Årsregnskap for regnskapsåret 2020

Organisasjonsnr:	984 851 006
Navn/foretaksnavn:	DNB BANK ASA
Forretningsadresse:	Dronning Eufemias gate 30
	0191 OSLO

Brønnøysundregistrene
08.05.2022

Brønnøysundregistrene
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2021.100090

Brønnøysundregistrene – Regnskapsregisteret

VEDLEGG TIL ÅRSREGNSKAP 2020

DNB BANK ASA Postboks 1600 Sentrum 0021 OSLO	Organisasjonsnr. 984 851 006	ASA

Registrerte opplysninger per 18.06.2021		Eventuelle endringer dette regnskapsåret	
Startdato 01.01.2020	Avslutningsdato 31.12.2020	Startdato	Avslutningsdato
Konsernforhold Foreninger som følger regler for frivillig virksomhet, kan ikke være morselskap	Morselskap JA	Endret konsernforhold ☐ Morselskap	☐ Ikke morselskap

Kun for aksjeselskap som har meldt fravalg av revisjon

- Selskapet har besluttet at årsregnskapet ikke skal revideres ☐ Ja
- Årsregnskapet er utarbeidet av ekstern autorisert regnskapsfører ☐ Ja
- Ekstern autorisert regnskapsfører har i løpet av regnskapsåret bistått ved den løpende regnskapsføringen eller utført andre tjenester for selskapet enn å utarbeide årsregnskapet ☐ Ja

Årsregnskapet er satt opp etter reglene for frivillig virksomhet ☐ Avkrysning er kun aktuelt for foreninger (FLI) som er registrert i Frivillighetsregisteret

Hvis enheten ikke følger norsk regnskapslov eller frivillighetsregisterloven, kryss av	☐ IFRS selskap	☒ IFRS konsern
Hvis enheten velger å avvike fra regnskapsloven § 6-1, kryss av	☐ Funksjon selskap	☐ Funksjon konsern
Følges regnskapsreglene for små foretak?	☐ Ja	☒ Nei

vedl.

Jeg bekrefter at vedlagte årsregnskap er fastsatt av kompetent organ den — Dato

Sted/dato, Underskrift av representant for enheten

Bare til bruk for Regnskapsregisteret SKN

G ☒ NYVE ☐ Admr ☐ Kregn Ja ☒ Nei ☐ Aktiv. regn ☐

M ☐ Rets ☐ Ant.s 121

☐ ov.b ☐ årsb ☐ res ☐ bal ☐ e.bal ☐ gj.bal ☐ rev ☐ i-rev ☐ k-res ☐ k-bal ☐ k-n ☐ k-rev ☐ i-k-rev ☐ n

☐ k-regn ☐ kto ☐ d.k ☐ ik-fv ☐ konsf ☐ ifrs ☐ fr-rev ☐ ☐ ☐ ☐ ☐ funk ☐ u.off ☐ brev

BR-1001-11

Brønnøysundregistrene – Regnskapsregisteret

VEDLEGG TIL ÅRSREGNSKAP 2020

DNB BANK ASA Postboks 1600 Sentrum 0021 OSLO	Organisasjonsnr. 984 851 006	ASA

Registrerte opplysninger per 14.06.2021		Eventuelle endringer dette regnskapsåret	
Startdato 01.01.2020	Avslutningsdato 31.12.2020	Startdato	Avslutningsdato
Konsernforhold Foreninger som følger regler for frivillig virksomhet, kan ikke være morselskap	Morselskap JA	Endret konsernforhold ☐ Morselskap	☐ Ikke morselskap

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Hvis enheten velger å avvike fra regnskapsloven § 6-1, kryss av ☐ Funksjon selskap ☐ Funksjon konsern

Følges regnskapsreglene for små foretak? ☐ Ja ☒ Nei

Jeg bekrefter at vedlagte årsregnskap er fastsatt av kompetent organ den — Dato 14.06.2021

Sted/dato, Underskrift av representant for enheten

OSLO/14.06.2121

Bare til bruk for Regnskapsregisteret

G ☐ NYVE ☐ Admr ☐ Kregn Ja ☐ Nei ☐ Aktiv. regn ☐

M ☐ Rets ☐ Ant.s

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BR-1001-11

DNB Bank

A company in the DNB Group

Annual report 2020

Financial highlights

Income statement *Amounts in NOK million*	2020	2019	2018	2017	2016
					DNB Bank Group
Net interest income	39 285	39 908	37 388	35 914	34 517
Net commissions and fees	*6 266*	*6 618*	*6 605*	*5 884*	*5 634*
Net gains on financial instruments at fair value	*5 938*	*3 173*	*1 351*	*4 513*	*6 506*
Other operating income	*2 374*	*2 482*	*2 522*	*2 029*	*3 176*
Net other operating income, total	14 578	12 272	10 478	12 425	15 316
Total income	53 862	52 181	47 866	48 339	49 833
Operating expenses	(22 103)	(21 952)	(20 681)	(20 801)	(19 892)
Restructuring costs and non-recurring effects	(474)	(326)	(565)	(1 128)	(624)
Pre-tax operating profit before impairment	31 286	29 903	26 620	26 410	29 317
Net gains on fixed and intangible assets	(1)	(33)	529	735	(19)
Impairment of financial instruments	(9 918)	(2 191)	139	(2 428)	(7 424)
Pre-tax operating profit	21 366	27 678	27 288	24 718	21 874
Tax expense	(3 926)	(4 825)	(4 976)	(4 903)	(3 964)
Profit from operations held for sale, after taxes	221	(49)	(204)	(1)	4
Profit for the year	**17 661**	**22 805**	**22 109**	**19 813**	**17 914**

Balance sheet *Amounts in NOK million*	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016
					DNB Bank Group
Total assets	2 582 304	2 470 640	2 307 710	2 359 860	2 348 272
Loans to customers	1 703 524	1 671 350	1 598 017	1 531 345	1 492 268
Deposits from customers	1 112 058	977 530	940 087	980 374	945 694
Total equity	236 161	229 619	207 933	203 685	190 078
Average total assets	2 905 570	2 564 525	2 434 354	2 537 681	2 545 103

Key figures	2020	2019	2018	2017	2016
					DNB Bank Group
Return on equity, annualised (per cent) [1)]	7.8	11.1	11.5	10.5	10.3
Combined weighted total average spread for lending and deposits (per cent) [1)]	1.27	1.33	1.30	1.30	1.32
Average spread for ordinary lending to customers (per cent) [1)]	2.04	1.84	1.94	2.07	2.04
Average spread for deposits to customers (per cent) [1)]	0.12	0.51	0.29	0.17	0.21
Cost/income ratio (per cent) [1)]	41.9	42.7	44.4	45.4	41.2
Ratio of customer deposits to net loans to customers at end of period [1)]	67.3	57.9	58.2	61.7	62.7
Net loans at amortised cost and financial commitments in stage 2, per cent of net loans at amortised cost [1)]	10.39	6.81	7.07		
Net loans at amortised cost and financial commitments in stage 3, per cent of net loans at amortised cost [1)]	1.53	1.12	1.49	1.13	1.67
Impairment relative to average net loans to customers at amortised cost (per cent) [1)]	(0.60)	(0.14)	0.01	(0.16)	(0.48)
Common equity Tier 1 capital ratio at year-end (per cent)	19.6	18.3	17.3	16.6	17.7
Leverage ratio (per cent)	7.3	7.2	7.4	6.9	7.1
Number of full-time positions at year-end	8 643	8 617	8 597	8 544	10 366

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

Contents – annual accounts

Directors' report

The DNB Bank Group is part of the DNB Group [1]. The DNB Group, hereinafter called DNB, is Scandinavia's largest financial services group. DNB offers a full range of financial services, including loans, savings, advisory services, real estate broking, insurance and pension products for retail and corporate customers and the public sector. The banking group serves customers in Norway through its customer service centres, online banking services and branch offices.

Despite a pandemic, the most far-reaching measures introduced in Norway in peacetime, zero interest rates and a major restructuring of the Norwegian economy, DNB Bank Group has shown itself to be very robust. During the course of 2020, the banking group has built up capital and is now in a stronger position than ever, while customer confidence is record-high. In contrast to many banks in Europe, the banking group is seeing healthy growth, good results and a high level of trust among its customers, and is operating in an economy that has fared well so far through the pandemic.

Strategy and targets

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

Read more about the DNB's strategy and what was done in 2020 in the chapter 'Strategic Report' in DNB Group's annual report.

Corporate responsibility and sustainability

Corporate responsibility and sustainability is about how the banking group creates value by considering both risks and opportunities in a long-term perspective. Environmental, social and governance (ESG) factors are integrated into the banking group's corporate governance.

Read more about DNB's sustainability ambitions and how sustainability is taken into account and safeguarded in all activities in the Strategic Report in DNB Group's annual report. More detailed information can be found in the Sustainability Factbook.

Operations in 2020

The banking group recorded profits of NOK 17 661 million in 2020, a reduction of NOK 5 143 million from 2019. The decrease in profit can be attributed to higher impairment of financial instruments and lower net interest income as a consequence of the COVID-19 pandemic and lower oil prices.

Return on equity was 7.8 per cent, compared with 11.1 per cent in the year-earlier period.

Net interest income decreased by NOK 624 million from the same period last year, driven by reduced margins and lower interest on equity as a result of a lower interest rate level.

Net other operating income increased by NOK 2 305 million from 2019, mainly due to positive exchange rate effects on additional Tier 1 (AT1) capital and basis swaps. Net commissions and fees decreased by NOK 352 million, or 5.3 per cent, compared with the previous year. The reduction was mainly due to lower income from money transfer and banking services as a result of the COVID-19 situation.

Total operating expenses were up NOK 299 million from 2019, or 1.3 per cent.

Impairment of financial instruments amounted to NOK 9 918 million in 2020, an increase of NOK 7 727 million from 2019. The increase was caused by the impact on the economy, both in Norway and globally, of the COVID-19 pandemic, combined with the effect of the sharp decline in the oil price. Around 93 per cent of the impairment provisions were in stage 3. Oil-related industries accounted for 69 per cent of the total impairment provisions, while the remaining impairment was spread across the other industries affected by the COVID-19 outbreak. For the personal customers industry segment, there were increases in stage 3 that were offset by reversals in stage 2, resulting in a small impairment for the full year.

