188 063
Deposits from customers	27, 28, 29, 30, 41	969 557	927 092
Financial derivatives	15, 27, 29, 30	115 682	110 116
Debt securities issued	27, 28, 29, 42	870 170	801 918
Insurance liabilities, customers bearing the risk	17, 34	98 943	77 241
Liabilities to life insurance policyholders	17	206 876	204 280
Non-life insurance liabilities	17		
Payable taxes	26	10 710	2 461
Deferred taxes	26	48	4 216
Other liabilities	27, 44	39 125	55 424
Liabilities held for sale		423	3 037
Provisions		1 726	2 536
Pension commitments	25	3 903	3 472
Subordinated loan capital	27, 28, 29, 43	31 095	31 082
Total liabilities		**2 551 038**	**2 410 937**
Additional Tier 1 Capital		26 729	16 194
Non-controlling interests		45	
Share capital		15 706	15 944
Share premium		22 609	22 609
Other equity		177 167	169 220
Total equity	45	**242 255**	**223 966**
Total liabilities and equity		**2 793 294**	**2 634 903**

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 1 January 2018		**16 180**	**22 609**	**16 159**	**4 550**	**(342)**	**155 961**	**215 118**
Profit for the year				959			23 323	24 282
Actuarial gains and losses							(117)	(117)
Financial liabilities designated at FVTPL, changes in credit risk						221		221
Currency translation of foreign operations					1 307			1 307
Hedging of net investment					(1 060)			(1 060)
Tax on other comprehensive income					265	(55)	37	247
Comprehensive income for the year				959	512	166	23 244	24 881
Compensation for natural damage, other changes in reserves, non-life insurance							(3)	(3)
Interest payments additional Tier 1 capital				(892)				(892)
Currency movements taken to income				(32)			32	
Repurchased under share buy-back programme		(237)					(3 451)	(3 688)
Dividends paid for 2017 (NOK 7.10 per share)							(11 450)	(11 450)
Balance sheet as at 31 December 2018		**15 944**	**22 609**	**16 194**	**5 063**	**(176)**	**164 333**	**223 966**
Profit for the year	(5)			1 123			24 603	25 721
Actuarial gains and losses							(3)	(3)
Financial assets at fair value through OCI							59	59
Financial liabilities designated at FVTPL, changes in credit risk						232		232
Currency translation of foreign operations	0				462			462
Hedging of net investment					(459)			(459)
Tax on other comprehensive income					(194)	(58)	(20)	(271)
Comprehensive income for the year	(4)			1 123	(191)	174	24 638	25 740
Additional Tier 1 capital issued				10 474			(39)	10 436
Interest payments additional Tier 1 capital				(1 052)				(1 052)
Currency movements taken to income				(10)			10	
Non-controlling interests DNB Auto Finance OY	49							49
Repurchased under share buy-back programme		(238)					(3 540)	(3 778)
Dividends paid for 2018 (NOK 8.25 per share)							(13 105)	(13 105)
Balance sheet as at 31 December 2019	**45**	**15 706**	**22 609**	**26 729**	**4 872**	**(2)**	**172 297**	**242 255**

Cash flow statement

	DNB Group	
Amounts in NOK million	2019	2018
Operating activities		
Net payments on loans to customers	(71 034)	(52 811)
Interest received from customers	57 236	62 596
Net receipts/(payments) on deposits from customers	41 353	(52 122)
Interest paid to customers	(11 181)	(17 319)
Net receipts on loans to credit institutions	41 486	71 943
Interest received from credit institutions	3 640	4 082
Interest paid to credit institutions	(4 286)	(3 783)
Net receipts/(payments) on the sale of financial assets for investment or trading	(17 531)	38 095
Interest received on bonds and commercial paper	5 049	3 861
Net receipts on commissions and fees	9 414	9 118
Payments to operations	(18 136)	(21 279)
Taxes paid	(2 022)	(4 785)
Receipts on premiums	14 446	14 902
Net payments on premium reserve transfers	(625)	(405)
Payments of insurance settlements	(13 523)	(15 525)
Other net payments	(4 313)	(5 545)
Net cash flow from operating activities	**29 974**	**31 024**
Investment activities		
Net payments on the acquisition of fixed assets	(2 599)	(2 283)
Net receipts/(payments) on investment properties	(271)	19
Net disposal/(investment) in long-term shares	3 260	(292)
Dividends received on long-term investments in shares	1 140	13
Net cash flow from investment activities	**1 530**	**(2 543)**
Funding activities		
Receipts on issued bonds and commercial paper (see note 42)	1 097 101	1 115 987
Payments on redeemed bonds and commercial paper (see note 42)	(954 715)	(1 109 463)
Interest payment on issued bonds and commercial paper	(16 908)	(14 193)
Receipts on the raising of subordinated loan capital (see note 43)	9	9 419
Redemptions of subordinated loan capital (see note 43)	(9)	(8 542)
Interest payments on subordinated loan capital	(413)	(579)
Receipts on issue of additional Tier 1 capital	10 436	
Interest payments on additional Tier 1 capital	(1 052)	(892)
Lease payments	(442)	
Repurchased shares	(3 778)	(3 688)
Dividend payments	(13 105)	(11 450)
Net cash flow from funding activities	**117 123**	**(23 401)**
Effects of exchange rate changes on cash and cash equivalents	**(174)**	**97**
Net cash flow	**148 453**	**5 176**
Cash as at 1 January	159 298	154 122
Net receipts/payments of cash	148 453	5 176
Cash as at 31 December *)	307 751	159 298

**) Of which: Cash and deposits with central banks*	*304 746*	*155 592*
Deposits with credit institutions with no agreed period of notice 1)	*3 006*	*3 706*

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

NOTE 1 Accounting principles

1. Corporate information

DNB ASA is a Norwegian public limited company listed on the Oslo Stock Exchange (Oslo Børs). The consolidated financial statements for 2019 were approved by the Board of Directors on 4 March 2020.

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 2019 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

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

The following new standards were adopted with effect from 1 January 2019:

IFRS 16 Leases

IFRS 16 Leases has been effective from 1 January 2019 when it replaced IAS 17 Leases. IFRS 16 establishes significant new accounting requirements for lessees, while the requirements for lessors are more or less unchanged. For lessees, IFRS 16 eliminates the distinction between operating and finance leases as is required by IAS 17, and instead introduces a single lessee accounting model. When applying the new model, DNB recognises a liability representing lease payments (lease liability) and an asset representing the right to use the underlying asset during the lease term (right-of-use asset). In the income statement, depreciation of the right-of-use assets will be recognised separately from interest on lease liabilities and together these replace lease expenses under IAS 17. DNB has decided on the following policy choices and practical expedients upon implementation:

- to apply a single discount rate to leases with similar characteristics
- to apply the low value exception (primarily for office equipment)
- to not recognise non-lease components in the lease liability
- to rely on the assessment of onerous contracts using IAS 37 immediately before the date of initial application. The right-of-use asset on initial application has been adjusted to reflect the provision for onerous contracts.
- to apply the modified retrospective approach for transition to IFRS 16, meaning that the Group will not restate the comparatives for 2018. Right-of-use assets and lease

NOTE 1 Accounting principles (continued)

- liabilities will be measured at the same amount, taking into consideration prepayments, accruals and provisions recognised as of 31 December 2018.

The major part of DNB’s lease liabilities arises from leases on commercial real estate in addition to some IT equipment. Within real estate, the most significant liabilities are related to head offices in Norway and DNB’s international offices. The total lease liabilities and right-of-use assets as at 1 January 2019 was NOK 6 billion.

The right-of-use-asset is assigned a risk weight of 100 per cent, and the impact on the CET1 ratio was approximately 8 basis points (negative). The impact on profit and loss will vary over time, but the combination of interest and depreciation expenses from IFRS 16 is expected to be slightly higher than the lease expenses from IAS 17 at the start of the lease term and lower towards the end.

The weighted average incremental borrowing rate upon implementation was 2.3 per cent. There are no material differences between the leasing commitments under IAS 17 at 31 December 2018 discounted using the incremental borrowing rate, and the lease commitment recognised at 1 January 2019 under IFRS 16.

4. Consolidation

The consolidated financial statements for DNB ASA ("DNB") include DNB Bank ASA, DNB Livsforsikring AS and DNB Asset Management Holding AS, all including subsidiaries. As of January 2019, DNB Forsikring AS is no longer a subsidiary of DNB ASA.

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
- 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 represent less than half of the rights, DNB makes an assessment of whether other factors indicate de facto control.

Subsidiaries are fully consolidated from the date on which control is obtained and until control ceases.

The non-controlling interests that do not meet the definition of equity are classified as financial liabilities in the balance sheet (Other liabilities).

Consolidation of structured entities

The Group engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

DNB (represented by DNB Livsforsikring) invests in both investment funds where DNB Asset Management is the fund manager and investment funds managed by unrelated asset managers. The principal uses of structured entities are to provide customers with access to specific portfolios of assets, especially in the insurance business. Fund managers apply various investment strategies to accomplish their respective investment objectives. Most of the investment funds finance their operations by issuing redeemable shares which are redeemable at the holder’s option and entitle the holder to a proportional stake in the respective fund’s net assets. DNB’s investment strategy entails trading in funds on a regular basis, with the objective to achieve long-term capital growth.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicate that the structured entities are controlled by the Group due to contractual arrangements.

See note 31 Shareholdings for information about unconsolidated structured entities.

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, but is not 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 is recognised in the income statement and added to the cost price of the investment along with other changes in equity which have not been reflected in the income statement. 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

NOTE 1 Accounting principles (continued)

is eliminated. The same applies to unrealised losses unless the transaction indicates an impairment of the transferred assets.

Conversion of transactions in foreign currency

The presentation currency in the Group's consolidated financial statements is Norwegian kroner. The most significant subsidiary in the Group, DNB Bank ASA, has Norwegian kroner as its functional currency. Balance sheet items of foreign branches and subsidiaries in other functional currencies are translated into the presentation currency, Norwegian kroner, according to the exchange rates prevailing on the balance sheet date, while profit or loss items are translated according to exchange rates on the transaction date. Changes in net assets resulting from exchange rate movements are recognised in other comprehensive income.

Monetary assets and liabilities in foreign currency are translated into the entities' functional currency at the exchange rates prevailing on the balance sheet date. Changes in the carrying amount of such assets due to exchange rate movements between the transaction date and the balance sheet date are recognised within the line item "Net gains on financial instruments at fair value" in the income statement.

5. Operations presented as held for sale

The Group classifies operations as held for sale when the carrying amount will be retrieved through a sale. Operations are classified as held for sale from the time management has approved a concrete plan to sell the operations in their current form and it is highly probable that the sale will take place shortly.

Subsidiaries which are acquired with a view to their subsequent sale, including companies taken over as part of loan restructuring, are immediately classified as assets held for sale if the Group intends to sell the subsidiary.

Operations held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Acquired operations which are immediately classified as held for sale are recorded at fair value less costs to sell upon initial recognition.

Profits after taxes for such operations, which meet the criteria for "discontinued operations" in IFRS 5, are presented separately as "Profit from operations held for sale, after taxes" in the consolidated accounts. Total assets and liabilities from these operations are presented separately under "Assets held for sale" and "Liabilities held for sale" in the Group's balance sheet.

6. 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 2 Segments for further information about the principles for allocation of capital.

7. 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

NOTE 1 Accounting principles (continued)

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 8. Financial instruments while net income from investment property is described under 9. 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.

8. 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 derecogntion. 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.

Repurchase and reverse repurchase agreements

Securities purchased under agreements to resell are generally not recognised in the financial statements as the risk and returns are normally not taken over by the Group. This is done irrespective of whether the Group has the right to sell or repledge the securities. Upon the sale of securities received, the Group recognises an obligation in the balance sheet. For more information, see note 33 Securities received which can be sold or repledged.

Securities sold under agreements to repurchase are generally not derecognised as the risk and returns are normally not transferred. This is done irrespective of whether the recipient is entitled to sell or repledge the securities. These securities are presented as securities in the Group's balance sheet and are specified in note 32 Transferred assets or assets with other restrictions.

Securities borrowing and lending agreements

Transactions mainly include equity borrowing or lending. Agreements on securities borrowing and lending are generally based on collateral in the form of cash or securities.

Equities which have been received or transferred in such transactions, are generally not recognised or derecognised, as risks and returns associated with ownership of the assets are normally not taken over or transferred.

Equities received, including equities received as collateral, are registered off the balance sheet irrespective of whether the Group has the right to sell or repledge the securities. Upon the sale of securities received, the Group will recognise an obligation in the balance sheet. For more information, see note 33 Securities received which can be sold or repledged.

Transferred equities and collateral which the recipient is entitled to sell or repledge, are presented as equities or securities in the Group's balance sheet and are specified in note 32 Transferred assets or assets with other restrictions.

Classification and presentation

Financial assets are classified in one of the following measurement categories:

- amortised cost
- fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVTPL)

The classification of financial assets depends on two factors:

- the business model of the portfolio to which the financial asset belongs
- the contractual cash flow characteristics of the financial asset

When determining the business model, the Group assesses at portfolio level how the business is managed, sales activities, risk management and how information is provided to the executive management. The business model assessment has been performed for each business area. The portfolios belonging to the customer areas are held within a business model whose objective is to hold the assets and collect the contractual cash flows, while there are several different business models for the portfolios belonging to the product area Markets. For instance, the business model for the liquidity portfolio in Markets is to both hold the assets to collect the contractual cash flows and to sell the assets. However, the portfolio is designated at fair value through profit or loss in order to reduce an accounting mismatch.

A contractual cash flow characteristics test is performed on initial recognition of financial assets. Financial assets with cash flows that are solely payments of principal and interest (SPPI) pass the test if the interest only compensates for the time value of money, credit risk, liquidity risk, servicing and administrative costs and a profit margin.

Financial liabilities are classified at amortised cost, except for financial liabilities that are required to be measured at fair value through profit or loss or designated at fair value through profit or loss.

Financial assets may irrevocably be designated at fair value through profit or loss on initial recognition if the following criterion is met:

NOTE 1 Accounting principles (continued)

- The classification eliminates or significantly reduces measurement or recognition inconsistency that otherwise would arise from measuring financial assets or recognising the gains and losses on them on different bases.

Financial liabilities may also irrevocably be designated at fair value through profit or loss on initial recognition if the criterion above is fulfilled or one of the following:

- The financial instruments are part of a portfolio that is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The host contract contains one or more embedded derivatives.

Financial assets measured at amortised cost

Investments in financial assets, which are not designated at fair value through profit or loss, are measured at amortised cost if both of the following conditions are met:

- The assets are held within a business model whose objective is to hold the asset and collect the contractual cash flows.
- The contractual cash flows represent solely payment of principal and interest.

Financial assets measured at amortised cost are initially recognised at fair value plus any directly attributable transaction costs. Subsequent measurement follows the effective interest method, less impairment. Impairment losses and reversals are measured based on a three-stage expected credit loss model. This model is described under Expected credit loss measurement.

A change in expected credit loss allowance for financial assets measured at amortised cost on the balance sheet date is presented under “Impairment of financial instruments” in the income statement.

Interest income on financial instruments classified in this category is presented under “Interest income, amortised cost” using the effective interest method.

This category mainly comprises loans to customers, cash and deposits, receivables, reverse repurchase agreements and bond investments.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are initially recognised at fair value minus any directly attributable transaction costs. Interest expenses on such instruments are presented under “Interest expense, amortised cost” using the effective interest method.

This category includes deposits from customers and credit institutions, repurchase agreements, issued commercial paper and bonds, subordinated loan capital and perpetual subordinated loan capital securities.

Financial assets measured at fair value through other comprehensive income

Investments in financial assets, which are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income if both of the following conditions are met:

- The assets are held within a business model whose objective is to both hold the asset to collect the contractual cash flows and to sell the asset.
- The contractual cash flows represent solely payment of principal and interest.

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

NOTE 1 Accounting principles (continued)

recognised in other comprehensive income. See 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 on the line “Additional Tier 1 Capital” within the Group’s equity. Transaction expenses and accrued interest are presented as a reduction in “Other equity”, while the advantage of the tax deduction for the interest will give an increase in “Other equity”.

Equity in foreign currency shall be converted to Norwegian kroner based on the exchange rate on the transaction date and is not subject to subsequent revaluation.

Offsetting

Financial assets and financial liabilities are offset and presented net in the balance sheet when the Group has a legally enforceable right to offset recognised amounts and has agreed to settle the balances on a net basis or to realise the asset and settle the liability simultaneously. Master netting agreements or similar agreements give the right to offset in the event of default. Such agreements reduce the Group’s exposure in the event of default, but do not on their own qualify for offsetting in accordance with IFRS, as there also needs to be an intention to settle the contractual cash flows net on an ongoing basis. See note 30 Offsetting for details about the financial assets and financial liabilities subject to offsetting agreements.

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

NOTE 1 Accounting principles (continued)

In the valuation of OTC derivatives, a fair value adjustment is made for the counterparty's credit risk (CVA) and for the Group's own credit risk (DVA). In addition, an adjustment is made for expected funding costs (FVA). Adjustments are made based on the net exposure towards each counterparty for CVA and DVA, and towards a funding netting set for FVA.

The Group estimates CVA as a function of a simulated expected positive exposure, the counterparty's probability of default and loss given default. The majority of the Group's derivative counterparties have no market-implied credit spread and no external rating. Internal ratings are therefore combined with historical credit default swap (CDS) spreads as well as current CDS index prices to arrive at the counterparty's estimated CDS spreads. This means that the Group uses its own credit models and their discriminatory power, but calibrates against pricing levels for similar credit risk in the market. The DVA is based on the same approach, using an assessment of DNB's credit spread.

FVA reflects the estimated present value of the future funding costs associated with funding uncollateralised derivative exposures. It is calculated by applying a market funding spread to the expected exposure. Funding benefits are not estimated for positions for which DNB calculates DVA.

For financial instruments measured by using valuation techniques, a gain or loss might from time to time occur at initial recognition when the estimated fair value is different from the actual transaction price. When the measurement is based on non-observable input parameters (level 3), the gain or loss is deferred and therefore not recognised at day one. Fair value changes in later period are only recognised to the extent the change is caused by factors that market participants would take into account.

Expected credit loss measurement (ECL)

The expected credit loss model estimates impairment on the following instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments
- lease receivables
- issued financial guarantee contracts
- loan commitments.

The Group measures ECL at each reporting date for these instruments, reflecting:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- the time value of money
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The Group measures a loss allowance at an amount reflecting lifetime ECL for all instruments that have been subject to a significant increase in credit risk since initial recognition. Instruments for which there has been no significant change in risk, a 12-month expected credit loss is recognised.

Please refer to note 5 Measurement of expected credit loss for more information on the methodology for estimating expected credit loss.

<u>Repossession of assets</u>

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 applied hedge accounting according to IFRS 9 Financial instruments as of 1 January 2019.

In the DNB Group both derivative and non-derivative instruments are used to manage exposures to interest rate risk and foreign exchange risk. Hedge accounting is applied to economic hedge relationships in order to reduce or eliminate an accounting mismatch. Fair value hedge accounting is applied to hedges of interest rate risk on issued debt in foreign currency and a portfolio of bond investments. Net investment hedge is applied to currency translation of investments in foreign operations. See note 15 Financial derivatives and hedge accounting for more information.

<u>Fair value hedge of interest rate risk</u>

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.

<u>Net investment hedge of investments in foreign operations</u>

DNB hedges investments in foreign subsidiaries to eliminate the foreign currency exposure that arises when a subsidiary has a

NOTE 1 Accounting principles (continued)

different functional currency from that of the Group. The amount of the investment varies as a result of fluctuations in spot exchange rates between the functional currency of the subsidiaries and the Group's functional currency. This risk is hedged, since it may have significant financial impact on the Group's financial statements.

Foreign currency borrowings are used as hedging instruments. At the inception of the hedge, there is a qualitative assessment of hedge effectiveness. Hedge designations are reassessed on a quarterly basis. Hedge effectiveness is periodically assessed by comparing changes in the carrying amount of the foreign currency borrowings that are attributable to a change in spot rate, with changes in the investment in the subsidiary due to movement in the spot rate. The hedges are expected to be highly effective, since the investments are hedged with instruments in the same currency and with an amount corresponding to the size of the investment.

Gains or losses after taxes on the hedging instruments are recognised directly in the Group's equity and presented in the statement of changes in equity as "Net investment hedge reserve" and in the comprehensive income statement as "Hedging of net investment".

If a foreign operation is disposed of, the cumulative gains or losses of the hedging instruments recognised in equity is reclassified to the income statement.

9. 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. Therefore, no annual depreciation is made on an investment property. Fair value is determined by using well-acknowledged valuation techniques. Internal and external expertise is used for valuations. A selection of external appraisals are obtained and compared with internal valuations for control purposes. In addition, analyses are made of changes from the previous period, as well as sensitivity analyses of key assumptions which are included in the overall evaluation of the fair value measurement. Providers of valuations are also followed up on an ongoing basis through dialogue and enquiries concerning the valuation of individual properties. Changes in fair value of investment property within life insurance are recognised within the line item "Net financial result, life insurance". Changes in fair value of other investment property in the Group are presented within the line item "Net gains on investment property" in the income statement.

Buildings which are owned by DNB Livsforsikring as part of the company's common portfolio and used by the Group, are recognised according to the revaluation model.

Other tangible assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenses directly related to the acquisition of the asset. Subsequent expenses are capitalised on the relevant assets when it is probable that future economic benefits associated with the expenditure will flow to the Group and can be measured reliably. Expenses for repairs and maintenance are recognised in the income statement as they occur. The residual values and useful lives of the assets are reviewed annually and adjusted if required.

Gains and losses on the sale of fixed assets are recognised within the line item "Net gain on fixed and intangible assets" in the income statement.

10. 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 a need for impairment is considered according to the principles described below.

11. Impairment of fixed and intangible assets

At end of each reporting period the Group considers whether any indication of impairment of fixed or intangible assets exists. If such indication exists, the recoverable amount of the asset is calculated to estimate possible impairment. Goodwill and intangible assets with an indefinite useful life are tested for impairment minimum once a year. DNB has chosen to perform this annual test in the fourth quarter.

The recoverable amount represents the higher of an asset's fair value less costs to sell and its value in use. If the asset's carrying amount exceeds the estimated recoverable amount, the asset is written down to its recoverable amount. See note 37 Intangible assets for description of impairment testing.

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

- a decline in the asset's market value
- changes in the long-term return requirement which may affect the discount rate used in the calculation of the asset's value in use
- plans to restructure or liquidate the asset
- the asset generates less income than anticipated

Calculations of value in use are based on historical results and plan figures approved by management. On the basis of plan figures for the cash-generating units, a future cash flow is estimated, defined as the potential return to the owner. The return includes profits from the cash-generating unit adjusted for the need to build sufficient capital to meet expected future capital adequacy requirements. Higher capital requirements due to expanded operations could make it necessary to retain part of the profits or to

NOTE 1 Accounting principles (continued)

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.

12. 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 defined-benefit pension and paid-up policies. The annual return is reviewed in connection with year-end adjustments. The risk equalisation fund is classified as equity in the balance sheet.

The premium fund contains premiums prepaid by policyholders within individual and group pension insurance. A share of annual profits is allocated to the pensioners' surplus fund. The fund is used to strengthen the premium reserve for pensioners in connection with adjustments in pension payments.

Liabilities, customers bearing the risk

Allocations relating to insurance liabilities for which customers bear the risk represent the market value of invested policyholders' funds at any given time. The reserve covers a share of the surplus on the risk result and the guaranteed rate of return on the portfolio of products with a choice of investment profile and should correspond to expected payments from the company to customers reaching retirement age.

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 adequacy test is susceptible to changes in the interest rate curve as well as to assumptions for increased reserves to reflect higher life expectancy. The test is described in more detail in note 17 Insurance risk.

Recognition of changes in liabilities to policyholders

Insurance premiums and insurance settlements are recognised by the amounts earned and accrued during the year. Accrual of premiums earned takes place through allocations to the premium reserve in the insurance fund.

Insurance contracts transferred from other companies are recognised at the time the insurance risk is transferred. If the risk is transferred as at 31 December, it is reflected in the financial statement for the subsequent year. Transfer amounts include the policies' shares of additional allocations, the market value adjustment reserve and profits for the year.

Recognition in the income statement

The line item "Net financial result, life insurance" includes returns and gains less all losses, adjusted for allocations to or elimination of the market value adjustment reserve. In addition, it includes the company's guaranteed rate of return on policyholders' funds and policyholders' share of profits including changes in additional allocations. If changes in the value of owner-used properties owned by DNB Livsforsikring as part of the company's common portfolio are recognised in other comprehensive income, a corresponding share

NOTE 1 Accounting principles (continued)

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.

Technical insurance reserves in non-life insurance

Technical insurance reserves are presented in the financial statement pursuant to the Act on Insurance Activity with appurtenant regulations. This implies that the technical insurance reserves in the financial statement represent the gross unearned premium reserve in the annul accounts.

The gross unearned premium reserves represent accrual accounting of gross premiums written. The reserve corresponds to that part of gross premiums written which represents the remaining term of insurance policies on the balance sheet date.

The claims reserve shall cover anticipated future compensation payments for claims which have been incurred, but not fully settled on the balance sheet date. This includes both reported but not settled claims (RBNS) and incurred but not reported claims (IBNR). Reserves relating to known claims are assessed individually by the claims settlement team, while IBNR reserves are based on empirical data, using statistical models to estimate the scope of subsequent claims. In addition, there is a reserve for future claims processing costs linked to the RBNS and IBNR reserves. The accuracy of the model is measured by estimating differences between previous subsequent claims estimated by the model. The claims reserve is discounted by using industry-specific inflation assumptions, such as developments in the basic amount (G), KPI and the risk-free interest rate from EIOIPA.

Recognition in the income statement

"Net insurance result, non-life insurance" includes premium income for own account. Insurance premiums are recognised as income in accordance with the insurance period. In addition, it includes the cost of claims for own account and costs related to the processing of claims. The cost of claims comprises paid gross compensation payments and changes in gross claims reserves, excluding the reinsurance share.

13. Pensions

DNB has country-specific pension schemes for its employees. In Norway, DNB has a defined-contribution pension scheme. See note 25 Pensions for more information.

Defined-contribution pension schemes

Under defined-contribution pension schemes, the Group does not commit itself to paying specified future pension benefits, but makes annual contributions to the employees' pension savings. Future pensions will depend on the size of annual contributions and the annual return on pension savings. After paying annual contributions, the Group has no further commitments linked to employees' work performance. The expenses following from the defined-contribution pension schemes are recognised in the income statement

Defined-benefit pension schemes

Pension expenses are calculated based on a linear distribution of pension entitlements measured against estimated accumulated commitments at the time of retirement. Pension commitments are matched against the pension funds in the schemes. Pension commitments are estimated based on the present value of estimated future pension payments at the balance sheet date. The calculation of the pension commitments is based on actuarial and economic assumptions about life expectancy, rise in salaries and early retirement. The discount rate used is determined by reference to the yield on covered bonds at the balance sheet date, plus an add-on that reflects the relevant duration of the pension commitments.

14. Income tax

Taxes for the year comprise payable taxes for the financial year, any payable taxes for previous years and changes in deferred taxes on temporary differences. Temporary differences are differences between the carrying amount of an asset or liability and the taxable value of the asset or liability

Deferred taxes are calculated on the basis of tax rates and tax rules that are applied on the balance sheet date or are highly likely to be approved and are expected to be applicable when the deferred tax asset is realised or the deferred tax liability settled.

The Group recognises liabilities related to the future outcome of tax dispute based on estimates of changed income taxes. When assessing the recognition of uncertain tax liabilities it is considered if the liability is probable.

Deferred tax assets are recognised in the balance sheet to the extent that it is probable that future taxable income will be available against which they can be utilised. Deferred taxes and deferred tax assets within the same tax group are presented net in the balance sheet.

Taxes payable and deferred taxes relating to elements of other comprehensive income are presented net along with the related income or cost in the comprehensive income statement.

See note 26 Taxes for more information.

15. 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.

16. 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 not an 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. Depreciation of the fixed assets is presented as ordinary depreciation in the income statement.

NOTE 1 Accounting principles (continued)

Financial leases
Financial leases are presented as lending in the balance sheet, and at inception the lease is measured at an amount equal to the net investment in the lease. The net investment represents minimum lease payments, unguaranteed residual values and any direct expenses incurred by the lessor in negotiating the lease, discounted by the implicit interest rate (internal rate of return). Leasing income is recognised in the income statement according to the annuity method, where the interest component is recognised within the line item "Net interest income" while instalments reduce the balance sheet value of the loan.

DNB as lessee

On contract inception, it is assessed whether the contract contains a lease. A lease entails that DNB is given control of an identified asset for a specific period of time against lease payment and receives substantially all the economic benefits of the asset in this period. On contract inception it is also assessed whether parts of the contract relates to non-lease components. For DNB, this will typically be overhead costs and taxes related to the leasing of commercial real estate. Further, DNB has elected not to recognise leases with low value. These are primarily related to office equipment.

On the lease commencement date, a right-of-use asset and a lease liability is recognised. The right-of-use asset is measured at cost on initial recognition. Cost equals the lease liability on initial recognition adjusted for prepayments made before rent commencement, lease incentives received related to the lease agreement, initial direct cost and any prospective cost of restoring the asset to its original state.

After initial recognition, the right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Periodical assessments of indicators of impairment are performed on the right-of-use asset. The right-of-use asset will also be adjusted for certain changes in the lease liability and primarily through the annual index adjustment of lease payments.

At initial recognition, the lease liability is measured as the present value of future lease payments discounted using the incremental borrowing rate. Lease payments consist of fixed payments and variable payments related to index adjustment of the lease. When establishing the lease period, it is assessed whether it can be determined with reasonably certainty if any extension or termination options will be exercised. The incremental borrowing rate reflects the currency of the lease payments and the length of the contract. DNB has elected to use the incremental borrowing rate for leases with similar characteristics such as equal type of asset, equal lease period and similar economic environment.

After initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured following changes in lease payments due to index adjustments, or if DNB changes the assessment of the likelihood that a termination or extension option will be exercised. Adjustments to the lease liability following re-measurement will also adjust the right-of-use asset. If the right-of-use asset is zero, the adjustment is recognised in the income statement.

Right-of-use assets are classified as fixed assets in the balance sheet, while the lease liabilities are classified as other liabilities. In the income statement depreciation from the right of use asset is included in the line item “Depreciation and impairment of fixed and intangible assets”. Interest cost from the lease liability is included in the line item “Interest expenses, amortised cost”. Subleased right of use assets classified as operating leases are classified and measured as investment properties in the balance sheet with changes in fair value presented in the line item “Net gains on investment properties in the income statement”.

17. 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.

18. 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.

19. Approved standards and interpretations that have not entered into force

By the end of 2019 the IASB had published a number of amendments to current regulations which have not entered into force. Below is a description of the amendments which may have impact on the Group’s future reporting.

IFRS 17 Insurance contracts

IFRS 17 Insurance contracts will replace IFRS 4 Insurance contracts and establishes principles for recognition, measurement, presentation and disclosure of insurance contracts. The objective of the new standard is to eliminate inconsistent accounting practices for insurance contracts.

In principle, IFRS 17 shall be applied retrospectively, but a modified retrospective approach or the fair value approach may be applied if retrospective application is impracticable.

The standard has been approved by the IASB and is effective from 1 January 2021. However, in November 2018 IASB proposed a one-year deferral until 2022. On 26 June 2019 IASB also suggested several changes to the standard and it is expected that the changes will be adopted in 2020. The standard has not yet been endorsed by the EU.

DNB is working on the implementation IFRS 17, but it is too early to give a reliable estimate of the expected implementation effect on the Group’s financial statements.

20. 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, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date.

Impairment of financial instruments

See note 4 Credit risk management for information about the management and follow-up of credit risk and note 5 Measurement of expected credit loss for information about methodology for estimating impairment including an assessment of measurement uncertainty.

Fair value of financial derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using different valuation

NOTE 1 Accounting principles (continued)

techniques. The Group considers and chooses techniques and assumptions that as far as possible are based on observable market data representing the market conditions on the balance sheet date. When measuring financial instruments for which observable market data are not available, the Group makes assumptions regarding what market participants would use as the basis for valuing similar financial instruments. The valuations require application of significant judgment when calculating liquidity risk, credit risk and volatility among others. Changes in these factors would affect the estimated fair value of the Group's financial instruments. For more information see note 29 Financial instruments at fair value.

Measurement of liabilities under insurance contracts in DNB Livsforsikring

With respect to technical insurance reserves in DNB Livsforsikring, risks and uncertainties are mainly related to the likelihood of death and disability, as well as the interest rate level. Higher life expectancy affects future expected insurance payments and provisions. For more information see note 17 Insurance risk.

Valuation of properties within DNB Livsforsikring

Investment property is 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 35 Investment properties.

Income taxes, including deferred tax assets and uncertain tax liabilities

The Group is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining the income tax in the consolidated financial statements, including assessments of recognised deferred tax assets and uncertain tax liabilities.

Deferred tax assets are recognised to the extent it is probable that the Group will have future taxable income against which they can be utilised. Extensive assessments must be made to determine the amount which can be recognised, 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.

21. Changes in line items in the income statement

The presentation of interest income from derivatives has been changed as of 31 December 2019. Interest expenses reported on the line “Interest expenses, amortised cost” have decreased and interest expenses reported as “Other interest expenses” have increased with an equal amount. Figures in previous periods have been restated correspondingly. The effects are shown in the table below.

		DNB Group
Amounts in NOK million	2019	2018
Interest expenses, amortised cost	4 801	4 858
Other interest expenses	(4 801)	(4 858)

Interest expenses from derivatives designated as hedging instruments are presented as “Interest expenses, amortised cost” together with effects from the hedged item, while interest expenses from other derivatives are presented as “Other interest expenses”.

NOTE 2 Segments

According to DNB's management model, the operating segments are independent profit centres that are fully responsible for their profit after tax and for achieving the targeted returns on allocated capital. DNB has the following operating segments: Personal customers, Small and medium-sized enterprises, Large corporates and international customers, Risk management and Traditional pension products. The Risk management and Traditional pension products segments are included in Other operations. DNB's share of the profit in associated companies (most importantly Luminor, Vipps and Fremtind) is included in Other operations. DNB's organisational structure, including the Group Management team, was changed on 23 September 2019. The segment reporting has not been changed as per 2019, but will be reviewed, and any changes will be applicable as of the first quarter of 2020.