The extraordinary general meeting in November adopted the merger plan for the new Group structure. DNB ASA is to be merged with DNB Bank ASA, and DNB Bank ASA will become the Group's new parent company. The Norwegian Ministry of Finance has agreed in principle to allow DNB Bank ASA to become the Group's new parent company, but the implementation of the merger also requires certain other permissions from the Ministry. The merger is due to be completed in mid-2021, but will take effect from 1 January 2021 for accounting purposes

Review of the annual accounts

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

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

Net interest income

Amounts in NOK million	2020	2019
Lending spreads, customer segments	32 326	28 096
Deposit spreads, customer segments	1 267	4 808
Amortisation effects and fees	3 622	3 369
Operational leasing	2 042	1 731
Contributions to the deposit guarantee and resolution funds	(1 064)	(1 106)
Other net interest income	1 091	3 011
Net interest income	39 285	39 908

Net interest income decreased by NOK 624 million, or 1.6 per cent, from 2019. This was mainly due to lower interest on equity capital and reduced margins reflecting the effect of repricing after Norges Bank's key policy rate cuts as a result of the outbreak of the COVID-19 pandemic. However, increased volumes and currency effects contributed positively.

[1] DNB Bank ASA is a subsidiary of DNB ASA and part of the DNB Group. The DNB Bank Group, hereinafter called "the banking group", comprises the bank and the bank's subsidiaries. Other companies owned by DNB ASA, including DNB Livsforsikring and DNB Asset Management, are not part of the banking group. Operations in DNB ASA and the total DNB Group are not covered in this report but described in a separate report

There was an average increase in the healthy loan portfolio of NOK 52.4 billion, or 3.4 per cent, parallel to a NOK 112.4 billion, or 11.8 per cent, increase in average deposit volumes from 2019. Combined spreads narrowed by 6 basis points compared with the year-earlier period. Average lending spreads for the customer segments widened by 21 basis points, while deposit spreads narrowed by 39 basis points.

Net other operating income

Amounts in NOK million	2020	2019
Net commissions and fees	6 266	6 618
Basis swaps	526	270
Exchange rate effects additional Tier 1 capital	855	(143)
Net gains on financial instruments at fair value	4 557	3 046
Net profit from associated companies	228	302
Other operating income	2 146	2 180
Net other operating income	14 578	12 272

Net other operating income was up NOK 2 305 million from 2019, mainly due to positive exchange rate effects on AT1 capital and basis swaps. Net commissions and fees decreased by NOK 352 million or 5.3 per cent. The reduction was mainly due to lower income from money transfer and banking services as a result of the COVID-19 situation.

Operating expenses

Amounts in NOK million	2020	2019
Salaries and other personnel expenses	(12 157)	(11 920)
Restructuring expenses	(81)	(70)
Other expenses	(6 901)	(7 131)
Depreciation of fixed and intangible assets	(3 445)	(2 950)
Impairment of fixed and intangible assets	7	(207)
Operating expenses	(22 576)	(22 278)

Total operating expenses were up NOK 299 million, partly due to higher salaries and other personnel expenses. In addition, a provision was made for a possible administrative fine from Finanstilsynet (the Financial Supervisory Authority of Norway) of NOK 400 million in 2020.

The cost/income ratio was 41.9 per cent in 2020, down from 42.7 per cent in 2019.

Impairment of financial instruments

Amounts in NOK million	2020	2019
Personal customers	(65)	(354)
Commercial real estate	(146)	(124)
Shipping	(351)	105
Oil, gas and offshore	(6 845)	(274)
Other industry segments	(2 511)	(1 544)
Total impairment of financial instruments	(9 918)	(2 191)

Impairment of financial instruments was largely influenced by the COVID-19 outbreak and ended at NOK 9 918 million for the full year 2020 compared with NOK 2 191 million in 2019, which is an increase of NOK 7 727 million.

The personal customers industry segment showed impairment provisions of NOK 65 million, which is mainly explained by an increase in stage 3 offset by reversals in stage 2.

The commercial real estate industry segment impairment for the year ended close to the same level as in 2019, at NOK 146 million.

The shipping industry segment experienced impairment provisions of NOK 351 million in 2020 compared with reversals of NOK 105 million in 2019. The increase was apparent in both stage 2 and stage 3, and was primarily driven by a negative credit development for specific customers.

Impairment of financial instruments for the oil, gas and offshore industry segment amounted to NOK 6 845 million in 2020. This represents an increase of NOK 6 571 million compared with 2019. The increase can primarily be explained by a large increase in impairment provisions for customers in stage 3, within the offshore industry segment. The significant increase in impairment provisions were closely related to the drop in the oil price in the first quarter and the subsequent negative impact on this segment.

Other industry segments showed impairment provisions of NOK 2 511 million, an increase of NOK 967 million compared with 2019. The increase was partly driven by a negative development for specific customers within stage 3, as well as a negative impact from the macro outlook within stages 1 and 2 due to the COVID-19 pandemic.

Net loans and financial commitments in stage 3 amounted to NOK 25 billion at the end of 2020 which is an increase of NOK 7 billion from the previous year.

Overall, the macro outlook for most industry segments worsened from the end of 2019 to the end of 2020. In general, there was an improvement during the latter part of the year and the forecasts are expected to move towards pre-pandemic levels for key macro drivers in the time ahead.

Taxes

The banking group's tax expense for 2020 is estimated at NOK 3 926 million, representing 18.4 per cent of pre-tax operating profit.

Funding, liquidity and balance sheet

The first half of the year was greatly affected by the coronavirus pandemic, which led to high levels of uncertainty in the market for a while. A healthy pre-pandemic liquidity and financing situation gave the banking group a good starting position. Interest rate cuts and substantial injections of capital by central banks across the globe contributed to good access to liquidity for banks. Prices fell as summer approached and throughout the second half-year, and the banking group had ample access to liquidity at attractive prices.

The long-term funding markets had a positive start to the year and many transactions were issued at all-time-low prices, before the pandemic contributed to a marked deterioration towards the end of the first quarter. Credit risk premiums increased significantly for all bonds, peaking in mid-April. After the summer, activity levels continued to rise in all long-term funding markets, with prices stabilising at pre-pandemic levels. The banking group issued large volumes of senior bonds in the fourth quarter of 2019 in preparation for the fulfilment of the upcoming Minimum Requirement for Own funds and Eligible Liabilities (MREL), and the need for long-term funding has therefore been low in 2020. In the subordinated senior bonds market, activity levels were high during the autumn, and the banking group successfully issued its first subordinated senior bond in USD in this period. Long-term funding costs remained stable throughout the second half-year, and the banking group had good access to funding in all markets.

The nominal value of long-term debt securities issued by the banking group was NOK 619 billion at end-December 2020, compared with NOK 655 billion a year earlier. Average remaining term to maturity for long-term debt securities issued was 3.5 years at end-December 2020, compared with 3.7 years a year-earlier.

The short-term liquidity requirement, Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the year and stood at 148 per cent at the end of 2020.

Total assets in the banking group were NOK 2 582 billion at the end of the year, and NOK 2 471 billion a year earlier.

Loans to customers increased by NOK 32.2 billion, or 1.9 per cent, compared with the previous year. Customer deposits were up NOK 134.5 billion, or 13.8 per cent, during the same period. The ratio of customer deposits to net loans to customers was 67.3 per cent at the end of the year, up from 57.9 per cent a year earlier.

Capital

The banking group's capital position remained strong and was well above the regulatory requirements throughout 2020.

The banking group's common equity Tier 1 (CET1) capital ratio was 19.6 per cent at the end of December 2020, up from 18.3 per cent at year-end 2019. The reversal of allocated dividends for 2019 and retained earnings for the year contributed to an increase in the CET1 capital of around NOK 12.0 billion and 2.0 billion, respectively.

Risk-weighted assets increased by NOK 5.5 billion from 2019 to NOK 930 billion at the end of 2020. Exchange rate effects contributed around NOK 4.8 billion, while an increase in operational risk and counterparty risk amounted to NOK 7.7 billion. Positive migration within the healthy portfolio reduced risk-weighted assets by NOK 17.5 billion, while risk-weighted assets on the defaulted portfolio (group 3) increased by NOK 11.3 billion from December 2019 to December 2020.

The leverage ratio was 7.3 per cent at the end of 2020, up from 7.2 per cent at the end of 2019. The banking group meets the minimum requirement of 6.0 per cent by a wide 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, the banking group must satisfy various buffer requirements (Pillar 1 and Pillar 2 requirements).

Capital adequacy	2020	2019
CET 1 capital ratio, per cent	19.6	18.3
Tier 1 capital ratio, per cent	21.5	21.1
Capital ratio, per cent	25.0	24.4
Risk-weighted assets, NOK billion	930	925
Leverage ratio, per cent	7.3	7.2

Segments

Financial governance in the banking group 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 banking group's resources. Reported figures reflect the banking group's total sales of products and services to the relevant segments.

Due to the reorganisation of the banking group in the autumn of 2019, segment reporting was changed as of the first quarter of 2020.

Personal customers

This segment includes the banking group's more than 2 million personal customers in Norway. The personal customers segment showed satisfactory profitability in 2020, with a pre-tax operating profit of NOK 7 821 million and a return on allocated capital of 12.2 per cent. The ratio of deposits to net loans showed a healthy increase of 2.4 percentage points to 56.5 per cent during the period.

Income statement in NOK million	2020	2019
Net interest income	13 391	13 693
Net other operating income	3 547	3 766
Total income	16 939	17 459
Operating expenses	(8 644)	(8 269)
Pre-tax operating profit before impairment	8 295	9 190
Net gain on fixed and intangible assets		(0)
Impairment of financial instruments	(473)	(353)
Pre-tax operating profit	7 821	8 837
Profit for the year	5 866	6 628
Average balance sheet items in NOK billion		
Net loans to customers	802.3	784.3
Deposits from customers	453.6	424.6
Key figures in per cent		
Return on allocated capital	12.2	14.2

The development in net interest income from ordinary operations remained virtually stable from 2019. Combined spreads on loans and deposits narrowed by 0.04 percentage points in the period. The growth in net loans averaged 2.3 per cent from the previous year, and deposits increased significantly by 6.8 per cent on average.

Net other operating income was affected by the ongoing pandemic. The drop in revenues from the 2019 level was mainly associated with the payment services area, where factors such as the low level of travel activity resulted in falling revenues from card use abroad, while at the same time the demand for cash was reduced. Income from real estate and securities trading contributed positively. Real estate broking had a good year despite the coronavirus pandemic, partly due to an 8.7 per cent growth in house prices, which contributed to higher income.

Operating expenses increased by 4.5 per cent from 2019. This development is explained by higher IT costs and increased activity in DNB Eiendom. On the other hand, streamlining of the distribution network and termination of the agreement with Posten Norway (the Norwegian postal service) contributed to reducing costs in the period.