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. DNB has also had external distribution through the collaboration with Norway Post, but this agreement will be phased out in mid-2020, with the transition to a solution based on the payment app Vipps.
Small and medium-sized enterprises	-	is responsible for product sales and advisory services to small and medium-sized enterprises in Norway. Customers in this segment range from small businesses and start-up companies to relatively large corporate customers, and the product offerings are adapted to the customers' different needs. Small and medium-sized enterprises are served through the Group's physical distribution network throughout Norway as well as digital and mobile bank. Factoring, leasing and asset financing for small and medium-sized enterprises in Sweden and Denmark are also included in this business area.
Large corporates and international customers	-	includes large Norwegian and international corporate customers. Operations are based on sound industry expertise and long-term customer relationships.

The income statement and balance sheet for the segments have been prepared on the basis of internal financial reporting for the functional organisation of the DNB Group into segments, as reported to group management (chief operating decision maker) for an assessment of current developments and the allocation of resources. Figures for segments are based on the group's accounting principles and DNB's management model. Allocation of costs and capital between segments involves a number of assumptions, estimates and discretionary distributions.

Capital allocated to the segments is calculated on the basis of the DNB Group's common equity Tier 1 capital and long-term capitalisation ambition. There are special capital adequacy regulations for insurance operations, and in these companies, allocated capital corresponds to recorded equity. For other group operations, the allocation of capital to all units is based on the DNB Group's adaptation to Basel III with capital requirement related to credit risk, market risk and operational risk. The allocation of capital for credit risk is based on the DNB Group's internal measurement of risk-adjusted capital requirements for credit. Capital requirements for market risk are allocated directly in accordance with risk-weighted volume, and operational risk is allocated based on the respective units' total income.

NOTE 2 Segments (continued)

Income statement

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Group	
Amounts in NOK million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income	13 703	13 452	10 628	9 530	13 008	12 111	1 863	1 729			39 202	36 822
Net other operating income	4 896	5 117	2 344	2 157	5 527	5 442	5 251	3 783	(2 361)	(2 953)	15 655	13 546
Total income	18 599	18 569	12 971	11 688	18 534	17 553	7 113	5 511	(2 361)	(2 953)	54 857	50 368
Total operating expenses	(8 400)	(8 300)	(3 695)	(3 498)	(6 199)	(6 165)	(4 142)	(4 643)	2 361	2 953	(20 075)	(19 653)
Deprecation and impairment of fixed and intangible assets	(183)	(86)	(849)	(730)	(801)	(725)	(1 225)	(863)			(3 058)	(2 404)
Total operating expenses	(8 583)	(8 386)	(4 544)	(4 228)	(7 000)	(6 890)	(5 367)	(5 506)	2 361	2 953	(23 133)	(22 057)
Pre-tax operating profit before impairment	10 016	10 183	8 427	7 459	11 534	10 663	1 746	5			31 724	28 311
Net gains on fixed and intangible assets	(4)	49	(0)	3	16	(0)	1 691	477			1 703	529
Impairment of financial instruments [1]	(353)	(318)	(595)	(566)	(1 240)	1 022	(4)	(0)			(2 191)	139
Profit from repossessed operations			16	8	(124)	(263)	109	256				
Pre-tax operating profit	9 660	9 914	7 847	6 905	10 186	11 422	3 542	738			31 235	28 979
Tax expense	(2 415)	(2 478)	(1 962)	(1 726)	(2 445)	(2 627)	1 356	2 339			(5 465)	(4 493)
Profit from operations held for sale, after taxes					(0)	(10)	(49)	(194)			(49)	(204)
Profit for the year	7 245	7 435	5 885	5 179	7 741	8 785	4 849	2 883			25 721	24 282

1) *See note 10 Development in accumulated impairment of financial instruments for an analysis of the gross change in impairment for the Group.*

Balance sheets

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Group	
Amounts in NOK billion	31.12.19	31.12.18	31.12.19	31.12.18	31.12.19	31.12.18	31.12.19	31.12.18	31.12.19	31.12.18	31.12.19	31.12.18
Loans to customers [1]	795	772	334	313	430	424	139	121	(31)	(32)	1 667	1 598
Assets held for sale						0	1	5		(0)	1	5
Other assets	21	25	6	6	84	73	2 016	1 970	(1 002)	(1 042)	1 125	1 032
Total assets	816	797	340	319	514	497	2 156	2 096	(1 033)	(1 074)	2 793	2 635
Assets under management	109	86	25	30	246	201					380	316
Total combined assets	926	882	365	349	760	698	2 156	2 095	(1 033)	(1 074)	3 173	2 951
Deposits from customers [1]	425	412	228	210	314	296	16	23	(14)	(14)	970	927
Liabilities held for sale							0	3	(0)	(0)	0	3
Other liabilities	342	337	79	78	134	139	2 045	1 985	(1 019)	(1 059)	1 581	1 481
Total liabilities	768	749	307	289	448	435	2 062	2 012	(1 033)	(1 074)	2 551	2 411
Allocated capital [2]	48	47	33	30	66	63	94	84			242	224
Total liabilities and equity	816	797	340	319	514	497	2 156	2 096	(1 033)	(1 074)	2 793	2 635

1) *Loans to customers include accrued interest, impairment and value adjustments. Correspondingly, deposits from customers include accrued interest.*
2) *Allocated capital for the segments is calculated based on the external capital adequacy requirement (Basel III/Solvency II) which must be met by the Group. The capital allocated in 2019 corresponds to a common equity Tier 1 capital ratio of 16.8 per cent compared to 16.2 per cent in 2018. Book equity is used for the Group.*

Key figures

DNB Group

	Personal customers		Small and medium-sized enterprises		Large corporates and international customers		Other operations		Eliminations		DNB Group	
Per cent	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Cost/income ratio [1]	46.1	45.2	35.0	36.2	37.8	39.3					42.2	43.8
Ratio of deposits to loans as at 31 December [2]	53.5	53.4	68.2	67.3	72.9	69.7					58.2	58.0
Return on allocated capital [3]	15.1	15.8	18.3	18.2	11.8	13.2					11.7	11.7

1) *Total operating expenses relative to total income.*
2) *Deposits from customers relative to loans to customers.*
3) *Allocated capital for the segments is calculated based on the external capital adequacy requirement (Basel III/Solvency II) which must be met by the Group. Return on equity is used for the Group.*

NOTE 3 Capitalisation policy and capital adequacy

The DNB Group aims to maintain a management buffer of 1.0 percentage point in addition to the total regulatory common equity Tier 1 (CET1) capital ratio, in line with the Pillar 2 Guidance from Finanstilsynet (the Financial Supervisory Authority of Norway). The object of the management buffer is to cushion against fluctuations in risk-weighted assets and earnings that can occur as a result of, for example, exchange rate movements or changes in credit spreads, and thereby enable the Group to maintain normal growth in lending and a predictable dividend policy. At year-end 2019, the total regulatory CET1 capital ratio requirement was 16.1 per cent. The requirement will vary due to the counter-cyclical buffer, which is determined based on the total exposure in each country. The capitalisation targets relate to the Group's risk-weighted assets at any given time. On 31 December 2019, Norway fully implemented the EU's capital requirements legislation CRR/CRD IV, and the so-called Basel I floor was removed.

At year-end 2019, the DNB Group's common equity Tier 1 (CET1) capital ratio was 18.6 per cent and a capital adequacy ratio of 22.9 per cent, compared with 17.2 per cent and 20.8 per cent, respectively, a year earlier. Risk-weighted assets came to NOK 961 billion at year-end 2019, compared with NOK 1 030 billion the year before.

The DNB Bank Group had a CET1 capital ratio of 18.3 per cent and a capital adequacy ratio of 24.4 per cent at year-end 2019, compared with 17.3 and 21.9 per cent, respectively, a year earlier.

DNB Bank ASA had a CET1 capital ratio of 19.3 per cent at year-end 2019, compared with 18.1 per cent a year earlier. The capital adequacy ratio was 26.3 per cent at year-end 2019, compared with 23.5 per cent a year earlier.

At year-end 2019, DNB Boligkreditt AS had a CET1 capital ratio of 24.5 per cent and a capital adequacy ratio of 27.6 per cent.

As a supplement to the risk-weighted capital adequacy regime, the Basel Committee introduced a new capital measure, ”leverage ratio” or non-risk based CET1 capital ratio. The basis of calculation consists of assets and off-balance sheet items converted by means of the conversion factors used in the standardised approach for calculating ordinary capital adequacy. In addition, some special adjustments are made for derivatives and repo transactions. The Norwegian leverage ratio requirement consists of a minimum requirement of 3 per cent that will apply to all credit institutions, a mandatory 2 per cent buffer for banks and an additional mandatory buffer of 1 per cent for systematically important banks. DNB is the only institution in Norway that will be required to have a leverage ratio of 6 per cent.

The DNB Group calculates its leverage ratio in accordance with the revised article 429 of the CRR, and the European Commission Regulation that entered into force on 18 January 2015. At year-end 2019, the Group's leverage ratio was 7.4 per cent, compared with 7.5 per cent a year earlier. DNB meets the minimum requirement of 6 per cent by a wide margin.

NOTE 3 Capitalisation policy and capital adequacy (continued)

Capital adequacy is calculated and reported in accordance with the EU capital requirements regulations for banks and investment firms (CRR/CRD IV). The regulatory consolidation deviates from consolidation in the accounts and comprises the parent company, subsidiaries and associated companies within the financial sector, excluding insurance companies. Associated companies are consolidated pro rata. On 31 December 2019, Norway fully implemented the EU's capital requirements legislation CRR/CRD IV, and the so-called Basel I floor was removed. The additional capital requirements due to the transitional rules have been removed from the historical figures. The harmonised rules include the introduction of the SME discount factor.

Primary capital	**DNB Bank ASA**		**DNB Bank Group**		**DNB Group**	
Amounts in NOK million	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Total equity	187 993	176 562	229 619	207 933	242 255	223 966
Effect from regulatory consolidation			(198)	(234)	(4 963)	(5 595)
Additional Tier 1 capital instruments included in total equity	(26 048)	(15 574)	(26 048)	(15 574)	(26 048)	(15 574)
Net accrued interest on additional Tier 1 capital instruments	(510)	(465)	(510)	(465)	(510)	(465)
Common equity Tier 1 capital instruments	161 434	160 523	202 862	191 660	210 734	202 333
Deductions						
Goodwill	(2 376)	(2 389)	(2 946)	(2 929)	(4 651)	(4 634)
Deferred tax assets that are not due to temporary differences	(457)	(562)	(868)	(524)	(868)	(524)
Other intangible assets	(1 016)	(1 040)	(1 626)	(1 712)	(1 626)	(1 712)
Dividends payable etc.			(25 000)	(10 758)	(17 625)	(15 360)
Significant investments in financial sector entities [1]					(4 254)	(693)
Expected losses exceeding actual losses, IRB portfolios	(1 633)	(1 286)	(2 502)	(1 719)	(2 502)	(1 719)
Value adjustments due to the requirements for prudent valuation (AVA)	(532)	(467)	(810)	(886)	(810)	(886)
Adjustments for unrealised losses/(gains) on debt measured at fair value	57	63	2	176	2	176
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(460)	(596)	(96)	(149)	(96)	(149)
Common Equity Tier 1 capital	155 017	154 247	169 016	173 159	178 304	176 831
Additional Tier 1 capital instruments	26 048	15 574	26 048	15 574	26 048	15 574
Deduction of holdings of Tier 1 instruments in insurance companies [2]					(1 500)	(1 500)
Non-eligible Tier 1 capital, DNB Group [3]					(2 561)	(19)
Tier 1 capital	181 065	169 820	195 064	188 733	200 291	190 886
Perpetual subordinated loan capital	5 774	5 693	5 774	5 693	5 774	5 693
Term subordinated loan capital	24 943	25 110	24 943	25 110	24 943	25 110
Deduction of holdings of Tier 2 instruments in insurance companies [2]					(5 761)	(5 750)
Non-eligible Tier 2 capital, DNB Group [3]					(5 032)	(1 936)
Additional Tier 2 capital instruments	30 717	30 804	30 717	30 804	19 925	23 117
Total eligible capital	211 783	200 624	225 781	219 537	220 216	214 003
Risk-weighted assets	804 721	852 363	924 869	1 000 415	960 691	1 029 560
Minimum capital requirement	64 378	68 189	73 990	80 033	76 855	82 365
Common Equity Tier 1 capital ratio (%)	19.3	18.1	18.3	17.3	18.6	17.2
Tier 1 capital ratio (%)	22.5	19.9	21.1	18.9	20.8	18.5
Capital ratio (%)	26.3	23.5	24.4	21.9	22.9	20.8

1) Deductions are made for significant investments in financial sector entities when the total value of the investments exceeds 10 per cent of common equity Tier 1 capital. The amounts that are not deducted are given a risk weight of 250 per cent. The increased deduction is due to the investment in Fremtind.
2) Investments in Tier 1 and Tier 2 instruments issued by DNB Livsforsikring and DNB Forsikring are deducted from the Group's Tier 1 and Tier 2 capital.
3) The amount of Tier 1 and Tier 2 capital in DNB Bank ASA that are not included in consolidated own funds in accordance with Articles 85-88 of the CRR.

NOTE 3 Capitalisation policy and capital adequacy (continued)

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

Specification of risk-weighted assets and capital requirements **DNB Group**

Amounts in NOK million	Nominal exposure 31 Dec. 2019	EAD [1] 31 Dec. 2019	Average risk weights in per cent 31 Dec. 2019	Risk-weighted assets 31 Dec. 2019	Capital requirements 31 Dec. 2019	Capital requirements 31 Dec. 2018
IRB approach						
Corporate	965 259	800 350	47.7	381 718	30 537	33 716
Specialised Lending (SL)	12 219	11 675	53.8	6 281	503	526
Retail - mortgage loans	796 424	796 424	21.8	173 664	13 893	13 617
Retail - other exposures	98 656	83 466	24.8	20 663	1 653	1 727
Securitisation						
Total credit risk, IRB approach	1 872 559	1 691 915	34.4	582 327	46 586	49 587
Standardised approach						
Central government	330 557	375 095	0.0	80	6	12
Institutions	196 552	124 049	23.2	28 745	2 300	2 859
Corporate	181 663	147 058	79.2	116 497	9 320	11 824
Retail - mortgage loans	61 381	58 205	48.2	28 061	2 245	2 539
Retail - other exposures	128 473	47 692	73.7	35 149	2 812	2 958
Equity positions	21 966	21 909	219.8	48 152	3 852	3 753
Other assets	22 314	21 517	74.3	15 993	1 279	540
Total credit risk, standardised approach	942 905	795 524	34.3	272 676	21 814	24 484
Total credit risk	2 815 464	2 487 439	34.4	855 004	68 400	74 070
Market risk						
Position risk, debt instruments				10 523	842	927
Position risk, equity instruments				374	30	16
Currency risk				14	1	
Commodity risk				0	0	1
Credit value adjustment risk (CVA)				4 426	354	311
Total market risk				15 337	1 227	1 254
Operational risk				90 350	7 228	7 040
Total risk-weighted assets and capital requirements				960 691	76 855	82 365

1) EAD, exposure at default.

NOTE 4 Credit risk management

Credit risk or counterparty risk is the risk of financial losses due to failure by the Group's customers/counterparties to meet their payment obligations towards DNB. Credit risk refers to all claims against customers/counterparties, mainly loans, but also commitments in the form of other extended credits, guarantees, interest-bearing securities, unutilised credit lines, derivative trading and interbank deposits. Credit risk also includes residual value risk and concentration risk. Residual risk is the risk that the value of securing an exposure is lower than expected. Concentration risk includes risk associated with large exposures to a single customer or concentration within geographical areas, within industries or related to homogeneous customer groups.

Credit risk management and measurement is described in detail in the Risk and Capital Management (Pillar 3) report. The group guidelines for credit activity are approved by the Boards of Directors of DNB Bank ASA. The principal objective of credit activity is to ensure that the quality and composition of the loan portfolio provide a good basis for the Group's short and long-term profitability. The quality of the portfolio should be consistent with DNB's aim of maintaining a low risk profile.

The Board of Directors of DNB ASA sets long-term targets for the risk profile through the risk appetite framework. The aim of this framework is to ensure that risk is managed and integrated with the Group's governance processes. The risk appetite framework should provide a holistic and balanced view of the risk in the business and defines maximum limits for credit exposure. Limits have been set for annual growth in lending, risk concentrations, total credit risk exposure and predicted expected loss. An upper limit for growth, measured in terms of exposure at default (EAD), is set for each business area. To limit concentration risk, limits are set for exposure on individual customers and certain industries. The limit for expected losses applies to all types of credit risk and is measured by means of the Group's internal credit models. The risk appetite framework is operationalised through credit strategies for the individual customer segments. In addition, risk indicators are established and used for monitoring managers on all levels.

Credit risk exposure

The maximum credit risk exposure will be the carrying amount of financial assets plus off-balance sheet exposure, which mainly includes guarantees, unutilised credit lines and loan offers. The group's maximum credit risk exposure and related collateral at year end are presented in note 6 Credit risk exposure and collateral.

Classification

DNB's internal models for risk classification of customers are subject to continual improvement and testing. The models are adapted to different industries and segments and are updated if calibrations show that their explanatory power has diminished over time. The IRB approach is used for most of the customers in the corporate and personal customer portfolios to which the DNB Bank Group has exposure. 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 grades based on the PD for each credit commitment. This is presented in the table below. Credit-impaired exposures (exposures in stage 3) are assigned a PD of 100 per cent. The group's portfolio divided into risk grades and IFRS 9 stages is presented in note 7 Credit risk exposure per risk grade.

DNB's risk classification 1)

	Probability of default (per cent)		External rating	
Risk class	As from	Up to	Moody's	Standard & Poor's
1	0.01	0.10	Aaa – A3	AAA – A-
2	0.10	0.25	Baa1 – Baa2	BBB+ – BBB
3	0.25	0.50	Baa3	BBB-
4	0.50	0.75	Ba1	BB+
5	0.75	1.25	Ba2	BB
6	1.25	2.00		
7	2.00	3.00	Ba3	BB-
8	3.00	5.00	B1	B+
9	5.00	8.00	B2	B
10	8.00	default	B3, Caa/C	B-, CCC/C

1) DNB's risk classification system, where 1 represents the lowest risk and 10 the highest risk.

Guidelines for credit activity

DNB's guidelines and processes for approving credits are described in the group guidelines for credit activity. The guidelines describe how DNB shall grant and follow up credit exposures in the various segments. Detailed descriptions are given of the assessment of new customers, follow-up of performing credit exposures, customers in financial difficulty and procedures for handling credit-impaired loans.

NOTE 4 Credit risk management (continued)

The granting of credit in DNB is based on authorisation and approval matrices. As a fundamental principle, one person makes a recommendation and another one approves it. The matrices are differentiated on the basis of volume, risk and, if relevant, industry. While only two employees may be involved in recommending and approving a low-risk exposure in the form of a home mortgage, recommendations for large/complex exposures must also be endorsed by a senior credit officer. In addition, advice will be sought from credit committees and the involvement of industry specialists may be required.

A decisive element when granting credit is the customers' debt servicing capacity in the form of incoming future cash flows, such as earned income or income from the business operations which are being financed. The bank seeks to further mitigate the risk of future losses by requiring that collateral are furnished. Collateral can be in the form of physical assets, guarantees, cash deposits or netting agreements. As a rule, physical collateral shall be insured. Negative pledges, whereby customers undertake to keep their assets free from encumbrances vis-à-vis other lenders, are also used as a risk-mitigating measure.

In addition to collateral, most corporate credit agreements will include financial covenants, which represent an additional risk-mitigating element to ensure that DNB becomes aware of and involved in any financial challenges at an early stage. Examples of financial covenants are minimum net cash flow and equity ratio requirements.

Monitoring credit risk

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 shall also be used in connection with the renewal of all existing credits and thus ensure that personnel with relevant expertise are always involved when considering large and complicated exposures. Performing customers also include customers that have experienced significant increase in credit risk.

Personal customers are followed up through a systematic portfolio management system. Exposures are followed up individually if increased credit risk has been identified.

Watchlist

The watchlist is the Group's primary tool for following up corporate customers when credit risk has increased. If customers breach financial covenants or a loss event has occurred, it will be considered to include the exposure on the watchlist. Loss events include serious financial problems or major changes in market conditions. In addition it is an integral part of credit activity to consider whether to place high-risk customers (risk grades 8-10) on the watchlist. Watchlisted customers are subject to special monitoring. More frequent, often quarterly risk assessments are required, including an updated valuation of collateral. In addition, DNB must prepare an action plan to manage the risk situation that has arisen. The particularly close follow-up of customers facing greater challenges is based on the bank's experience that special monitoring both reduces the risk that losses will occur and minimises the losses that actually materialise. Each time watchlisted exposures are reviewed, the need for individual assessment of impairment losses will be performed.

Forbearance

If a customer gets into financial difficulties, DNB may in some cases grant voluntary concessions in the form of less stringent financial covenants or reduced/deferred interest and instalment payments. Such measures are offered in accordance with the Group's credit guidelines, thus aiming to help customers through a tough financial period when it is expected that they will meet their obligations on a later date. This is part of DNB's strategy to reduce losses. 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 2019			31 December 2018		
Amounts in NOK million	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total
Gross carrying amount and loan commitments	22 831	11 638	34 469	25 540	15 299	40 839
Expected credit loss	317	4 503	4 820	459	3 673	4 132

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.

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/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.

NOTE 4 Credit risk management (continued)

Counterparty risk for derivatives

DNB enters into derivative transactions on the basis of customer demand and to hedge positions resulting from such activity. In addition, derivatives are used to hedge positions in the trading portfolio and take positions in the interest rate, currency, commodity and equity markets. Derivatives to hedge currency and interest rate risk arising in connection with funding and lending. Derivatives are generally traded "over the counter" (OTC), which means that individual contracts are agreed upon by the parties. The credit risk that arises in connection with derivative trading is included in the DNB Group's overall credit risk measurement.

Netting agreements and bilateral guarantee agreements are used as a means of minimising counterparty risk associated with individual counterparties. These agreements make it possible to net the positive and negative market values linked to contracts with individual counterparties. CSA (Credit Support Annex) agreements are another type of risk-mitigating measure. CSA agreements have been entered into with most major bank counterparties and other financial counterparties, as well as a steadily increasing number of non-financial counterparties. Under these agreements, the market value of all derivative contracts between DNB and the counterparty is settled either daily or weekly, which largely eliminates counterparty risk. These transactions are mostly settled in cash, though government bonds and covered bonds are used as well. The agreements are not normally dependent on the credit quality of the counterparty, but some of them stipulate that the maximum exposure level before collateral is required (the threshold value) will be reduced if the counterparty is downgraded.

The different interest rate products (interest rate swaps and Forward Rate Agreements (FRAs) in currencies) are settled through clearing houses like LCH. DNB's counterparty risk on an individual counterparty is thus transferred to the clearing house. Equity forward contracts, securities loans and currency trading for personal customers are monitored and increases/decreases in value are settled daily.

NOTE 5 Measurement of expected credit loss

DNB applies a three-stage approach when measuring expected credit loss (ECL) on loans to customers, loan commitments, financial guarantees and other financial instruments subject to the IFRS 9 impairment rules:

- A financial instrument that is not purchased or originated credit impaired is classified as stage 1 with 12-month ECL.
- If a significant increase in credit risk since initial recognition is identified the financial instrument is moved to stage 2 with lifetime ECL measurement.
- An increase in credit risk reflects both customer-specific circumstances and developments in relevant macro risk drivers for the segment where the customer belongs. The assessment of what is considered to be a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and backstops.
- If credit risk deteriorates further, and the financial instrument is assessed to be credit impaired, the financial instrument is moved to stage 3 with lifetime ECL measurement. As opposed to stage 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 at an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months.
- The loss provision for financial assets in stage 1 and stage 2 is calculated as the present value of exposure at default (EAD) multiplied by the probability of default (PD) multiplied by loss given default (LGD), and discounted by using the effective interest rate (EIR). PD, LGD and EAD use the IRB framework as a starting point, but are converted to be point in time and forward-looking as opposed to through the cycle and conservative.
- Past, present and forward-looking information is used to estimate ECL. For this purpose, DNB's loan portfolio is split into 22 segments based on geography and industry. All customers within a segment are exposed to the same risk drivers.
- For stage 3 individual assessments are performed for credit impaired financial instruments.
- For stage 1 and 2, a model is used to calculate ECL.

Key components for the ECL measurement, summarized

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

NOTE 5 Measurement of expected credit loss (continued)

Measurement of expected credit loss in stage 1 and 2 (ECL model)

The model used for stage 1 and stage 2 follows five steps: segmentation, determination of macro scenarios, determination of credit cycle index, calculation of ECL and staging. In the following each step will be described in more detail.

Segmentation, macro scenarios and credit cycle index

The assessment of significant increase in credit risk and the calculation of ECL incorporate past, present and forward-looking information. In order to reflect the effect of macro drivers in a reasonable and supportable manner DNB's portfolio has been divided into 22 segments with shared credit risk characteristics. The segmentation is based on industry and geographical location, but about half of the industry segments are exposed to global markets and are influenced by global risk drivers.

Based on a statistical regression analysis, key risk drivers impacting PD are identified for the different segments. The assessments used to select the different risk drivers have been based on several criteria; the statistical model's explanatory power, a qualitative reasonableness check (e.g. if it makes sense to include the risk driver) and an aim not to have too many factors as this would unnecessarily increase the complexity. Relevant macro drivers are shown in the table below. Their impact on ECL will vary by financial instrument. Forecasts of each of the relevant risk drivers (the base economic scenario) are primarily prepared on a quarterly basis and provide the best estimate of developments in the risk drivers for the forecast period. The forecasts are based on a range of information sources, primarily external market information, but also internal sources. The forecast period varies between three and four years.

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.

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.

<u>Sensitivity</u>

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 low scenario for relevant macro forecasts. The scenario represents a possible downside compared with the base scenario. 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, as presented in the table below, the ECL in stages 1 and 2 would increase by approximately 14 per cent compared with the ECL in stages 1 and 2 at 31 December 2019.

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

NOTE 5 Measurement of expected credit loss (continued)

Selected macro variables used in base scenario and alternativ scenario

Per cent	**DNB Group** Average change from base to alternative scenario
World GDP, year-to-year growth	(10)
Emerging countries GDP, year-to-year growth	(4)
Oil price, USD per barrel	(21)
Norwegian mainland GDP, year-to-year growth	(51)
Norwegian consumer price index, year-to-year growth	13
Norwegian house price index, year-to-year growth	(302)
Norwegian registered unemployment rate, per cent	24
NIBOR 3-month interes rate, per cent	(28)
Swedish GDP, year-to-year growth	(3)
Norwegian commercial real estate rental price, NOK per sqm	(9)
Salmon price, NOK per kg	(17)
Floater spot rate, USD per day	(10)
Utilisation rate rig	(10)
Very large crude carriers spot rate, USD per day	(19)
Capesice spot rate, USD per day	(26)
Very large gas carrier spot rate, USD per day	(30)

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 more adverse, the ECL in stages 1 and 2 would increase by approximately 15 per cent for the personal customer portfolio compared with the ECL measured at 31 December 2019 for the same portfolio and stages.

DNB has furthermore investigated the effect of non-linearity in the ECL for stage 1 and stage 2. If the base scenario alone is used to calculate expected credit losses, thereby excluding the fan that represents the range of alternative scenarios, the ECL at 31 December 2019 would decrease by 21 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.

<u>Probability of default (PD)</u>

DNB applies a range of different models to determine a customer's PD. The choice of model depends on whether it is a personal or corporate customer and on which industry the customer operates in. The development in the customer's PD is a key component in DNB's monitoring of credit risk in the portfolio, see note 4 Credit risk management, and 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. 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.

<u>Loss given default (LGD)</u>

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.

NOTE 5 Measurement of expected credit loss (continued)

Similar to PDs, DNB uses IRB LGDs for capital adequacy calculations. In order to convert the IRB LGDs to IFRS LGDs four modifications have been made:

- incorporation of macroeconomic scenarios
- use of the effective interest rate to discount future estimated cash flows
- removal of the margin of conservatism to produce unbiased projections rather than downturn projections, and to exclude regulatory floors
- removal of the estimated indirect costs of realising collateral.

These modifications imply that the LGDs used for the ECL measurement should reflect management's current view of the cyclical changes and that all LGD estimates are unbiased.

Exposure at default (EAD)
EAD is the share of the approved credit that is expected to be drawn at the time of any future default. The EAD is adjusted to reflect contractual payments of principal, interest and estimated early repayment. The proportion of undrawn commitments expected to be drawn at the time of default is reflected in the EAD by using a credit conversion factor.

Significant increase in credit risk (staging)

The assessment of a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and back stops. A significant increase in credit risk has occurred when one or more of the criteria below are met.

Quantitative criteria
A significant increase in credit risk is determined by comparing the remaining lifetime PD for an instrument at the reporting date, as expected at initial recognition, with the actual lifetime PD at the reporting date. If the actual lifetime PD is higher than what it was expected to be, an assessment is made of whether the increase is significant.

An increase in lifetime PD with a factor of 2.5 or more from initial recognition is assessed to be a significant increase in credit risk. This threshold is based on an assessment of the increase in credit risk that would lead to closer customer follow-up in order to ensure that proper credit risk management and business decisions are made.

Further, the change in PD must be a minimum of 0.6 percentage points for the deterioration in credit risk to be considered to be significant. In the high end of the risk scale a change of 7.5 percentage points or more is considered to be a significant deterioration in credit risk even if this is less than a change of 2.5 times lifetime PD. These limits reflect the high sensitivity to change in the low end of the risk scale and the low sensitivity to change in the high end of the scale.

As part of DNB's credit risk management policy the group applies a risk scale where all customers and instruments are rated on a coherent scale meaning that a risk grade has the same explanatory power independent of segment, geography and product. DNB therefore uses a common threshold for all financial instruments with respect to what constitute a significant increase in credit risk. For further information about DNBs risk scale and classification see note 4 Credit risk management.

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 5 per cent compared with the ECL measured at year-end 2019. 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 2019.

Expert credit judgement

For many of the input parameters in the ECL-measurement significant professional judgment is applied. The assessment of the macro prognoses and the impact to the forecasted credit cycle index are key judgments and DNB has established an advisory forum for the Group's Chief Financial Officer to address this. The forum's purpose is to assess if the predicted Credit Cycle Index for each segment reflects the management's view on the expected future economic development.

NOTE 5 Measurement of expected credit loss (continued)

Definition of default and credit impaired exposures in stage 3

The definition of credit impaired is fully aligned with the regulatory definition of default.

A financial instrument is defined to be in default if a claim is more than 90 days overdue, the overdue amount exceeds NOK 2 000 and the default is not due to delays or accidental circumstances on the part of the debtor.

A commitment is also defined to be in default if the group:

- significantly writes down the commitment as a result of a weakening of the debtor's creditworthiness
- agrees to changes in the terms and conditions because the debtor is having problems meeting payment obligations, and this is assumed to significantly reduce the value of the cash flow
- sells the debt for an amount that is significantly lower than the nominal value as a result of an impairment of the debtor's creditworthiness
- has reasons to assume that the debtor will be subject to debt settlement or bankruptcy/involuntary liquidation proceedings, or be placed in receivership
- has other reasons to assume that the payment obligation will not be met (anticipated default).

A commitment is defined to represent anticipated default if it is considered likely that the customer, based on its regular business activities, does not have debt payment ability for its total obligations (unlikeliness to pay).

Measurement of expected credit loss for credit-impaired financial instruments

In DNB, the ECL for credit-impaired financial instrumentswith exposure above NOK 5 million is calculated individually per customer and without the use of modelled inputs. When a customer becomes credit impaired (stage 3) the probability of default is set to 100 percent. The ECL provision is estimated as the difference between the carrying amount and the net present value of the estimated future cash flows discounted by the original effective interest rate. The estimated future cash flows are based on developments in the customer's exposure, past experience with the customer, the probable outcome of negotiations and expected macroeconomic developments that will influence the customer's expected cash flow. If the exposure is collateralised, the value of the collateral in going concern scenarios is included in the estimated future cash flows regardless of whether foreclosure is probable or not. When establishing the estimated collateral value, weighting of at least two possible scenarios for the development in future cash flows from the collateral in a going concern scenario are incorporated. In some cases a liquidation scenario is included in the valuation of the collateral.

For credit impaired exposures below NOK 5 million a portfolio approach is used to estimate ECL.

Sensitivity

If the value of collaterals on all stage 3 exposures were reduced by 10 per cent, the stage 3 ECL at 31 December 2019 would increase by approximately NOK 1.6 billion.

DNB's write-off policy

DNB writes off and thereby reduces the carrying amount of a financial asset when there is no reasonable expectation of recovery. This might for example be the case when a court of law has reached a final decision, a decision has been made to forgive the debt, or a scheme of composition has been confirmed. Write-off can relate to the entire asset or a portion of the asset and can constitute a derecognition event. DNB maintains the legal claim towards the customer even though a write-off has been recognised. For corporate customers, there is a difference between internal write-offs and debt forgiveness. In the latter, DNB does not maintain a legal claim.

Measurement uncertainty

The measurement of the expected credit loss involves increased complexity, and management must apply its professional judgement for many of the key assumptions used as input in the measurement. For stage 1 and 2, estimation uncertainty in the ECL calculation relates to the determination of PD, LGD and EAD. This is both in terms of using historic data in the development and calibration of models and the judgement performed in relation to setting these parameters as part of the credit process. Furthermore, the determination of how to do the segmentation of the loan portfolio, the identification of relevant risk drivers for each segment and the forecasts for each of the risk drivers also create estimation uncertainty.

Other areas with significant estimation uncertainty are the creation of multiple future economic scenarios, estimation of expected lifetime, assessment of significant increases in credit risk and determination of whether the criterion for default are satisfied.

For exposures in stage 3 where ECL is measured individually per customer, significant judgement is applied when determining assumptions used as input for the customer's future cash flow and assumptions related to valuation of collateral, including the point in time when collateral is potentially taken over.

Sensitivities are disclosed separately above.