Impairment of financial instruments amounted to NOK 473 million in 2020, corresponding to 0.06 per cent of average net loans. The impairment provisions were mainly associated with the Private Banking segment. Default on both mortgages and unsecured credit showed a declining trend in 2020.

The market share of credit to households was 23.0 per cent at the end of September 2020, down from 23.4 per cent compared with the end of December 2019. The market share of total household savings was 30.1 per cent at the end of September 2020. DNB Eiendom had an average market share of 18.3 per cent in 2020, down from 18.5 per cent a year earlier.

DNB experienced increasing demand for mortgages, especially in the second half of 2020, and turnover in DNB Eiendom was record high. The savings area also showed sound development, helped by the #huninvesterer ('#girlsinvest') campaign and the follow-up campaign #huninvesterer i fremtiden ('#girlsinvest in the future'), which generated increased awareness of the topics savings and pensions. DNB has an ambition to achieve continued profitable growth in the personal customers segment and will continue its efforts to adapt products, solutions, customer service and cost levels to the competitive situation of the future.

Corporate customers

The segment covers all of the banking group's corporate customers, both in Norway and abroad. Despite a challenging year, customer activity was at a high level, but the effects of the coronavirus pandemic and the fall in oil prices had a negative impact on impairment provisions. The stable income and an increase in operating expenses reduced operating profit before impairment by 2.4 per cent. The segment delivered a total return on allocated capital of 7.1 per cent in 2020, compared with 13.6 per cent in 2019.

Income statement in NOK million	2020	2019
Net interest income	23 877	23 632
Net other operating income	6 500	6 485
Total income	30 377	30 117
Operating expenses	(11 481)	(10 754)
Pre-tax operating profit before impairment	18 896	19 363
Net gains on fixed and intangible assets	(1)	15
Impairment of financial instruments	(9 438)	(1 835)
Profit from repossessed operations	241	(109)
Pre-tax operating profit	9 698	17 435
Profit for the year	7 274	13 175
Average balance sheet items in NOK billion		
Net loans to customers	798.3	764.2
Deposits from customers	610.5	527.5
Key figures in per cent		
Return on allocated capital	7.1	13.6

Net loans to customers increased on average by 4.5 per cent from 2019. Deposits from customers increased by 15.7 per cent mainly because the majority of customers have deferred the distribution of dividends and built up liquidity buffers. Higher volumes and increased margins on loans contributed to an increase in net interest income. However, the low interest rate that caused reduced interest income on deposits and allocated capital had the opposite effect, so that total net interest income ended at 1.0 per cent higher than 2019. Net other operating income were at the same level as in the previous year.

Operating expenses increased by 6.8 per cent from 2019. The main reasons for this increase were a change in the principles for cost distribution in the banking group, a general wage and price growth, and changes in exchange rates. Depreciation linked to increased operational leasing grew by 18.7 per cent, which is directly linked to the volume growth in DNB Finans. Restructuring costs totalled NOK 35 million in 2020 compared with NOK 48 million in 2019. Operating expenses excluding depreciation relating to operational leasing and restructuring increased by 4.9 per cent.

Impairment of financial instruments in 2020 totalled NOK 9 438 million, compared with NOK 1 835 million in 2019. Measured in relation to average loans, impairment of financial instruments amounted to 1.18 per cent in 2020. The impairment provisions in 2020 were mainly related to oil and offshore-related industries.

DNB is experiencing an increasing use of and demand for digital services and channels, and in 2020 DNB started a modernisation of the main channels and infrastructures used in relation to the corporate market. At the end of 2020, SpareBank 1 and DNB announced an acquisition of Uni Micro, one of Norway's leading players in ERP and accounting systems. This is a strategically important acquisition that will strengthen DNB's position at the intersection between banking and accounting. The transaction is subject to the approval of Finanstilsynet.

In 2020, the Originate-and-Distribute model was further strengthened. This model results in higher turnover in the portfolio, and ensures lower final hold on the banking group's books, while increasing other operating revenues. The banking group will continue to develop the model in the time ahead, and will attach importance to using the banking group's strong industry expertise to offer priority customers a wide range of financial services and modern technological solutions. The banking group is well positioned for achieving further profitable growth in the corporate market, and the focus going forward will be more directed towards small and medium-sized enterprises and the green shift.

Other operations

The segment comprises the business activities in the risk management operations in Markets in addition to several group items not allocated to the segments.

Income statement in NOK million	2020	2019
Net interest income	2 016	2 584
Net other operating income	6 232	3 384
Total income	8 249	5 967
Operating expenses	(4 154)	(4 617)
Pre-tax operating profit before impairment	4 095	1 350
Net gain on fixed and intangible assets	(0)	(48)
Impairment of financial instruments	(7)	(4)
Profit from repossessed operations	(241)	109
Pre-tax operating profit	3 847	1 407
Tax expenses	453	1 644
Profit from operations held for sale, after taxes	221	(49)
Profit of the year	4 522	3 002
Average balance sheet items in NOK billion		
Net loans to customers	110.5	102.0
Deposits from customers	64.3	37.2

Profits in the segment are affected by several group items which vary significantly from year to year.

Pre-tax operating profit was NOK 3 847 million in 2020, an increase of NOK 2 440 million from the previous year. Mark-to-market effects related to changes in basis swaps spreads and exchange rate effects on additional Tier 1 capital were the main factors behind the increase.

Income relating to risk management was somewhat reduced due to changed credit spreads, while rates trading and repurchase agreements (repo trading) came in at a satisfactory level.

The banking group's share of the profit in associated companies (most importantly Luminor and Vipps) is included in this segment. There was a decrease in profit from these companies of NOK 74 million compared with the previous year.

Corporate governance

The management of the banking group is based, inter alia, on the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance (the NUES recommendation). Sound corporate governance is the banking group's 'licence to operate' and a prerequisite for creating long-term value, and for ensuring sustainable business operations over time.

Read more about DNB's corporate governance principles and practice in the chapter Corporate Governance in the DNB Group's annual report and in the document Implementation of and reporting on corporate governance on ir.dnb.no.

Risk management

The main purpose of risk management in the banking group is to achieve an optimal balance between risk and earnings in a long-term perspective. Through sound risk management, the banking group should always be able to identify, manage, monitor and report risks that have a bearing on the banking group's target attainment.

During the coronavirus pandemic, the risk management framework was put to the test. The notification mechanisms worked as intended, enabling the organisation to stay ahead of developments at all times, with good plans for handling the unprecedented situation.

Read more about developments in 2020 and how DNB manages, measures and reports risks in DNB's risk and capital management report (the Pillar 3 report), as well as in the Board of Directors' report on corporate governance in the DNB Group's annual report and in the document Implementation of and reporting on corporate governance on ir.dnb.no.

Compliance

Ensuring compliance is one of DNB's strategic goals, and the fight against money laundering and financial crime is one of DNB's most important tasks in terms of its corporate responsibility.

Read more about what DNB did in this area in 2020 in Strategic Report in the DNB Group's annual report and in the document Implementation of and reporting on corporate governance on ir.dnb.no.

Employees and competence

Handling the outbreak of the COVID-19 pandemic and adapting to a new form of working life characterised organisational and leadership development in 2020. Digital solutions for customer service and for providing advisory services and facilitating work from home were key priorities to ensure a quick adaptation of the organisation. In parallel to this, the banking group continued its systematic efforts to ensure that it has the right competencies and to promote change capacity, adaptability and employee engagement.

The sickness absence rate in the banking group's Norwegian operations was 3.4 per cent in 2020.

Read more about the priorities that are considered to be essential to ensure the right competencies, and about working conditions, equality and diversity in DNB Group's annual report and a more detailed information in note 21 Salaries and other personnel expenses in the annual accounts.

New regulatory framework

Loan guarantee programme extended until the summer of 2021

In connection with the COVID-19 pandemic, the Norwegian Government has introduced a number of schemes, programmes and regulatory changes for employees, employers and self-employed persons. The loan guarantee programme means that the Government provides a guarantee for 90 per cent of the amount when new bank loans are issued to companies facing an acute liquidity crisis as a direct or indirect consequence of the pandemic. On 13 November 2020, the Norwegian Ministry of Finance decided that the loan guarantee programme was to be extended until 30 June 2021. Furthermore, the Ministry indicated that it may allow terms of up to six years for guaranteed loans, and that banks may give their loan customers interest-only periods of up to three years.

New compensation scheme as of January 2021

The Storting (Norwegian parliament) has decided to introduce a new compensation scheme for companies experiencing significantly reduced turnover as a result of the COVID-19 pandemic. The compensation scheme applies to the same industries as the previous scheme and is available to enterprises that have experienced a drop in turnover of more than 30 per cent due to the pandemic. The Brønnøysund Register Centre is managing the new scheme, and the application portal opened on 18 January 2021. All companies that qualify for support and that have made the necessary preparations in advance will receive the money 2–3 working days after submitting an application.

Counter-cyclical capital buffer requirement remains unchanged

On 13 March 2020, the Ministry of Finance decided to reduce the counter-cyclical capital buffer requirement from 2.5 per cent to 1 per cent. The reduction was made in connection with the COVID-19 pandemic and the infection control measures that had led to a sharp decline in activity in the Norwegian economy. On 17 December 2020, the Ministry decided to keep the requirement unchanged at 1 per cent. These decisions were made on the advice of the Norwegian central bank, Norges Bank. Norges Bank's current assessment of economic developments, projected losses and banks' expected lending capacity indicates that advice will be given on increasing the buffer requirement in the course of 2021, effective 12 months later. In a somewhat longer perspective, Norges Bank envisages that the buffer requirement will once again be back at the 2.5 per cent level.

Regulation of banks' lending practices

Banks' lending practices towards households are currently regulated by the Home Mortgage Regulations and the Consumer Loan Regulations. On 9 December 2020, the Government decided to extend the applicable provisions of these regulations for a new period of four years, with a mid-term evaluation after two years. However, the two separate regulations will be combined into one common set of regulations on lending. The Government decided against following Finanstilsynet's recommendation to expand the regulatory scope to include loans secured by collateral other than property. However, this will be assessed in the evaluation to be performed in the autumn of 2022.

Changes in capital requirements for banks as of 1 January 2021

The EU's capital requirements legislation, CRR/CRD IV, entered into effect in Norway on 31 December 2019. This meant, among other things, the removal of the Basel I floor. To counteract this easing of the capital requirements, the systemic risk buffer requirement was increased from 3 to 4.5 per cent with effect from 31 December 2020. However, the new systemic risk buffer requirement has only been made applicable to exposures in Norway and not to all exposures as before, and therefore the net increase in the buffer requirement for DNB is only 0.2 percentage points. The smaller banks have until 31 December 2022 to meet the increased requirement.

In order to ensure that risk weights for home mortgages and commercial property loans are not set too low, the Ministry of Finance has introduced temporary floors of 20 and 35 per cent, respectively, for the average risk weighting of such loans. This measure is also aimed at foreign banks with operations in Norway and is important for ensuring equal terms of competition. DNB's risk weights are already above these levels and are thus not affected. DNB is still considered a systemically important financial institution in Norway, and as such the Group must meet a special buffer requirement of 2 per cent (O-SII buffer requirement). The change means that the systemic importance buffer becomes a separate requirement, in line with CRR/CRD IV, and not an add-on to the systemic risk buffer as it was before.

The relevant EU/EEA authorities, the Standing Committee of the EFTA States and the European Systemic Risk Board (ESRB) have endorsed the Ministry's justification for the increased buffer requirement. In the Ministry's view, no corresponding assessment is required from the EU/EEA authorities for the other changes. The Ministry has requested the ESRB to recommend that other countries' authorities approve the Norwegian systemic risk buffer and floor requirements, so that they may also be made applicable for foreign banks in Norway (reciprocity).

Pillar 2 process to be evaluated by Finanstilsynet

In a letter dated 8 December 2020, the Ministry of Finance asked Finanstilsynet to evaluate the determination of the Pillar 2 capital requirement for banks. In particular, the Ministry pointed out the importance of maintaining transparency and ensuring a systematic structuring of the Pillar 2 requirement, and that it may be appropriate to regulate the framework for the Pillar 2 process through legislation. The Ministry also made clear that Finanstilsynet should show how a bank's overall Pillar 2 requirement is made up of requirements for offsetting different risks, and how and to what extent Pillar 2 add-ons have been based on supervisory discretion. The letter of assignment highlighted several aspects of the determination of Pillar 2 requirements and what is referred to as Pillar 2 Guidance (P2G). In addition, the Ministry asked Finanstilsynet to compare its methods for setting the Norwegian Pillar 2 requirements, including their levels, with those of a selection of relevant European countries.

Draft legislation on securitisation submitted to the Storting

On 4 December 2020, the Ministry of Finance presented a proposal for new statutory provisions on securitisation. The new statutory provisions implement the EU's securitisation regulation and are intended to give banks more flexibility in their risk management and financing of lending activities. In addition, they will enable more borrowers to access financing in the securities market, for example smaller companies that cannot issue bonds themselves. The EU regulation has been effective in the EU since 1 January 2019 but has not yet been incorporated into the EEA Agreement. The draft legislation also covers the implementation of new rules on creditor hierarchies in the EU's Bank Recovery and Resolution Directive (BRRD).

Revised Minimum Requirement for own funds and Eligible Liabilities (MREL)

On 18 December 2020, Finanstilsynet set a requirement that means the DNB Group must have total MREL capital equivalent to 35.54 per cent of its risk-weighted assets. The requirement for subordination (lower priority) of debt instruments that can be included to fulfil the MREL must be fully met by 1 January 2024. Finanstilsynet has removed the requirement that senior debt must be issued before 1 January 2020 in order to be included. This phasing-in mechanism is being replaced by a requirement for a linear phasing-in of the subordination requirement over the years 2021, 2022 and 2023. This means that DNB, during the course of 2021, must at a minimum phase in one third of the remaining need for subordination in the phasing-in period 2021-2023, calculated as at 31 December 2020. When calculating the need for MREL-eligible instruments, the expected adjusted risk-weighted assets on 1 January 2024 are to be used as the basis.

New act on sustainability-related disclosures circulated for public comment

The EU has adopted two regulations relating to sustainability, one, on sustainability-related disclosures in the financial services sector and one on the establishment of a framework for a classification system (taxonomy) to facilitate sustainable investment. The requirements are comprehensive and detailed, and it is assumed that they will result in a significant increase in the financial service industry's use of resources.

The regulations have not yet been incorporated into the EEA Agreement, but Finanstilsynet has, at the request of the Ministry of Finance, looked into how they can be introduced in Norway, so that their entry into force can follow the EU timeline. Finanstilsynet proposes that the disclosure requirements and reporting obligations are put into effect through a new act on sustainability-related disclosures. The purpose of gathering all the requirements in one act is to achieve a better overview of the various rules in this area, and greater harmonisation. In addition, a new act will reflect the increased societal importance of disclosures of this kind and clarify the connection between the various disclosure requirements and reporting obligations.

New Financial Contracts Act adopted by the Storting

The new Financial Contracts Act was adopted by the Storting (the Norwegian Parliament) in December 2020. The Act is expected to enter into force on 1 January 2022. The new Act is based on the current one, with comprehensive amendments. Due to the scope and complexity of the Act, DNB had already established a fast-working Group project in the summer of 2020, to identify the need for adjustments to systems, products and services.

Macroeconomic developments

Last spring, the coronavirus pandemic led to severe restrictions on economic activity, which in turn resulted in a dramatic downturn in the global economy.

In response to the crisis, powerful economic measures were introduced, in both fiscal and monetary policy. Central banks injected large amounts of liquidity into the markets, increased purchases of securities and reduced interest rates wherever possible. As things stand, it would seem that the monetary policy stimuli will to a large extent be maintained throughout 2021. In due course, as the pandemic is gradually brought under control, the time will come when the central banks can reduce the stimuli.

The Norwegian economy recovered rapidly after the sharp fall in the second quarter, but will experience a slightly lower rate of growth in early 2021 due to the recent increase in COVID-19 infection rates. Growth in the third quarter was stronger than expected, with an increase of 5.2 per cent. In the fourth quarter, new infection control measures were introduced, and this had a dampening effect on the activity level. The infection control measures are likely to last for some time in the first half of 2021 and are expected to result in a sluggish start to the year, before a reopening, supported by the vaccination programme, will contribute to a strong second half. Preliminary figures for mainland GDP showed a decrease of 2.5 per cent for the year 2020.

Service consumption fell sharply in 2020, but there was an increase in the consumption of goods. In connection with the reopening and normalisation of society during 2021 and 2022, households' opportunities for consumption are expected to increase. The shift in the consumption pattern in 2020 is expected to be reversed gradually during 2021 and 2022. Overall, there was low, but positive, growth in households' disposable income last year. A fall in total consumption thus led to a substantial rise in saving. This increase in saving paves the way for higher consumption growth in the time ahead.

The prices of consumer goods rose by just 1.3 per cent last year. This could mainly be ascribed to a fall in electricity prices. Core inflation ended at 3.0 per cent in 2020, peaking at 3.7 per cent in August. A marked weakening of the Norwegian krone was an important contributing factor. At the start of 2021, the import-weighted krone had gained in strength compared with the weak levels of last spring, but it was still 3.4 per cent weaker than at the start of 2020.

A significant decrease in interest rates has contributed to the rapid increase in the prices of existing homes. Overall, house prices rose by 8.7 per cent from December 2019 to December 2020. The level of activity in the housing market has also been high, with a record-high turnover.

The structural, oil-adjusted budget deficit in 2020 of NOK 392.5 billion was estimated to account for 3.9 per cent of the capital of the Government Pension Fund Global (known as the oil fund). The fiscal impulse was estimated at 4.5 per cent from 2019 to 2020 and was clearly higher than the impulse during the financial crisis. Purely economic measures in connection with the COVID-19 pandemic were estimated to amount to NOK 131 billion. For 2021, the deficit is projected to decrease to NOK 331 billion, equivalent to 3.2 per cent of the oil fund, due to a reduced need for support measures.

As early as in June 2020, Norges Bank signalled that interest rates could be raised towards the end of 2022 or in early 2023. In December, it predicted that interest rate hikes were highly probable from early 2022 with a 1 percentage point increase in total in 2022 and 2023. It therefore looks as if Norges Bank will be ahead of the central banks of other industrialised countries when it comes to interest rate hikes.

Future prospects

A return on equity (ROE) above 12 per cent is maintained as the overall financial target for DNB for the period 2021 to 2023. However, due to the COVID-19 pandemic and the subsequent developments in the macroeconomic environment, the ROE target is unlikely to be achieved in 2021. However, the following factors will contribute to reaching the ROE target in the course of the target period: increased net interest income as a result of increasing NOK interest rates and growth in loans and deposits; growth in commissions and fees from capital-light products; and reduced impairment provisions combined with cost control measures and greater capital efficiency.

In the period 2021 to 2023, the annual increase in lending volumes is expected to be between 3 and 4 per cent while maintaining a sound deposit-to-loan ratio. According to Norges Bank's own forecasts, the key policy rate is expected to increase from 0.0 per cent to 0.5 per cent next year, and then to 1.0 per cent in 2023.

During the same period, DNB has an ambition to increase net commissions and fees by 4 to 5 per cent annually and to achieve a cost/income ratio below 40 per cent.

Dividends and allocation of profits

Profits for 2020 in DNB Bank ASA came to NOK 21 053 million, compared with NOK 26 761 million in 2019.

Due to the outbreak of the coronavirus pandemic and an uncertain economic outlook, the decision on dividends for 2019 and the payments of these were postponed. Based on the recommendation from the authorities in January 2021, DNB Bank ASA paid a dividend to DNB ASA of NOK 12 478 million compared with the proposed dividend of NOK 24 428 million.

The Board of Directors has proposed a group contribution of NOK 545 million for 2020. It is proposed that the remaining profits for the year are allocated to other equity.

In the same manner as in DNB ASA, the Board of Directors of DNB Bank ASA will ask the Annual General Meeting in April 2021 for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020, for distribution after September 2021, or when the economic outlook suggests that there is a basis for doing so. The authorisation will be valid until the Annual General Meeting in 2022. This will ensure that the DNB Group will be able to distribute dividends after the merger has been completed.

The banking group's capital ratio as at 31 December 2020 was 25.0 per cent, while the common equity Tier 1 capital ratio was 19.6 per cent. Correspondingly, the capital ratio in DNB Bank ASA was 27.5 per cent and the common equity Tier 1 capital ratio 21.3 per cent.

The Board of Directors is of the opinion that, after the proposed authorisation and dividend payment of up to NOK 9.00 per share for 2020, the banking group will have adequate financial strength and flexibility to provide sufficient support to operations in the subsidiaries and meet the banking group's expansion requirements and changes in external parameters.