NOTE 6 Credit risk exposure and collateral

Credit risk exposure and collateral as at 31 December 2019 — **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	303 720		40 014	
Due from credit institutions	102 961		84 877	59
Loans to customers	1 667 189	1 043 330	82 404	256 442
Commercial paper and bonds	376 323			
Financial derivatives	125 076		200	92 113
Other assets	20 062			
Total maximum exposure to credit risk reflected on the balance sheet	2 595 331	1 043 330	207 496	348 613
Guarantees	15 638	12		6 863
Unutilised credit lines and loan offers	595 323	120 979	6	79 651
Other commitments	87 248	4 737		12 568
Total maximum exposure to credit risk not reflected on the balance sheet	698 209	125 728	6	99 083
Total	3 293 540	1 169 058	207 501	447 696
Of which subject to expected credit loss:				
Deposits with central banks	*303 720*		*40 014*	
Due from credit institutions	*102 961*		*84 877*	*59*
Loans to customers	*1 606 012*	*983 801*	*82 404*	*256 618*
Commercial paper and bonds	*140 130*			
Total maximum exposure to credit risk reflected on the balance sheet	*2 152 823*	*983 801*	*207 296*	*256 677*
Guarantees	*15 638*	*12*		*6 863*
Unutilised credit lines and loan offers	*595 323*	*120 974*	*6*	*79 651*
Other commitments	*87 248*	*4 737*		*12 568*
Total maximum exposure to credit risk not reflected on the balance sheet	*698 209*	*125 723*	*6*	*99 083*
Total	*2 851 032*	*1 109 524*	*207 302*	*355 760*
Of which stage 3:				
Loans to customers	*15 403*	*4 034*		*9 567*
Total maximum exposure to credit risk reflected on the balance sheet	*15 403*	*4 034*		*9 567*
Guarantees	*583*			*314*
Unutilised credit lines and loan offers	*1 602*	*165*		*176*
Other commitments	*614*	*42*		*99*
Total maximum exposure to credit risk not reflected on the balance sheet	*2 799*	*207*		*589*
Total	*18 202*	*4 241*		*10 156*

1) Other collateral includes the assessed fair value of movables, sureties, ships and cash as well as other credit enhancements, such as netting agreements and guarantees received.

Financial assets of NOK 2 035 million in stage 3 has no credit loss due to collateralisation.

NOTE 6 Credit risk exposure and collateral (continued)

Credit risk exposure and collateral as at 31 December 2018 **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	154 470		30 241	
Due from credit institutions	130 146		74 939	363
Loans to customers	1 597 758	1 015 239	62 049	262 553
Commercial paper and bonds	409 328			
Financial derivatives	124 755		26 172	87 652
Other assets	45 742			
Total maximum exposure to credit risk reflected on the balance sheet	2 462 198	1 015 239	193 401	350 568
Guarantees	15 732	28		4 441
Unutilised credit lines and loan offers	609 886	118 579		79 376
Other commitments	81 512	7 633		15 277
Total maximum exposure to credit risk not reflected on the balance sheet	707 130	126 239		99 094
Total	3 169 328	1 141 478	193 401	449 662
Of which subject to expected credit loss:				
Deposits with central banks	*154 470*		*30 241*	
Due from credit institutions	*130 146*		*74 939*	*363*
Loans to customers	*1 535 282*	*954 731*	*62 049*	*262 485*
Commercial paper and bonds	*90 716*			
Total maximum exposure to credit risk reflected on the balance sheet	*1 910 614*	*954 731*	*167 229*	*262 848*
Guarantees	*15 732*	*28*		*4 441*
Unutilised credit lines and loan offers	*609 886*	*118 347*		*79 280*
Other commitments	*81 512*	*7 556*		*15 073*
Total maximum exposure to credit risk not reflected on the balance sheet	*707 130*	*125 931*		*98 794*
Total	*2 617 744*	*1 080 662*	*167 229*	*361 643*
Of which stage 3:				
Loans to customers	*19 524*	*3 625*		*12 713*
Total maximum exposure to credit risk reflected on the balance sheet	*19 524*	*3 625*		*12 713*
Guarantees	*1 090*			*324*
Unutilised credit lines and loan offers	*1 830*	*144*		*575*
Other commitments	*662*	*89*		*204*
Total maximum exposure to credit risk not reflected on the balance sheet	*3 583*	*233*		*1 103*
Total	*23 107*	*3 858*		*13 816*

1) Other collateral includes the assessed fair value of movables, sureties, ships and cash as well as other credit enhancements, such as netting agreements and guarantees received.

Financial assets of NOK 2 085 million in stage 3 has 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 2019:

- *Deposits with central banks:* Deposits with Norges Bank totalled NOK 6 million. DNB engages only in short-term transactions with central banks outside Norway, mainly in OECD countries.
- *Loans to customers:* See further description under "Guidelines for credit activity" in note 4 Credit risk management.
- *Commercial paper and bonds:* The Group's investments in commercial paper and bonds, are within market risk limits approved by the Board of Directors.
- *Financial derivatives:* Other collateral represents netting opportunities against other outstanding balances with customers and cash collateral received.
- *Guarantees:* See further description under "Guidelines for credit activity" in note 4 Credit risk management.
- *Unutilised credit lines and loan offers:* Offers of loans, credits and credit lines totalling NOK 115 090 million were included in the maximum credit exposure. No formal collateral has been established for such exposure, and the assessed value is not included in the table. Collateral is established once the offers are accepted by the customers. The assessment of the value of any collateral established in connection with such offers follows the procedure and criteria described under "Guidelines for credit activity" in note 4 Credit risk management.

NOTE 7 Credit risk exposure by risk grade

In the tables below, all loans to customers and financial commitments to customers are presented by risk grade. The amounts are based on the gross carrying amount and the maximum exposure before adjustments for impairments.

Loans as at 31 December 2019 — **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	1 154 880	3 494		47 326	1 205 700
5 - 7	323 889	40 197		13 111	377 197
8 - 10	24 840	44 656		697	70 192
Credit impaired			24 308	45	24 353
Total	1 503 609	88 347	24 308	61 178	1 677 441

Loans as at 31 December 2018 — **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	1 101 218	3 323		50 632	1 155 173
5 - 7	308 646	41 850		11 157	361 652
8 - 10	25 151	37 149		632	62 931
Credit impaired			27 846	54	27 900
Total	1 435 014	82 321	27 846	62 476	1 607 656

Financial commitments as at 31 December 2019 — **DNB Group**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Risk grade based on probability of default				
1 - 4	514 100	721		514 821
5 - 7	99 074	7 824		106 898
8 - 10	8 420	15 249		23 669
Credit impaired			3 343	3 343
Total	621 594	23 794	3 343	648 730

Financial commitments as at 31 December 2018 — **DNB Group**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Risk grade based on probability of default				
1 - 4	519 987	3 417		523 405
5 - 7	96 680	11 055		107 735
8 - 10	10 635	14 989		25 624
Credit impaired			4 152	4 152
Total	627 302	29 462	4 152	660 916

NOTE 8 Impairment of financial instruments

DNB Group

	2019				2018			
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Originated and purchased	(62)	(5)		(66)	(34)	(14)	(1)	(49)
Increased expected credit loss	(464)	(2 071)	(6 568)	(9 103)	(352)	(1 739)	(5 296)	(7 387)
Decreased expected credit loss	539	2 516	4 381	7 436	459	4 730	2 888	8 078
Derecognition	37	85	40	162	22	13	6	42
Write-offs		(2)	(755)	(757)		(2)	(730)	(732)
Recoveries on loans previously written off			138	137			187	187
Total impairment	50	523	(2 765)	(2 191)	96	2 989	(2 946)	139

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity, was NOK 100 million as at 31 December 2019 (NOK 95 million as at 31 December 2018).

NOTE 9 Development in gross carrying amount and maximum exposure

The following tables reconcile the opening and closing balances for gross carrying amount and the maximum exposure for loans to customers at amortised cost and financial commitments. Reconciling items include the following:

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

Loans to customers at amortised cost				**DNB Group**
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**1 376 314**	**90 102**	**25 843**	**1 492 259**
Transfer to stage 1	58 153	(57 295)	(858)	
Transfer to stage 2	(74 482)	76 922	(2 440)	
Transfer to stage 3	(3 982)	(11 865)	15 847	
Originated and purchased	441 044	4 704	4 268	450 015
Derecognition	(363 286)	(20 347)	(14 856)	(398 489)
Exchange rate movements	1 253	101	41	1 396
Other				
Gross carrying amount as at 31 December 2018	**1 435 014**	**82 321**	**27 846**	**1 545 180**
Transfer to stage 1	67 730	(66 890)	(840)	
Transfer to stage 2	(91 994)	96 661	(4 668)	
Transfer to stage 3	(3 846)	(5 356)	9 202	
Originated and purchased	473 915	4 767		478 682
Derecognition	(377 761)	(23 346)	(7 327)	(408 434)
Exchange rate movements	362	190	95	647
Other	188			188
Gross carrying amount as at 31 December 2019	**1 503 609**	**88 347**	**24 308**	**1 616 264**

Financial commitments				**DNB Group**
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 1 January 2018	**651 248**	**28 358**	**3 208**	**682 814**
Transfer to stage 1	14 184	(13 415)	(769)	
Transfer to stage 2	(20 916)	21 665	(749)	
Transfer to stage 3	(1 663)	(1 587)	3 250	
Originated and purchased	247 002	5 247	3 599	255 848
Derecognition	(265 698)	(11 201)	(4 400)	(281 298)
Exchange rate movements	3 177	394	13	3 584
Other	(32)			(32)
Maximum exposure as at 31 December 2018	**627 302**	**29 462**	**4 152**	**660 916**
Transfer to stage 1	20 580	(20 331)	(249)	
Transfer to stage 2	(25 073)	25 600	(528)	
Transfer to stage 3	(1 164)	(1 010)	2 175	
Originated and purchased	397 213	0	0	397 214
Derecognition	(397 978)	(10 062)	(2 198)	(410 238)
Exchange rate movements	715	135	(10)	840
Other				
Maximum exposure as at 31 December 2019	**621 594**	**23 794**	**3 343**	**648 730**

NOTE 10 Development in accumulated impairment of financial instruments

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

- Transfers between stages due to significant changes in credit risk. The transfers are presumed to occur before the subsequent remeasurement of the allowance.
- Changes due to transfers between 12-month expected credit loss in stage 1 and lifetime expected credit loss in stages 2 and 3.
- Changes in allowance due to the origination of new financial instruments during the period.
- Increases and decreases in expected credit loss resulting from changes in input parameters and assumptions, including macro forecasts, as well as the effect of partial repayments on existing facilities and the unwinding of the time value of discounts due to the passage of time.
- Changes in allowance due to the derecognition of financial instruments during the period.
- Write-offs, exchange rate movements 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 2018	**(382)**	**(3 082)**	**(8 710)**	**(12 174)**
Transfer to stage 1	(454)	425	29	
Transfer to stage 2	79	(281)	202	
Transfer to stage 3	3	1 351	(1 353)	
Originated and purchased	(176)	(161)	0	(336)
Increased expected credit loss	(160)	(944)	(6 158)	(7 262)
Decreased (reversed) expected credit loss	866	1 200	4 770	6 835
Write-offs			2 895	2 895
Derecognition	(124)	275	4	155
Exchange rate movements	(2)	(7)	(0)	(10)
Accumulated impairment as at 31 December 2018	**(352)**	**(1 225)**	**(8 321)**	**(9 898)**
Transfer to stage 1	(351)	319	32	
Transfer to stage 2	58	(276)	218	
Transfer to stage 3	3	86	(90)	
Originated and purchased	(170)	(145)		(315)
Increased expected credit loss [1)]	(212)	(1 221)	(6 103)	(7 535)
Decreased (reversed) expected credit loss [1)]	686	1 003	3 510	5 198
Write-offs	0	0	1 838	1 838
Derecognition	33	423	61	516
Exchange rate movements	(1)	(6)	(49)	(55)
Accumulated impairment as at 31 December 2019	**(306)**	**(1 042)**	**(8 905)**	**(10 252)**

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

NOTE 10 Development in accumulated impairment of financial instruments (continued)

Financial commitments				**DNB Group**
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	**(171)**	**(2 128)**	**(511)**	**(2 810)**
Transfer to stage 1	(194)	194		
Transfer to stage 2	27	(31)	4	
Transfer to stage 3	0	584	(584)	
Originated and purchased	(134)	(338)		(472)
Increased expected credit loss	(49)	(580)	(316)	(945)
Decreased (reversed) expected credit loss	371	958	821	2 150
Derecognition	2	370	17	389
Exchange rate movements	(1)	(30)	0	(31)
Other				
Accumulated impairment as at 31 December 2018	**(149)**	**(1 001)**	**(569)**	**(1 719)**
Transfer to stage 1	(187)	152	35	
Transfer to stage 2	46	(50)	4	
Transfer to stage 3	0	9	(9)	
Originated and purchased	(158)	(14)		(172)
Increased expected credit loss [1)]	(83)	(653)	(1 173)	(1 909)
Decreased (reversed) expected credit loss [1)]	375	697	1 155	2 228
Derecognition	8	201	0	209
Exchange rate movements	(0)	(8)	(0)	(9)
Other	0	0	14	14
Accumulated impairment as at 31 December 2019	**(146)**	**(667)**	**(543)**	**(1 357)**

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

NOTE 11 Loans and financial commitments to customers by industry segment

Loans to customers as at 31 December 2019

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	92 336	(8)	(8)	(23)	5	92 303
Commercial real estate	185 586	(10)	(37)	(384)	145	185 299
Shipping	47 957	(47)	(94)	(285)		47 531
Oil, gas and offshore	64 934	(44)	(376)	(4 384)		60 131
Power and renewables	31 254	(8)	(3)	(46)		31 197
Healthcare	20 989	(7)	(3)			20 979
Public sector	13 952	(7)	(0)	(0)		13 945
Fishing, fish farming and farming	41 198	(6)	(29)	(143)	161	41 182
Retail industries	40 551	(10)	(34)	(457)	58	40 108
Manufacturing	42 216	(21)	(35)	(204)	19	41 976
Technology, media and telecom	24 540	(21)	(6)	(25)	25	24 513
Services	72 108	(24)	(38)	(847)	191	71 391
Residential property	89 719	(6)	(13)	(121)	362	89 941
Personal customers	782 720	(72)	(308)	(641)	60 143	841 842
Other corporate customers	66 203	(17)	(59)	(1 345)	69	64 852
Total [1)]	**1 616 264**	**(306)**	**(1 042)**	**(8 905)**	**61 178**	**1 667 189**

1) Of which NOK 56 049 million in repo trading volumes.

Loans to customers as at 31 December 2018

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	65 390	(9)	(4)	(55)		65 322
Commercial real estate	169 204	(9)	(43)	(261)	179	169 069
Shipping	58 769	(67)	(117)	(655)		57 931
Oil, gas and offshore	61 201	(54)	(586)	(4 336)		56 225
Power and renewables	30 556	(8)	(85)	(107)		30 355
Healthcare	22 601	(7)	(9)	(0)		22 585
Public sector	22 303	(0)	(1)	(0)		22 301
Fishing, fish farming and farming	34 983	(3)	(13)	(70)	165	35 063
Retail industries	40 210	(15)	(13)	(595)	65	39 653
Manufacturing	45 914	(19)	(9)	(339)	21	45 568
Technology, media and telecom	28 336	(28)	(4)	(30)	18	28 292
Services	65 666	(18)	(18)	(545)	205	65 290
Residential property	91 562	(6)	(7)	(222)	375	91 702
Personal customers	760 144	(91)	(288)	(679)	61 368	820 454
Other corporate customers	48 341	(17)	(30)	(427)	80	47 948
Total [1)]	**1 545 180**	**(352)**	**(1 225)**	**(8 321)**	**62 476**	**1 597 758**

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

NOTE 11 Loans and financial commitments to customers by industry segment (continued)

Financial commitments as at 31 December 2019

DNB Group

		Accumulated impairment			
Amounts in NOK million	Maximum exposure	Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	30 438	(5)	(1)	(0)	30 432
Commercial real estate	26 052	(2)	(1)	(4)	26 045
Shipping	10 409	(11)	(30)		10 368
Oil, gas and offshore	57 026	(48)	(463)	(268)	56 247
Power and renewables	28 403	(5)	(19)		28 378
Healthcare	29 100	(8)	(0)		29 091
Public sector	11 086	(0)	(0)		11 085
Fishing, fish farming and farming	17 835	(2)	(0)	(6)	17 826
Retail industries	30 429	(5)	(17)	(35)	30 373
Manufacturing	50 321	(11)	(32)	(2)	50 276
Technology, media and telecom	16 138	(10)	(3)		16 125
Services	25 494	(11)	(16)	(21)	25 445
Residential property	33 412	(2)	(1)	(3)	33 405
Personal customers	241 498	(14)	(67)	(0)	241 416
Other corporate customers	41 089	(10)	(17)	(203)	40 859
Total	**648 730**	**(146)**	**(667)**	**(543)**	**647 373**

Financial commitments as at 31 December 2018

DNB Group

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

NOTE 12 Market risk

Market risk is the risk of losses or reduced future income due to fluctuations in market prices or exchange rates. The risk arises as a consequence of the Group's unhedged transactions and exposure to the foreign exchange, property, interest rate, commodity, credit and equity markets. The risk level reflects market price volatility and the size of the exposure.

DNB quantifies risk by calculating economic capital for individual risk categories and for the DNB Group's overall risk, see note 4 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. For DNB Livsforsikring, the calculation also accounts for the obligations resulting from the guaranteed rate of return, equity buffers and dynamic portfolio management.

The economic capital for total market risk in the DNB Group decreased from NOK 13.9 billion at the end of 2018 to NOK 11.2 billion at the end of 2019. The decrease is partly due to reduced equity holdings in DNB Livsforsikring. In addition, the buffers in DNB Livsforsikring have increased significantly since the end of 2018.

Market risk, excluding strategic ownership, represented 11.1 per cent of total economic capital at year-end 2019, which is within the limit of the Group's risk appetite.

NOTE 13 Interest rate sensitivity

Interest rate sensitivity for different time intervals

The value of items on and off the balance sheet is affected by interest rate movements. The table shows potential losses for DNB Group excluding DNB Livsforsikring and DNB Poland resulting from parallel one percentage point changes in all interest rates. The calculations are based on a hypothetical situation where interest rate movements in all currencies are unfavourable for DNB relative to the Group's positions. Also, all interest rate movements within the same interval will be unfavourable for the Group. The figures will thus reflect maximum losses for DNB.

The calculations are based on the Group's positions as at 31 December and market rates on the same date. The table does not include administrative interest rate risk and interest rate risk tied to non-interest-earning assets.

						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 2019						
NOK	10	447	489	596	98	465
USD	1	118	81	100	9	72
EUR	4	50	5	20	87	109
GBP	3	4	10	2		11
SEK	40	7	24	10	3	36
Other currencies	8	23	27	5	2	55
31 December 2018						
NOK	445	73	750	332	255	155
USD	91	1	1	97	83	86
EUR	65	32	85	27	25	40
GBP	7	8	3	7		2
SEK	10	6	12	8	4	7
Other currencies	15	34	30	9	4	57

1) Applies to the DNB Group excluding DNB Livsforsikring and DNB Poland.

NOTE 13 Interest rate sensitivity (continued)

Interest rate sensitivity for different time intervals – DNB Livsforsikring

The table shows interest rate sensitivity associated with financial assets in DNB Livsforsikring, excluding commercial paper and bonds held to maturity. The interest rate sensitivity of a security shows potential changes in the security's value resulting from a one percentage point change in interest rates.

						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 2019						
NOK	11	69	72	451	334	937
USD	4	9	3	44	173	209
EUR	2	5	1	51	94	143
GBP		1		2	12	13
Other currencies		3	12		5	10
31 December 2018						
NOK	9	72	54	419	222	776
USD	3	12	3	41	157	185
EUR	2	3	1	64	55	115
GBP			1		13	14
Other currencies		2	11	1	4	8

Interest rate sensitivity – liabilities to insurance policyholders

DNB Livsforsikring carries the risk of meeting liabilities in relation to policyholders. The return on financial assets must be sufficient to meet the guaranteed rate of return specified in insurance policies. Otherwise, inadequate returns will have to be covered by applying the market value adjustment reserve, additional allocations, equity or subordinated loan capital.

The guaranteed rate of return must be complied with on a yearly basis. Measured in relation to customer funds the company's total guaranteed rate of return averages 3 per cent.

Note 17 Insurance risk gives a description of a liability adequacy test prepared in compliance with IFRS 4 Insurance Contracts concerning liabilities to policyholders as at 31 December 2019.

NOTE 14 Currency positions

The table shows net currency positions as at 31 December, including financial derivatives as defined by Norges Bank. Foreign exchange risk related to investments in subsidiaries is included in the currency position by the amount recorded in the accounts.

In DNB Livsforsikring foreign currency exposure arises when the company invests parts of its securities portfolio and property portfolio in the international securities market. Under DNB Livsforsikring's current foreign currency hedging strategy, the total foreign currency exposure is reduced to a minimum.

	DNB Livsforsikring		**DNB Group excl. DNB Livsforsikring**	
	Net currency positions		Net currency positions	
Amounts in NOK million	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
USD	49	(102)	1 174	1 936
EUR	(331)	(153)	(620)	4
GBP	23	7	(40)	(11)
SEK	340	411	(73)	39
DKK	9	12	14	(23)
CHF	24	5	5	27
JPY	20	2	(31)	7
Other	177	318	227	216
Total foreign currencies	311	499	657	2 196

NOTE 15 Financial derivatives and hedge accounting

The majority of derivative transactions in DNB relate to transactions with customers, where DNB enables them to transfer, modify, take or reduce prevailing or expected risk. Derivatives are also used to hedge currency and interest rate risk arising in connection with funding and lending. In addition, Markets conducts derivative trading for their own account and also acts as market maker. A market maker is obliged to furnish both offer and bid prices with a maximum differential between offer and bid price, together with a minimum volume. Market makers always trade for their own account.

DNB uses a range of financial derivatives for both trading and hedging purposes. "Over the counter" (OTC) derivatives are contracts entered into outside an exchange. where terms are negotiated directly with the counterparties. OTC derivatives are usually traded under a standardised International Swaps and Derivatives Association (ISDA) master agreement between DNB and its counterparties. Exchange-traded derivatives are derivative contracts with standardised terms for amounts and settlement dates, which are bought and sold on regulated exchanges.

						DNB Group
	31 December 2019			31 December 2018		
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 contracts						
Forward rate agreements	1 475 226	331	321	1 058 532	154	175
Swaps	2 745 961	30 854	40 679	2 193 750	37 870	19 900
OTC options	102 568	560	552	77 245	630	608
Total interest rate contracts	4 323 755	31 745	41 552	3 329 527	38 654	20 682
Foreign exchange contracts						
Forward contracts	61 394	7 066	6 616	30 912	7 945	6 386
Swaps	1 280 976	17 681	15 674	749 167	21 191	32 573
OTC options	21 527	1 290	982	26 235	1 387	1 046
Total foreign exchange contracts	1 363 897	26 038	23 273	806 313	30 523	40 005
Equity-related contracts						
Forward contracts	4 896	2 379	1 032	3 315	2 281	938
Other	3 293	372	476	1 990	597	318
Total OTC derivatives	8 188	2 751	1 508	5 306	2 878	1 256
Futures	6 324	0	1	3 904		
Other	5 041	82	82	3 783	288	80
Total exchange-traded contracts	11 365	82	83	7 688	288	80
Total equity-related contracts	19 553	2 833	1 591	12 993	3 166	1 337
Commodity-related contracts						
Swaps and options	66 679	3 573	2 970	65 055	2 292	2 062
Total commodity related contracts	66 679	3 573	2 970	65 055	2 292	2 062
Total financial derivatives trading	5 773 885	64 188	69 385	4 213 889	74 635	64 086
Derivatives held for hedge accounting						
Fair value hedges of interest rate risk						
Interest rate swaps	566 753	28 121	1 390	487 763	23 927	2 371
Total financial derivatives hedge accounting	566 753	28 121	1 390	487 763	23 927	2 371
Collateral pledged/received on financial derivatives						
Total cash collateral pledged/received		32 767	44 906		26 194	43 659
Total financial derivatives	**6 340 638**	**125 076**	**115 682**	**4 701 652**	**124 755**	**110 116**

Risk related to financial derivatives

Derivatives are traded in portfolios which also include balance sheet products. The market risk on derivatives is handled, monitored and controlled as an integral part of the market risk of these portfolios. See note 12 Market risk. Derivatives are traded with many different counterparties and most of these are also engaged in other types of business with DNB. The credit risk arising in connection with derivatives trading is included in the total credit risk measurement of the DNB Group. Netting agreements or bilateral agreements on collateral are entered into with a number of counterparties, thus reducing credit risk. The authorities' capital adequacy requirements take into account netting agreements and similar bilateral agreements, resulting in a reduction of capital adequacy requirements. See note 4 Credit risk management for a description of counterparty risk.

DNB uses basis swaps and cross currency interest swaps to convert foreign currency borrowings into the desired currency. As a typical example, DNB raises a loan in euro and converts it into US dollars through a basis swap. In this example DNB pays a US dollar interest rate based on a swap curve and receives a euro interest rate reduced or increased by a margin. The basis swaps are financial derivatives measured at fair value. There may be significant variations in the value of the basis swaps from day to day, due to changes in basis swap spreads. This unhedged risk causes unrealised gains and losses. For the year 2019, there was a NOK 270 million increase in value (positive effect on profits), compared with a NOK 1 358 million decrease in value in 2018.

NOTE 15 Financial derivatives and hedge accounting (continued)

Use of financial derivatives in DNB Livsforsikring

The purpose of employing financial derivatives in DNB Livsforsikring is to be able to invest and allocate funds in accordance with the company's expectations of market trends, through swift and cost-effective asset and market exposure. In addition, the application of derivatives facilitates active risk management and adjustments in equity, interest rate and foreign exchange risk. DNB Livsforsikring does not apply hedge accounting. See notes 13 Interest rate sensitivity and 14 Currency positions for a further description.

Hedge accounting

DNB applies fair value hedge of interest rate risk on issued bonds and subordinated debt with fixed interest and net investment hedge of investments in foreign operations in order to reduce or eliminate accounting mismatches. Both derivative and non-derivative instruments are designated as hedging instruments in the hedge relationships that qualify for hedge accounting. See note 1 Accounting principles for information about hedge accounting and the presentation of financial derivatives in the financial statements.

In fair value hedges of interest rate risk, the interest rate exposure on fixed-rate borrowings 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 2019 — **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	46 666	(20)	(20)
Issued bonds	Debt securities issued	533 843	22 358	(4 554)
Subordinated debt	Debt securities issued	19 405	162	(202)
Hedging instrument				
Interest rate swaps	Financial derivatives			4 925

Fair value hedges of interest rate risk as at 31 December 2018 — **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				
Issued bonds	Debt securities issued	490 697	16 627	1 783
Subordinated debt	Debt securities issued	20 013	62	67
Hedging instrument				
Interest rate swaps	Financial derivatives			(2 088)

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 31 million as at end-December 2019.

NOTE 15 Financial derivatives and hedge accounting (continued)

Residual maturity of interest rate swaps held as hedging instruments as at 31 December 2019 **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				40 765	5 975
Hedges of issued bonds	4 890	286	51 925	332 597	112 856
Hedges of subordinated debt			945	16 516	

Residual maturity of interest rate swaps held as hedging instruments as at 31 December 2018 **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					
Hedges of issued bonds	7 254	99	30 689	299 618	132 567
Hedges of subordinated debt				17 536	

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 73 605 million at 31 December 2019. 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 hedge ratio is 1:1. The effects of the net investment hedge can be seen in the statement of changes in equity.

Any reclassifications from net investment hedge reserve to the income statement, due to for instance sales of subsidiaries, can be seen in the comprehensive income statement and the statement of changes in equity.

NOTE 16 Liquidity risk

Liquidity risk is the risk that the DNB Group will be unable to meet its payment obligations. Overall liquidity management in the DNB Group implies that DNB Bank ASA is responsible for funding domestic and international group entities. Liquidity risk is managed and measured by means of various measurement techniques.

The Board of Directors has approved internal limits which restrict the short-term maturity of liabilities within different time frames. The various maturities are subject to stress testing based on a bank-specific crisis, a systemic crisis and a combination thereof, and a contingency plan has been established to handle market events. In addition, limits have been set for structural liquidity risk, which implies that lending to customers should largely be financed through customer deposits, subordinated capital and long-term funding. Ordinary senior bond debt and covered bonds are the major sources of long-term funding. The Group's ratio of deposits to net loans was 58.2 per cent at end-December 2019, up from 58.0 per cent a year earlier.

2019 was an active year for DNB in the short-term funding market, and there was generally a high level of interest in the bank's securities with both long and short maturities. While USD was the main short-term funding currency for DNB, the European market was influenced by low interest rates in continental Europe, and due to Brexit in the UK, some instability was registered here. On the other hand, with high activity in the long-term funding market towards the end of 2019, the bank used this increased flexibility to reduce outstanding volumes somewhat in the short-term market during the fourth quarter of 2019.

In the long-term funding market, there was some instability at the end of 2018, which continued into the first quarter of 2019. Spread levels peaked in mid-January before starting to narrow again. From mid-January to the summer, the spreads narrowed significantly, but remained more or less stable in the second half of the year. Despite volatile markets, the funding activity was high as usual in the first quarter, with large volumes issued. In March, the US 10-year Treasury yield fell below the 3-month Treasury bill, and 10-year German bonds fell below 0 per cent, which indicated the market's fear of an upcoming recession. The ongoing trade war between the US and China, in addition to concerns about Brexit, added to this sense of uncertainty. In October, the European Central Bank (ECB) restarted their asset purchase programme, which had been on hold since the beginning of 2019. DNB was very active in the senior and covered bonds market in the first half of the year. In the fourth quarter, the bank re-assumed this activity with some sizeable issues of senior bonds. In the course of the year, there was also an increasing number of issues of so-called senior non-preferred bonds in the market, due to the upcoming minimum requirement for own funds and eligible liabilities (MREL). Overall, DNB had good access to long-term funding markets at attractive spreads during the year.

The nominal value of long-term debt securities issued by the Group was NOK 654 billion at the end of December 2019, compared with NOK 604 billion a year earlier. The average remaining term to maturity for these long-term debt securities was 3.7 years at the end of December, compared with 4.1 years a year earlier.

The short-term liquidity requirement, the Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the year and stood at 138 per cent at the end of December 2019.

NOTE 16 Liquidity risk (continued)

Residual maturity as at 31 December 2019 1)

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	301 047		3 699				304 746
Due from credit institutions	61 902	35 926	5 064	70			102 962
Loans to customers	261 981	91 455	105 724	324 435	886 266	(1 333)	1 668 528
Commercial paper and bonds	2 965	2 292	26 559	198 661	72 766	72 042	375 285
Shareholdings						49 552	49 552
Other assets		1 464		11			1 475
Total	627 895	131 137	141 046	523 177	959 032	120 261	2 502 548
Liabilities							
Due to credit institutions	152 505	37 361	12 493	424			202 783
Deposits from customers	969 562						969 562
Debt securities issued	58 053	104 578	130 318	436 947	117 524		847 420
Other liabilities etc.	446	3 856	87				4 389
Subordinated loan capital		214		24 943	5 774		30 931
Total	1 180 566	146 009	142 898	462 314	123 298		2 055 085
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	425 264	343 538	189 932	488 922	197 005		1 644 660
Outgoing cash flows	430 419	347 469	194 239	501 263	200 637		1 674 028
Financial derivatives, net settlement	1 304	2 444	2 724	15 811	10 965		33 248
Total financial derivatives	(3 852)	(1 488)	(1 583)	3 470	7 333		3 880

Residual maturity as at 31 December 2018 1)

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	134 192	19 037	2 363				155 592
Due from credit institutions	79 207	44 186	6 262	197	293		130 147
Loans to customers	206 755	89 087	156 465	295 943	852 892	(2 442)	1 598 699
Commercial paper and bonds	36 323	26 442	50 047	171 002	63 205	63 891	410 911
Shareholdings						55 224	55 224
Other assets		1 381		18			1 399
Total	456 477	180 133	215 137	467 160	916 390	116 673	2 351 972
Liabilities							
Due to credit institutions	184 245	448	3 271	100			188 063
Deposits from customers	927 096						927 096
Debt securities issued	95 962	54 114	96 442	412 283	125 325		784 126
Other liabilities etc.	645	4 287	138				5 070
Subordinated loan capital		218		25 110	5 693		31 021
Total	1 207 948	59 067	99 851	437 493	131 018		1 935 376
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	449 022	283 339	242 011	415 341	198 550		1 588 263
Outgoing cash flows	444 942	281 071	246 318	433 381	202 338		1 608 050
Financial derivatives, net settlement	1 449	2 717	2 960	17 667	10 870		35 663
Total financial derivatives	5 529	4 985	(1 347)	(373)	7 082		15 876

1) *Nominal future interest payments in excess of accrued interest are not included on the balance sheet date.*

Credit lines, commitments and documentary credit

DNB Group

Amounts in NOK million	31 Dec. 2019	31 Dec. 2018
Unutilised credit lines etc. under 1 year	409 866	413 414
Unutilised credit lines etc. over 1 year	186 407	197 894

NOTE 17 Insurance risk

Insurance risk in life insurance

Risk in DNB Livsforsikring AS includes financial risk and insurance risk, in addition to operational risk and business risk. Financial risk comprises credit and market risk, which is the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies (see description in notes 12-14). Insurance risk relates to changes in future insurance payments due to changes in life expectancy and disability rates.

Analysis of insurance liabilities, customers bearing the risk, and liabilities to policyholders

	DNB Group [1]	
Amounts in NOK million	Insurance liabilities, customers bearing the risk	Liabilities to policyholders
Balance sheet as at 31 December 2017	**75 206**	**208 705**
Deposits	8 935	3 229
Return	(3 632)	5 137
Inflow of reserves	3 190	312
Outflow of reserves	(1 799)	(216)
Insurance payments	(3 841)	(12 231)
Other changes	(817)	(649)
Balance sheet as at 31 December 2018	**77 241**	**204 286**
Deposits	9 948	3 384
Return	14 735	11 868
Inflow of reserves	2 853	302
Outflow of reserves	(3 562)	(178)
Insurance payments	(1 457)	(12 299)
Other changes	(815)	(479)
Balance sheet as at 31 December 2019	**98 943**	**206 884**

1) *Refers only to DNB Livsforsikring.*

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.

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.

NOTE 17 Insurance risk (continued)

For individual contracts sold prior to 1 January 2008, total profits are distributed between policyholders and the company. Profits for distribution include the interest result, the risk result and the administration result. No less than 65 per cent of total profits must be distributed to policyholders. The new regulations apply to contracts sold after 1 January 2008, with annual pricing of each profit element, which is in accordance with the regulations for group defined-benefit pensions.

Contracts in the unit-linked portfolio

Defined-contribution pensions are group pension schemes where the employees bear the financial risk. However, full or partial hedging of the paid amount can be bought. If a member is disenrolled from the pension agreement, a pension capital certificate is issued, which secures the retirement pension capital.