Oslo, 10 March 2021
The Board of Directors of DNB Bank ASA

Olaug Svarva
Olaug Svarva
(Chair of the Board)

Kim Wahl
(Vice Chair of the Board)

Julie Galbo

Eli Solhaug
Eli Solhaug

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

Income statement

DNB Bank ASA 2019	DNB Bank ASA 2020	*Amounts in NOK million*	Note	DNB Bank Group 2020	DNB Bank Group 2019
44 084	35 587	Interest income, amortised cost	17	51 383	61 067
4 257	4 103	Other interest income	17	4 636	5 123
(23 799)	(11 233)	Interest expenses, amortised cost	17	(11 573)	(23 796)
5 638	526	Other interest expenses	17	(5 161)	(2 486)
30 180	**28 984**	**Net interest income**	17	**39 285**	**39 908**
8 343	7 828	Commission and fee income etc.	19	9 387	9 758
(3 168)	(3 168)	Commission and fee expenses etc.	19	(3 121)	(3 141)
2 688	5 184	Net gains on financial instruments at fair value	20	5 938	3 173
		Profit from investments accounted for by the equity method	34	228	302
97		Net gains on investment properties	33	(61)	92
15 299	12 971	Other income		2 207	2 088
23 260	**22 815**	**Net other operating income**		**14 578**	**12 272**
53 440	**51 799**	**Total income**		**53 862**	**52 181**
(10 360)	(10 566)	Salaries and other personnel expenses	21	(12 238)	(11 989)
(6 477)	(6 190)	Other expenses	22	(6 901)	(7 131)
(3 203)	(3 362)	Depreciation and impairment of fixed and intangible assets	23	(3 437)	(3 157)
(20 039)	**(20 118)**	**Total operating expenses**		**(22 576)**	**(22 278)**
33 401	**31 681**	**Pre-tax operating profit before impairment**		**31 286**	**29 903**
(34)	(1)	Net gains on fixed and intangible assets		(1)	(33)
(2 484)	(8 085)	Impairment of financial instruments	8, 9, 10	(9 918)	(2 191)
30 883	**23 595**	**Pre-tax operating profit**		**21 366**	**27 678**
(4 121)	(2 542)	Tax expense	25	(3 926)	(4 825)
		Profit from operations held for sale, after taxes		221	(49)
26 761	**21 053**	**Profit for the year**		**17 661**	**22 805**
25 638	19 909	Portion attributable to shareholders		16 534	21 686
		Portion attributable to non-controlling interests		(15)	(5)
1 123	1 143	Portion attributable to additional Tier 1 capital holders		1 143	1 123
26 761	**21 053**	**Profit for the year**		**17 661**	**22 805**
1.22	0.83	Profit for the year as a percentage of total assets		0.61	0.89

Comprehensive income statement

DNB Bank ASA			DNB Bank Group	
2019	2020	*Amounts in NOK million*	2020	2019
26 761	**21 053**	**Profit for the year**	**17 661**	**22 805**
(11)	(308)	Actuarial gains and losses	(323)	(7)
9	36	Financial liabilities designated at FVTPL, changes in credit risk	33	232
(5)	67	Tax	72	(62)
(7)	(204)	Items that will not be reclassified to the income statement	(217)	163
(44)	137	Currency translation of foreign operations	3 517	463
		Hedging of net investment	(3 246)	(459)
59	108	Financial assets at fair value through OCI	103	59
(15)	(27)	Tax	786	(208)
0	218	Items that may subsequently be reclassified to the income statement	1 159	(146)
(7)	**13**	**Other comprehensive income for the year**	**942**	**17**
26 754	**21 066**	**Comprehensive income for the year**	**18 603**	**22 821**

Balance sheet

DNB Bank ASA				DNB Bank Group	
31 Dec. 2019	31 Dec. 2020	*Amounts in NOK million*	Note	31 Dec. 2020	31 Dec. 2019
		Assets			
301 246	281 956	Cash and deposits with central banks	26, 27, 28	283 526	304 746
394 237	360 174	Due from credit institutions	9, 10, 26, 27, 28	77 289	101 165
880 203	883 722	Loans to customers	9, 10, 26, 27, 28	1 703 524	1 671 350
231 910	327 983	Commercial paper and bonds	26, 27, 28	279 732	222 368
6 008	5 428	Shareholdings	26, 28, 30, 31	6 876	7 479
136 255	198 009	Financial derivatives	15, 26, 28	187 534	125 364
144		Investment properties	33	672	741
2 575	2 568	Investments accounted for by the equity method	34	7 450	7 467
113 810	105 265	Investments in subsidiaries	35		
3 392	3 441	Intangible assets	36	3 792	3 744
6 205	5 150	Deferred tax assets	25	5 106	1 959
14 557	15 219	Fixed assets	37	15 522	14 882
		Assets held for sale		2 402	1 274
11 897	13 395	Other assets	39	8 879	8 103
2 102 439	**2 202 311**	**Total assets**		**2 582 304**	**2 470 640**
		Liabilities and equity			
277 188	296 349	Due to credit institutions	26, 27, 28	206 995	202 177
956 655	1 086 618	Deposits from customers	26, 27, 28, 40	1 112 058	977 530
168 349	212 505	Financial derivatives	15, 26, 28	174 170	115 871
416 565	326 776	Debt securities issued	26, 27, 28, 41	787 813	871 632
7 495	1 457	Payable taxes	25	6 370	9 810
88	92	Deferred taxes	25	62	60
52 215	31 444	Other liabilities	26, 43	19 145	27 129
		Liabilities held for sale		1 016	423
1 341	1 879	Provisions		2 096	1 726
3 454	3 967	Pension commitments	24	4 099	3 568
31 095	32 319	Subordinated loan capital	26, 27, 28, 42	32 319	31 095
1 914 446	**1 993 406**	**Total liabilities**		**2 346 143**	**2 241 022**
26 729	18 362	Additional Tier 1 capital		18 362	26 729
		Non-controlling interests		119	45
18 256	19 380	Share capital		19 380	18 256
19 895	19 895	Share premium		20 611	20 611
123 113	151 268	Other equity		177 689	163 978
187 993	**208 905**	**Total equity**	44	**236 161**	**229 619**
2 102 439	**2 202 311**	**Total liabilities and equity**		**2 582 304**	**2 470 640**

Statement of changes in equity

DNB Bank ASA

Amounts in NOK million	Share capital	Share premium	Additional Tier 1 capital	Net currency translation reserve	Liability credit reserve	Retained earnings	Total equity
Balance sheet as at 31 December 2018	**18 256**	**19 895**	**16 194**	**536**	**(63)**	**121 745**	**176 562**
Profit for the year			1 123			25 638	26 761
Actuarial gains and losses						(11)	(11)
Financial assets at fair value through OCI						59	59
Financial liabilities designated at FVTPL, changes in credit risk					9		9
Currency translation of foreign operations				(44)			(44)
Tax on other comprehensive income					(2)	(18)	(20)
Comprehensive income for the year			1 123	(44)	7	25 668	26 754
Merger DNB Næringskreditt						163	163
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	
Transfer of loan portfolio from subsidiary						131	131
Dividends and group contribution to DNB ASA for 2019						(25 000)	(25 000)
Balance sheet as at 31 December 2019	**18 256**	**19 895**	**26 729**	**492**	**(57)**	**122 678**	**187 993**
Profit for the year			1 143			19 909	21 053
Actuarial gains and losses						(308)	(308)
Financial assets at fair value through OCI						108	108
Financial liabilities designated at FVTPL, changes in credit risk					36		36
Currency translation of foreign operations				137			137
Tax on other comprehensive income					(9)	49	40
Comprehensive income for the period			1 143	137	27	19 759	21 066
Interest payments additional Tier 1 capital			(1 578)				(1 578)
Additional Tier 1 capital redeemed [1]			(10 024)				(10 024)
Currency movements on interest payment and redemption AT1			2 092			(1 971)	122
Demerger Tollbugata 12	(14)					(73)	(87)
Increase in share capital from bonus issue	1 137					(1 137)	
Transfer of loan portfolio from subsidiary						8	8
Reduced dividends to DNB ASA for 2019						11 950	11 950
Group contribution to DNB ASA for 2020						(545)	(545)
Balance sheet as at 31 December 2020	**19 380**	**19 895**	**18 362**	**629**	**(29)**	**150 669**	**208 905**

1) Two additional Tier 1 capital instruments of NOK 2 150 million and USD 750 million, issued in 2015, were redeemed in the first quarter of 2020.

Statement of changes in equity (continued)

DNB Bank Group

Amounts in NOK million	Non-controlling interests	Share capital	Share premium	Additional Tier 1 capital	Net currency translation reserve	Liability credit reserve	Retained earnings	Total equity
Balance sheet as at 31 December 2018		**18 256**	**20 611**	**16 194**	**5 029**	**(176)**	**148 019**	**207 933**
Profit for the year	(5)			1 123			21 686	22 805
Actuarial gains and losses							(7)	(7)
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				463			463
Hedging of net investment					(459)			(459)
Tax on other comprehensive income					(194)	(58)	(19)	(270)
Comprehensive income for the year	(4)			1 123	(190)	174	21 719	22 821
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
Dividends and group contribution to DNB ASA for 2018							(10 568)	(10 568)
Balance sheet as at 31 December 2019	**45**	**18 256**	**20 611**	**26 729**	**4 840**	**(2)**	**159 141**	**229 619**
Profit for the year	(15)			1 143			16 534	17 661
Actuarial gains and losses							(323)	(323)
Financial assets at fair value through OCI							103	103
Financial liabilities designated at FVTPL, changes in credit risk						33		33
Currency translation of foreign operations	4				3 513			3 517
Hedging of net investment					(3 246)			(3 246)
Tax on other comprehensive income					812	(8)	54	857
Comprehensive income for the year	(11)			1 143	1 079	25	16 368	18 603
Interest payments additional Tier 1 capital				(1 578)				(1 578)
Additional Tier 1 capital redeemed [1]				(10 024)				(10 024)
Currency movements on interest payment and redemption AT1				2 092			(1 971)	122
Demerger Tollbugata 12		(14)					(81)	(94)
Non-controlling interests Pearl Holdco AS	86							86
Increase in share capital from bonus issue		1 137					(1 137)	
Group contribution to DNB ASA for 2019							(573)	(573)
Balance sheet as at 31 December 2020	**119**	**19 380**	**20 611**	**18 362**	**5 918**	**23**	**171 748**	**236 161**

1) Two additional Tier 1 capital instruments of NOK 2 150 million and USD 750 million, issued by the DNB Bank Group's Parent company DNB Bank ASA in 2015, were redeemed in the first quarter of 2020.