Individual unit-linked insurance policies are endowment insurance policies or annuity insurance policies where policyholders bear the financial risk.

Other sectors

Group life insurance policies are life level term insurance policies taken out by employers or associations for their employees or members and, where applicable, also for their spouses and children. The amount recoverable under the policy is disbursed upon the death of the policyholder. Group life insurance may also comprise disability cover, which is a one-off benefit for permanent disability.

Employer's liability insurance is a one-year risk product which companies link to their pension agreements. This may be corporate group life insurance or accident insurance. Occupational injury insurance is mandatory for all enterprises.

Personal risk products for personal customers are one-year risk products which include monthly disability benefits and lump-sum compensation payments in the event of death, disability or critical illness. DNB Livsforsikring also offers child and youth insurance, which ensures financial security in the event of accidents, serious illness or incapacity for work.

Specification of liabilities to policyholders recorded in the balance sheet as at 31 December 2019 **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 2019	Total 2018
Premium reserve	237 463	3 007	19 083	29 921	875	1 510	291 859	271 301
Additional allocations	5 586	112	506	878			7 083	7 209
Market value adjustment reserve	4 464	64	445	564	9	12	5 557	1 457
Premium fund	594	5		52			652	828
Pensioners' profit fund	580						580	682
Other technical reserves						96	96	51
Liabilities to policyholders	**248 687**	**3 188**	**20 034**	**31 416**	**884**	**1 618**	**305 827**	**281 528**
Unrealised gains on bonds held to maturity [2)]							5 266	5 879

1) Refers only to DNB Livsforsikring.

2) Unrealised gains on bonds held to maturity are not included in balance sheet values.

Insurance risk

Within life insurance, insurance risk is mainly related to the likelihood of death and disability.

Insurance risk in DNB Livsforsikring is divided, in varying degrees, between policyholders and the company. With respect to the non-life insurance products employers' liability insurance and certain pure risk products, the company is exposed to insurance risk. For individual pension and endowment insurance products sold after 1 January 2008 and group pension agreements, the company's risk represents its obligation to cover a possible negative risk result. The company is credited up to 50 per cent of any positive risk result in the form of allocations to the risk equalisation fund.

The risk result arises when empirical data for mortality, disability and exit risk deviate from the assumptions underlying the calculation base for premiums and provisions. When the risk result generates a surplus, the surplus can be allocated to the risk equalisation fund. The risk equalisation fund cannot exceed 150 per cent of the company's total risk premiums for the accounting year. If there is a deficit on the risk result, the risk equalisation fund can be used. The risk equalisation fund does not apply to risk contracts with a maximum term of one year, disability pensions and dependent’s pensions with no accrued entitlement or individual contracts sold prior to 1 January 2008.

Risk for DNB Livsforsikring related to changes in mortality rates is twofold. With respect to mortality risk coverage, mainly spouse’s and child's pensions, lower mortality rates will give an improved risk result and a more limited need for provisions. For pensions that are currently payable, lower mortality rates will result in extended disbursement periods and thus require greater provisions, called pure endowment risk. It will be possible to cover the required increase in reserves relating to insurance risk by future surpluses on investment results. The company’s insurance risk mainly comprises pure endowment risk and disability risk.

NOTE 17 Insurance risk (continued)

Disability risk is more exposed to short-term changes. Allocations covering incurred, unsettled insurance claims are under continuous review. No further needs for strengthening existing provisions relating to disability pensions or other disability products have been identified.

With respect to existing contracts, insurance risk is subject to continual review by analysing and monitoring risk results within each business sector. In addition, the company applies reinsurance as an instrument to reduce insurance risk. The company's current reinsurance contracts cover catastrophes and significant individual risks within group and individual insurance. The reinsurance agreements imply that DNB Livsforsikring is responsible for risk up to a certain level while the reinsurer covers excess risk up to a maximum defined limit.

In order to reduce insurance risk exposure, it is mandatory that policyholders undergo a health check before entering into a contract for individual risk products. Individual health checks are also required under small-scale group schemes. In connection with the sale of disability pensions, policyholders are divided into risk categories based on a concrete risk assessment in each individual case.

DNB Livsforsikring's operations are concentrated in Norway.

Risk result

The table shows the effect on the risk result for 2019 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 2019	Total 2018
Risk result								
Risk result in 2019 *)		314	5	45	118	(48)	433	
Risk result in 2018		320	13	43	116	(97)		395
Sensitivites - effect on risk result in 2019								
5 per cent reduction in mortality rate		(35)	(1)	(11)	2	2	(42)	(42)
10 per cent increase in disability rate		(105)	(0)	(10)	(8)	(21)	(144)	(151)
**) Of which:*	*Mortality risk*	*(6)*	*8*	*1*	*69*	*10*	*81*	*110*
	Longevity risk	*20*	*(13)*	*9*	*(0)*	*(0)*	*16*	*(45)*
	Disability rate	*275*	*9*	*17*	*31*	*(57)*	*275*	*184*
	Employer's liability insurance	*11*	*0*	*0*	*16*	*(1)*	*26*	*112*
	Other	*15*	*0*	*17*	*2*	*0*	*35*	*34*

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 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)	+1 437
Disability	10	+851

Mortality and disability

The table shows the net annual risk premium for a sum assured of NOK 100 000. For spouse’s pensions, the premium shown is for an annual spouse’s pension of NOK 10 000 paid from the death of the primary policyholder until the spouse reaches the age of 77. For disability pensions, the premium shown is for an annual disability pension of NOK 10 000, payable after a 12-month waiting period, until 67 years of age. All premiums relating to individual schemes are gender neutral.

DNB Livsforsikring

	Men			Women		
Amounts in NOK million	30 years	45 years	60 years	30 years	45 years	60 years
Individual life insurance	84	216	924	84	216	924
Individual disability lump sum	260	892		260	892	
Individual disability pension	490	1 433	4 301	490	1 433	4 301
Spouse's pensions in group schemes	14	104	427	12	63	178
Disability pensions in group schemes	211	425	1 296	301	1 049	2 209

NOTE 17 Insurance risk (continued)

Interest rate sensitivity – liabilities to policyholders

DNB Livsforsikring carries the risk of fulfilling the company's commitments in contracts with policyholders. The return on financial assets must be sufficient to meet the guaranteed rate of return specified in insurance policies. Otherwise, inadequate returns will have to be covered by applying the market value adjustment reserve, additional allocations, equity or subordinated loan capital. The guaranteed rate of return must be complied with on a yearly basis. Measured in relation to customer funds, the company's total guaranteed rate of return averages 3.0 per cent.

The table shows long-term developments in the average guaranteed rate of return for each sector. The guaranteed rate of return is shown as a percentage of the premium reserve, premium fund and additional allocations, and is measured as at 31 December. The interest rate guarantee is gradually reduced each year.

				DNB Livsforsikring
Per cent	2019	2018	2017	2016
Group pension insurance, private sector	3.0	3.1	3.1	3.1
Individual pension insurance	3.3	3.4	3.4	3.4
Individual endowment insurance	2.1	2.2	2.2	2.3
Group association insurance	3.9	4.0	4.0	4.0
Total	3.0	3.1	3.1	3.1

Liability adequacy test

In accordance with IFRS 4, the company has assessed whether its premium reserves are adequate to cover its liabilities. If the test shows that the premium reserves are too low to bear the future liabilities of the company, the difference should be recorded on the test date. Adequacy tests are performed each quarter.

All premium rates used by the company are based on the company's past experience within product segments or business sectors. Thus, products may have different technical rates of interest, mortality and disability assumptions, and may incur different costs. The adequacy test assesses the margins in the company's premium rates.

Adequacy tests are calculated based on the net present value of all future cash flows generated by the insurance contracts, discounted by a spot interest rate curve. The interest rate curve is calculated based on observable Norwegian swap rates. The Smith Wilson-model is used to estimate the interest rate curve over a 10-year period, and it is assumed that the spot interest rate will converge against a long-term macro-economic target rate. The adequacy test is susceptible to changes in the interest rate curve.

The adequacy test indicated no need for further provisions covering liabilities to policyholders as at 31 December 2019.

Solvency capital

The solvency capital consists of the market value adjustment reserve, additional allocations, risk equalisation fund, equity, subordinated loan capital and unrealised gains on bonds held to maturity. All these elements, with the exception of the risk equalisation fund, can be used to meet the guaranteed rate of return on policyholders' funds.

		DNB Livsforsikring
Amounts in NOK million	31 Dec. 2019	31 Dec. 2018
Market value adjustment reserve	5 557	1 457
Additional allocations	7 083	7 209
Risk equalisation fund	715	601
Equity	22 493	22 541
Subordinated loan capital	7 000	7 000
Unrealised gains on bonds held to maturity	5 266	5 879
Total available capital	48 114	44 686
Guaranteed return on policyholders' funds [1)]	6 097	6 283

1) One-year guaranteed rate of return on insurance contracts at end of period.

NOTE 17 Insurance risk (continued)

Capital requirements and solvency capital

New regulatory capital requirements for European insurance companies are specified in the Solvency II Directive, which entered into force on 1 January 2016. The directive has been implemented in Norwegian law in the Financial Institutions Act and the Solvency II regulations. In addition to capital and capital requirements, the directive includes rules for capital management and internal control, supervisory review and evaluation, and market discipline in the form of requirements for public disclosure and supervisory reporting. The Solvency II regulations set a minimum requirement for primary capital to cover the solvency capital requirement (SCR) and the minimum capital requirement (MCR). The solvency capital requirement is set at a level to ensure that there is a 99.5 per cent probability that total losses, including insurance and financial losses, over a period of 12 months do not exceed the estimated capital requirement. The calculations take risk-mitigating measures and systems into consideration. The minimum requirement is set at a level to ensure that there is an 85 per cent probability that total losses over a period of 12 months will not exceed the estimated capital requirement. The capital is divided into three groups according to quality. Minimum 50 per cent of the SCR must be covered by capital group 1. Capital group 3 cannot cover more than 15 per cent of the solvency capital requirement. Capital group 1 must constitute minimum 80 per cent of the MCR requirement. The new regulations allow the use of transitional rules when calculating solvency capital. In December 2015, DNB Livsforsikring was given permission by Finanstilsynet to use the transitional rules for insurance provisions. Thus, the company is allowed to use recorded insurance provisions instead of the market value of the liabilities. The transitional rules apply for 16 years, and will be reduced linearly, initially on 1 January 2017. As at 31 December 2019, DNB Livsforsikring had a solvency margin according to the transitional rules of 202 per cent. Without the transitional rules, the solvency margin was 169 per cent. The solvency margin has been calculated after the payment of dividends of NOK 1.3 billion.

Solvency capital

	DNB Livsforsikring	
Amounts in NOK million	31 Dec. 2019	1 Jan. 2019
Capital group 1		
Share capital	1 750	1 750
Share premium reserve	6 016	6 016
Subordinated loans	1 500	1 500
Reconciliation reserve [1]	16 569	17 431
Including effect of the transitional rules [2]	4 928	5 200
Total capital group 1	25 835	26 697
Capital group 2		
Subordinated loan capital	5 500	5 500
Risk equalisation fund	715	601
Total capital group 2	6 215	6 101
Capital group 3		
Deferred taxes	0	0
Total capital group 3	0	0
Total solvency capital	**32 050**	**32 797**
Total solvency capital without the transitional rules	**27 122**	**27 598**

1) *Retained earnings are included in the reconciliation reserve. In addition, changes in capital due to the transition to market values for assets and liabilities will be a part of the reconciliation reserve.*
2) *In addition to using recorded provisions when calculating liabilities, DNB Livsforsikring avails itself of the opportunity to apply reduced stress for equities acquired prior to 1 January 2016. Such reduced equity stress applies for a period of seven years, with a linear increase in the stress from 22 per cent to 39 per cent. According to the solvency capital regulations, government bonds issued in the home country are not subject to spread risk. During a transitional period, this also applies to government bonds issued by EEA states. The exception applies through 2018, while there will be an escalation period in 2019, and the exception will no longer apply as of 1 January 2020.*

Solvency capital requirement

	DNB Livsforsikring	
Amounts in NOK million	31 Dec. 2019	1 Jan. 2019
Market and counterparty risk	30 963	30 613
Insurance risk	10 288	10 973
Operational risk	1 130	1 123
Diversification [1]	(7 207)	(7 322)
Loss absorption, deferred taxes	(4 093)	(5 007)
Loss absorption, technical insurance reserves	(15 176)	(12 603)
Solvency capital requirement [2]	15 905	17 777
Minimum capital requirement	7 157	7 332

1) *Diversification between market and counterparty risk and insurance risk.*
2) *As at 31 December 2019, the solvency capital requirement without transitional rules represented NOK 16 012 million.*

Solvency margin

	DNB Livsforsikring	
Figures in per cent	31 Dec. 2019	1 Jan. 2019
Solvency margin with transitional rules	202	184
Solvency margin without transitional rules	169	152

NOTE 18 Net interest income

							DNB Group
	2019				2018		
Amounts in NOK million	Measured at FVTPL	Measured at FVOCI	Measured at amortised cost 1)	Total	Measured at FVTPL	Measured at amortised cost 1)	Total
Interest on amounts due from credit institutions			3 468	3 468	(0)	3 935	3 935
Interest on loans to customers	1 383		52 334	53 717	1 309	44 965	46 273
Interest on commercial paper and bonds	3 673	478	97	4 249	4 127	100	4 227
Front-end fees etc.	5		341	346	5	279	284
Other interest income	57		3 512	3 569	(402)	3 344	2 942
Total interest income	**5 118**	**478**	**59 753**	**65 349**	**5 039**	**52 621**	**57 660**
Interest on amounts due to credit institutions	(2)		(4 278)	(4 280)		(3 981)	(3 981)
Interest on deposits from customers	(312)		(9 576)	(9 888)	(264)	(7 882)	(8 146)
Interest on debt securities issued 2)	(2 024)		(8 147)	(10 171)	(1 718)	(5 691)	(7 409)
Interest on subordinated loan capital	(75)		(293)	(368)	(76)	(408)	(484)
Guarantee fund levy			(1 106)	(1 106)		(564)	(564)
Other interest expenses 2) 3)	(72)		(261)	(334)	12	(266)	(253)
Total interest expenses	**(2 486)**		**(23 661)**	**(26 147)**	**(2 046)**	**(18 792)**	**(20 838)**
Net interest income	**2 631**	**478**	**36 092**	**39 202**	**2 993**	**33 829**	**36 822**

1) *Includes hedged items.*
2) *The presentation of interest income from derivatives has been changed as of 31 December 2019. Figures in previous periods have been restated correspondingly. For more information see Note 1 Accounting principles.*
3) *Other interest expenses include interest rate adjustments resulting from interest rate swaps. Derivatives are measured at FVTPL.*

NOTE 19 Interest rates on selected balance sheet items

				DNB Group 1)
	Average interest rate in per cent 2)		Average volume in NOK million	
	2019	2018	2019	2018
Assets				
Due from credit institutions	0.73	0.83	473 942	472 320
Loans to customers	3.33	3.05	1 621 550	1 524 090
Commercial paper and bonds	1.95	1.86	217 325	227 338
Liabilities				
Due to credit institutions	1.76	1.49	243 045	267 413
Deposits from customers	1.02	0.83	973 486	979 283
Debt securities issued 3)	1.14	0.95	892 084	777 565

1) *Applies to the DNB Group excluding DNB Livsforsikring.*
2) *Average interest rate in per cent is calculated as total interest in NOK for the specific products in relation to the appurtenant average capital.*
3) *The presentation of interest income from derivatives has been changed as of 31 December 2019. Figures in previous periods have been restated correspondingly. For more information see Note 1 Accounting principles.*

NOTE 20 Net commission and fee income

	DNB Group	
Amounts in NOK million	2019	2018
Money transfer and interbank transactions	3 366	3 647
Guarantee commissions	895	888
Asset management services	1 937	1 871
Custodial services	354	345
Securities broking	498	778
Corporate finance	1 352	851
Credit broking	467	576
Sale of insurance products	2 545	2 322
Real estate broking	1 203	1 143
Other commissions and fees	865	812
Total commission and fee income	**13 484**	**13 235**
Money transfer and interbank transactions	(1 577)	(1 786)
Guarantee commissions	(75)	(78)
Asset management services	(614)	(504)
Custodial services	(197)	(199)
Securities broking	(118)	(152)
Corporate finance	(219)	(253)
Sale of insurance products	(242)	(280)
Other commissions and fees	(727)	(671)
Total commission and fee expenses	**(3 768)**	**(3 925)**
Net commission and fee income	**9 716**	**9 310**

NOTE 21 Net gains on financial instruments at fair value

	DNB Group	
Amounts in NOK million	2019	2018
Foreign exchange and financial derivatives	2 028	2 743
Commercial paper and bonds	1 022	(388)
Shareholdings	271	129
Financial liabilities	22	23
Net gains on financial instruments, mandatorily at FVTPL	3 344	2 508
Loans at fair value 1)	(192)	(386)
Commercial paper and bonds 2)	(635)	(1 161)
Financial liabilities 3)	514	611
Net gains on financial instruments, designated as at FVTPL	(313)	(936)
Financial derivatives, hedging	4 925	(2 088)
Commercial paper and bonds FVOCI, hedged	(20)	
Financial assets, hedged items		(1)
Financial liabilities, hedged items	(4 756)	1 850
Net gains on hedged items 4) 5)	149	(239)
Dividends	4	10
Net gains on financial instruments at FVTPL	**3 183**	**1 342**

1) *The change in fair value due to credit risk amounted to a NOK 22 million gain during the year and a NOK 82 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 273 million gain during the year and a NOK 329 million gain cumulatively.*
3) *For liabilities designated as at FVTPL, changes in fair value due to credit risk are recognised in other comprehensive income.*
4) *With respect to hedged liabilities, the hedged risk is measured at fair value, while the rest of the instrument is measured at amortised cost. Derivatives used for hedging are measured at fair value. Changes in fair value arising from hedged risk are presented under Financial derivatives, hedging. Net gains on hedged financial liabilities include amortization of fair values on discontinued hedging relationships.*
5) *The DNB Group uses hedge accounting for long-term borrowings in foreign currency in DNB Boligkreditt and DNB Bank ASA. Loans are hedged 1:1 through external contracts where there is a correlation between currencies, interest rate flows and the hedging instrument. At the time the loans are raised, Markets considers whether to enter into a hedging transaction for the relevant loan based on the Group's foreign currency positions and the underlying interest rate exposure for the loan.*

NOTE 22 Salaries and other personnel expenses

Amounts in NOK million	2019	DNB Group 2018
Salaries *)	(8 597)	(8 322)
Employer's national insurance contributions	(1 551)	(1 504)
Pension expenses	(1 610)	(1 262)
Restructuring expenses	(69)	(123)
Other personnel expenses	(776)	(654)
Total salaries and other personnel expenses	**(12 603)**	**(11 864)**
**) Of which: Ordinary salaries*	*(6 904)*	*(6 619)*
Performance-based pay	*(1 395)*	*(1 397)*

Number of employees/full-time positions

	2019	DNB Group 2018 [1)]
Number of employees as at 31 December	9 336	9 609
- of which number of employees abroad	1 364	1 393
Number of employees calculated on a full-time basis as at 31 December	9 020	9 196
- of which number of employees calculated on a full-time basis abroad	1 341	1 371
Average number of employees	9 304	9 566
Average number of employees calculated on a full-time basis	8 975	9 141

1) 193 employees in DNB Forsikring AS were included in 2018 and transferred to Fremtind AS in January 2019.

NOTE 23 Other expenses

Amounts in NOK million	2019	DNB Group 2018
Fees	(593)	(660)
IT expenses [1)]	(3 886)	(3 775)
Postage and telecommunications	(151)	(173)
Office supplies	(30)	(43)
Marketing and public relations	(821)	(749)
Travel expenses	(266)	(261)
Reimbursement to Norway Post for transactions executed	(171)	(179)
Training expenses	(61)	(66)
Operating expenses on properties and premises [2)]	(429)	(1 096)
Operating expenses on machinery, vehicles and office equipment	(69)	(71)
Other operating expenses	(995)	(716)
Total other expenses	**(7 472)**	**(7 789)**

1) Systems development fees totalled NOK 1 555 million in 2019 and NOK 1 371 million in 2018.
2) Costs relating to leased premises were NOK 853 million in 2019 and NOK 899 million in 2018.

NOTE 24 Depreciation and impairment of fixed and intangible assets

Amounts in NOK million	2019	DNB Group 2018
Depreciation of machinery, vehicles and office equipment	(1 691)	(1 523)
Depreciation of right of use assets	(564)	
Other depreciation of tangible and intangible assets	(595)	(500)
Impairment of capitalised systems development	(33)	(146)
Other impairment of fixed and intangible assets	(174)	(234)
Total depreciation and impairment of fixed and intangible assets	**(3 058)**	**(2 404)**

See note 37 Intangible assets and note 38 Fixed assets.

NOTE 25 Pensions

Description of the pension schemes

The DNB Group has a defined-contribution pension scheme for all employees in Norway, with the exception of around 270 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 174 million.

NOTE 25 Pensions (continued)

Economic assumptions applied in calculating pension expenses and commitments are in accordance with the guidance from the Norwegian Accounting Standards Board per 31 December 2019.

Pension expenses		**DNB Group**
Amounts in NOK million	2019	2018
Net present value of pension entitlements	(619)	(462)
Interest expenses on pension commitments	(84)	(114)
Calculated return on pension funds	40	42
Curtailment	(43)	109
Administrative expenses	(1)	(1)
Total defined benefit pension schemes	(708)	(426)
Contractual pensions, new scheme	(114)	(107)
Risk coverage premium	(49)	(52)
Defined contribution pension schemes	(739)	(676)
Net pension expenses	(1 610)	(1 262)

Pension commitments		**DNB Group**
Amounts in NOK million	2019	2018
Opening balance	5 993	5 967
Correction for previous years according to actuarial calculation 1)	(553)	
Accumulated pension entitlements	619	462
Interest expenses	84	114
Actuarial losses/(gains), net	92	116
Changes in the pension schemes	(64)	(5)
Curtailments	98	(168)
Pension payments	(298)	(304)
Exchange rate differences	33	(188)
Closing balance	6 005	5 993

Pension funds		**DNB Group**
Amounts in NOK million	2019	2018
Opening balance	2 504	2 700
Correction for previous years according to actuarial calculation 1)	(441)	
Expected return	40	42
Actuarial gains/(losses), net	(21)	15
Curtailments	(55)	(59)
Premium paid	97	136
Pension payments	(93)	(130)
Administrative expenses	(1)	(1)
Exchange rate differences	71	(199)
Closing balance	2 103	2 504
Net defined benefit obligation	3 903	3 489

1) *The correction is made due to a scheme that is no longer recognised in the balance sheet.*

Sensitivity analysis for pension calculations

The following estimates are based on facts and conditions prevailing per 31 December 2019, assuming that all other parameters are constant. Actual results may deviate significantly from these estimates.

								DNB Group
	Discount rate		Annual rise in salaries/basic amount		Annual rise in pensions		Life expectancy	
Change in percentage points	+1%	-1%	+1%	-1%	+1%	0% reg.	+1 year	-1 year
Percentage change in pensions								
Pension commitments	13-16	15-17	20-25	20-22	10-12	8-12	2	2
Net pension expenses for the period	10-20	20-22	22-25	20-22	10-12	8-12	2	2

NOTE 26 Taxes

Tax expense on pre-tax operating profit

Amounts in NOK million	DNB Group 2019	2018
Current taxes	(9 931)	(2 761)
Changes in deferred taxes	4 466	(1 732)
Tax expense	**(5 465)**	**(4 493)**

Reconciliation of tax expense against nominal tax rate

Amounts in NOK million	2019	2018
Pre-tax operating profit	31 235	28 979
Estimated tax expense at nominal tax rate 22 per cent (23 per cent in 2018)	(6 872)	(6 665)
Tax effect of financial tax in Norway	(578)	(341)
Tax effect of different tax rates in other countries	59	(21)
Transitional effects from new tax rules DNB Livsforsikring		880
Tax effect of debt interest distribution with international branches	1 140	1 104
Tax effect of tax-exempt income from shareholdings [1)]	517	290
Tax effect of other tax-exempt income and non-deductible expenses	102	170
Tax effect of tax losses carried forward not recognised in the balance sheet [2)]		(5)
Tax effect of changed tax rate for deferred taxes recognised in the balance sheet	(54)	
Excess tax provision previous year	221	95
Tax expense	**(5 465)**	**(4 493)**
Effective tax rate	17%	16%

Income tax on other comprehensive income

Amounts in NOK million	2019	2018
Items that will not be reclassified to the income statement	85	(11)
Hedges of net investments	194	265
Total income tax on other comprehensive income	**279**	**254**

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.*
2) *Deferred taxes for tax-deductible differences (mainly losses carried forward) in subsidiaries are not recognised in the balance sheet unless the Group can prove that these tax positions will be utilised in the future.*

Tax rules for insurance and pension companies with effect from 2018

DNB Livsforsikring's tax calculation for 2018 was prepared in accordance with tax rules adopted on 20 December 2018 with effect for the income year 2018. According to the new rules, taxation of income and costs related to assets in the common portfolio and the unit-linked portfolio will correspond with the accounts. The transition to new rules is regulated in transitional provisions, where tax value and commitments as at 31 December 2018 shall be determined in line with the accounting rules. Changes in tax value are taxable or deductible in the 2018 fiscal year. The interpretation of the transitional rules was unclear. Based on an overall assessment, the net tax effect associated with the transition to the new tax rules was included as a tax income of NOK 880 million for the Group. In the 2018 tax return, DNB Livsforsikring demanded a larger tax deduction than was recognised in the accounts.

DNB Livsforsikring has received a draft notification to amend the tax determination for 2018 and a request for additional information. The notification does not contain information on new income determination. The Norwegian Tax Administration has a different view on the calculation of the transitional effects, supported by the statement of principles from the Norwegian Directorate of Taxes regarding the change in tax rules for life insurance and pension companies, dated 21 December 2018. DNB Livsforsikring is in dialogue with the tax authorities regarding the understanding of the transitional rules, and the final outcome could result in lower or higher tax deductions than what is assumed in the accounts. This uncertainty was taken into consideration in the 2018 accounts, and DNB Livsforsikring has so far not had any grounds for making changes in tax expense estimates for 2018 in 2019.

Tax effect of different tax rates in other countries

The Group has operations in a number of countries whose tax rates are different from that in Norway (22 per cent).

Tax effect of debt interest distribution with international branch offices

According to Norwegian tax legislation, external interest expenses shall be distributed proportionally among operations in Norway and international branches based on the respective units' total assets. This could result in additions or deductions from income in Norway.

DNB has been notified of changes in the tax assessment provisions for the years 2015–2017, related to the calculation of debt interest deduction. The changes considered by the tax authorities in the notification amount to approximately NOK 3.6 billion in increased taxable income for the period in question. DNB disagrees with the tax authorities' interpretation of the regulations, and has submitted a reply that counters all points in the notification. Against this background, allocations have not been made for the claim in the notification at the end of 2019.

NOTE 26 Taxes (continued)

Expectations regarding the effective tax rate

The nominal tax rate in Norway was 22 per cent in 2019. 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)		**DNB Group**
Amounts in NOK million	2019	2018
The year's changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	(3 220)	(1 805)
Implementation of IFRS 9		346
Changes recorded against profits	4 466	(1 733)
Changes recorded against comprehensive income	(71)	(11)
Currency translation differences on deferred taxes	1	(22)
Changes recorded against equity		(48)
Transferred to assets held for sale		53
Deferred tax assets/(deferred taxes) as at 31 December	1 176	(3 220)

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. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Fixed assets and intangible assets	(1 414)	2	13	1 257
Commercial paper and bonds	(748)		34	1 568
Debt securities issued	5 863			(4 557)
Financial derivatives	(3 955)	280		6 501
Net pension liabilities	952	42	13	(831)
Net other tax-deductable temporary differences	(342)	148	(12)	753
Tax losses and tax credits carried forward	868	524		(475)
Total deferred tax assets/deferred taxes	**1 224**	**996**	**48**	**4 216**

A significant share of the financial instruments are measured at fair value in the accounts, while for tax purposes, the same instruments are recorded on an accrual basis in accordance with the realisation principle. This gives rise to large differences between profits stated in the accounts and profits computed for tax purposes for the individual accounting years, especially in years with significant fluctuations in interest rate levels and exchange rates. These differences are offset in the longer term.

Due to large exchange rate fluctuations in 2019 and 2018, 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 2019			31 December 2018		
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	189			677		
Singapore	305	305	52	510	510	87
Denmark	1 868	1 868	411	1 986	1 986	437
Total of tax losses and tax assets	2 362	2 173	463	3 173	2 496	524
Tax credits carried forward [1]			405			475
Total of deferred tax assets from tax losses and tax credits carried forward			**868**			**999**

1) *All tax credits carried forward relates to tax payers in Norway.*

Recognition of deferred tax

Deferred tax assets are capitalised to the extent it is probable that the Group will have taxable income against which temporary differences can be utilised. Net deferred taxes on temporary differences within the same tax group are assessed and entered net in the accounts.

NOTE 27 Classification of financial instruments

As at 31 December 2019

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					304 746	304 746
Due from credit institutions					102 961	102 961
Loans to customers		11	61 167	(0)	1 606 012	1 667 189
Commercial paper and bonds	68 416		167 777	52 013	88 117	376 323
Shareholdings	5 151	31 095				36 247
Financial assets, customers bearing the risk		98 943				98 943
Financial derivatives	96 955	28 121				125 076
Other assets					7 534	7 534
Total financial assets	170 522	158 170	228 944	52 013	2 109 370	2 719 019
Due to credit institutions			0		202 781	202 782
Deposits from customers			19 535		950 022	969 557
Financial derivatives	114 292	1 390				115 682
Debt securities issued [4]	63		20 231		849 875	870 170
Other liabilities	10 883				9 367	20 250
Subordinated loan capital			176		30 919	31 095
Total financial liabilities [5]	125 238	1 390	39 943		2 042 965	2 209 536

1) Including derivatives used as hedging instruments.
2) For liabilities designated as at FVTPL, changes in fair value due to credit risk are recognised in other comprehensive income.
3) Including hedged liabilities.
4) The measurement category for debt securities issued in Norwegian kroner with floating rates has been changed from FVTPL to amortised cost as of 31 December 2019. Comparative information has not been restated.
5) Contractual obligations of financial liabilities designated as at fair value totalled NOK 39 553 million.

As at 31 December 2018

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					155 592	155 592
Due from credit institutions					130 146	130 146
Loans to customers		10	62 466	(0)	1 535 282	1 597 758
Commercial paper and bonds	112 888	2	205 722		90 716	409 328
Shareholdings	5 823	33 979				39 802
Financial assets, customers bearing the risk		77 241				77 241
Financial derivatives	100 829	23 927				124 755
Other assets					7 928	7 928
Total financial assets	219 539	135 159	268 188	(0)	1 919 664	2 542 550
Due to credit institutions					188 063	188 063
Deposits from customers			14 680		912 412	927 092
Financial derivatives	107 745	2 371				110 116
Debt securities issued	329		77 195		724 394	801 918
Other liabilities	3 157				14 966	18 123
Subordinated loan capital			2 483		28 599	31 082
Total financial liabilities [4]	111 231	2 371	94 358		1 868 433	2 076 393

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 93 176 million.

NOTE 28 Fair value of financial instruments at amortised cost

				DNB Group
	31 December 2019		31 December 2018	
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Cash and deposits with central banks	304 746	304 746	155 592	155 592
Due from credit institutions	102 961	102 961	130 146	130 146
Loans to customers	1 606 012	1 610 797	1 535 282	1 539 114
Commercial paper and bonds	88 117	93 329	90 716	96 692
Total financial assets	2 101 836	2 111 833	1 911 736	1 921 543
Due to credit institutions	202 781	202 773	188 063	188 055
Deposits from customers	950 022	947 577	912 412	912 552
Debt securities issued [1]	849 875	853 449	724 394	729 357
Subordinated loan capital	30 919	30 941	28 599	27 384
Total financial liabilities	2 033 597	2 034 740	1 853 467	1 857 348

				DNB Group
Amounts in NOK million	Valuation based on quoted prices in an active market Level 1 [2]	Valuation based on observable market data Level 2 [2]	Valuation based on inputs other than observable market data Level 3 [2]	Total
Assets as at 31 December 2019				
Cash and deposits with central banks		304 746		304 746
Due from credit institutions		102 961		102 961
Loans to customers		722 352	888 445	1 610 797
Commercial paper and bonds		79 439	13 890	93 329
Liabilities as at 31 December 2019				
Due to credit institutions		202 773		202 773
Deposits from customers		947 577		947 577
Debt securities issued [1]		817 927	35 522	853 449
Subordinated loan capital		16 279	14 662	30 941
Assets as at 31 December 2018				
Cash and deposits with central banks		155 592		155 592
Due from credit institutions		130 146		130 146
Loans to customers		702 526	836 587	1 539 114
Commercial paper and bonds		91 461	5 231	96 692
Liabilities as at 31 December 2018				
Due to credit institutions		188 055		188 055
Deposits from customers		912 552		912 552
Debt securities issued		695 110	34 246	729 357
Subordinated loan capital		2 929	24 455	27 384

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

2) See note 29 Financial instruments at fair value for a definition of the levels.

NOTE 28 Fair value of financial instruments at amortised cost (continued)

Due from credit institutions (level 2)

The value of loans to and deposits with credit institutions is assessed to equal amortised cost. The fixed-rate period is relatively short.

Loans to customers (levels 2 and 3)

When valuing loans, the loan portfolio has been divided into the following categories: personal customers, small and medium-sized enterprises and the divisions in large corporates and international customers. In addition, separate calculations have been made for DNB Finans and Poland.

Loans in level 2 mainly consist of retail loans with floating interest rate measured at amortised cost. Since the fixed-rate period is very short amortised cost is considered to be a good estimate of fair value. All other loans measured at amortised cost are classified in level 3.

The valuations of loans in level 3 are based on average margins in December, considered relative to the business units' best estimate of the potential margin requirement at year-end 2019 if the loans had been originated at that time. Differentiated margin requirements have been calculated for each category, as specified above, based on estimated costs related to lending. The margin requirement includes costs covering normalised losses, which, as opposed to impairment recorded in the annual accounts, represent a long-term assessment of loss levels.

A margin requirement is calculated for margin loans, and the difference between the margin requirement and the agreed margin is discounted over the average expected time to repricing of the loan.

With respect to impaired loans, an assessment has been made of potential cash flows for the loans discounted by the effective rate of interest adjusted for changes in market conditions for corresponding non-impaired loans. Loan rates prior to provisions being made reflect the increased credit risk of the commitment. Given the general uncertainty in fair value measurements, it is evaluated that the impaired value gives a good reflection of the fair value of these loans.

Customers will often use loan products which are carried partly at amortised cost and partly at fair value. The profitability of a customer relationship is considered on an aggregate basis, and prices are set based on an overall evaluation. Correspondingly, a possible reduction in the customer relationship value is based on an overall assessment of all products. Any decline in value apart from price changes on specific products is included in the overall assessment of credits in the relevant customer relationship. Any reduction in the total customer relationship value is measured on the basis of amortised cost and reported under impairment on loans.

Commercial paper and bonds (levels 2 and 3)

The valuation in level 2 is primarily based on observable market data in the form of interest curves, exchange rates and credit margins related to the individual credit and the characteristics of the bond or commercial paper. For papers classified as level 3, the valuation is based on models.

Due to credit institutions (level 2)

Due to credit institutions is measured in the same manner as due from credit institutions. For these instruments with short term to maturity fair value is assessed to equal amortised cost.

Deposits from customers (level 2)

For deposits from customers fair value is assessed to equal amortised cost.

Securities issued and subordinated loan capital (levels 2 and 3)

The valuation in level 2 is based on observable market data in the form of interest rate curves and credit margins when available. Securities and subordinated loan capital in level 3 are valued based on models. The items consist mainly of funding in foreign currency.

NOTE 29 Financial instruments at fair value

				DNB Group
Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on inputs other than observable market data Level 3	Total
Assets as at 31 December 2019				
Loans to customers			61 178	61 178
Commercial paper and bonds	22 432	265 418	356	288 205
Shareholdings	6 414	22 814	7 018	36 247
Financial assets, customers bearing the risk		98 943		98 943
Financial derivatives	244	122 964	1 868	125 076
Liabilities as at 31 December 2019				
Deposits from customers		19 535		19 535
Debt securities issued [1)]		20 294		20 294
Subordinated loan capital [1)]		176		176
Financial derivatives	261	113 886	1 536	115 682
Other financial liabilities [2)]	10 883			10 883
Assets as at 31 December 2018				
Loans to customers			62 476	62 476
Commercial paper and bonds	55 834	262 459	319	318 612
Shareholdings	8 159	26 833	4 810	39 802
Financial assets, customers bearing the risk		77 241		77 241
Financial derivatives	238	122 480	2 036	124 755
Liabilities as at 31 December 2018				
Deposits from customers		14 680		14 680
Debt securities issued		77 524		77 524
Subordinated loan capital		2 483		2 483
Financial derivatives	285	108 177	1 654	110 116
Other financial liabilities [2)]	3 157			3 157

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

2) 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.

NOTE 29 Financial instruments at fair value (continued)

Level 3: Valuation based on other than observable market data

Classified as level 3 are financial instruments which cannot be valued based on directly observable prices. For these instruments other valuation techniques are used, such as valuation of assets and liabilities in companies, estimated cash flows and other models where key parameters are not based on observable market data.

Included in this category are loans to customers and instruments where credit margins constitute a major part of adjustments to market value.

Gains or losses, that occur when the estimated fair value is different from the transaction price (day-one gain/loss) has not had significant impact to the financial statement neither for 2019 nor 2018.

The instruments in the different levels

Loans to customers (level 3)

Loans in level 3 consist primarily of fixed-rate loans in Norwegian kroner. The value of fixed-rate loans is determined by discounting agreed cash flows over the term of the loan, using a discount factor adjusted for margin requirements.

Commercial paper and bonds (levels 2 and 3)

The valuation in level 2 is primarily based on observable market data in the form of interest rate curves, exchange rates and credit margins related to the individual credit and the characteristics of the bond or commercial paper. For paper classified as level 3, the valuation is based on indicative prices from third parties or comparable paper.

Equities including mutual fund holdings (levels 2 and 3)

Equities in level 2 comprise mutual fund holdings where the underlying investments are quoted equities, as well as a small volume of other mutual funds. Instruments which are classified as level 3 essentially comprise property funds, limited partnership units, private equity investments, as well as hedge fund units and investments in unquoted equities.

When determining the fair value of private equity, PE, investments, an industry standard prepared by the European Private Equity & Venture Capital Association, EVCA, is used. The method is considered to represent the best basis for the best estimate of fair values for investments in not very liquid equity instruments. The value of the PE funds on the balance sheet date is reported by the fund managers after the Group has finalised its accounts. Valuations in the consolidated accounts are thus based on valuations received for previous periods, adjusted for a reporting lag of approximately three months. The time lag is determined based on developments in a weighted index consisting of a stock market parameter, using MSCI World as reference index, along with a parameter for anticipated long-term returns on PE investments.

Financial assets, customers bearing the risk (level 2)

The item applies to unit-linked products in DNB Livsforsikring, and the value development of the underlying funds is available on a daily basis.

Financial derivatives (levels 2 and 3)

Financial derivatives classified as level 2 are primarily currency forward contracts and interest rate and currency swaps. The valuation is based on swap curves, and credit margins constitute a minor part of the value. In addition, the item comprises derivatives related to commodities and forward rate agreements. These are valued based on observable market prices. Derivatives classified as level 2 also comprise equity derivatives used in Markets' market-making activities. Most of these derivatives are related to the most traded equities on Oslo Børs, and the valuation is based on the price development of the relevant/underlying equity and observable or estimated volatility. Financial derivatives classified as level 3 are primarily connected to currency options, interest rate options in Norwegian kroner, as well as index derivatives. The valuation is based on indicative prices from third parties.

Deposits from customers (level 2)

The valuation of deposits carried at fair value includes primarily fixed-rate deposits. The valuation is based on measurement in relation to a swap curve, and changes in credit margins have an insignificant effect.

Debt securities issued (level 2)

The valuation is primarily based on observable market data in the form of interest rate curves and credit margins. The item consists mainly of funding in Norwegian kroner. For foreign currency funding, hedge accounting is used where hedges are entered into. In all other respects, debt securities issued are carried at amortised cost.

Subordinated loan capital (level 2)

Subordinated loans carried at fair value consist of one loan in Norwegian kroner, and the valuation is based on observable interest rate curves and credit margins.

NOTE 29 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3 **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 1 January 2018	**64 998**	**328**	**4 498**	**2 069**	**1 749**
Net gains recognised in the income statement	(398)	(459)	383	(462)	(237)
Additions/purchases	15 324	358	1 097	1 185	886
Sales		(27)	(1 854)		
Settled	(17 195)	(0)		(756)	(745)
Transferred from level 1 or level 2		230	882		
Transferred to level 1 or level 2		(69)			
Other	(254)	(42)	(197)	0	2
Carrying amount as at 31 December 2018	**62 476**	**319**	**4 810**	**2 036**	**1 654**
Net gains recognised in the income statement	(192)	(156)	401	(535)	(215)
Additions/purchases	9 696	419	2 766	1 152	849
Sales		(280)	(959)		
Settled	(10 664)			(774)	(753)
Transferred from level 1 or level 2		129			
Transferred to level 1 or level 2		(135)			
Other	(138)	60	(0)	(11)	1
Carrying amount as at 31 December 2019	**61 178**	**356**	**7 018**	**1 868**	**1 536**

Loans to customers
The portfolio of loans carried at fair value consists primarily of fixed-rate loans in Norwegian kroner.

Fixed-rate loans
The value of fixed-rate loans is determined by discounting agreed interest flows over the term of the loan, using a discount factor adjusted for margin requirements. The discount factor used has as a starting point a swap rate based on a duration equal to the average remaining lock-in period for the relevant fixed-rate loans. The assumptions underlying the calculation of the margin requirement are based on a review of the market conditions on the balance sheet date and on an assessment of the deliberations made by external investors when investing in a corresponding portfolio. Fixed-rate loans carried at fair value totalled NOK 61 167 million at year-end 2019.

Commercial paper and bonds
Investments classified as level 3 primarily consist of corporate high-yield bonds with limited liquidity.

Equities including mutual fund holdings
Investments classified as level 3 consist of private equity funds, limited partnerships and unquoted equities. A common denominator for these investments is that there is a lag in the access to information from the units. In times of financial market turmoil, there may be considerable uncertainty related to the valuation of these investments.

Financial derivatives, assets and liabilities
Items classified as level 3 are primarily currency options, interest rate options in Norwegian kroner and derivatives related to developments in the consumer price index.

NOTE 29 Financial instruments at fair value (continued)

Breakdown of fair value, level 3

DNB Group

	31 December 2019			31 December 2018		
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	60 853	386	6 460	61 821	362	4 259
Fair value adjustment [1)]	237	(31)	558	563	(44)	551
Accrued interest	88			91		
Carrying amount	61 178	356	7 018	62 476	319	4 810

1) Changes in the fair value of customer loans mainly result from changes in swap rates. A corresponding negative adjustment is made in the fair value of financial instruments used for economic hedging.

Breakdown of shareholdings, level 3

DNB Group

Amounts in NOK million	Property funds	Hedge-funds	Unquoted equities	Private Equity (PE) funds	Other	Total
Carrying amount as at 31 December 2019	42	850	934	2 276	2 917	7 018
Carrying amount as at 31 December 2018	67	832	779	1 977	1 155	4 810

Sensitivity analysis, level 3

DNB Group

	31 December 2019		31 December 2018	
Amounts in NOK million	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Loans to customers	61 178	(164)	62 476	(177)
Commercial paper and bonds	356	(1)	319	(4)
Shareholdings	7 018		4 810	
Financial derivatives, net	333		382	

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 6 224 million in private equity investments, property funds, hedge funds and unquoted equities in DNB Livsforsikring. The fair values of the funds are largely based on reported values from the fund managers. For private equity and property funds, the fund managers use cash flow-based models or multiples when determining fair values. The Group does not have full access to information about all elements in these valuations and thus has no basis for determining alternative values for alternative assumptions. The use of alternative values will have a limited effect on the Group’s profits, as the investments are included in DNB Livsforsikring’s common portfolio.

NOTE 30 Offsetting

The table below presents the potential effects of the group's netting arrangements on financial assets and financial liabilities. See note 1 Accounting principles for more information.

						DNB Group
Amounts 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 2019						
Cash and deposits with central banks [2)]	40 014		40 014		40 014	
Due from credit institutions [2)]	84 877		84 877		84 877	
Loans to customers [2)]	81 733		81 733		81 733	
Financial derivatives [3)]	125 076		125 076	14 439	77 873	32 764
Liabilities as at 31 December 2019						
Due to credit institutions	89 387		89 387		89 387	
Deposits from customers [2)]	9 844		9 844		9 844	
Financial derivatives [3)]	115 682		115 682	14 439	77 702	23 542
Assets as at 31 December 2018						
Cash and deposits with central banks [2)]	30 241		30 241		30 241	
Due from credit institutions [2)]	74 939		74 939		74 939	
Loans to customers [2)]	61 357		61 357		61 357	
Financial derivatives [3)]	124 755		124 755	17 799	96 025	10 931
Liabilities as at 31 December 2018						
Due to credit institutions	38 874		38 874		38 874	
Deposits from customers [2)]	1 846		1 846		1 846	
Financial derivatives [3)]	110 116		110 116	17 799	70 551	21 766

1) *Includes cash collateral and securities received/transferred from/to counterparties and securities received/placed as collateral in depositories in Clearstream or Euroclear.*
2) *Includes repurchase and reverse repurchase agreements, securities borrowing and lending transactions.*
3) *Gross amounts represent the market value of the derivatives subject to master netting agreements or collateralised by cash or securities under Credit Support Annex.*

NOTE 31 Shareholdings

		DNB Group
Amounts in NOK million	31 Dec. 2019	31 Dec. 2018
Investments in shares, mutual funds and equity certificates, excluding DNB Livsforsikring	7 837	8 229
Investments in shares, mutual funds and equity certificates, DNB Livsforsikring	28 410	31 573
Total shareholdings	**36 247**	**39 802**

NOTE 32 Transferred assets or assets with other restrictions

Transferred assets still recognised in the balance sheet

Amounts in NOK million	DNB Group 31 Dec. 2019	31 Dec. 2018
Repurchase agreements		
Commercial paper and bonds	6 377	1 588
Derivatives		
Commercial paper and bonds	17 438	3 592
Securities lending		
Shares	138	311
Total repurchase agreements, derivatives and securities lending	23 954	5 490

Liabilities associated with the assets

Amounts in NOK million	31 Dec. 2019	31 Dec. 2018
Repurchase agreements		
Due to credit institutions	6 373	727
Deposits from customers		860
Derivatives	17 438	3 592
Securities lending	145	326
Total liabilities	23 957	5 505

Restricted assets

Local statutory capital requirements might restrict the ability of the Group to access or transfer assets freely to or from other entities within the Group and to settle liabilities within the Group.

Restrictions affecting the Group's ability to use assets:

- The Group has pledged assets to collateralise its obligations (pledged securities) and issued covered bonds (cover pool). The Group has pledged collateral in connection with derivative instruments, see note 15 Financial derivatives and hedge accounting for further information.
- The assets of consolidated structured entities (investment funds) are held for the benefit of the parties that have bought the notes issued by these entities. At year-end 2019 and 2018, assets related to holdings outside the Group represented NOK 11 113 million and NOK 37 497 million, respectively, which is reflected as a corresponding liability in the balance sheet.
- Assets held by insurance subsidiaries are primarily held to satisfy the obligations to the companies' policy holders. At year-end 2019 assets held by the insurance subsidiaries amounted to NOK 339 648 million, compared to NOK 319 484 million at year-end 2018. These assets are related to DNB Livsforsikring AS and DNB Forsikring AS (in 2018), and include Financial assets, customers bearing the risk.

Cover pool

Amounts in NOK million	DNB Boligkreditt AS 31 Dec. 2019	31 Dec. 2018
Pool of eligible loans	632 580	623 859
Market value of eligible derivatives	41 595	39 482
Total collateralised assets	674 176	663 342
Debt securities issued, carrying value	471 715	478 548
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(78)	(358)
Debt securities issued, valued according to regulation [1)]	471 637	478 189
Collateralisation (per cent)	142.9	138.7

1) The debt securities issued are bonds with preferred rights in the appurtenant cover pool. The composition and calculation of values in the cover pool are defined in Sections 11-8 and 11-11 of the Financial Institutions Act with appurtenant regulations.

NOTE 33 Securities received which can be sold or repledged

Securities received		**DNB Group**
Amounts in NOK million	31 Dec. 2019	31 Dec. 2018
Reverse repurchase agreements		
Commercial paper and bonds	185 623	159 302
Securities borrowing		
Shares	23 886	54 807
Total securities received	209 509	214 109
Of which securities received and subsequently sold or repledged:		
Commercial paper and bonds	*75 901*	*25 272*
Shares	*16 286*	*16 140*

NOTE 34 Financial assets and insurance liabilities, customers bearing the risk

		DNB Group
Amounts in NOK million	31 Dec. 2019	31 Dec. 2018
Mutual funds	50 379	37 245
Bond funds	31 389	25 323
Money market funds	10 912	8 994
Combination funds	4 871	4 117
Bank deposits	1 392	1 562
Total financial assets, customers bearing the risk	**98 943**	**77 241**
Total insurance liabilities, customers bearing the risk	**98 943**	**77 241**

NOTE 35 Investment properties

		DNB Group
Amounts in NOK million	31 Dec. 2019	31 Dec. 2018
DNB Livsforsikring	22 299	16 844
Properties for own use	(5 637)	(767)
Other investment properties [1]	741	638
Total investment properties	**17 403**	**16 715**

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 95 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 2019, 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 2019, total contractual rent for the wholly-owned portfolio in Norway increased by NOK 182 million to NOK 960 million, while the estimated market rent for the same portfolio went up by NOK 210 million to NOK 994 million.

At year-end 2019, economic vacancy in the portfolio was 5.7 per cent, compared with 7.0 per cent a year earlier.

NOTE 35 Investment properties (continued)

The valuations resulted in a NOK 708 million positive revaluation of the property portfolio in 2019.

Valuations are particularly sensitive to changes in required rates of return and assumptions regarding future income flows. Other things equal, a 0.25 percentage point reduction in the required rate of return will change the value of the property portfolio by approximately 3.7 per cent or NOK 668 million. Correspondingly, a 5 per cent change in future contractual rents will change the value of the property portfolio by approximately 2.9 per cent or NOK 545 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 building	Location	Fair value *NOK million*	Gross rental area *m²*	Average rental period *No. of years*
Office buildings	Eastern Norway	9 189	153 408	6.3
Office buildings	Rest of Norway	3 285	122 899	5.6
Shopping centres	Norwegian cities	4 171	113 677	3.9
Hotels	Norwegian cities	2 124	64 176	8.9
Abroad	Stockholm/Gothenburg	3 530	35 632	6.7
Total investment properties as at 31 December 2019		22 299	489 792	6.0
Total investment properties as at 31 December 2018		16 844	437 801	5.5
Change in 2019		5 455	51 991	0.5
Total investment properties as at 31 December 2019		22 299	489 792	6.0

Amounts included in the income statement — **DNB Group**

Amounts in NOK million	2019	2018
Rental income from investment properties	998	832
Direct expenses related to investment properties	(165)	(147)
Total [1]	833	684

Changes in the value of investment properties — **DNB Group**

Amounts in NOK million	Investment properties
Carrying amount as at 31 December 2017	**16 306**
Additions, purchases of new properties	13
Additions, capitalised investments	330
Net gains	565
Disposals	(362)
Exchange rate movements	(137)
Carrying amount as at 31 December 2018	**16 715**
Additions, purchases of new properties	340
Additions, capitalised investments	195
Net gains [2]	364
Disposals	(69)
Exchange rate movements	(141)
Carrying amount as at 31 December 2019	**17 403**

1) *Recognised in the income statement as «Net financial result, life insurance».*
2) *Of which NOK -6 million represented a net loss on investment properties which are not owned by DNB Livsforsikring.*

NOTE 36 Investments accounted for by the equity method

Income statement

	Luminor		Fremtind		Vipps		Eksportfinans		Other 2)		Total	DNB Group
Amounts in NOK million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Income 1)	3 908	3 749			743	555	229	185				
Profits after tax 1)	513	1 228	607		(249)	(199)	106	71				
Share of profits after tax	102	533	212		(112)	(88)	42	29				
Depreciation and impairment of value adjustments after tax 3)			(110)		(126)	(134)						
Other adjustments 3)	146	(33)	5		59	(7)						
The Group's share of profits after tax	248	501	108		(178)	(230)	42	29	190	15	410	314

Balance sheets

	Luminor		Fremtind		Vipps		Eksportfinans		Other 2)		Total	DNB Group
Amounts in NOK million	31.12.19	31.12.18	31.12.19	31.12.18	31.12.19	31.12.18	31.12.19	31.12.18	31.12.19	31.12.18	31.12.19	31.12.18
Financial instruments 1)	134 048	150 705	13 241		104	57	13 618	17 814				
Goodwill and intangible assets 1)	81	74	2 263		2 291	2 312	8	0				
Other assets 1)	1 441	1 399	3 112		315	187	956	1 411				
Debt 1)	119 427	134 290	11 820		204	308	8 116	12 804				
Equity 1)	16 143	17 888	6 796		2 506	2 248	6 466	6 422				
The Group's share of equity	3 221	7 769	2 379		1 125	996	2 587	2 569				
Goodwill 3)			1 419									
Value adjustments after tax 3)			832		102	217						
Eliminations 3)		(88)	5		(294)	(305)						
Carrying amount	3 221	7 680	4 634		932	907	2 587	2 569	5 184	5 205	16 559	16 362

Amounts in NOK million	Head office	Industry	Ownership share (%) 31 Dec. 2019	Ownership share (%) 31 Dec. 2018	Carrying amount 31 Dec. 2019	DNB Group Carrying amount 31 Dec. 2018
Luminor Holding AS	Tallinn	Financial services	20	43	3 221	7 680
Fremtind AS	Oslo	Insurance	35		4 634	
Vipps AS	Oslo	Payment services	45	44	932	907
Eksportfinans AS	Oslo	Financial services	40	40	2 587	2 569
Other associated companies					5 184	5 205
Total					**16 559**	**16 362**

1) *Values in the accounts of associated companies. Preliminary and unaudited accounts have been used.*
2) *Other investments include investments in real estate companies in DNB Livsforsikring of NOK 4 457 million (NOK 4 554 million in 2018), owned in the common/customer portfolio.*
3) *Include deferred tax positions and value adjustments not reflected in the company's balance sheet.*

Transactions 2019

The merger of non-life insurance operations between DNB and SpareBank 1 Gruppen was approved at the end of 2018. The new company, Fremtind, was operational from 1 January 2019. DNB owns 35 per cent of the company and has an option to increase its holding to 40 per cent. The option is expected to be exercised during the first quarter of 2020. The second phase of the merger, which took effect 1 January 2020, includes individual personal risk insurances from DNB Livsforsikring AS and individual as well as company-paid personal risk insurances from SpareBank 1 Forsikring AS (the life insurance company).

On 30 September, DNB completed the sale of part of its ownership interest in the Baltic banking group Luminor to a consortium led by private equity funds managed by Blackstone. After the transaction, DNB holds a 20 per cent stake in the Luminor Group.

Transactions 2018

At the end of April 2018, the Norwegian Competition Authority approved the merger between Vipps, BankID Norge and BankAxept. Finanstilsynet gave its approval at the beginning of June 2018.

NOTE 37 Intangible assets

				DNB Group
Amounts in NOK million	Goodwill	Capitalised systems development	Other intangible assets	Total
Cost as at 1 January 2018	8 498	5 223	952	14 673
Additions	5	441	20	466
Additions from the aquisition/establishment of other companies		(204)		(204)
Increase/reduction in cost price		(6)	0	(6)
Disposals	(8)	(205)	22	(191)
Exchange rate movements	(16)	0	(11)	(28)
Cost as at 31 December 2018	8 478	5 248	983	14 709
Total depreciation and impairment as at 1 January 2018	(4 206)	(4 020)	(847)	(9 073)
Depreciation		(306)	(47)	(353)
Impairment	(5)	0		(5)
Disposals	8	68	(0)	76
Held for sale		89		89
Exchange rate movements	0	1	10	12
Total depreciation and impairment as at 31 December 2018	(4 203)	(4 167)	(884)	(9 254)
Carrying amount as at 31 December 2018	**4 276**	**1 081**	**99**	**5 455**
Cost as at 1 January 2019	8 478	5 248	983	14 709
Additions		317	49	366
Disposals	(6)	(16)	6	(16)
Exchange rate movements	(14)	(0)	(6)	(20)
Cost as at 31 December 2019	8 459	5 549	1 032	15 039
Total depreciation and impairment as at 1 January 2019	(4 203)	(4 167)	(884)	(9 254)
Depreciation		(321)	(40)	(361)
Impairment			(0)	(0)
Disposals		9	16	25
Exchange rate movements		0	6	6
Total depreciation and impairment as at 31 December 2019	(4 203)	(4 479)	(903)	(9 585)
Carrying amount as at 31 December 2019	**4 256**	**1 069**	**129**	**5 454**

Goodwill

The risk-free interest rate is set at 3 per cent, the market risk premium is set at 5 per cent, and the long-term growth factor is set at 2.0 per cent for all cash-generating units. Beta values are estimated separately for each cash-generating unit. Required rate of return is before tax. For a detailed description of methods and assumptions used in the calculation of the recoverable amount for goodwill, see note 1 Accounting principles.

NOTE 37 Intangible assets (continued)

Goodwill per unit

				DNB Group
	31 December 2019		31 December 2018	
	Required rate of return (per cent)	Recorded (NOK million)	Required rate of return (per cent)	Recorded (NOK million)
DNB Asset Management	11.3	1 679	11.3	1 679
Personal customers	11.4	982	11.4	982
Small and medium-sized enterprises	11.4	483	11.4	483
DNB Finans – car financing	11.5	753	11.5	791
Other	11.5	360	11.5	341
Total goodwill		**4 256**		**4 276**

DNB Asset Management
The unit includes asset management operations, mainly in Norway and Sweden. Total goodwill from units in the operational area is assessed collectively, and the cash-generating unit represents the entire operational area. Operations are integrated, and synergies and rationalisation effects have been realised throughout the organisation. The most critical assumptions for cash flows during the plan period are developments in the securities markets, net sales of mutual funds and margins.

Personal customers
This unit encompasses banking operations (loans and deposits) for personal customers in the regional network in Norway, and recorded goodwill mainly stems from the merger between DnB and Gjensidige NOR and the acquisition of Nordlandsbanken. In addition, some goodwill remains from previously acquired offices in Gjensidige NOR. Key assumptions for cash flows during the plan period are developments in margins, volumes and impairment of loans.

Small and medium-sized enterprises
This unit encompasses banking operations (loans and deposits) for corporate customers in the regional network in Norway, and recorded goodwill mainly stems from the merger between DnB and Gjensidige NOR. Key assumptions for cash flows during the plan period are developments in margins, volumes and impairment of loans.

DNB Finans – car financing
The unit encompasses DNB's car financing operations in Norway and Sweden, and goodwill stems from DNB's acquisition of Skandiabanken's car financing operations with effect from 2008. Critical assumptions for cash flows during the plan period are car sales figures and DNB Finans' ability to retain customer relations with important car dealers, along with long-term margin developments and the level of impairments of loans.

NOTE 38 Fixed assets

DNB Group

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. 2017	168	961	3 634	8 857	50		13 668
Additions	1		150	3 030	11		3 191
Revaluation		(23)	0				(23)
Disposals	(6)		(27)	(2 067)	(4)		(2 104)
Exchange rate movements	0		19	(50)	(0)		(31)
Cost as at 31 Dec. 2018	162	938	3 776	9 769	56		14 701
Total depreciation and impairment as at 31 Dec. 2017	(49)	(171)	(2 179)	(2 528)	(37)		(4 965)
Disposals			17	1 164	4		1 185
Depreciation [1)]	(9)		(330)	(1 333)	(5)		(1 677)
Impairment				(4)			(4)
Exchange rate movements	3		(16)	14	0		0
Total depreciation and impairment as at 31 Dec. 2018	(56)	(171)	(2 508)	(2 688)	(38)		(5 461)
Carrying amount as at 31 Dec. 2018	106	767	1 267	7 082	18		9 240
Value of property classified at fair value according to the historic cost principle		166					

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. 2018/1 Jan. 2019	162	938	3 776	9 769	56	5 346	20 047
Reclassified fixed assets		1 702				(1 702)	
Additions		2 890	600	3 495	6	521	7 513
Revaluation		321					321
Disposals	(3)	(114)	(271)	(1 912)	(3)	(101)	(2 404)
Exchange rate movements	5		0	(69)	(0)	(24)	(88)
Cost as at 31 Dec. 2019	164	5 738	4 105	11 284	59	4 040	25 390
Total depreciation and impairment as at 31 Dec. 2018	(56)	(171)	(2 508)	(2 688)	(38)		(5 461)
Disposals		114	268	1 241	2	83	1 707
Depreciation [1)]	(9)	(44)	(379)	(1 500)	(4)	(600)	(2 536)
Impairment				(1)		(9)	(10)
Exchange rate movements	(2)		(2)	21	0	(10)	8
Total depreciation and impairment as at 31 Dec. 2019	(67)	(101)	(2 622)	(2 927)	(39)	(536)	(6 292)
Carrying amount as at 31 Dec. 2019	97	5 637	1 483	8 357	20	3 504	19 098
Value of property classified at fair value according to the historic cost principle		4 715					

1) Based on cost less any residual value, other assets are subject to straight-line depreciation over their expected useful life within the following limits:

Technical installations	*10 years*
Machinery	*3-10 years*
Fixtures and fittings	*5-10 years*
Computer equipment	*3-5 years*
Means of transport	*5-7 years*

The DNB Group has not placed any collateral for loans/funding of fixed assets, including property.

NOTE 39 Leasing

DNB Finans offers operational and financial leasing contracts, fleet management and loans to corporate customers, public sector entities and consumer 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. 2019	31 Dec. 2018
Gross investment in the lease		
Due within 1 year	10 117	13 685
Due in 1-5 years	42 909	34 995
Due in more than 5 years	10 749	3 829
Total gross investment in the lease	63 776	52 510
Present value of minimum lease payments		
Due within 1 year	9 803	13 261
Due in 1-5 years	33 986	27 738
Due in more than 5 years	7 127	2 538
Total present value of lease payments	50 916	43 537
Unearned financial income	12 860	8 972
Unguaranteed residual values accruing to the lessor	87	78
Accumulated loan-loss provisions	2 542	2 279
Variable lease payments recognised as income during the period	68	61

Operational leases (as lessor)

	DNB Group	
Amounts in NOK million	31 Dec. 2019	31 Dec. 2018
Future minimum lease payments under non-cancellable leases		
Due within 1 year	1 075	888
Due in 1-5 years	5 339	3 096
Due in more than 5 years	63	38
Total future minimum lease payments under non-cancellable leases	6 476	4 022

Leases (as lessee)

	DNB Group	
Amounts in NOK million	31 Dec. 2019	31 Dec. 2018
Minimum future lease payments under non-cancellable leases		
Due within 1 year	129	100
Due in 1-5 years	716	636
Due in more than 5 years	3 340	4 566
Total minimum future lease payments under non-cancellable leases	4 185	5 302
Total minimum future sublease payments expected to be received under non-cancellable subleases	107	278

	DNB Group
Amounts in NOK million	Total lease liability
Lease liabilities as at 1 January 2019	5 436
Reclassified lease liabilities	(1 654)
Interest expense	90
Additions	520
Payments	(727)
Other	(17)
Lease liabilities as at 31 December 2019	3 648

NOTE 40 Other assets

		DNB Group
Amounts in NOK million	31 Dec. 2019	31 Dec. 2018
Accrued expenses and prepaid revenues	736	728
Amounts outstanding on documentary credits and other payment services	1 816	1 000
Unsettled contract notes	1 720	2 330
Past due, unpaid insurance premiums	409	501
Investment funds owned by non-controlling interests	11 113	37 301
Other amounts outstanding	5 004	4 610
Total other assets	**20 798**	**46 469**

NOTE 41 Deposits from customers by industry segment

		DNB Group
Amounts in NOK million	31 Dec. 2019	31 Dec. 2018
Bank, insurance and portfolio management	41 803	32 299
Commercial real estate	46 874	44 065
Shipping	32 787	39 484
Oil, gas and offshore	51 364	60 185
Power and renewables	13 318	11 632
Healthcare	9 927	7 432
Public sector	53 134	50 046
Fishing, fish farming and farming	13 787	13 551
Retail industries	32 592	28 954
Manufacturing	47 969	50 484
Technology, media and telecom	18 555	14 386
Services	94 356	88 957
Residential property	17 215	15 419
Personal customers	380 217	372 024
Other corporate customers	115 658	98 173
Deposits from customers	**969 557**	**927 092**

NOTE 42 Debt securities issued

Changes in debt securities issued

Amounts in NOK million	Balance sheet 31 Dec. 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other adjustments 2019	Balance sheet 31 Dec. 2018
						DNB Group
Commercial paper issued, nominal amount	188 120	977 397	(885 921)	(78 087)		174 732
Bond debt, nominal amount [1) 3)]	654 030	119 704	(68 794)	(1 008)		604 127
Adjustments	28 019				4 961	23 059
Total debt securities issued	**870 170**	**1 097 101**	**(954 715)**	**(79 095)**	**4 961**	**801 918**

Maturity of debt securities issued measured at amortised cost as at 31 December 2019 [1) 2) 3)]

Amounts in NOK million	NOK	Foreign currency	Total
			DNB Group
2020		188 054	188 054
Total commercial paper issued, nominal amount		188 054	188 054
2020	11 324	87 736	99 060
2021	18 222	86 214	104 435
2022	24 072	120 321	144 394
2023	2 800	116 725	119 525
2024	5 683	47 040	52 723
2025		24 382	24 382
2026 and later	120	89 789	89 909
Total bond debt, nominal amount	62 221	572 208	634 428
Total debt securities issued, nominal amount	62 221	760 262	822 483

Maturity of debt securities issued measured at fair value as at 31 December 2019 [1) 3)]

Amounts in NOK million	NOK	Foreign currency	Total
			DNB Group
2020	66		66
Total commercial paper issued, nominal amount	66		66
2020	498		498
2021	6 097		6 097
2022	4 917		4 917
2023	3 201		3 201
2024	1 125		1 125
2025	1 502		1 502
2026 and later	2 261		2 261
Total bond debt, nominal amount	19 602		19 602
Total debt securities issued, nominal amount	19 667		19 667
Adjustments	816	27 204	28 019
Debt securities issued	82 704	787 466	870 170

1) *Minus own bonds. Nominal amount of outstanding covered bonds in DNB Boligkreditt totalled NOK 449.0 billion as at 31 December 2019. The cover pool market value represented NOK 632.6 billion.*
2) *Includes hedged items.*
3) *The measurement category for debt securities issued in Norwegian kroner with floating rates has been changed from FVTPL to amortised cost as of 31 December 2019. Comparative information has not been restated.*

NOTE 43 Subordinated loan capital and perpetual subordinated loan capital securities

Changes in subordinated loan capital and perpetual subordinated loan capital securities

Amounts in NOK million	Balance sheet 31 Dec. 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other adjustments 2019	DNB Group Balance sheet 31 Dec. 2018
Term subordinated loan capital, nominal amount	24 943	9	(9)	(167)		25 110
Perpetual subordinated loan capital, nominal amount	5 774			81		5 693
Perpetual subordinated loan capital securities, nominal amount						
Adjustments	378				100	278
Total subordinated loan capital and perpetual subordinated loan capital securities	**31 095**	**9**	**(9)**	**(86)**	**100**	**31 082**

Year raised	Carrying amount in foreign currency		Interest rate	Maturity	Call date	DNB Group Carrying amount in NOK
Term subordinated loan capital						
2015	SEK	1 000	1.97% p.a.	2025	2020	945
2015	SEK	3 000	3-month STIBOR + 1.40%	2025	2020	2 834
2016	JPY	10 000	1.00% p.a.	2026	2021	809
2017	JPY	11 500	1.04% p.a.	2027	2022	931
2017	NOK	1 400	3-month NIBOR + 1.75%	2027	2022	1 400
2017	NOK	170	3.08% p.a.	2027	2022	170
2017	SEK	750	3-month STIBOR + 1.70%	2027	2022	708
2017	SEK	1 000	1.98% p.a.	2027	2022	945
2017	EUR	650	1.25% p.a.	2027	2022	6 413
2018	JPY	25 000	0.75% p.a.	2028	2023	2 024
2018	NOK	900	3-month NIBOR + 1.10%	2028	2023	900
2018	SEK	700	3-month STIBOR + 1.06%	2028	2023	661
2018	SEK	300	1.61% p.a.	2028	2023	283
2018	EUR	600	1.13% p.a.	2028	2023	5 920
Total, nominal amount						24 943
Perpetual subordinated loan capital						
1985	USD	215	3-month LIBOR + 0.25%			1 889
1986	USD	200	6-month LIBOR + 0.13%			1 757
1986	USD	150	6-month LIBOR + 0.15%			1 318
1999	JPY	10 000	4.51% p.a.		2029	809
Total, nominal amount						5 774

NOTE 44 Other liabilities

Amounts in NOK million	31 Dec. 2019	DNB Group 31 Dec. 2018
Short-term funding	446	645
Short positions trading	10 883	3 157
Accrued expenses and prepaid revenues	3 856	4 287
Documentary credits, cheques and other payment services	1 391	2 211
Unsettled contract notes	1 379	1 771
Accounts payable	1 924	1 681
General employee bonus	257	278
Non-controlling interests	11 113	37 301
Lease liabilities	3 648	
Other liabilities	4 227	4 093
Total other liabilities [1)]	**39 125**	**55 424**

1) *Other liabilities are generally of a short-term nature.*

NOTE 45 Equity

Share capital

The Annual General Meeting held on 30 April 2019 resolved a reduction in share capital by cancelling own shares and redeeming shares held by the Norwegian government. The cancellation of the shares was registered in the Register of Business Enterprises 12 July 2019. The number of issued shares was reduced by 24 065 503 to 1 580 301 385.