Cash flow statement

DNB Bank ASA 2019	2020	Amounts in NOK million	DNB Bank Group 2020	2019
		Operating activities		
(92 995)	(3 679)	Net payments on loans to customers	(33 643)	(80 135)
42 475	35 619	Interest received from customers	49 329	58 082
44 455	127 133	Net receipts on deposits from customers	131 774	41 519
(10 892)	(6 459)	Interest paid to customers	(6 624)	(11 289)
38 538	58 068	Net receipts on loans to credit institutions	32 306	41 700
7 686	1 847	Interest received from credit institutions	226	3 639
(5 549)	(1 916)	Interest paid to credit institutions	(1 380)	(4 287)
(43 319)	(168 453)	Net payments on the sale of financial assets for investment or trading	(74 267)	(13 684)
5 002	3 880	Interest received on bonds and commercial paper	3 352	4 882
4 910	4 628	Net receipts on commissions and fees	6 344	6 294
(16 279)	(16 666)	Payments to operations	(19 425)	(18 412)
(1 058)	(7 278)	Taxes paid	(8 996)	(1 878)
24 100	11 849	Other net receipts/(payments)	2 206	(778)
(2 926)	**38 574**	**Net cash flow from operating activities**	**81 200**	**25 653**
		Investing activities		
(4 067)	(3 917)	Net payments on the acquisition of fixed assets	(3 967)	(3 966)
(144)		Net receipts/(payments) on investment properties	35	(116)
(218)	12 154	Net disposal/(investment) in long term shares		3 260
8 153	4 774	Dividends received on long-term investments in shares	428	942
3 723	**13 011**	**Net cash flow from investing activities**	**(3 504)**	**120**
		Financing activities		
1 068 424	1 126 072	Receipts on issued bonds and commercial paper (see note 41)	1 152 054	1 097 101
(909 130)	(1 181 672)	Payments on redeemed bonds and commercial paper (see note 41)	(1 225 085)	(955 115)
(9 302)	(6 105)	Interest payment on issued bonds and commercial paper	(13 193)	(16 922)
9	4 056	Receipts on the raising of subordinated loan capital (see note 42)	4 056	9
(9)	(4 207)	Redemptions of subordinated loan capital (see note 42)	(4 207)	(9)
(410)	(501)	Interest payments on subordinated loan capital	(504)	(413)
10 436	(10 024)	Net receipts/(payments) on issue or redemption of additional Tier 1 capital	(10 024)	10 436
(1 052)	(1 578)	Interest payments on additional Tier 1 capital	(1 578)	(1 052)
(557)	(717)	Lease payments	(730)	(615)
(10 568)		Group contributions payments	(573)	(10 568)
147 840	**(74 677)**	**Net cash flow from financing activities**	**(99 785)**	**122 850**
(50)	**3 044**	**Effects of exchange rate changes on cash and cash equivalents**	**3 428**	**(174)**
148 588	**(20 047)**	**Net cash flow**	**(18 661)**	**148 449**
157 858	306 446	Cash as at 1 January	307 623	159 173
148 588	(20 047)	Net payments of cash	(18 661)	148 449
306 446	286 398	Cash as at 31 December *)	288 961	307 623
		*) *Of which:*		
301 246	*281 956*	*Cash and deposits with central banks*	*283 526*	*304 746*
5 200	*4 442*	*Deposits with credit institutions with no agreed period of notice* 1)	*5 435*	*2 877*

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

The cash flow statement shows receipts and payments of cash and cash equivalents during the year. The statement has been prepared in accordance with the direct method. Cash flows are classified as operating activities, investment activities or funding activities. Balance sheet items are adjusted for the effects of exchange rate movements. Cash is defined as cash and deposits with central banks, and deposits with credit institutions with no agreed period of notice.

Note 1 Accounting principles

1. Corporate information

DNB Bank ASA is a subsidiary of DNB ASA, which is a Norwegian public limited company listed on the Oslo Stock Exchange (Oslo Børs). The consolidated financial statements for 2020 were approved by the Board of Directors on 10 March 2021.

The banking group offers banking services and securities and investment services and real estate broking services in the Norwegian and international retail and corporate markets.

The visiting address to the banking group's head office is Dronning Eufemias gate 30, Bjørvika, Oslo, Norway.

2. Basis for preparation

DNB Bank group has prepared the consolidated financial statements for 2020 in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

DNB Bank ASA has prepared its stand-alone financial statements according to the Norwegian Ministry of Finance's regulations on annual accounts, which implies that recognition and measurements are in accordance with IFRS. The only exception is that the regulations on annual accounts also give permission to recognise provisions for dividends and group contributions in subsidiaries as income and recognise the Board of Directors' proposed dividends and group contributions as liabilities on the balance sheet date. According to IFRS, dividends should be presented as equity until approved by the general meeting. DNB Bank ASA presents disclosure information in accordance with IFRS.

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 banking group's consolidated balance sheets are primarily based on an assessment of the liquidity of the assets and liabilities.

3. Changes in accounting principles

With effect from 1 January 2020, the banking group has changed the composition of reportable segments. The former segments Small and medium- sized enterprises and Large corporates and International customers have been combined into the reportable segment Corporate customers. For further information, see note 2 Segments.

4. Consolidation

The consolidated financial statements for DNB Bank ASA ("DNB Bank" or "the banking group") include DNB Bank and subsidiaries.

The accounting principles are applied consistently when consolidating ownership interests in subsidiaries and are based on the same reporting periods as those used for the parent company.

When preparing the consolidated financial statements, intragroup transactions and balances, along with gains and losses on transactions between the banking group units, are eliminated.

Subsidiaries

Subsidiaries are defined as companies in which DNB Bank, directly or indirectly, has control. Control over an entity is evidenced by the banking group's ability to exercise its power n order to affect any variable returns that the banking group is exposed to through its involvement with the entity. When assessing whether to consolidate an entity the banking 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 banking group's rights result in the ability to direct the relevant activities
- whether the banking group has exposure or right to variable returns, and
- whether the banking group has the ability to use its power to affect its return

Where voting rights are relevant, the banking group is deemed to have control where it holds, directly or indirectly, more than half of the voting rights in an entity, unless the banking group through agreements does not have corresponding voting rights in relevant decision-making bodies. With respect to companies where the banking group's holding represent less than half of the rights, it 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.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. Acquisition costs incurred are expensed and included in the banking group's operating expenses.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. Refer to section 9 Intangible assets for measurement of acquired goodwill.

Associated companies and joint arrangements

Associated companies are companies in which DNB Bank has a significant influence, that is the power to participate in the financial and operating policy decisions of the companies, but without being in control or joint control of the companies. DNB Bank assumes that significant influence exists when the banking 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 banking group's share of profits or losses, net of taxes, are added to the cost price of the investment along with other changes in equity which have not been reflected in the income statement. The investment is also adjusted for amortisation and any impairment of the banking group's carrying amount, based on the cost at date of acquisition. The banking group's share of losses is not reflected in the income statement if the carrying amount of the investment will be negative, unless the banking 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 banking 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 banking group's share of unrealised gains on transactions between the banking group and its associated companies or joint ventures is eliminated. The same applies to unrealised losses unless the transaction indicates an impairment of the transferred assets.

Conversion of transactions in foreign currency

The presentation currency in the banking group's consolidated financial statements is Norwegian kroner. The parent entity in the banking group, DNB Bank ASA, has Norwegian kroner as its functional currency. Balance sheet items of foreign branches and subsidiaries in other functional currencies are translated into the presentation currency, Norwegian kroner, according to the exchange rates prevailing on the balance sheet date, while profit or loss items are translated according to exchange rates on the transaction date. Changes in net assets resulting from exchange rate movements are recognised in other comprehensive income.

Monetary assets and liabilities in foreign currency are translated into the entities' functional currency at the exchange rates prevailing on the balance sheet date. Changes in the carrying amount of such assets due to exchange rate movements between the transaction date and the balance sheet date are recognised within the line item "Net gains on financial instruments at fair value" in the income statement.

5. Segment information

Financial governance in DNB Bank 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 banking group's resources. Reported figures for the various segments reflect the banking 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 banking 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 Bank's management model and the banking group's accounting principles. The figures are based on a number of assumptions, estimates and discretionary distribution.

According to DNB Bank'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 banking 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 DNB Treasury at market terms, where interest rates are based on duration and the banking 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 banking group's liquidity management, income from investments in equity instruments not included in the trading portfolio, interest income assigned to the banking 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 banking group are presented as "Profit from repossessed operations" in the segment reporting. The effect of consolidation of the repossessed companies is presented within Other operations.

Return on capital is estimated on the basis of internal measurement of risk-adjusted capital requirements. See note 2 Segments for further information about the principles for allocation of capital.

6. Recognition in the income statement and in other comprehensive income

Interest income is recognised using the effective interest method. This implies that interest is recognised when incurred, with the addition of amortised front-end fees and any other fees which are regarded as an integral part of the effective interest rate.

The effective interest rate is set by discounting contractual cash flows based on the expected life of the asset. Cash flows include front-end fees and direct transaction costs which are not paid directly by the customer.

Interest is recognised according to the effective interest method with respect to both balance sheet items measured at amortised cost and balance sheet items measured at fair value in the income statement, with the exception of front-end fees on loans at fair value, which are recognised when earned. Interest on impaired loans ("stage 3") corresponds to the effective interest rate on the book value, net of impairment.

"Net other operating income" includes, among others, fees and commissions relating to money transfers, financial guarantees, performance/success fees, credit broking, real estate broking, corporate finance and securities services. Credit broking commissions include syndication income in the form of fees and commissions from transactions where DNB Bank arranges the loans without retaining parts of the loan itself or participates in a loan syndicate and receives compensation in excess of the effective interest received by the other participants. Fees that are not included in the effective interest rate calculation, as well as commissions, are recognised over time when the services are rendered or at point in time when the transactions are completed.

Variable performance/ success fees are only recognised to the extent it is highly probable that a significant reversal of the amount of cumulative revenue will not occur.

Fees related to credit broking, real estate broking and corporate finance services include issuing services, are recognised when the transactions are completed.

Dividends on investments are recognised at the date the dividends are approved at the general meeting.

Income from financial instruments carried at fair value through profit or loss is described under 7. Financial instruments while net income from investment property is described under 8. Investment property and fixed assets.

Items of income and expense in other comprehensive income are grouped based on whether or not they can be reclassified to the income statement at a future date.