The share capital of DNB ASA at 31 December 2019 was NOK 15 803 013 850 divided into 1 580 301 385 shares, each with a nominal value of NOK 10. The share capital of DNB ASA at 31 December 2018 was NOK 16 043 668 880 divided into 1 604 366 888 shares, each with a nominal value of NOK 10.

DNB ASA has one class of shares, and all shares carry voting rights. Shareholders are entitled to receive the dividend proposed at any time and have one voting right per share at the company's general meeting.

The Board of Directors of DNB ASA has proposed that the general meeting to be held in April 2020 approve a dividend of NOK 9.00 per share for 2019.

Own shares

The Annual General Meeting held on 30 April 2019 approved a new authorisation for the Board of Directors of DNB ASA to acquire own shares for a total face value of up to 3.5 per cent of the company's share capital. The buy-back programme under the new authorisation was initiated on 24 October 2019 and comprises up to 2.0 per cent of the shares. DNB ASA has signed an agreement with the Norwegian government, represented by the Ministry of Trade, Industry and Fisheries for the redemption of a proportional share of government holdings to ensure that the government's percentage ownership does not change as a result of the redemption of repurchased shares.

DNB ASA repurchased a total of 9 715 000 shares in the open market under this authorisation during 2019, representing 0.61 per cent of its issued shares, at an average price of NOK 162.13 per share. The total price of repurchased shares was NOK 1 575 861 251. In addition, the government's proportional share, representing 5 004 697 shares, will be redeemed.

Additional Tier 1 capital

The Additional Tier 1 capital is issued by DNB Bank ASA.

Changes in additional Tier 1 capital — **DNB Group**

Amounts in NOK million	Balance sheet 31 Dec. 2019	Issued 2019	Interest paid 2019	Interest accrued 2019	Exchange rate movements 2019	Balance sheet 31 Dec. 2018
Additional Tier 1 capital, nominal amount	26 048	10 474				15 574
Adjustments	681		(1 052)	1 123	(10)	620
Additional Tier 1 capital	**26 729**	**10 474**	**(1 052)**	**1 123**	**(10)**	**16 194**

DNB Group

Year raised		Carrying amount in currency	Interest rate	Carrying amount in NOK
2015	NOK	2 150	3-month NIBOR + 3.25%	2 150
2015	USD	750	5.75% p.a.	5 903
2016	NOK	1 400	3-month NIBOR + 5.25%	1 400
2016	USD	750	6.50% p.a.	6 120
2019	NOK	2 700	3-month NIBOR + 3.50 %	2 700
2019	USD	850	4.875 % p.a.	7 774
Total, nominal amount				26 048

NOTE 46 Remunerations etc.

Pursuant to Section 6-16a of the Norwegian Public Limited Companies Act, the Board of Directors will present the following statement on remunerations to the Annual General Meeting for voting:

A. Standards for the coming accounting year

Financial institutions are required to publish information about the main principles for determining remuneration, criteria for the stipulation of any variable remuneration and quantitative information on remuneration to senior executives. The information in the Board of Directors statement on the stipulation of salaries and other remuneration to senior executives below, represents such information, as stipulated in the Financial Institutions Regulations.

The Group standard for remuneration in the DNB Group applies to the total remuneration to all permanent employees in the DNB Group and has been approved by the Board of Directors. The standard comprises total remuneration (fixed salary, short and long-term incentives and pensions) and employee benefits (personnel insurance and other employee benefits). The Group standard shall ensure that the Group's remuneration schemes comply with regulatory requirements and the government’s guidelines on executive pay.

According to the standard, total remuneration is to be based on a total evaluation of the performance of the Group, as well as the unit’s and each individual’s contributions to value creation. Total remuneration should be structured to ensure that it does not expose the Group to unwanted risk. The remuneration should be competitive, but also cost-effective for the Group.

Furthermore, the standard specifies that total remuneration shall consist of fixed salary, any supplementary pay related to the relevant position and a variable part where appropriate. Fixed salary elements, including supplementary pay related to the position or market conditions, should correspond with the responsibilities and requirements assigned to each position, as well as its complexity, while variable remuneration should encourage increased performance and desired conduct.

Variable remuneration is based on an overall performance assessment in relation to the results achieved within defined target areas for the Group, unit and individual (‘what we deliver’), as well as behaviour and target attainment related to the Group's purpose, values, Code of Conduct, compliance and leadership principles (‘how we deliver’). Furthermore, it should counteract excessive risk-taking and promote sound and efficient risk management in DNB. Variable remuneration cannot exceed 50 per cent of fixed salary for senior executives and 100 per cent for other risk takers.

The Group standard shall ensure that the use of variable remuneration complies with the regulatory provisions that apply to the Group's various areas of operation and geographical locations. Special rules have been adopted for variable remuneration to senior executives, employees with responsibilities which are of great importance to the company's risk exposure (‘risk takers’), and employees in independent control functions.

DNB’s variable remuneration scheme applies globally, though non-Norwegian branch offices and subsidiaries will also be required to comply with local legislation. In cases where Norwegian regulations deviate from local legislation, the Group will seek advice from the relevant authorities and international experts to ensure that the practice is in compliance with both Norwegian and local regulations.

Remunerations to the Group Chief Executive Officer (CEO) and other members of the Group Management team should, at all times, support prevailing strategy and values, while contributing to the attainment of the Group’s targets. The remunerations shall inspire conduct that builds the desired corporate culture with regard to performance and profit orientation. No changes have been made in the principles for the stipulation of variable remunerations compared with the statement for the previous year.

The Board emphasises the government's guidelines on executive pay when designing and determining remuneration schemes for the Group. Any deviations from these guidelines must be justified in accordance with the guidelines’ ‘comply-or-explain’ principle.

Remuneration structure

Fixed salary elements should normally constitute the main part of the total remuneration and be of such a size that in some years, it can be determined that no variable remuneration will be allocated. The individual salary level is determined on the basis of the responsibilities and complexity of each position, as well as the current market level for similar positions and competence.

To ensure the necessary flexibility and to be an attractive employer in the competition for sought-after competence, supplementary pay related to the position or market conditions can be added to the agreed fixed salary.

Variable remuneration

The Board of Directors will determine overall criteria, principles and framework for variable remuneration. Variable remuneration shall be allocated based on a comprehensive assessment of performance, and shall as a main rule not exceed 50 per cent of the agreed fixed salary elements. The overall remuneration structure should be of such a nature that it does not contribute to unwanted risk-taking on the part of the individual employee.

For 2020, the Board of Directors has decided that target attainment related to the Group's financial ambitions for return on equity and cost/income ratio should have a weighting of 60 per cent when determining variable remuneration. In addition to the financial targets, strategy-related qualitative and quantitative targets have been established. The degree of achievement of these targets is determined based on an overall assessment and has a weighting of 40 per cent. Conditions such as compliance and ethical behaviour are also included in the overall assessment. The Group’s financial target figures have been broken down into relevant targets for the various business areas and staff and support units.

The above targets will be key elements when calculating and allocating the variable remuneration for 2020. All targets have been defined and communicated to the relevant business areas and staff and support units as part of the work with and follow-up of the targets for 2020.

NOTE 46 Remunerations etc. (continued)

The variable remuneration for 2020 will be determined by means of an overall assessment of performance, based on a combination of quantitative attainment of pre-set performance targets and qualitative assessments of how the targets were achieved.

The Board of Directors will determine a maximum limit for total variable remuneration in the Group, excluding DNB Markets, DNB Eiendom and investment managers in DNB Asset Management. The limit is determined based on the attainment of Group targets over the past two years, combined with a general assessment of other important parameters and the Group's financial capacity. This will be allocated to the organisation based on the individual units' target attainment and contributions to the Group's performance. With respect to DNB Markets and investment managers in DNB Asset Management, separate limits will be determined for variable remuneration based on the profits achieved by the unit and an overall assessment, which is in line with market practice for these types of operations. Similarly, the remuneration model in DNB Eiendom is consistent with market practice, with a high share of variable remuneration based on individual performance.

Special rules for risk takers

DNB has prepared and implemented special rules for identified risk takers, employees responsible for independent control functions and senior executives, hereinafter referred to as risk takers. The special rules supplement the general Group standard for remuneration and have been formulated in compliance with the Financial Services Regulations and the related circular from Finanstilsynet (the Financial Supervisory Authority of Norway).

In accordance with prevailing requirements, DNB has surveyed the entire organisation to identify risk takers based on the criteria resulting from the circular and the EU regulation in this area.

For risk takers, the following main principles apply to variable remuneration:

- The remuneration is earned over a period of two years.
- Variable remuneration cannot exceed the agreed fixed remuneration.
- Senior executives in independent control functions will receive no variable remuneration.

For risk takers, 50 per cent of the earned variable remuneration after tax is deferred and conditional and paid in the form of DNB shares. The remuneration paid in the form of shares is subject to a minimum holding period and is released in stages over three years. The deferred and conditional payments will be in compliance with the stipulations in the Financial Services Regulation. During the period in which the right to the shares/instruments is conditional, a subsequent risk adjustment shall be made, including adjustments related to compliance. If the assessment shows that the original risk adjustment was incorrect, the risk taker's right to conditionally allocated shares may be wholly or partly repealed. The same applies if the allocation was found to be based on incorrect grounds or insufficient information.

Shares with a minimum holding period have a lower market value than freely negotiable shares. In order to compensate for this disadvantage, additional shares are granted corresponding to the difference in the estimated market value of freely negotiable shares and shares with the applicable holding period. The calculation is performed according to recognised methodology for such pricing and in line with Norwegian tax assessment practice.

Pensions, etc.

Pension schemes and any agreements on termination payments etc. should be considered relative to other remuneration and should ensure competitive terms.

All employees in Norway are members of the defined-contribution pension scheme pursuant to the Norwegian Occupational Pension Act.

Up to 31 December 2016, many senior executives had agreements entitling them to a defined-benefit pension which gave them rights beyond the general occupational pension scheme. As of 1 January 2017, these defined-benefit entitlements have been replaced by defined-contribution direct pension schemes based on the same calculation assumptions and principles as those used in the conversion of the Group's defined-benefit occupational pension scheme in 2016, pursuant to the Norwegian Occupational Pensions Act.

The pension entitlements of the senior executives, calculated on the conversion date, are estimated to correspond to the technical value of the former defined-benefit scheme. Future capital entitlements now comprise annual contributions and the return on the entitlements earned. The annual contributions are calculated individually to ensure that, based on the calculation assumptions, the defined-contribution direct pension scheme will have the same value as the former defined-benefit agreement would have given at the agreed retirement age.

Termination payment agreements and pension schemes must comply with the government's guidelines on executive pay. As a main rule, the Group will honour existing agreements.

Remuneration to senior executives

The Group Chief Executive Officer's remuneration is determined by the Board of Directors. The Group Chief Executive Officer determines the remuneration to senior executives in agreement with the Board.

The total remuneration to senior executives consists of fixed salary (main element), any supplementary pay related to the position, benefits in kind, variable remuneration and pension and insurance schemes. The total remuneration is determined based on the need to offer competitive terms. The remuneration should promote the Group's competitiveness in the relevant labour market without making the Group a market leader in terms of salaries, and also promote the Group's profitability, as well as the desired income and cost development. The total remuneration should take into account DNB's reputation and ensure that DNB attracts and retains senior executives with the desired skills and experience. Taking all this into account, the Board emphasises moderation in the determination of the remuneration to senior executives.

NOTE 46 Remunerations etc. (continued)

The fixed salary and supplementary pay related to the position are subject to an annual evaluation and determined based on salary levels in the labour market in general and in the financial industry in particular.

The variable remuneration to senior executives is determined based on an overall assessment of the results achieved within defined target areas. Variable remuneration cannot exceed 50 per cent of fixed salary.

Benefits in kind may be offered to senior executives to the extent the benefits have a relevant connection to the employee’s function in the Group or are in line with market practice. The benefits should not be significant relative to the employee’s fixed salary.

A conditional agreement has been entered into with some members of the Group Management team that an additional 30 per cent of ordinary fixed salary is to be paid in shares. This amount is set aside throughout the year, and the net amount after tax is used to purchase shares in DNB ASA after the end of the year, with a minimum holding period for as long as the person is part of the Group Management team. After leaving this position, the shares are released in stages over a period of three years. This scheme is subject to the Annual General Meeting’s approval. Should the Annual General Meeting not approve the scheme, entitlements from the scheme will be paid as a lump sum, and the 30 per cent supplement will be replaced by an increase in the ordinary fixed salary.

B. Statement on the senior executive salary policy in the previous accounting year

The Group standards determined in 2011, including changes effective as from 2017, have been followed.

Total remuneration of the Group Chief Executive Officer (CEO)

The CEO’s total remuneration consists of fixed salary (main element), benefits in kind, variable remuneration and pension and insurance schemes. The total remuneration is determined on the basis of an overall assessment of performance where the main element of the variable part of the remuneration is based on the Group's financial targets. In addition to the financial targets, strategic goals have been established for 2019 where, among other things, developments in the organisation's competence, innovative power and corporate responsibility have been assessed. In the Board of Directors’ overall assessment of the CEO's variable remuneration, emphasis is also placed on compliance with external and internal regulations, ethical guidelines and leadership principles. The total remuneration to the CEO should be competitive, but not market-leading. DNB's reputation must also be taken into account.

In connection with the appointment of Kjerstin R. Braathen as new CEO, the Board of Directors made a thorough assessment of the CEO's total remuneration. The Board considered factors such as the complexity of the position as CEO of DNB, as well as Braathen's characteristics and competence, compared with similar positions in the Norwegian business community and other Nordic financial institutions. The Board decided on a total remuneration on the same level as the former CEO, Rune Bjerke. The Board considers this to be a competitive level, also in comparison with other large Norwegian companies with state ownership. The Board considers that a continuation of the former CEO's total remuneration level is in accordance with the principle in the government guidelines that the remuneration to senior executives should not have an adverse effect on the company or the company's reputation.

Braathen’s pension rights give significantly lower annual accruals compared with Rune Bjerke’s pension rights. A higher fixed salary has therefore been agreed with the new CEO, as well as a conditional agreement on fixed salary in the form of shares. The various remuneration elements are described below.

The CEO’s fixed salary

Upon taking over as CEO, the CEO's fixed salary was set at NOK 7 665 000. The fixed salary is subject to annual evaluation and is determined based on, among other things, salary levels in the labour market in general and in the financial industry in particular, and on remuneration levels for comparable positions.

A conditional agreement has also been entered into with the CEO, that a supplement of 30 per cent of the fixed salary is to be paid in the form of shares. The agreement is conditional because it requires approval by the Annual General Meeting. The amount is set aside throughout the year, and the net amount after tax is to be used to purchase shares in DNB ASA, with a minimum holding period for as long as the CEO holds the position. Upon leaving this position, the shares are released in stages over a period of three years. Should the General Meeting not approve the scheme, entitlements from the scheme will be paid as a lump sum, and the 30 per cent supplement will be replaced by an increase in the CEO’s ordinary fixed salary. Consequently, the CEO's total remuneration is not affected by parts of the fixed salary being paid in the form of shares.

The CEO's variable remuneration

Variable remuneration to the CEO is determined based on an overall assessment of performance in relation to pre-defined target areas. Variable remuneration cannot exceed 50 per cent of fixed salary. The CEO is not awarded any performance-based benefits other than the stated variable remuneration.

The CEO's benefits in kind

In addition to variable remuneration, the CEO can be granted benefits in kind such as company cars, newspapers/periodicals and phones/communication devices. The granting of benefits in kind must be related to the CEO's function in the Group or be in line with market practice, and should not be significant in relation to the CEO's fixed salary.

NOTE 46 Remunerations etc. (continued)

The CEO's pension scheme
The CEO is a member of the defined-contribution pension scheme pursuant to the Occupational Pension Act, with a pensionable income equivalent to 12 times the National Insurance basic amount (G), on a par with all other employees in Norway.

The CEO also has a defined-contribution direct pension agreement. This agreement was continued from a previous position with equal annual earnings in NOK as before becoming CEO. The annual contribution will be adjusted in line with ordinary changes in pensionable income. After the age of 67, no further contribution will be accrued in the defined-contribution direct pension agreement.

In connection with the appointment, the Board considered the CEO's individual pension agreement, also in relation to the government's guidelines on executive pay. The government's guidelines state that senior executives' pension terms must be in line with other employees' terms in the company, and that the pensionable income should not exceed 12 times the National Insurance basic amount, which is the maximum limit in Norwegian tax-favoured group pension schemes. The 2015 document 'The Government's Ownership Policy', specifies an expectation that companies in internal recruitment processes for leading positions renegotiate existing agreements, in order to bring the remuneration up to compliance with the government's guidelines.

When the CEO's employment contract was negotiated in June 2019, the Board of Directors decided to continue the individual pension agreement. In addition to the negotiation situation, the Board emphasised that the rights attached to the CEO's individual accumulation of pension entitlements were originally established in 2003. The Board also emphasised that the long term of the agreement has formed the basis of the CEO's financial planning and allocations over several years, and that a cancellation of the agreement would have had unreasonable effects.

Against this background, the Board considered that there were special circumstances that provided a basis for departing from the government's guidelines with regard to pensions.

The CEO's term of notice and termination payment rights
The CEO has a term of notice of six months. In the event of a termination of the employment initiated by the employer, the CEO is entitled to a termination payment equivalent to six months' fixed salary at the end of the term of notice. If the CEO enters another employment relationship, the termination payment shall be reduced. According to the government's guidelines on executive pay, the termination payment shall be reduced by a proportionate amount based on the annual income in the new employment relationship. To provide an extra incentive to find other employment during the termination pay period, thereby reducing DNB's cost of the agreement, the Board of Directors chose a wording in the termination payment clause stating that the CEO's termination payment will be reduced by an amount equivalent to up to half of the income earned during the termination payment period. Supplementary benefits are retained for a period of three months.

Other conditional agreements on fixed salary in the form of shares
A conditional agreement has been entered into with two Group Executive Vice Presidents, that a supplement of 30 per cent of ordinary fixed salary is to be paid in shares. This amount is set aside throughout the year, and the net amount after tax is used to purchase shares in DNB ASA after the end of the year, with a minimum holding period for as long as the person is part of the Group Management team. After leaving these positions, the shares will be released in stages over a period of three years. This scheme is subject to the Annual General Meeting's approval. Should the Annual General Meeting not approve the scheme, entitlements from the scheme will be paid as a lump sum and the 30 per cent supplement will be replaced by an increase in the ordinary fixed salary. Consequently, the Group Executive Vice Presidents' total remuneration is not affected by parts of the fixed salary being paid in the form of shares.

Changes in the Group Management team
On 31 August 2019, Rune Bjerke resigned as CEO, but he will maintain his employment in DNB with other duties until June 2020. Bjerke's resignation agreement is within the financial framework agreed when he was appointed CEO in 2006 with effect from 1 January 2007. Kjerstin R. Braathen took over as CEO from 1 September 2019. At the same time, Ottar Ertzeid replaced Kjerstin R. Braathen as Chief Financial Officer (CFO), and Alexander Opstad was appointed acting Group Executive Vice President of DNB Markets.

The new Group structure from 23 September 2019 led to changes in the composition of the Group Management team. Maria Ervik Løvold, Alexander Opstad and Kari Bech-Moen became new permanent members of the Group Management team. Alf Otterstad left the Group Management team, but maintains his employment in DNB with other duties. Benedicte S. Fasmer and Solveig Hellebust left their positions, with agreements giving them the right to termination payment over a period of six months from the expiry of the term of notice. Other Group Executive Vice Presidents remained members of the Group Management team, some with altered responsibilities. Their terms have been adapted to their new responsibilities.

C. Binding guidelines for shares, subscription rights, options, etc. for the coming accounting year

An amount corresponding to 50 per cent of the earned variable remuneration of the CEO, senior executives and other risk takers is invested in shares in DNB ASA, with a minimum holding period of one year for one-third, two years for one-third and three years for one-third of the shares.

A share programme will be established in 2020, in which members of Group Management can be included. The programme is approved by the Annual General Meeting by adopting these binding guidelines.

The purpose of the share programme is to strengthen the common interest of the company's management and shareholders, by increasing the shareholding of the Group Management. Participation in the share programme should not in itself cause an increase in the participants' total remuneration, but serve as an alternative to fixed salary in the form of cash. The size of the share programme will be an addition of up to 30 per cent of fixed salary in the form of cash, which will be determined when the participant is included in the programme. The amount is set aside throughout the year, and the net amount after tax is used to purchase shares in DNB ASA after the end of the year. DNB ASA carries out the share purchase on behalf of the employees by using net amount after tax to buy shares at market price immediately following the presentation

NOTE 46 Remunerations etc. (continued)

of the DNB Group's results for the accrual year. The allocation of shares within the programme will not be based on performance-based criteria, and allocated shares are therefore regarded as fixed salary. Participants cannot dispose of the shares as long as they are part of the Group Management team (minimum holding period). Upon leaving the Group Management team, the shares are released over a period of three years, with one-third each year.

The Board of Directors has considered the scheme of fixed salary in the form of shares, also in relation to the government's guidelines on executive pay. These guidelines assume that the allocation of shares through a share programme must be based on performance-based criteria. In accordance with the guidelines, the government can accept a share programme with a limit of up to 30 per cent of fixed salary, in addition to a variable salary of up to 50 per cent of fixed salary.

Like the government guidelines, the special legislation for financial institutions limits variable remuneration to up to 50 per cent of fixed salary. The legislation for financial institutions does not, however, allow extending the limit for share programmes with performance-based criteria. Extending the limit for share programmes as part of fixed salary, without performance-based criteria, will be in compliance with the legislation applicable to financial institutions.

Against this background, the Board of Directors has considered whether a portion of the fixed salary for members of the Group Management should be paid in the form of shares instead of cash, and whether there is a basis for deviating from the requirement for performance-based criteria that follow from the government guidelines. The Board has emphasised that strengthening the common interest of the shareholders and the company's management is both positive and desired. The Board has also emphasised that the special legislation for financial institutions puts DNB in a different position than other companies with state ownership.

Following an overall assessment, the Board has concluded that the restrictions resulting from the special legislation applicable to financial institutions provide a basis for departing from the government guidelines.

Other shares, subscription rights, options and other kinds of remuneration only linked to shares or the development of the share price in the company or in other companies within the same Group, are not allocated to the CEO or senior executives. The CEO and senior executives are, however, given the opportunity to participate in a share subscription scheme on the same terms as other employees in the DNB Group.

D. Statement on the effects on the company and the shareholders of remuneration in the form of shares, subscription rights, options, etc.

An amount corresponding to 50 per cent of the gross variable remuneration earned by the CEO, senior executives and other risk takers in 2019 is invested in shares in DNB ASA. The Board of Directors believes that the awarding of shares to senior-executives, in view of the total number of shares in the company, will have no negative consequences for the company or the shareholders. The same will apply to the introduction of a fixed salary supplement in the form of shares, as described in section C.

Terms for the Chair of the Board of Directors

In 2019, Olaug Svarva received a remuneration of NOK 587 thousand as Chair of the Board of Directors of DNB ASA, and a remuneration of NOK 472 thousand as Chair of the Board of Directors of DNB Bank ASA.

Terms for the Group Chief Executive Officer (CEO)

Kjerstin R. Braathen took over as CEO on 1 September 2019, with a fixed annual salary of NOK 7 665 thousand. In addition, Braathen receives a fixed salary supplement of 30 percent which is paid out in shares in 2020 with a minimum holding period as long as she is a member of the Group Management. The Board of Directors in DNB ASA set the CEO's variable remuneration for 2019 to NOK 2 230 thousand. Variable remuneration will be paid in 2020 of which 50 per cent is deferred and conditional and paid in the form of DNB shares. The share part is divided into three with a holding period of up to three years. Benefits in kind were estimated at NOK 213 thousand. Costs of NOK 774 thousand in connection with the CEO's pension scheme were recognised for the 2019 accounting year. The costs are divided between DNB ASA and DNB Bank ASA.

Former CEO Rune Bjerke received an ordinary remuneration of NOK 6 285 thousand in 2019, compared with NOK 6 173 thousand in 2018.

Subscription rights programme for employees

There was no subscription rights programme for employees in the DNB Group at year-end 2019.

NOTE 46 Remunerations etc. (continued)

The table has been designed to show rights earned during the period.

Remunerations etc. in 2019 **DNB Group**

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2019 [1]	Remuneration paid in 2019 [2]	Paid salaries in 2019 [3]	Variable remuneration earned in 2019 [4]	Fixed salary supplement in 2019 [5]	Benefits in kind and other benefits in 2019	Total remuneration in 2019	Loans as at 31 Dec. 2019 [6]	Accrued pension expenses in 2019 [7]
Board of Directors of DNB ASA									
Olaug Svarva (Chair) [8]		1 060				22	1 081		
Tore Olaf Rimmereid (Vice Chair) [9]		551				1	552		
Karl-Christian Agerup [9]		399				1	400		
Gro Bakstad (from 30.04.19) [9]		515				1	516	24	
Carl A. Løvvik [8]	757	367	760	24		21	1 172	793	178
Jorunn Løvås (from 15.11.19)	696		692	24		21	737	1 993	49
Vigdis Mathisen (until 15.11.19)	841	379	769	24		27	1 199	2 580	229
Jaan Ivar Semlitsch [8]		518				1	519		
Berit Svendsen (until 30.04.19) [9]		170				1	171	10 989	
Group Management									
Kjerstin R. Braathen, CEO	7 665		5 586	2 254	767	213	8 820	19	774
Rune Bjerke, CEO (until 01.09.19)	6 070		6 285	2 124		284	8 693	9 597	4 268
Ottar Ertzeid, CFO	6 200		8 763	3 499	620	249	13 131	28	831
Kari Bech-Moen, group EVP (from 23.09.19)	2 300		1 558	424		145	2 127	9 625	123
Benedicte S. Fasmer, group EVP (until 23.09.19)	3 530		3 624	1 524		545	5 693	6 243	123
Rasmus Aage Figenschou, group EVP	3 150		3 222	1 324		223	4 769	13 351	123
Håkon Hansen, group EVP	3 425		3 347	1 454		264	5 064	8 288	263
Solveig Hellebust, group EVP (until 23.09.19)	3 325		3 443	1 399		241	5 083	20	409
Ida Lerner, group EVP [10]	4 076		4 076	24		1 996	6 096		
Maria Ervik Løvold, group EVP (from 23.09.19)	3 200		2 344	824		192	3 360	9 188	211
Thomas Midteide, group EVP	3 170		3 268	1 324		246	4 838	2 022	276
Alexander Opstad, group EVP (from 01.09.19)	6 000		5 911	4 024	485	163	10 583	17 721	175
Alf Otterstad, group EVP (until 23.09.19)	3 200		3 325	1 124		234	4 683	2 397	123
Harald Serck-Hanssen, group EVP	4 700		4 638	1 904		261	6 803	3 571	1 304
Ingjerd Blekeli Spiten, group EVP	3 530		3 595	1 524		256	5 375	7 210	123
Mirella E. Wassiluk, group EVP	3 625		3 525	24		248	3 797	3 726	123
Loans to other employees								19 338 150	

1) Fixed annual salary as members of the Board of Directors or the Group Management team.

2) Includes remuneration received from all companies within the DNB Group for service on Boards of Directors and committees. Board remuneration from DNB ASA was NOK 2 965 thousand in 2019. Some persons are members of more than one body.

3) Includes salary payments for the entire year and holiday pay on variable remuneration. Some employees were members of the Board of Directors or the Group Management team for only parts of the year.

4) Variable remuneration earned in 2019, excluding holiday pay. The amount includes the Group bonus, which is paid according to defined allocation criteria to all permanent employees as at 31 December 2019. For senior executives who have changed positions during 2019, the basis for the variable remuneration is calculated pro rata for the old and the new position.

5) An agreement has been entered into with some members of the Group Management team concerning a fixed salary supplement, which will be allocated for share purchases (see description earlier in note 46).

6) Loans to shareholder-elected representatives are extended on ordinary customer terms. Loans to DNB employees are extended on special terms, which are close to ordinary customer terms.

7) Pension rights earned during the year (SCC). The calculation of pension entitlements is based on the same economic and actuarial assumptions as those used in note 25 Pensions.

8) Also a member of the Compensation and Organisation Committee.

9) Also a member of the Audit Committee and the Risk Management Committee.

10) Ida Lerner is on international assignment from Sweden to Norway. In accordance with DNB's international assignment policy, she has assignment-related benefits in kind, such as accommodation and children's school costs. Both her salary and benefits in kind are provided as net entitlements. The amounts have been grossed up with Norwegian taxes by an external service provider. As she is not a member of the Norwegian National Insurance Scheme, no social security contributions have been included in the gross amounts.

NOTE 46 Remunerations etc. (continued)

The table has been designed to show rights earned during the period.

Remunerations etc. in 2018 **DNB Group**

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2018 1)	Remune-ration paid in 2018 2)	Paid salaries in 2018 3)	Variable remune-ration earned in 2018 4)	Benefits in kind and other benefits in 2018	Total remunera-tion in 2018	Loans as at 31 Dec. 2018 5)	Specially agreed retire-ment age 6)	Accrued pension expenses in 2018 7)
Board of Directors of DNB ASA									
Olaug Svarva (Chair, from 24.04.18) 8)		713			5	718			
Anne Carine Tanum (Chair, until 24.04.18)		338			3	341			
Tore Olaf Rimmereid (Vice Chair) 9)		536				536	12		
Karl-Christian Agerup 8)		364				364	3		
Carl A. Løvvik	745	343	744	24	20	1 131	849		175
Vigdis Mathisen 8)	816	389	817	24	28	1 258	4 316		171
Jaan Ivar Semlitsch 9)		524				524	106		
Berit Svendsen 9)		505				505	13 780		
Group Management									
Rune Bjerke, CEO	5 855		6 173	2 474	385	9 031	9 783	60	5 259
Kjerstin R. Braathen, CFO	4 205		4 355	1 774	272	6 401	68	65	745
Trond Bentestuen, group EVP (until 07.06.18)	3 635		3 063		224	3 287	5 925	65	542
Ottar Ertzeid, group EVP	9 225		9 610	3 874	248	13 731	0	62	805
Benedicte S. Fasmer, group EVP	3 405		3 523	1 449	219	5 191	5 130		119
Rasmus Aage Figenschou, group EVP	3 055		3 150	1 349	237	4 736	11 590		119
Håkon Hansen, group EVP (from 07.06.18)	3 400		2 986	1 424	195	4 604	5 888		351
Solveig Hellebust, group EVP	3 205		3 324	1 349	236	4 909	6	65	404
Ida Lerner, group EVP 10)	3 937		4 047	24	2 326	6 398			
Thomas Midteide, group EVP	3 055		3 031	1 294	247	4 572	2 107	65	272
Alf Otterstad, group EVP	3 110		3 067	1 349	230	4 645	3 001		119
Hans Olav Rønningen, group EVP (until 08.01.18)	1 690		1 874	724	177	2 775	4 635		80
Harald Serck-Hanssen, group EVP	4 265		4 436	1 774	268	6 477	24 883	65	1 244
Ingjerd Blekeli Spiten, group EVP (from 08.01.18)	3 400		3 196	1 449	259	4 904	5 768		119
Mirella E. Wassiluk, group EVP (from 02.04.18)	3 600		2 347	24	157	2 528	0		90
Loans to other employees							22 165 427		

1) Fixed annual salary at year-end for employees who were members of the Board of Directors or the Group Management team during the year.
2) Includes remuneration received from all companies within the DNB Group for service on Boards of Directors and committees. Board remuneration from DNB ASA was NOK 3 243 thousand in 2018. Some persons are members of more than one body.
3) Includes salary payments for the entire year and holiday pay variable remuneration. Some employees were members of the Board of Directors or the Group Management team for only parts of the year.
4) Variable remuneration earned excluding holiday pay.
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 agreed retirement age is specified when a special agreement has been entered into which includes related defined-contribution pension entitlements deviating from stipulations in the company's general group standards
7) Pension rights earned during the year (SCC). The calculation of pension entitlements is based on the same economic and actuarial assumptions as those used in note 25 Pensions.
8) Also a member of the Compensation Committee.
9) Also a member of the Audit and Risk Management Committees.
10) Ida Lerner is on international assignment from Sweden to Norway. Prior to joining DNB's management team on 11 December 2017, she was head of DNB CEMEA in London, also on an international assignment contract. In accordance with DNB's international assignment policy, she has assignment-related benefits in kind, such as accommodation and children's school costs. Both her salary and benefits in kind are provided as net entitlements. The amounts have been grossed up with Norwegian taxes by an external service provider. As she is not a member of the Norwegian National Insurance Scheme, no social security contributions have been included in the gross amounts.

NOTE 46 Remunerations etc. (continued)

Remuneration to the statutory auditor	**DNB ASA**		**DNB Group**	
Amounts in NOK 1 000, excluding VAT	2019	2018	2019	2018
Statutory audit [1)]	(605)	(589)	(30 434)	(31 155)
Other certification services			(5 693)	(2 464)
Tax-related advice [2)]			(7 228)	(8 937)
Other services			(2 173)	(2 620)
Total remuneration to the statutory auditor	(605)	(589)	(45 528)	(45 176)

1) *Includes fees for interim audit and auditing funds managed by DNB.*
2) *Mainly refers to tax-related advice to employees on international assignments.*

NOTE 47 Information on related parties

The largest owner of the DNB Group is the Norwegian government, represented by the Ministry of Trade, Industry and fisheries, which owns and controls 34 per cent of the shares in the parent company DNB ASA. See note 49 largest shareholders.

A large number of bank transactions are entered into with related parties as part of ordinary business transactions, comprising loans, deposits and foreign exchange transactions. These transactions are based on market terms. The table below shows transactions with related parties, including balance sheets at year-end and related expenses and income for the year. Related companies are associated companies plus DNB Savings Bank Foundation. See note 36 for a specification of associated companies. Loans to board members and their spouses/ partners and under-age children are extended on ordinary customer terms. Loans to group management, like loans to other group employees, are extended on special terms, which are close to ordinary customer terms.

Transactions with related parties — **DNB Group**

	Group management and Board of Directors		Related companies	
Amounts in NOK million	2019	2018	2019	2018
Loans as at 1 January	105	79	21 977	22 316
New loans/repayments during the year	(15)	26	(254)	(339)
Changes in related parties	17	(1)	(21 026)	
Loans as at 31 December	**106**	**105**	**696**	**21 977**
Interest income	**3**	**2**	**8**	**34**
Deposits as at 1 January	118	285	1 340	1 605
Deposits/withdrawals during the year	(6)	29	150	(362)
Changes in related parties	(16)	(197)	312	97
Deposits as at 31 December	**96**	**118**	**1 802**	**1 340**
Interest expenses	**(1)**	**(0)**	**(17)**	**(8)**
Guarantees [1]	**-**	**-**	**1 462**	**2 480**

1) DNB Bank ASA had issued guarantees for other loans in Eksportfinans. The total guarantee commitment is included in the table above.

No impairments were made on loans to related parties in 2018 and 2019. Reference is made to note 46 for information on loans to group management members and directors. Transactions with deputy members of the Board of Directors are not included in the table above. In general, DNB employee loans should be paid by automatic debit in monthly instalments in arrears. Employee loans are within the term limits applying to general customer relationships. Security is furnished for employee loans in accordance with legal requirements.

NOTE 48 Earnings per share

	DNB Group	
	2019	2018
Profit for the year (NOK million)	25 721	24 282
Profit attributable to shareholders (NOK million)	24 603	23 323
Profit attributable to shareholders excluding operations held for sale (NOK million)	24 652	23 527
Profit from operations and non-current assets held for sale, after taxes	(49)	(204)
Issued shares opening balance (in 1000)	1 604 367	1 628 799
Average number of cancelled shares (in 1000)	16 685	18 324
Average number of own shares (in 1 000)	4 682	8 634
Average number of outstanding shares (in 1 000)	1 582 999	1 601 841
Average number of outstanding shares, fully diluted (in 1 000)	1 582 999	1 601 841
Earnings/diluted earnings per share (NOK)	15.54	14.56
Earnings/diluted earnings per share excluding operations held for sale (NOK)	15.57	14.69
Earnings/diluted earnings per share, operations held for sale (NOK)	(0.03)	(0.13)

The main purpose of the financial ratio earnings per share is to show the return for the Group's ordinary shareholders. Accumulated interest for the period, which will be paid to those investing in the additional Tier 1 capital instruments, has therefore been deducted from Profit for the period in the calculation of the period's earnings per share.

NOTE 49 Largest shareholders

Shareholder structure in DNB ASA as at 31 December 2019	Shares in 1 000	Ownership in per cent
Norwegian Government/Ministry of Trade, Industry and Fisheries	537 302	34.2
DNB Savings Bank Foundation	130 001	8.3
Folketrygdfondet	94 902	6.0
The Vanguard Group	32 288	2.1
DWS	30 964	2.0
BlackRock	28 118	1.8
Fidelity	26 020	1.7
Schroder	19 527	1.2
Capital World	18 735	1.2
Storebrand Kapitalforvaltning	17 218	1.1
DNB Asset Management	15 506	1.0
T. Rowe Price	15 458	1.0
KLP Forsikring	15 362	1.0
Davis Selected Advisers	13 547	0.9
SAFE	13 514	0.9
Nordea Funds	11 673	0.7
Newton	11 501	0.7
Polaris Capital Management	11 485	0.7
State Street Global Advisors	11 338	0.7
Columbia Threadneedle Investments	10 557	0.7
Total largest shareholders	1 065 016	67.8
Other shareholders	505 570	32.2
Total	**1 570 586**	**100.0**

The owners of shares in nominee accounts are determined on the basis of third-party analyses.

Share buy-back programme

The table above does not include shares owned by DNB as part of the ongoing share buy-back programme, which constituted 9 715 thousand as at 31 December 2019. The total number of issued shares as at 31 December 2019 was 1 580 301 thousand. In connection with the share buy-back programme, the Norwegian government will, according to an agreement, redeem shares on a proportional basis so as to maintain its holding at 34 per cent. For more information on the share buy-back programme, see the Directors' report.

NOTE 50 Contingencies

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

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

DNB ASA

Income statement

			DNB ASA
Amounts in NOK million	Note	2019	2018
Interest income, amortised cost		82	32
Interest expenses, amortised cost		(547)	(452)
Net interest income		**(466)**	**(420)**
Commissions and fees payable etc.		(5)	(7)
Other income	2	26 984	14 087
Net other operating income		**26 978**	**14 081**
Total income		**26 513**	**13 661**
Salaries and other personnel expenses		(0)	(4)
Other expenses		(294)	(329)
Total operating expenses		**(295)**	**(334)**
Net gain on the sale of fixed and intangible assets		2 237	
Pre-tax operating profit		**28 455**	**13 327**
Tax expense	4		
Profit/comprehensive income for the year		**28 455**	**13 327**
Earnings/diluted earnings per share (NOK)		17.98	8.36
Earnings per share excluding operations held for sale (NOK)		17.98	8.36

Balance sheet

			DNB ASA
Amounts in NOK million	Note	31 Dec. 2019	31 Dec. 2018
Assets			
Due from DNB Bank ASA	6	4 572	8 925
Investments in group companies	5	78 784	74 720
Receivables due from group companies	6	26 981	12 585
Total assets		**110 337**	**96 229**
Liabilities and equity			
Short-term amounts due to DNB Bank ASA	6	17	11
Other liabilities and provisions	2	14 035	13 105
Long-term amounts due to DNB Bank ASA	6	22 617	20 087
Total liabilities		**36 669**	**33 204**
Share capital		15 706	15 944
Share premium		22 556	22 556
Other equity		35 406	24 525
Total equity		**73 668**	**63 025**
Total liabilities and equity		**110 337**	**96 229**

Statement of changes in equity

				DNB ASA
Amounts in NOK million	Share capital	Share premium	Other equity	Total equity
Balance sheet as at 31 December 2017	**16 180**	**22 556**	**27 813**	**66 550**
Profit for the period			13 327	13 327
Repurchase under share buy-back programme	(237)		(3 510)	(3 747)
Dividends for 2018 (NOK 8.25 proposed per share)			(13 105)	(13 105)
Balance sheet as at 31 December 2018	**15 944**	**22 556**	**24 525**	**63 025**
Profit for the period			28 455	28 455
Repurchase under share buy-back programme	(238)		(3 540)	(3 778)
Dividends for 2019 (NOK 9.00 proposed per share)			(14 035)	(14 035)
Balance sheet as at 31 December 2019	**15 706**	**22 556**	**35 406**	**73 668**

Share premium and Other equity can be used in accordance with stipulations in the Public Limited Companies Act.

The share capital of DNB ASA at 31 December 2019 was NOK 15 803 013 850 divided into 1 580 301 385 shares, each with a nominal value of NOK 10. A total of 9 715 000 shares (NOK 97 150 000) were repurchased, but not redeemed.

Cash flow statement

		DNB ASA
Amounts in NOK million	2019	2018
Operating activities		
Net interest payment to subsidiaries	(460)	(419)
Payments to operations	(300)	(340)
Net cash flow relating to operations	**(760)**	**(759)**
Investment activities		
Net payments on long-term investments in shares	(1 827)	
Net cash flow relating to investment activities	**(1 827)**	
Funding activities		
Group contributions from subsidiaries	12 585	19 483
Dividend payments	(13 073)	(11 392)
Repurchased shares	(3 778)	(3 747)
Net receipts on loans from other companies	2 500	
Net cash flow relating to funding activities	**(1 766)**	**4 345**
Net cash flow	**(4 353)**	**3 586**
Cash as at 1 January	8 925	5 339
Net receipts/payments of cash	(4 353)	3 586
Cash as at 31 December	4 572	8 925

NOTE 1 Accounting principles

Basis for preparation
DNB ASA is the parent company in the DNB Group. DNB ASA has prepared its financial statement according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-6, on the use of IFRS, hereinafter called the Norwegian IFRS regulations, which implies that recognition and measurements are in accordance with IFRS. The only exception is that the Norwegian IFRS regulations also give permission to recognise provisions for dividends and group contributions in subsidiaries as income and record the Board of Directors' proposed dividends and group contributions as liabilities on the balance sheet date. According to IFRS, dividends should be classified as equity until approved by the general meeting.

Ownership interests in group companies
Subsidiaries are defined as companies in which DNB ASA, directly or indirectly, has control. Control over an entity is evidenced by DNB ASA's ability to exercise its power in order to affect any variable return that the company is exposed to through its involvement in the entity.

Where voting rights are relevant, DNB ASA is deemed to have control where it holds, directly or indirectly, more than half of the voting rights over an entity, unless DNB ASA through agreements does not have corresponding voting rights in relevant decision-making bodies. For more information see note 5 Investments in subsidiaries as at 31 December 2019.

In the financial statement of DNB ASA, investments in subsidiaries are recognised at cost. At the end of each reporting period the company assess whether any indication of impairment exists. If such indication exists, the investment is tested for impairment.

Transactions with group companies
Transactions with subsidiaries are conducted in accordance with general business conditions and principles.

Dividends and group contributions
Dividends and group contributions from group companies are recognised in DNB ASA in the same year as provisions are made in the relevant companies. Group contributions received are classified as dividends when considered to represent return on invested capital. The Board of Directors proposed dividends and group contributions are recognised as liabilities on the balance sheet date. Provision for dividends is presented within Other liabilities and provisions in the balance sheet.

Taxes
Taxes for the year comprise payable taxes for the financial year and changes in the value of deferred taxes and deferred tax assets.

Deferred taxes are calculated on the basis of differences between the profits stated in the income statement and the profits computed for tax purposes, which will be offset in the future. Evaluations are based on the balance sheet and tax position on the balance sheet date. Taxable and tax-deductible timing differences will be netted against each other within the same time interval. Deferred tax assets can be recognised as assets in the balance sheet when it is considered probable that the tax-deductible timing differences may be realised.

NOTE 2 Dividends/group contributions from subsidiaries

		DNB ASA
Amounts in NOK million	2019	2018
Group contributions/dividends received from:		
DNB Bank ASA	25 190	10 758
DNB Livsforsikring AS	1 341	2 900
DNB Asset Management Holding AS	450	427
Total group contributions from subsidiaries	**26 981**	**14 085**

Allocations		DNB ASA
Amounts in NOK million	2019	2018
Proposed dividends per share (NOK)	9.00	8,25
Share dividend	14 035	13 105
Transfers to other equity	14 420	222
Total allocations	**28 455**	**13 327**

NOTE 3 Remunerations etc.

All employees in DNB ASA are also employed in one of the subsidiaries of the Group. DNB ASA is assigned personnel expenses and other administrative expenses related to the Group Management team, based on use and in accordance with the Group's distribution principles, which are relevant to the overall management of the DNB Group.

See note 46 for the DNB Group for further details on remunerations etc. See also note 7 for DNB ASA, specifying shares in DNB ASA owned by senior executives and members of governing bodies.

NOTE 4 Taxes

		DNB ASA
Amounts in NOK million	2019	2018
Tax base		
Pre-tax operating profit in DNB ASA	28 455	13 327
Tax-exempt income, group contribution	(26 218)	(13 327)
Other tax-exempt income and non-deductible expenses	(2 237)	
Tax base for the year		
Tax expense		
Payable taxes		
Tax expense		

The effective tax rate in 2019 and 2018 was 0 per cent. The difference between the effective tax rate and the nominal tax rate is due to the receipt of tax-exempt group contributions.

NOTE 5 Investments in subsidiaries as at 31 December 2019[1)]

Amounts in 1 000 Values in NOK unless otherwise indicated		Share capital	Number of shares	Ownership share in per cent	DNB ASA Carrying amount
DNB Bank		18 255 648	182 556 480	100	54 092 502
DNB Capital [2)]				100	
DNB Invest Denmark	DKK	877 579	877 578 841	100	
DNB Bank Polska	PLN	1 257 200	1 257 200 000	100	
Aksje- og Eiendomsinvest		100	100 000	100	
Bryggetorget Holding		2 500	2 500	100	
DNB Asia [3)]	SGD	20 000	20 000 000	100	
DNB Asia [3)]	USD	788 226	150 000 000	100	
DNB Baltic Invest	EUR	5 000	1 000	100	
DNB Boligkreditt		5 257 000	52 570 000	100	
DNB Eiendom		10 003	100 033	100	
DNB Eiendomsutvikling		91 200	91 200 000	100	
DNB Luxembourg	EUR	70 000	70 000	100	
DNB Markets Inc.	USD	1	1 000	100	
DNB Næringsmegling		1 000	10 000	100	
DNB Sweden	SEK	100 000	100 000 000	100	
DNB (UK) Limited	GBP	1 154 200	1 154 200 000	100	
Godfjorden		1 000	10 000	100	
DNB Asset Management Holding		274 842	220 050	100	2 182 107
DNB Asset Management		109 680	548 402	100	
DNB Asset Management	SEK	3 921	39 206	100	
DNB Asset Management	EUR	425	5 000	100	
DNB Livsforsikring		1 750 337	64 827 288	100	17 982 795
DNB Næringseiendom		1 020	20 000	100	
DNB Eiendomsholding		57 100	1	100	
Total investments in subsidiaries					**74 257 405**

1) Major subsidiaries and sub-subsidiaries in the DNB Group.
2) DNB Capital LLC, a limited liability company, has paid-in capital of USD 2.4 billion.
3) DNB Asia Ltd has part of its share capital denominated in SGD (due to local requirements) and a part of its share capital denominated in USD.

NOTE 6 Loans and deposits with other DNB Group companies

Transactions with other DNB Group companies *Amounts in NOK million*	31 Dec. 2019	DNB ASA 31 Dec. 2018
Receiveables DNB Group companies		
Deposits with DNB Bank ASA	4 572	8 925
Group contributions	26 981	12 585
Liabilities DNB Group companies		
Receivables due from DNB Bank ASA	22 635	20 098

All transactions with related parties are based on market terms.

NOTE 7 Shares in DNB ASA held by the Board of Directors and senior executives

	Number of shares alloted in 2019	Number of shares 31 Dec. 2019
Board of Directors of DNB ASA		
Olaug Svarva, chair		7 000
Tore Olaf Rimmereid, vice chair		10 611
Karl-Christian Agerup		6 400
Gro Bakstad		
Carl A. Løvvik		1 622
Jorunn Løvås		
Jaan Ivar Semlitsch		21 300
Senior executives as at 31 December 2019		
Kjerstin R. Braathen, CEO	2 864	31 878
Ottar Ertzeid, CFO	6 044	240 577
Kari Bech-Moen, group EVP		474
Rasmus Figenschou, group EVP	2 257	10 568
Håkon Hansen, group EVP	2 525	9 890
Ida Lerner, CRO		4 255
Maria Ervik Løvold, EVP	901	1 822
Thomas Midteide, group EVP	2 121	15 034
Alexander Opstad, group EVP	7 808	16 441
Harald Serck-Hanssen, group EVP	2 864	41 324
Ingjerd Blekeli Spiten, group EVP	2 570	4 758
Mirella E. Wassiluk, CCO		858
Group Audit		
Tor Steenfeldt-Foss, group EVP		

The figures also include shares held by the immediate family and companies in which the shareholder has such influence as stated in Section 7-26 of the Norwegian Accounting Act. The statutory auditor owns no shares in DNB ASA.

Oslo, 4 March 2020
The Board of Directors of DNB ASA

Olaug Svarva
(Chair of the Board)

Tore Olaf Rimmereid
(Vice Chair of the Board)

Karl-Christian Agerup

Gro Bakstad

Carl A. Løvvik

Jorunn Løvås

Jaan Ivar Semlitsch

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

STATEMENT PURSUANT TO SECTION 5-5 OF THE SECURITIES TRADING ACT

We hereby confirm that the annual accounts for the Group and the company for 2019 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, 4 March 2020
The Board of Directors of DNB ASA

Olaug Svarva
(Chair of the Board)

Tore Olaf Rimmereid
(Vice Chair of the Board)

Karl-Christian Agerup

Gro Bakstad

Carl A. Løvvik

Jorunn Løvås

Jaan Ivar Semlitsch

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

Ottar Ertzeid
(Group Chief Financial Officer, CFO)

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of DNB ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DNB ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2019, the income statement, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2019, the income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. 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

Loans to customers represent NOK 1 667 189 million (60 % per cent) of total assets for the Group as at 31 December 2019. Financial commitments amount to 647 373 million as at 31 December 2019. Total expected credit losses on loans to customers and financial commitments amount to NOK 11 609 million, of which NOK 2 161 million is based on model calculations (stages 1 and 2) and NOK 9 448 million is based on individual assessments (stage 3).

In respect of the ECL calculation, IFRS 9 requires models, but does not prescribe a specific approach, thus requiring management to use judgement to obtain an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes. In addition, the measurement of ECL shall reflect the time value of money and reasonable and supportable information about past events, current conditions and forecasts of economic expectations as well as criteria for significant increases in credit risk at engagement or portfolio level. To calculate the provision the Group is required to make estimates and assumptions, including the probability of default, exposure at default, loss given default and forecasts of economic expectations. Loans subject to individual assessments (stage 3) require judgement about various assumptions, including the expected future cash flows and the value of underlying collateral. Due to the use of judgement in applying the ECL measurement criteria of IFRS 9, the complexity of the calculation and the effect on estimates, we consider provisioning for ECL a key audit matter.

We assessed the Group's methodology applied for calculating ECL including the criteria for determining significant increases in credit risk. We assessed the design and tested the effectiveness of controls related to assumptions, input and calculation of ECL. We also tested IT general controls over access and change management for related IT-systems.

We involved specialists on our team and assessed management's internal validation of the ECL models. We evaluated management's assessments of multiple economic scenarios as well as macroeconomic data used to create forward looking information, including parameters and conclusions from management's expert credit judgement forum. For loans subject to individual assessment by management (stage 3), we assessed the expected future cash flows and the estimated value of underlying collateral for a sample of engagements.

Furthermore, we assessed the adequacy of the disclosures in the financial statements related to IFRS 9 and ECL, and refer to note 4, 5, 6, 7, 8, 9, 10 and 11 in the consolidated financial statements.

Valuation of Financial Instruments

Unlisted or illiquid financial instruments measured at fair value are valued based on models that use assumptions that are not observable in the market place. The valuation of these instruments therefore have a higher risk of errors. Such instruments comprise assets of NOK 70 420 million and liabilities of NOK 1 536 million measured at fair value in the consolidated balance sheet and classified as level 3 instruments within the fair value hierarchy. Due to the materiality of the unlisted or illiquid instruments, and the increased risk of errors, we considered the valuation of these instruments a key audit matter.

We assessed the design and tested the operating effectiveness of internal controls over the valuation process including management's determination and approval of assumptions and methodologies used in model-based calculations as well as management's review of valuations provided by internal experts. We also assessed pricing model methodologies against industry practice and valuation guidelines. We performed independent valuations for selected instruments and used external source data where available, and compared results of our valuations to the Group's valuations.

Level 3 instruments which are presented at fair value on the balance sheet are disclosed in note 29 in the consolidated financial statements.

IT environment supporting financial reporting

The Group has a complex and automated IT environment and is dependent on IT processes for reporting of financial information. To ensure complete and accurate processing and reporting of financial data it is important that controls over appropriate access rights and system changes are designed and operate effectively. Also, controls over transaction processing need to be designed and operate effectively. The operation of the IT environment is largely outsourced to various service providers. The IT environment supporting the financial reporting process is considered a Key Audit Matter as the IT environment is critical to ensure accurate, complete and reliable financial reporting.

We obtained an understanding of the Group's IT environment, including outsourced services and controls related to financial reporting. We tested IT general controls over access management, change management and IT operations. Further we tested automated controls in the IT environment supporting financial reporting. For IT systems outsourced to service providers we evaluated third party attestation reports (ISAE 3402 reports) and assessed and tested the effectiveness of the controls. We involved specialists on our team in the understanding the IT environment and in assessing and testing the operative effectiveness of controls.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Group Chief Executive (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 4 March 2020
ERNST & YOUNG AS

Anders Gøbel
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

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To the Board of Directors of DNB ASA

Independent assurance report – Reporting on corporate responsibility for 2019

We have performed an independent verification of DNB ASA's reporting on corporate responsibility for 2019, which involves a review of DNB ASA's 15 most material corporate responsibility aspects, presented in the company's materiality matrix for corporate responsibility. We have assessed if the information being presented in the reporting on corporate responsibility is based on relevant criteria from the Global Reporting Initiative (GRI) sustainability reporting standards, "Core" option. Controlled information is shown in the company's overview of reporting on GRI indicators (the GRI Index, see https://www.dnb.no/en/about-us/csr/sustainability-library.html), hereinafter referred to as Reporting on corporate responsibility.

Management's responsibility

The Board of Directors and Chief Executive Officer (management) are responsible for the selection of the information and collection of the data for presentation and for the preparation of Reporting on corporate responsibility in accordance with the GRI Standards.

Our Independence and Quality Control

We have complied with the independence requirements of the Norwegian Law on Auditors and Auditing and other ethical requirements from the Code of Ethics of the Norwegian Institute of Public Accountants which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control (ISQC1) "Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements" and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's tasks and duties

Our task is to issue an independent report to the Board of Directors on the Reporting on corporate responsibility based on our work. Our work is conducted in accordance with ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". The standard requires that we plan and perform procedures to obtain limited assurance that the information in the Reporting on corporate responsibility is prepared and presented in accordance with relevant criteria for sustainability reporting in accordance with GRI Standards and does not contain material errors.

2

Our work has consisted of the following procedures:

- Review of DNB ASA's process for preparation and presentation of the Reporting on corporate responsibility to develop an understanding of how corporate responsibility is ensured in practice within the business
- Interviewed those in charge of Reporting on corporate responsibility to develop an understanding of the process for the preparation of the Reporting on corporate responsibility
- Verified on a sample basis the information in the Reporting on corporate responsibility against source data and other information prepared by DNB ASA
- Assessed the overall presentation of Reporting on corporate responsibility against the criteria in the GRI Standards including a review of the consistency of information against the GRI index.

In our opinion, the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the Reporting on corporate responsibility, in all material respects, is not prepared and presented in accordance with the GRI Standards, and that the information in the Reporting on corporate responsibility contains material misstatements. Indicators covered by our assurance report are listed in the GRI Index.

Oslo, 4 March 2020
ERNST & YOUNG AS

Anders Gøbel
State Authorised Public Accountant

(This translation from Norwegian has been made for information purposes only.)

Financial calendar 2020

Annual General Meeting	28 April
Distribution of dividends	as of 8 May
First quarter	30 April
Second quarter	13 July
Third quarter	22 October

Annual General Meeting

The Annual General Meeting will be held on 28 April 2020 at 15:00 in DNB's premises in Dronning Eufemias gate 30, Bjørvika, Oslo. Information on how to register attendance and items on the agenda can be found at dnb.no/en/agm.

Shareholders registered as owners in DNB ASA with the Norwegian Central Securities Depository, VPS, may opt to receive annual reports and the notice of the Annual General Meeting electronically. For more information about Investor Account Services, please contact your VPS registrar. Shareholders with VPS accounts in DNB, who do not wish to receive notices by regular mail and who do not have access to DNB's Internet bank, may register at dnb.no/en/investor-account-services. Select 'New user sign-up'. Shareholders who have access to DNB's Internet bank can go to the 'Savings & investments' menu. Select 'Investor account services' and follow the procedure described on the page. Customers with BankID may also log in via vps.no.

Cautionary statement regarding forward-looking statements

This report contains statements regarding the future prospects of DNB, including estimates, strategies and objectives. The risks and uncertainties inherent in all forward-looking statements can lead to actual developments and profits differing materially from what has been expressed or implied.

The Group's annual report has been approved by the Board of Directors in the original Norwegian version. This is an English translation.

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DNB Group

Sustainability Factbook 2019

Sustainability Factbook

This part of the 2019 annual report is a supplement to the strategic section (pages 28–68), and provides a more quantitative overview of the topics that are most important for DNB's ability to achieve long-term value creation. The Factbook is based on the materiality analysis, which was updated in 2018 and shows the topics that are strategically important for the bank's long-term value creation, seen in the context of the expectations from our various stakeholders within the different topics. We use this analysis as a tool to help us identify the areas where we can make the greatest difference in society and that support our strategy. Our goals of creating the best customer experiences and delivering on financial targets also provide a basis for the analysis.

New this year are the Group's long-term corporate responsibility ambitions, described in the annual report, pages 44, 50, 62 and 68.

Together with the description of the topics in the annual report, the Factbook constitutes DNB's sustainability reporting in accordance with the GRI Standards reporting standard and has been verified by the bank's statutory auditor.

Materiality matrix

Importance to DNB's stakeholders ↑ / Impact on DNB's long-term value creation →		
	→ Open and ethical business management → Pricing of products and services → Equality and diversity	→ Preventing financial crime and corruption → Information security and stable IT systems/ financial infrastructure → Privacy protection → Responsible lending and investment → Innovative business model and product development → View risks and opportunities in a long-term perspective → User-friendly products and services
	→ Working conditions → Responsible purchasing → Helping startups succeed → Financial literacy	→ Restructuring and skills enhancement

The topics that ended at the bottom and at the far left have been taken out of the matrix.
The topics that remain in the matrix are considered the most material and shall be reported in acc. with GRI.

View risks and opportunities in a long-term perspective

What does it mean/why is it important?
The ability to balance risks and opportunities over time is essential to maintain our business operations, and is followed up through DNB's governance system. DNB shall consider long-term risks and opportunities, not just short-term gains. This may for instance be done by incorporating long-term trends and challenges into risk appetite, risk reporting, management and capital allocation. Sustainability considerations (ESG) have become increasingly important, and an integral part of DNB's risk and opportunity scenario.

Status 2019
- → ESG rating integrated in all corporate loans above NOK 8 million.
- → TCFD UNEP FI pilot (phase 2) launch, with results in quantification of climate risk expected by mid-2020.
- → Climate risk assessment further integrated into the credit manual, including climate risk assessment training for more than 200 credit analysts.
- → Only Nordic bank ranked with top grade A on climate in Carbon Disclosure Project (CDP), for the third year running.

Measurement parameter	2017	2018	2019	Target	Comment
Incentive structure for DNB's Group Management	–	–	–	–	For information on incentive structures, see annual report note 46
CDP score	A	A	A	A	

Responsible area in the bank: Group Risk Management

Governing documents: Corporate governance in DNB, Group policy for financial management (and reporting)

Link to the UN's Sustainable Development Goals:

Helping startups succeed

What does it mean/why is it important?
Norway is completely dependent on the establishment of more companies. We therefore invest in startups and contribute with measures to promote innovation and restructuring. According to external analyses[1)] more than 77 000 businesses must be established each year, while existing businesses thrive, in order for the welfare model to be preserved. It is important to us to be the best bank for those who start a new business. Not just because it is lucrative to be an attractive bank for new businesses, but also because we see it as part of our corporate responsibility to contribute to the establishment and success of more companies.

Status 2019
- → The #huninvesterer (#girlsinvest) campaign highlighted the lack of female entrepreneurs
- → 14 NXT events led to more than 3 000 meetings between investors and entrepreneurs
- → The DNB Puls app was launched, to give business owners a better financial overview
- → During 2019, our start-up pilots gave more than 4 500 companies personal guidance
- → DNB contributed with 59 million in growth loans in 2019 to start-ups. A total of 200 million NOK was set aside for this, but our experience is that the system has not worked as intended, and we are considering replacing it with better measures.

Measurement parameter	2017	2018	2019	Target	Comment
Start-up pilot	–	5 061	4 500	5 000	

1) DNB has carried out the survey with the help of analysis provider Ny Analyse based on projections in a report on future prospects from the Norwegian Ministry of Finance (Perspektivmeldingen).

Responsible area in the bank: Corporate Banking

Governing documents: Corporate governance in DNB

Link to the UN's Sustainable Development Goals:

Prevent financial crime and corruption

What does it mean/why is it important?
Financial crime, such as fraud, corruption, work-related crime and money laundering, is a a serious social problem and a threat to the welfare society, while undermining a healthy business community. Money laundering is still a major problem in modern banking, and efforts to prevent it remain a high priority in DNB. We also see that the increase in digital fraud and fraud attempts against the bank and our customers continues. In 2019, fake trading platforms, for so-called CEO fraud and romance fraud, were widespread. DNB works actively to combat financial crime, in society in general and against customers in particular.

Status 2019

→ DNB prevented fraud against customers and the Group worth NOK 993 million (NOK 725 million in 2018)

→ DNB registered a 25% increase in the number of customers exposed to fraud in digital channels

→ DNB was awarded the Fidus security award by NorSIS (Norwegian centre for information security), for open and honest security communication

→ Over the course of the year, DNB reported an increasing number of cases of suspicious activity to EFE (the Norwegian Financial Intelligence Unit) in Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime)

→ In November, Økokrim launched an investigation of DNB after disclosures of possible corruption and money laundering in the Icelandic fisheries company Samherji, as DNB has been one of the company's bank connections.

Responsible area in the bank: Group Compliance

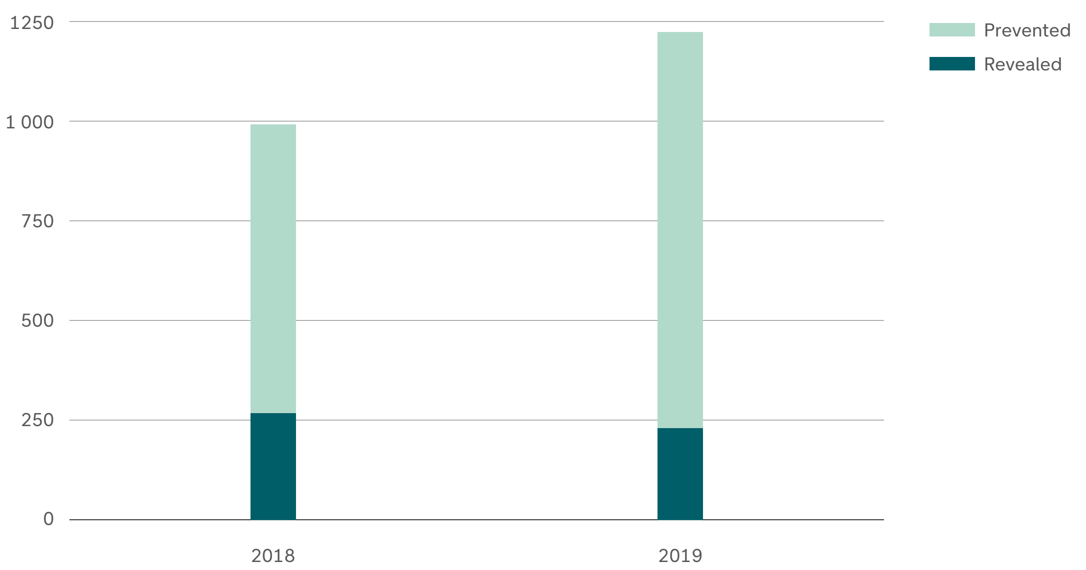
Governing documents: Corporate governance in DNB, DNB's Code of Conduct, Group policy for compliance, Group standard for anti-corruption, Group instructions for the anonymous, internal whistleblowing channel

Link to the UN's Sustainable Development Goals:

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Measurement parameter	2017	2018	2019	Comment
GRI 205-2 Anti-corruption training	83%	79%	–	10 092 employees (including consultants) completed the course in 2019

Total fraud
NOK million



Financial literacy

What does it mean/why is it important?
Financial literacy is essential to making the right financial decisions. As a major player, DNB has a responsibility and a unique opportunity to help customers with this. Through our work, we therefore want to increase our customers' financial know-how to help them develop good habits. This benefits the customer, DNB and society. Increasing our customers' financial literacy will also increase awareness of their own needs and require more relevant and tailored financial services. As such, it may strengthen our market position in various customer segments, and also our position as a responsible player in Norwegian society, and as a financial adviser.

Status 2019

- → Launched the #huninvesterer (#girls-invest) campaign that increased the number of women saving in mutual funds and equities
- → A valuable lesson 2.0, launched in April, has been completed approx. 9 000 times
- → 20 000 children have become more familiar with the app through attending local events
- → The number of active equity trading customers in the 18–33 age group doubled, indicating that more young people are taking a more active interest in their own savings.

Responsible area in the bank: Personal Banking, Wealth Management and Markets

Governing documents: Corporate governance in DNB

Link to the UN's Sustainable Development Goals:

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Measurement parameter	2017	2018	2019	Comment
Downloads of the savings app Spare	–	327 113	432 000	The number of downloads is not necessarily a goal in itself, but we see that savings products purchases increase in step with the increase in downloads. Total number of downloads.

Responsible purchasing

What does it mean/why is it important?
In 2019, DNB purchased goods and services for NOK 11 billion. We are constantly working to reduce risk in our supply chain, and also want to help our suppliers improve and increase their level of awareness in this area. We ensure proper supplier management using our Code of Responsible Business Conduct for Suppliers and the analysis and sharing tool EcoVadis, which helps us prioritise following up the largest and/or most critical suppliers, or suppliers considered to represent a higher level of risk due to their industry, geography or history. Based on this assessment, we identify suppliers we want to audit according to our principles. Maintaining a constructive dialogue with our suppliers is naturally also crucial.

Status 2019

- → Equality and diversity was a specific topic in the tendering process for framework contracts for consulting services
- → 64% of relevant suppliers (a large proportion of purchases and important for DNB's operations) have completed the EcoVadis analysis

Responsible area in the bank: Group Finance

Governing documents: DNB's Code of Responsible Business Conduct for Suppliers, DNB's procurement principles, DNB's anti-corruption Guide

Link to the UN's Sustainable Development Goals:

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Measurement parameter	2017	2018	2019	Comment
Number of audits of important suppliers (based on risk and share of procurements)	3	3	2	Due to the transition to a new IT service provider in October, one audit was postponed to early 2020.