7. Financial instruments

Recognition and derecognition

Initial recognition

Financial assets are recognised in the balance sheet either on the trade date or the settlement date. Trade date accounting is applied for financial assets measured at fair value through profit or loss, while settlement date accounting is applied for financial assets measured at amortised cost.

Financial liabilities are recognised in the balance sheet on the date when the banking 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 banking 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 derecognised from the balance sheet.

Derecognition of financial liabilities

Financial liabilities are derecognised when the contractual obligations have been discharged, cancelled or have expired.

Modifications

An assessment of whether or not a modification of a financial asset leads to de-recognition and recognition of new asset is based on the following considerations:

- Differentiate between modifications to cash flows or other significant items in line with terms in the contract and modifications outside of the contract.
- An assessment of whether or not a modification is substantial. A substantial modification is defined as a full credit process, a pricing decision and the signing of a new contract.
- An assessment of whether the modification is caused by distress or made on commercial terms.
- An assessment if the discounted cash flows after modification, discounted using the original effective interest rate, is changed more than 10 percent compared to the discounted value of the original contractual cash flows.

A modification resulting from a distressed restructuring will in most cases not result in de-recognition and recognition of a new financial instrument as the modified cash flows normally reflect the expected cash flows before restructuring.

Repurchase and reverse repurchase agreements

Securities purchased under agreements to resell are generally not recognised in the financial statements as the risk and returns are normally not taken over by the banking group. This is done irrespective of whether the banking group has the right to sell or repledge the securities. Upon the sale of securities received, the banking group recognises an obligation in the balance sheet. For more information, see note 32 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 banking group's balance sheet and are specified in note 31 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 banking group has the right to sell or repledge the securities. Upon the sale of securities received, the banking group will recognise an obligation in the balance sheet. For more information, see note 32 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 banking group's balance sheet and are specified in note 31 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 banking group assesses at portfolio level how the business is managed, sales activities, risk management and how information is provided to the executive management. The business model assessment has been performed for each business area. The portfolios belonging to the customer areas are held within a business model whose objective is to hold the assets and collect the contractual cash flows, while there are several different business models for the portfolios belonging to the product area Markets. For instance, the business model for the liquidity portfolio in Markets is to both hold the assets to collect the contractual cash flows and to sell the assets. However, the portfolio is designated at fair value through profit or loss in order to reduce an accounting mismatch.

A contractual cash flow characteristics test is performed on initial recognition of financial assets. Financial assets with cash flows that are solely payments of principal and interest (SPPI) pass the test if the interest only compensates for the time value of money, credit risk, liquidity risk, servicing and administrative costs and a profit margin.

Financial liabilities are classified at amortised cost, except for financial liabilities that are required to be measured at fair value through profit or loss or designated at fair value through profit or loss.

Financial assets may irrevocably be designated at fair value through profit or loss on initial recognition if the following criterion is met:

- The classification eliminates or significantly reduces measurement or recognition inconsistency that otherwise would arise from measuring financial assets or recognising the gains and losses on them on different bases.

Financial liabilities may also irrevocably be designated at fair value through profit or loss on initial recognition if the criterion above is fulfilled or one of the following:

- The financial instruments are part of a portfolio that is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The host contract contains one or more embedded derivatives.

Financial assets measured at amortised cost

Investments in financial assets, which are not designated at fair value through profit or loss, are measured at amortised cost if both of the following conditions are met:

- The assets are held within a business model whose objective is to hold the asset and collect the contractual cash flows.
- The contractual cash flows represent solely payment of principal and interest.

Financial assets measured at amortised cost are initially recognised at fair value plus any directly attributable transaction costs. Subsequent measurement follows the effective interest method, less impairment. Impairment losses and reversals are measured based on a three-stage expected credit loss model. This model is described under Expected credit loss measurement.

A change in expected credit loss allowance for financial assets measured at amortised cost on the balance sheet date is presented under "Impairment of financial instruments" in the income statement.

Interest income on financial instruments classified in this category is presented under "Interest income, amortised cost" using the effective interest method.

This category mainly comprises loans to customers, cash and deposits, receivables, reverse repurchase agreements and bond investments.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are initially recognised at fair value minus any directly attributable transaction costs. Interest expenses on such instruments are presented under "Interest expense, amortised cost" using the effective interest method.

This category includes deposits from customers and credit institutions, repurchase agreements, issued commercial paper and bonds, subordinated loan capital and perpetual subordinated loan capital securities.

Financial assets measured at fair value through other comprehensive income

Investments in financial assets, which are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income if both of the following conditions are met:

- The assets are held within a business model whose objective is to both hold the asset to collect the contractual cash flows and to sell the asset.
- The contractual cash flows represent solely payment of principal and interest.

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 and a portfolio of mortgage loans with variable interest rates in DNB Bank ASA. Since these loans are regularly sold to DNB Boligkreditt AS, the business model is hold to collect and sell.

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. 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 DNB Bank'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 DNB Bank's long-term borrowings in Norwegian kroner designated at fair value through profit or loss do not create or enlarge an accounting mismatch and are therefore separated and recognised in other comprehensive income. Refer to the statement of changes in equity for a presentation of the effects.

Reclassifications

Financial assets are only reclassified when there is a significant change in the business model for those assets. Such changes are expected to be very infrequent. Financial liabilities are not reclassified.

Issued financial guarantees

Contracts resulting in the banking group having to reimburse the holder for a loss incurred because a specific debtor fails to make payments when due, are classified as issued financial guarantees.

On initial recognition, issued financial guarantees are recognised at the consideration received for the guarantee. Issued financial guarantees are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less the cumulative amount of any revenue recognised in the income statement.

When issuing financial guarantees, the consideration for the guarantee is presented under the line item "Provisions" in the balance sheet. Income from issued financial guarantees and expenses from bought financial guarantees, are amortised over the duration of the instruments and presented as "Commission and fee income" or "Commission and fee expense".

Change in expected credit loss is recognised under the line item "Impairment of financial instruments" in the income statement.

Loan commitments

An expected credit loss is calculated for loan commitments and presented under the line item "Provisions" in the balance sheet. Any change in the expected credit loss allowance is recognised under the line item "Impairment of financial instruments" in the income statement.

For instruments containing both a drawn and an undrawn component, the expected credit loss is split pro rata between the loss allowance and provisions in the balance sheet based on the relative parts of the exposure.

Financial instruments with the characteristics of equity

Issued additional Tier 1 capital instruments are instruments where DNB has a unilateral right not to repay interest or the principal to the investors. As a consequence of these terms, the instruments do not meet the requirements for a liability and are therefore presented within the line "Additional Tier 1 Capital" within the banking 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 banking 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 banking 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 29 Offsetting for details about the financial assets and financial liabilities subject to offsetting agreements.

Determination of fair value

Fair value is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities in active markets are measured at the price within the bid-ask spread that is most representative of the fair value at the measurement date. In most cases bid or asking prices for these instruments are the most representative price for assets and liabilities respectively. Derivatives which are carried net are recognised at midmarket prices at the balance sheet date.

Financial instruments measured at fair value are valued on a daily basis with the exception of a few financial instruments that are valued on a monthly or quarterly basis. As far as possible, directly observable market prices are used. Valuations of the various types of financial instruments are based on well-acknowledged techniques and models. The prices and input parameters used are controlled and assessed based on established routines and control procedures.

The control environment for fair value measurement of financial instruments is an integrated part of the company's financial reporting. A number of controls are carried out on a daily basis, including controls of the day-one results on traded positions and controls of the key input parameters in the valuation. At the end of each month and quarter, extended controls are carried out to ensure that the valuations are consistent with the accounting policy for fair value including variation analyses. Special emphasis is placed on valuations in the level 3 in the valuation hierarchy, where the effects may be significant or particularly challenging.

Instruments traded in an active market

With respect to instruments traded in an active market, quoted prices are used, obtained from a stock exchange, a broker or a price-setting agency.

A market is considered active if it is possible to obtain external, observable prices, exchange rates or interest rates and these prices represent actual and frequent market transactions.

Some investments in equities and commercial paper and bonds are traded in active markets.

Instruments not traded in an active market
Financial instruments not traded in an active market are valued according to different valuation techniques and are divided into two categories:

Valuation based on observable market data:

- recently observed transactions in the relevant instrument between informed, willing and independent parties
- instruments traded in an active market which are substantially similar to the instrument that is valued
- other valuation techniques where key parameters are based on observable market data

Valuation based on other factors than observable market data:

- estimated cash flows
- valuation of assets and liabilities in companies
- models where key parameters are not based on observable market data
- possible industry standards

In the valuation of OTC derivatives, a fair value adjustment is made for the counterparty's credit risk (CVA) and for the banking 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 banking 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 banking 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 banking 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 the banking group'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 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 banking 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 banking group measures a loss allowance at an amount reflecting lifetime ECL for all instruments that have been subject to a significant increase in credit risk since initial recognition. Instruments for which there has been no significant change in risk, a 12-month expected credit loss is recognised.

Please refer to note 5 Measurement of expected credit loss for more information on the methodology for estimating expected credit loss.

Repossession of assets
Assets which are repossessed as part of the management of defaulted loans are recognised at fair value at the time of acquisition. Such assets are recognised in the balance sheet according to the nature of the asset. Any difference between the carrying amount of the loan and the fair value of the asset is presented within the line item "Impairment of financial instruments" in the income statement. Subsequent valuations and presentation of the impact to the income statement follow the principles for the relevant balance sheet item.

Hedge accounting

The banking group applies hedge accounting according to IFRS 9 Financial instruments.

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 in DNB Bank ASA and DNB Bank Group. Net investment hedge is applied to currency translation of investments in foreign operations in DNB Bank Group. See note 15 Financial derivatives and hedge accounting for more information.

Fair value hedge of interest rate risk
DNB uses interest rate swaps to protect against changes in the fair value of fixed-rate issued bonds and subordinated debt in foreign currency, as well as a portfolio of bond investments caused by movements in market interest rates. The hedges are entered into at the same time as the debt is issued in order to achieve a match in the terms of the derivative and the debt instrument. For bond investments, the hedge is also entered into at the same time as the investment is made.

Fair value hedge accounting is applied to the economic hedge relationships that qualify for hedge accounting. When hedge accounting is applied, there is a qualitative assessment of the economic relationship between the debt instrument or bond investment and the derivative that is documented at the inception of the hedge. Thereafter, it is periodically assessed whether the derivatives designated as hedging instruments have been effective in offsetting changes in fair value of the hedged item. The accumulated fair value changes related to interest rate risk on the debt instruments is compared with the accumulated fair value changes related to movements in the interest rate swaps.