Innovative business model and product development

What does it mean/why is it important?
Changes in customer behaviour and expectations, new regulatory requirements and new competitors are strong driving forces that will change the financial services market. We are in the midst of a shift in how banks work, and DNB is moving towards more design-driven innovation and agile business development. This means we need to work methodically, centred on effectively answering the right questions at the right time. We test ideas on our customers on an ongoing basis, and collaborate with third parties when this helps us create the best solutions.

Status 2019
- → Named 'Digital Leader 2020' in the banking category by BearingPoint
- → Second place in Innomag's ranking of Norway's most innovative companies
- → The DNB Way of Innovation framework has been implemented
- → PSD2 came into force and we have opened DNB's infrastructure to external service providers and other banks, creating numerous opportunities for DNB
- → Payments & Innovation (formerly New Business) was expanded with the Innovation Management & Practice division

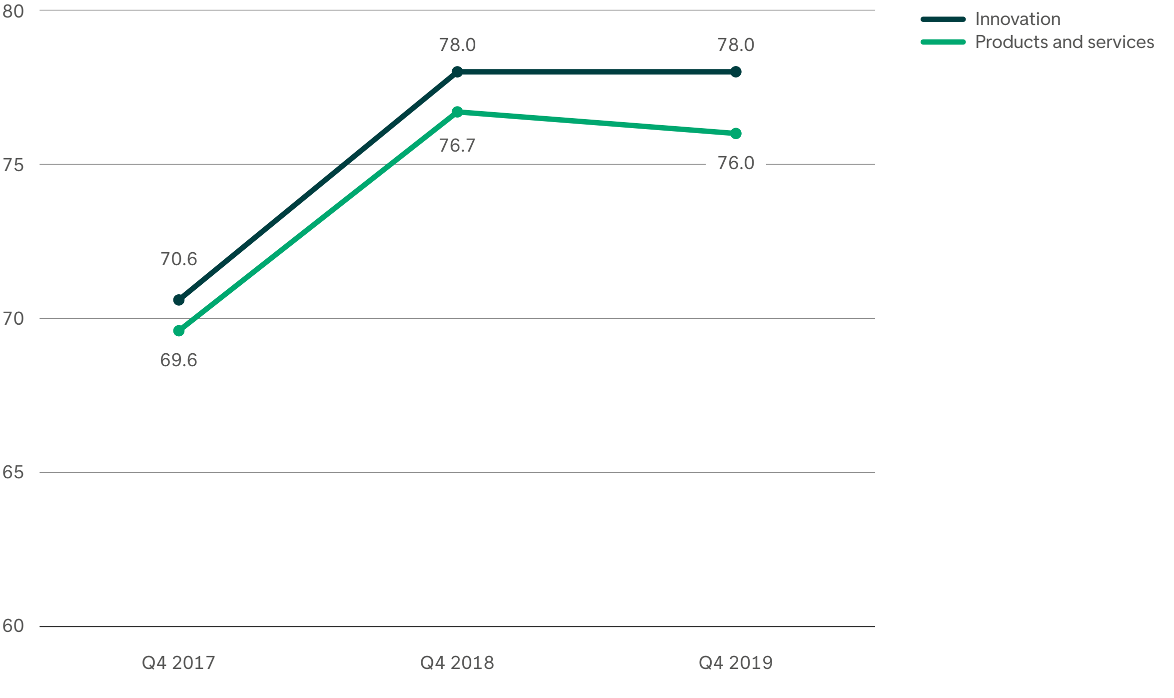
Responsible area in the bank: Payments & Innovation

Governing documents: Corporate governance in DNB

Link to the UN's Sustainable Development Goals:

Measurement parameter	2017	2018	2019	Comment
RepTrak score on innovation in DNB	70.6	78	78	
RepTrak score related to products and services	69.6	76.7	76	

Innovation score from RepTrak
Points



Information security and stable IT systems

What does it mean/why is it important?
As Norway's largest bank, DNB is an important player. This requires us to provide our customers and society with user-friendly, stable and secure solutions. Operational stability is crucial, and our efforts have reduced the number of days with operating problems by 75% over the past four years. DNB is exposed to cyberattacks on a daily basis, and approx. 10 000 IT security incidents were dealt with in 2019, an increase of approx. 54% from 2018. None of these events had serious consequences for customers or the Group. Stable and secure IT solutions are fundamental to financial operations.

Status 2019
- IT and security functions have been reorganised. Business-related IT development is now merged with the business areas they serve, while joint IT and back office functions have been brought together in the new support unit Technology & Services
- DNB was awarded the Fidus security award by NorSIS (Norwegian centre for information security), for open and honest security communication
- In October, TCS replaced HCL as provider of IT operating services
- IT specialists in the Group completed separate security training

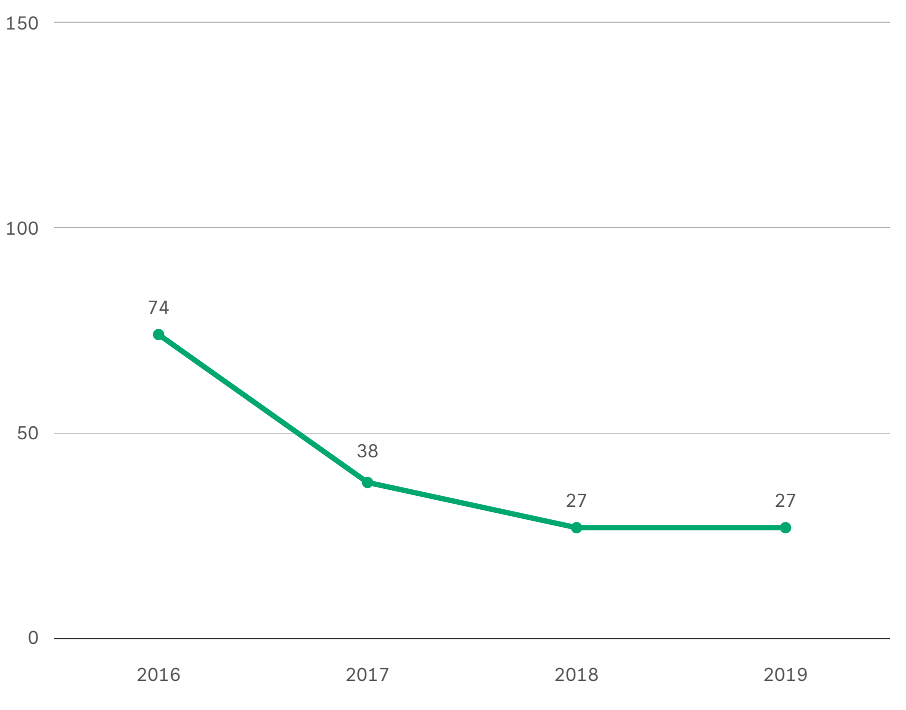
Responsible area in the bank: Technology & Services

Governing documents: DNB's Code of Conduct, DNB's privacy statement, DNB's Code of Responsible Business Conduct for Suppliers, Group Policy Security

Link to the UN's Sustainable Development Goals:

Measurement parameter	2017	2018	2019	Comment
Days with incidents resulting in services being unavailable or having long response times	38	27	27	DNB switched IT operations providers in October 2019

Days with incidents resulting in services being unavailable or having long response times
Number of days



Privacy protection

What does it mean/why is it important?

The digital world is dependent on data, but access to data requires trust. DNB's processing of personal data must be transparent, meaning that we are open about what we do, how we do it and why – this is also a requirement in the data protection legislation. Our customers trust in us to not misuse the personal data they have entrusted us with, is absolutely essential for DNB to succeed in the future.

Status 2019

- DNB implemented a data tool to document and provide an overview of processing activities and associated deletion and storage rules, and completed privacy protection impact studies (DPIAs).
- Meetings and dialogues on privacy protection with the Norwegian Consumer Council, Financial Supervisory Authority and Data Protection Authority
- DNB streamlined the process of implementing individuals' right of access to their own data
- The privacy experts in DNB Legal and Group Privacy Office were reinforced with five new positions in 2019
- Privacy roles established in business areas and support units

Measurement parameter	2017	2018	2019	Comment
Incurred fines or orders from the Norwegian Data Protection Authority due to GDPR violations	–	0	0	

Responsible area in the bank: Data Protection Officer (Group Privacy Officer), Group Privacy Office

Governing documents: DNB's privacy statement, DNB's Code of Conduct

Link to the UN's Sustainable Development Goals:

Creating the best customer experiences

Transparency of pricing of products and services

What does it mean/why is it important?

Availability and transparency of pricing of products and services. Our most important areas within this topic are simplifying the consumer financing product range and making mutual fund savings more widely accessible. In 2019, DNB took steps to reduce investment fund management fees, the first bank to do so. Fees for a number of mutual funds were reduced to a level where the customer receives far more of the return on the underlying shares. We will continue to reduce and simplify prices within mutual fund savings in 2020.

Status 2019

- Reduced prices in mutual fund saving
- Continued work to implement the unsecured credit strategy
- Reduced number of credit cards in the product range

Measurement parameter	2017	2018	2019	Comment
GRI 417-2, 417-3: Compliance, marketing and communications	0	0	0	Number of fines or reactions from authorities with regard to marketing and communication
Cases considered by the Financial Services Complaints Board, in DNB's favour	80%	85%	55%	Figures for 2019 do not include insurance. See key figures table for details

Responsible area in the bank: Personal Banking

Governing documents: Group policy for communication, Group instructions for approval of products and services

Link to the UN's Sustainable Development Goals:

Creating the best customer experiences

User-friendly products and services

What does it mean/why is it important?
DNB's products and services must be accessible and easy to use for different target groups. To help our customers stay ahead, we need to understand their needs. This means, among other things, offering simple and relevant solutions, being accessible, and delivering transparent and competitive terms and conditions and good customer service. We want to earn our customers' trust, and our customer relationships, by providing good customer experiences. This is especially important at a time when we face new and unknown competitors in a rapidly changing market.

Status 2019
- → New mobile bank launched in January, with 800 000 users after four months
- → Launched digital cards (tokens)
- → Garantert Solgt ('guaranteed sale') and Samsolgt ('co-sold'), new real estate services
- → DNB Markets Investment Banking Division up from sixth to first place in 2019 as the best investment bank house in corporate finance

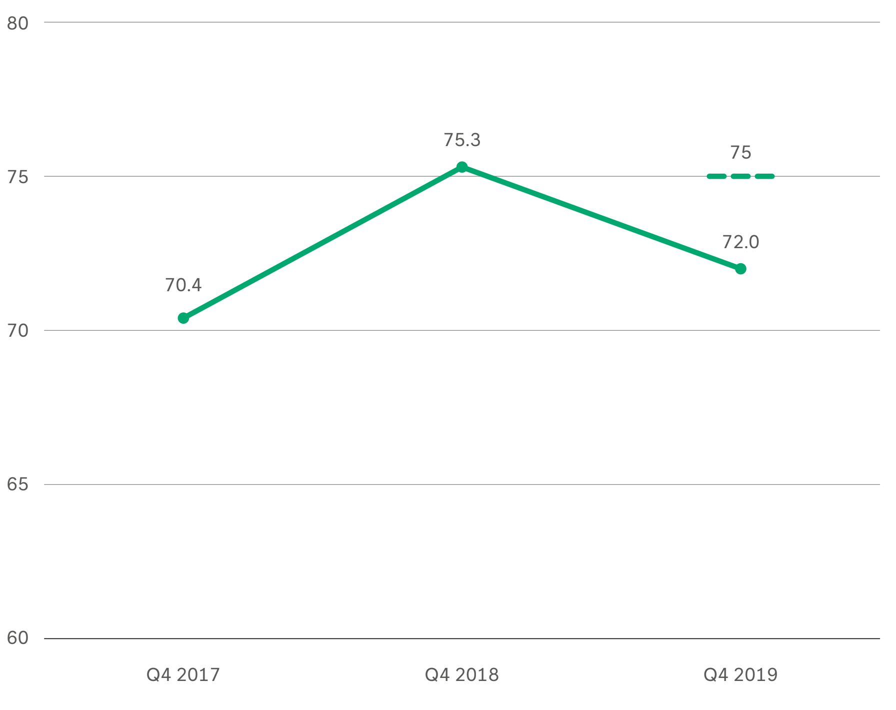
Measurement parameter	2017	2018	2019	Target	Comment
Customer satisfaction score (CSI), (Personal Banking)	70.4	75.3	72	75	
Prospera ranking (CSI corporate market)	–	–	2	–	New measurement parameter for 2019, following Corporate Banking reorganisation.

Responsible area in the bank: Personal Banking

Governing documents: Group instructions for approval of products and services

Link to the UN's Sustainable Development Goals:

Customer satisfaction development
Points



Responsible lending and investment

Responsible lending to corporate customers

What does it mean/why is it important?
We integrate corporate responsibility in our operations because it is morally and ethically right. It is also sound risk management. DNB's long-term profitability is dependent on our customers also integrating corporate responsibility in their strategic choices. If not, our future earnings will be exposed to higher risk. Our customers are facing the same situation. They both want to, and increasingly have to, invest in sustainability to streamline their operations, save costs, get access to capital and leverage new business opportunities – in short, to be competitive. As a lender, DNB has influential power.

Status 2019

→ ESG rating integrated in all corporate loans above NOK 8 million.
→ Adopted the Principles for Responsible Banking, launched by UNEP FI.
→ Eight loans issued within the Sustainable Loan Framework to sustainable companies.
→ Startup of TCFD UNEP FI pilot (phase 2). Extended to include the power and renewables and oil, gas and offshore sectors. The pilot's report on quantifying climate risk is expected in mid-2020.
→ Climate risk assessment further integrated into the credit manual, including training at credit seminars for more than 200 credit analysts.
→ Responsible Ship Recycling Standard: In 2019, we inserted separate clauses on responsible recycling in close to 90%of all new loan agreements in the sector. The target for 2020 is 100%.
→ Preparation and launch of the Poseidon Principles (with Citigroup and Société Générale), committing us to measure and publish the climate adaptation of our shipping portfolios, starting in 2020.
→ Joined the Getting to Zero Coalition for the shipping industry.

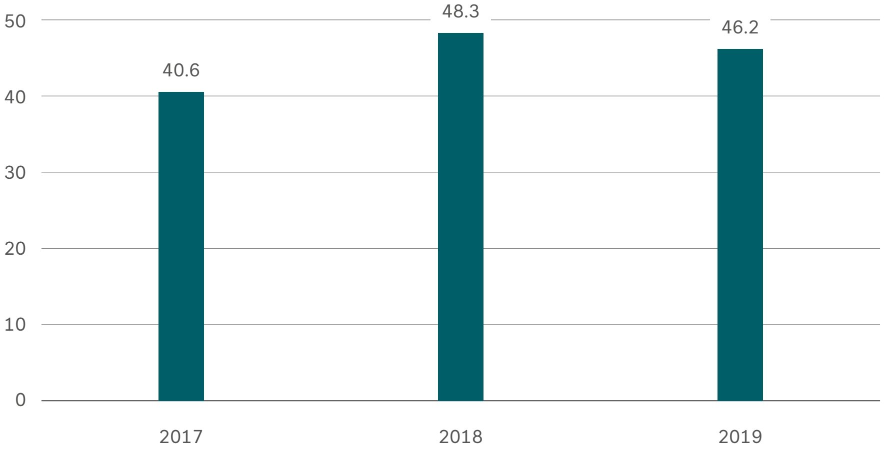
Responsible area in the bank: Corporate Banking

Governing documents: Group standard for corporate responsibility in DNB ASA's credit activities

Link to the UN's Sustainable Development Goals:

Measurement parameter	2017	2018	2019	Comments
GRI FS8 ESG products and services	40.6	48.3	46.2	Direct loans to renewable energy (solar, wind and hydropower) in billion NOK
Number of new equator projects	3	1	3	

Direct loans to solar, wind and hydroelectric energy projects
NOK billion



Responsible lending and investment

Responsible investment

Responsible area in the bank: DNB Asset Management

Governing documents: Group standard for responsible investment

Link to the UN's Sustainable Development Goals:

What does it mean/why is it important?

Responsible investment means that DNB integrates ESG-related risks and opportunities in all asset management, through the operationalisation and development of policies, guidelines and principles. For a full ESG report related to responsible investment, see the 2019 Annual Report Responsible Investment, published by DNB Asset Management.

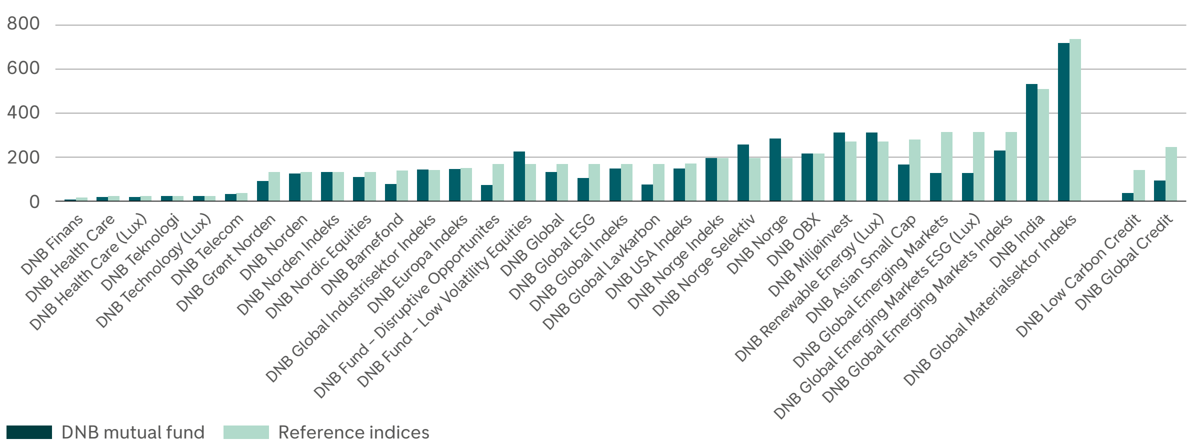
Status 2019

- Coal criterion changed in the Group standard for responsible investment: Companies with more than 30% of revenues or activities related to thermal coal or oil sands, and companies with an annual coal extraction of at least 20 million tonnes or coal power capacity of at least 10 000 MW, may be excluded from the investment universe.
- DNB Livsforsikring aims to reduce the carbon intensity of its portfolio by 40% by 2030 (baseline is an average of the period 2017–2019)
- Number of votes at general meetings: 143 (Norway) and 73 (internationally)
- New expectation document and analysis criteria 2019: Equality and diversity

Measurement parameter	2017	2018	2019	Comment
GRI 305-4 GHG emissions	–	–	–	See Carbon Footprint of equity funds (Montreal Carbon Pledge) in the sustainability library
GRI FS10 dialogue	116	121	158	Number of meetings with companies where various ESG related topics were discussed. See key figures table for percentage.
GRI FS11 positive/negative screening	1.50%	0.83%	1.31%	Share of total assets subject to a combined negative and positive environmental and/or social screening
GRI FS8 Financial ESG products	–	4.83	8.77	Total assets invested in green funds, in NOK billion
Share of total assets with a negative environmental and/or social screening	100%	100%	100%	

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

Tonnes of CO_2 equivalent for every USD 1 million of revenue



Responsible lending and investment
Sustainable bonds

What does it mean/why is it important?
During 2019, we experienced a sharp increase in the importance of environmental, social and governance (ESG) factors in financial markets. Sustainability has become a key aspect for investors when evaluating potential investments, and sustainable investment strategies are gaining traction. This places new demands on companies in need of capital, and access to capital is to a greater extent influenced by the companies' sustainability profiles. As a result, we are seeing an exponential growth in the demand for sustainable bonds, such as green and social bonds, where funds are earmarked for investments with environmental and social benefits.

Status 2019
- → DNB is the market leader for sustainable bonds with a 27% market share
- → Norwegian and international operations took part in transactions totalling NOK 40 billion, a 75% increase from 2018

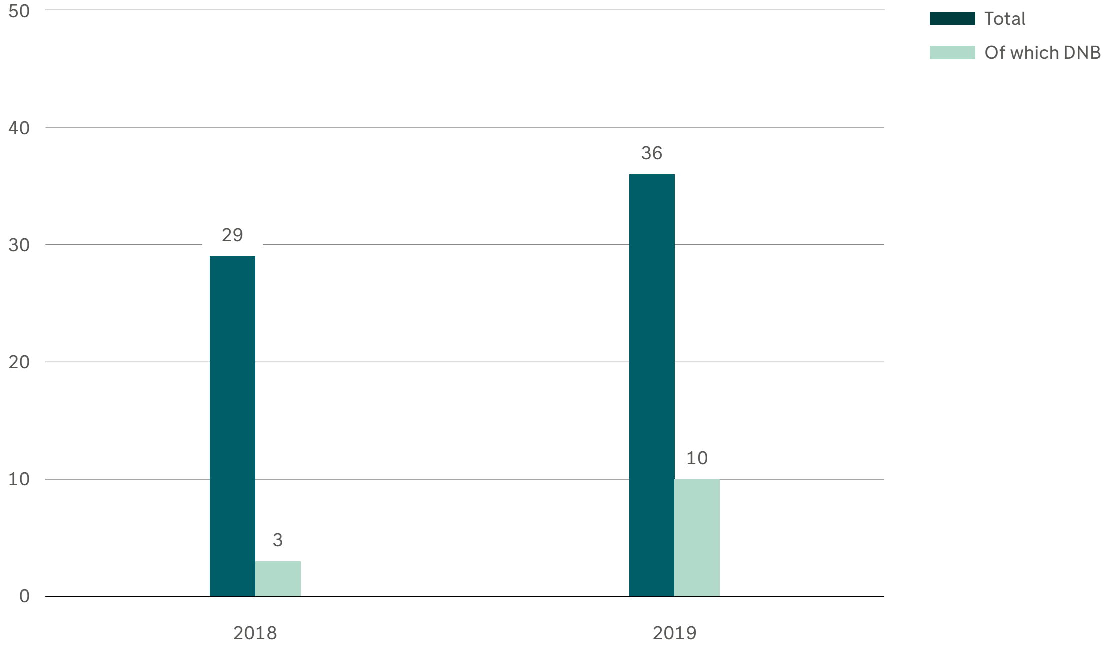
Responsible area in the bank: Markets

Governing documents: Standard Procedure for Corporate Responsibility, CR – Markets

Link to the UN's Sustainable Development Goals:

Measurement parameter	2017	2018	2019	Comment
Market share Norway	–	–	27%	New measurement parameter
Total value of transactions	–	–	NOK 40 billion	

Green bonds issued in Norway
NOK billion



Equality and diversity

What does it mean/why is it important?

DNB wants to promote diversity and equality, both internally, by imposing demands on our suppliers and by influencing our customers to increase financial equality. Variations in gender, age, sexual orientation, functional ability, religious beliefs, competence and experience give us multiple perspectives and make us better equipped to face challenges, increase our innovative power and create the best customer experiences. Diversity promotes innovation and contributes to better decisions. Equality and diversity pays off, and is also ethically important.

Status 2019

- Established new Group targets for gender balance and diversity
- Ranked second in SHE Index for 2019
- Number eight in the Equileap index of the world's best companies in terms of gender equality
- For the first time, the bank has data showing that more women than men buy mutual funds, thanks to the #huninvesterer (#girlsinvest) campaign
- Launched guidelines in Personal Banking to prevent unconscious bias
- Published gender equality expectation document to promote responsible investment

Responsible area in the bank: People

Governing documents: Corporate governance in DNB, DNB's Code of Conduct

Link to the UN's Sustainable Development Goals:

5 GENDER EQUALITY

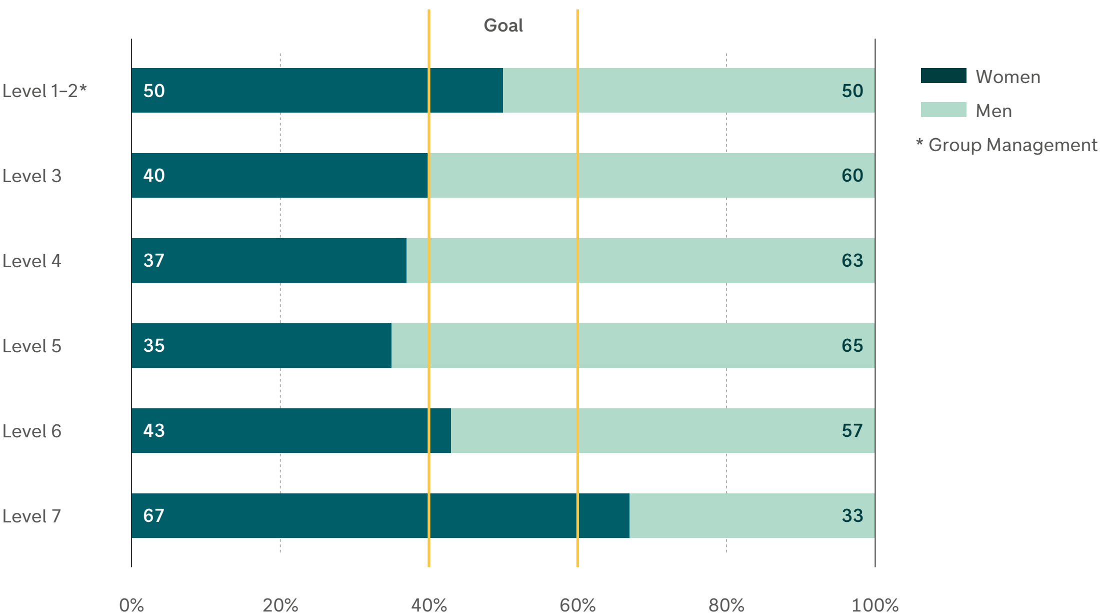
8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Measurement parameter	2017	2018	2019	Target	Comment
GRI 405-2 Ratio of basic salary and remuneration of women to men	81.5	82.5	83.3	100%	
Share of women at management levels 1–4:	37.0	38.1	38.0	40%	In 2019, measurement parameters were changed to gender balance in management positions
Perceived inclusion among employees	–	82	83	–	

Gender balance at management levels

Percent



Restructuring and skills enhancement

What does it mean/why is it important?
For DNB, it is important to be able to attract, retain and develop the skills the bank will need in the future. Restructuring and skills enhancement is about 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 skill mix than before. DNB sees great value in developing its employees to meet the opportunities and needs of tomorrow. Therefore, we are largely moving away from using severance packages, instead spending resources to develop our own employees.

Status 2019
→ Most attractive employer among business students in the Universum survey for the fourth year in a row. Ranked third among IT students, and tenth among law students
→ Winner of HR Norway's Competence Award for systematic competence development efforts
→ 44 graduates were admitted to DNB's graduate programme
→ In the autumn of 2019, changes were made to the Group structure, meaning that hundreds of employees were transitioned to new jobs and roles

Measurement parameter	2017	2018	2019	Comment
Number who have completed Motimate courses	9 061	9 045	9 282	
GRI 404-2: Upgrading employee skills	–	–	–	Includes several indicators. See page 103 in annual report

Responsible area in the bank: People

Governing documents: DNB's ethical principles (Code of Conduct), Group standard for health, safety and environment, Group standard for leadership and competence development

Link to the UN's Sustainable Development Goals:

4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Working conditions

What does it mean/why is it important?
DNB wants to be an attractive employer, able to attract the best people. Employees shall have ample opportunity to develop and gain increased competence and responsibility. Competitive benefits and salaries that are perceived as fair by employees and by society are also important.

Status 2019
→ Global, gender-neutral parental leave of at least 20 weeks introduced from 1 January 2019
→ Sickness absence for DNB in Norway decreased from 4.5% in 2018 to 4.0% in 2019
→ 3.5 full-time equivalents devoted to a sickness absence team that ensured proper follow-up of employees on long-term sick leave throughout Norway
→ Employees are to a great extent proud to work in DNB, with a score of 82 points measured in the employee survey for 2019. This is a slight decline from the past two years, but this was to be expected due to the reorganisation process DNB was in at the time of the last survey.

Measurement parameter	2017	2018	2019	Comment
Percentage of employees proud to work in DNB	84	84	82	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*	826 8.1%	965 9.6%	786 8.7%	* Turnover is calculated based on all permanent employees who have left DNB, for whatever reason (severance packages and more)

Responsible area in the bank: People

Governing documents: Group standard for health, safety and environment (HSE)

Link to the UN's Sustainable Development Goals:

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Open and ethical business management

What does it mean/why is it important?
Open and ethical business management is about ensuring confidence in the bank's intentions and future prospects through openness about the Group's opinions and activities. Trust in our operations is essential to ensuring long-term value creation. Employees and business partners must comply with our ethical guidelines (Code of Conduct). This also includes transparency and clarity in reporting and communication. We use RepTrak's reputation survey to assess how well we succeed in being transparent. This is also reported regularly to the Board of Directors.

In recent years we have seen a positive development, and we use the reporting process to maintain this. We also believe that adopting the UN Principles for Responsible Banking will contribute to increased transparency in the future.

Status 2019
→ The good development in terms of transparency related to reputation continues
→ Adopted the UN Principles for Responsible Banking
→ 10 092 employees (including consultants) completed training within anti-corruption

Responsible area in the bank: People

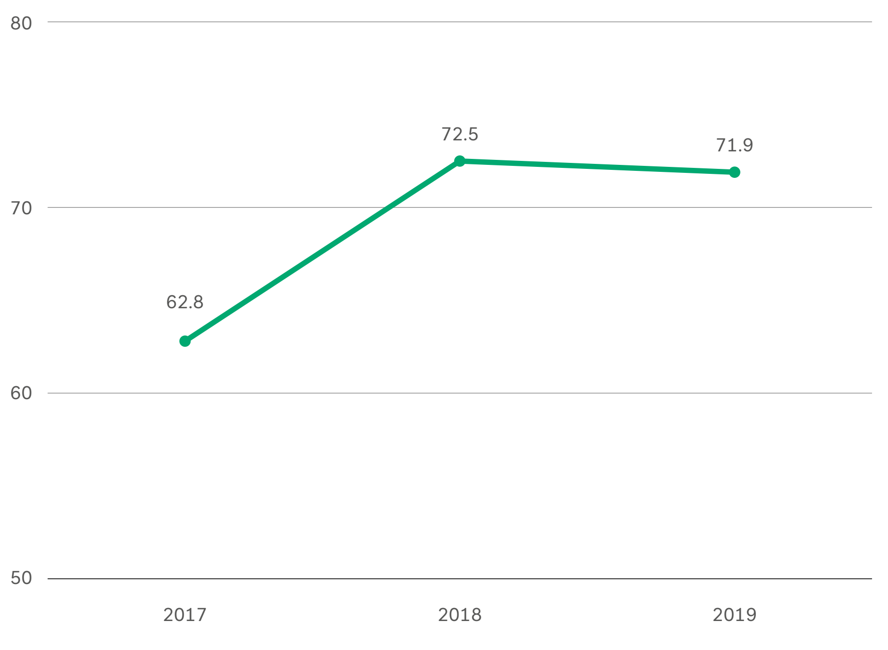
Governing documents: Corporate Governance in DNB, DNB's Code of Conduct, Group policy for compliance, Group standard for anti-money laundering and anti-terrorist financing, Principles for corporate responsibility, Group policy for communication, Group policy for tax

Link to the UN's Sustainable Development Goals:

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Measurement parameter	2017	2018	2019	Comment
RepTrak score for openness about business operations	62.8	72.5	71.9	
Third-party whistleblowing channel	–	21	15	Applies to reported cases

Transparency development
Points

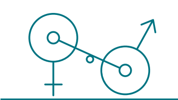


Financial ambitions

	Financial ambitions 2020–2022	Achieved 2019
Return on equity (ROE) (Principal target)	> 12%	11.7%
Cost/income ratio (Key performance indicator)	< 40%	42.2%
Common equity Tier 1 capital ratio[1)] (Capitalisation level)	~ 17.9%	18.6%
Payout ratio (Dividend policy)	> 50%	57% / 78%[2)]

1) In accordance with the EU capital requirements regulations (CRR/CRD IV) and with management buffer included.
2) 78 per cent includes the share buy-back programme of 2.0 per cent.

Sustainability ambitions



DNB is a driving force for equality and diversity

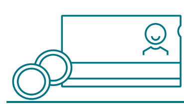
(read more in the annual report from page 44)

DNB finances sustainable growth through loans and investments

(read more in the annual report from page 50)

DNB combats financial crime and contributes to a safe digital economy

(read more in the annual report from page 62)



DNB helps its customers manage their personal finances

(read more in the annual report from page 68)

DNB's work with the UN's Sustainable Development Goals

Since 2015, we have supported the UN's Sustainable Development Goals, and they have been a source of inspiration for DNB and our corporate responsibility activities. To us, they represent a platform for innovation and growth for DNB, but also a framework we can use to talk to our corporate customers about their sustainability efforts.

We have identified two goals as particularly important to us. They represent areas where we can make a difference, both by contributing positively and by reducing potential downsides and risks:

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

In addition to these two, we have identified seven additional goals as relevant to our business operations: 7, 9, 10, 12, 13, 14 and 16. We are constantly seeking to reduce our negative impact and to contribute positively to these goals through our role as employer, investor, lender, arranger and provider of financial infrastructure. To realise our ambitions in the field of corporate responsibility, it is essential that we understand our stakeholders and cooperate with other players. Goal 17 is therefore fundamental to succeed, and has also been included as a particularly relevant goal.

All the fifteen topics in this Factbook are linked with one or more of the UN's Sustainable Development Goals.

Purpose

We are here.
So you can stay ahead.

This is our purpose, and the answer to why DNB is here for customers, society and employees. The purpose sets the direction for our choices and priorities. It inspires innovation and drives change.

Our values describe how we will deliver our purpose, both as an organisation and as colleagues. Our values describe what we expect from each other and what customers, our owners and society in general can expect from us.

Values

Curious

Being curious means that we seek new knowledge and learn from our experiences, so that we continuously gain new insight. We are genuinely interested in and curious about how we can make everyday life better for our customers and colleagues. We find good solutions together.

Bold

Being bold means that we challenge established truths, and make decisions even though the picture is unclear. We take responsibility for our actions, admit when we make mistakes and then learn from them. We face challenges and new competition with an unshakeable conviction that we will become even better at developing the best ideas and solutions.

Responsible

We create values in a sustainable way. We are transparent about our operations and contribute positively to society. We listen to those who have insight into and opinions about what society expects of us. We use simple language and are predictable in our actions.

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DNB

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