DNB's fair value hedges of interest rate risk on issued debt and bond investments are expected to be highly effective. However, hedge ineffectiveness can arise if the terms of the derivative and the debt instrument are not fully aligned.

Hedging instruments are measured at fair value in the financial statements and changes in the fair value are presented under "Net gains on financial instruments at fair value" in the income statement. Interest income and expense from financial instruments designated as hedging instruments are presented as "Net interest income".

The changes in the fair value of the hedged item attributable to the hedged risk is recognised as an addition to or deduction from the balance sheet value of financial liabilities and presented under "Net gains on financial instruments at fair value" in the income statement.

If the hedge relationship ceases to exist or adequate hedge effectiveness cannot be verified, the accumulated change in fair value of the hedged item is amortised over the remaining time to maturity.

Net investment hedge of investments in foreign operations

DNB hedges investments in foreign subsidiaries to eliminate the foreign currency exposure that arises when a subsidiary has a different functional currency from that of the banking 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 banking group's functional currency. This risk is hedged, since it may have significant financial impact on the banking 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 banking group's equity and presented in the statement of changes in equity as "Net investment hedge reserve" and in the comprehensive income statement as "Hedging of net investment".

If a foreign operation is disposed of, the cumulative gains or losses of the hedging instruments recognised in equity is reclassified to the income statement.

8. Investment property and fixed assets

Properties held to generate profits through rental income or for an increase in value, are presented in the balance sheet as investment property. Other tangible assets are presented as fixed assets in the balance sheet.

On initial recognition, investment properties are measured at cost including acquisition costs.

In subsequent periods, investment properties are measured at fair value by discounting the expected net future cash flows to its present value. Therefore, no annual depreciation is made on an investment property. Internal and external expertise is used for valuations. A selection of external appraisals are obtained and compared with internal valuations for control purposes. 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 are presented within the line item "Net gains on investment property" in the income statement.

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 DNB Bank and can be measured reliably. Expenses for repairs and maintenance are recognised in the income statement as they occur. The residual values and useful lives of the assets are reviewed annually and adjusted if required.

Gains and losses on the sale of fixed assets are recognised within the line item "Net gain on fixed and intangible assets" in the income statement.

9. Intangible assets

Goodwill

Goodwill is initially measured at the acquisition date, as the excess of the aggregate of the consideration transferred and the amount recognised for any non-controlling interest over the fair value of the identifiable assets acquired and liabilities assumed in a business combination. Goodwill acquired is allocated to each cash generating unit, or group of units, expected to benefit from the combination's synergies. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Development of IT systems and software

Acquired software is recognised at cost with the addition of expenses incurred to make the software ready for use. Identifiable costs for internally developed software controlled by the banking group where it is probable that economic benefits will cover development expenses at the balance sheet date, are recognised as intangible assets. When assessing capitalisation, the economic benefits are evaluated on the basis of profitability analyses. Development expenses include expenses covering pay to employees directly involved in the project, materials and a share of directly related overhead expenses. Expenses relating to maintenance of software and IT systems are recognised in the income statement as they occur. Software expenses recognised in the balance sheet are depreciated according to a straight line principle over their expected useful life, usually five years. The assessment for whether there is a need for impairment is considered according to the principles described below.

10. Impairment of fixed and intangible assets

At end of each reporting period the banking 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 36 Intangible assets for description of impairment testing.

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

- a decline in the asset's market value
- changes in the long-term return requirement which may affect the discount rate used in the calculation of the asset's value in use
- plans to restructure or liquidate the asset
- the asset generates less income than anticipated

Calculations of value in use are based on historical results and plan figures approved by management. On the basis of plan figures for the cash-generating units, a future cash flow is estimated, defined as the potential return to the owner. The return includes profits from the cash-generating unit adjusted for the need to build sufficient capital to meet expected future capital adequacy requirements. Higher capital requirements due to expanded operations could make it necessary to retain part of the profits or to inject more capital from the owner, if profits from the cash-generating unit are not adequate to build the necessary capital. Beyond the plan period, which is three years, cash flow trends are assumed to reflect market expectations for the type of operations carried out by the cash-generating unit. Future expected cash flows are established for a ten year period where the Gordons growth formula is used to estimate the terminal value to be included.

The required rate of return is based on an assessment of the market's required rate of return for the type of operations carried out by the cash-generating unit. The required rate of return reflects the risk of the operations.

11. Pensions

DNB has country-specific pension schemes for its employees. In Norway, DNB has a defined-contribution pension scheme. See note 24 Pensions for more information.

Defined-contribution pension schemes

Under defined-contribution pension schemes, the banking 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 banking 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.

12. 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 DNB Bank 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.

13. Provisions

Provisions are recognised when it is probable that the DNB Bank 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 the banking group's operations or the way the banking group 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.

14. Leasing

DNB Bank 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.

<u>Operating leases</u>

Operating leases are leases where a not insignificant share of the risk and rewards relating to the investment in the leased object accrues to DNB Bank at the end of the lease period. Operating assets are recognised as fixed assets in the balance sheet. Income from operating leases is recognised over the lease term on a straight-line basis, and presented within the line item "Net interest income" in the income statement. Depreciation of the fixed assets is presented as ordinary depreciation in the income statement.

<u>Financial leases</u>

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 Bank 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.

15. 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.

16. 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.

17. Approved standards and interpretations that have not entered into force

By the end of 2020 the IASB had published a number of amendments to current regulations which have not entered into force. Below is a description of the amendments which may have impact on the banking group's future reporting.

Interest Rate Benchmark Reform

The IASB has made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as a response to the to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks. The amendments were effective from 1 January 2021.

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships. Furthermore, the amendments focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate due to the reform. DNB has substantial volumes of loans, deposits and derivatives in multiple currencies that will be affected by the Interest Rate Benchmark Reform. The transition project aims to reduce potential open interest positions related to the transfer to a minimum.

DNB uses hedge accounting for fixed interest rate borrowing in foreign currencies and fixed interest rate investments in foreign currency debt securities classified as Fair Value though Other Comprehensive Income. The benchmark reform is not expected to have material effects on hedge efficiency, the market value of the hedging instruments or the fair value of the hedged interest rate risk in the hedged items. The majority of the hedging relationships are expected to be continued.

The transition project is preparing the IT infrastructure to handle new reference rates, change the fallback wording in existing and new contracts for loans and derivatives, and prepare new loan agreements and communication with customers. The project is prepared to implement the amendments effective for the annual period beginning on 1 January 2021.

18. Important accounting estimates, judgments and assumptions

When preparing the consolidated financial statements, management makes estimates, judgment and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, incomes, expenses and information on potential liabilities. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date.

Impairment of financial instruments

See note 4 Credit risk management for information about the management and follow-up of credit risk and note 5 Measurement of expected credit loss for information about methodology for estimating impairment including an assessment of measurement uncertainty.

Fair value of financial derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using different valuation techniques. The banking 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 banking 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 banking group's financial instruments. For more information see note 28 Financial instruments at fair value.

Income taxes, including deferred tax assets and uncertain tax liabilities

The banking 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 banking 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 banking group recognises liabilities related to the future outcome of tax disputes based on estimates of changed income taxes. When assessing the recognition of uncertain tax liabilities it is considered if the liability is probable. If the final outcome of the tax disputes deviates from the amounts recognised in the balance sheet, the deviations will impact the income tax expense in the income statement for the applicable period. For more information see note 25 Taxes.

Provisions

Judgement is involved in determining whether a present obligation exists, and in estimating the probability, timing and amount of any outflows. Provisions for claims in civil lawsuits and regulatory matters typically require a higher degree of judgement than other types of provisions. For more information see note 47 Contingencies.

Note 2 Segments

According to DNB Bank'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 Bank has the following operating segments: Personal customers, Corporate customers, Risk management. The Risk management are included in Other operations. DNB's share of profit in associated companies (most importantly Luminor and Vipps) is included in Other operations. With effect from the first quarter of 2020, DNB changed the composition of reportable segments, as the Small and medium-sized enterprises and Large corporates and international customers were combined into the reportable segment Corporate customers. Figures for 2019 have been adjusted accordingly.

Personal customers - includes the banking group's total products and activities to private customers in all channels, both digital and physical. DNB offers a wide range of products through Norway's largest distribution network, comprising mobile banking, digital banking, branch offices, customer centres and real estate broking. In addition, external distribution of credit cards and car financing in Sweden is included in the business area. External distribution through the cooperation with Posten Norway AS (the Norwegian postal service) was phased out in the third quarter of 2020, with the transition to a solution based on the payment app Vipps.

Corporate customers - include everything from small business customers and start-ups to large Norwegian and international corporate customers. The product offering is tailored to the customers' different needs. DNB's services for the customer in the segment are based on sound industry knowledge and long-term customer relationships. Customers are served by offices both in Norway and abroad. In addition, customers are offered access to corporate online and mobile banking services as well as other digital services.

The income statement and balance sheet for the segments have been prepared on the basis of internal financial reporting for the functional organisation of the DNB Bank 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 banking 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 bank group's common equity Tier 1 capital and long-term capitalisation ambition. The allocation of capital to all units is based on the banking 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 bank 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 Bank Group

	Personal customers		Corporate customers		Other operations		Eliminiations		DNB Bank Group	
Amounts in NOK million	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net interest income	13 391	13 693	23 877	23 632	2 016	2 584			39 285	39 908
Net other operating income	3 547	3 766	6 500	6 485	6 232	3 384	(1 702)	(1 363)	14 578	12 272
Total income	16 939	17 459	30 377	30 117	8 249	5 967	(1 702)	(1 363)	53 862	52 181
Operating expenses	(8 517)	(8 087)	(9 531)	(9 108)	(2 793)	(3 289)	1 702	1 363	(19 139)	(19 120)
Depreciation and impairment of fixed and intangible assets	(127)	(182)	(1 950)	(1 647)	(1 360)	(1 328)			(3 437)	(3 157)
Total operating expenses	(8 644)	(8 269)	(11 481)	(10 754)	(4 154)	(4 617)	1 702	1 363	(22 576)	(22 278)
Pre-tax operating profit before impairment	8 295	9 190	18 896	19 363	4 095	1 350			31 286	29 903
Net gains on fixed and intangible assets		(0)	(1)	15	(0)	(48)			(1)	(33)
Impairment of financial instruments [1]	(473)	(353)	(9 438)	(1 835)	(7)	(4)			(9 918)	(2 191)
Profit from repossessed operations			241	(109)	(241)	109				
Pre-tax operating profit	7 821	8 837	9 698	17 435	3 847	1 407			21 366	27 678
Tax expense	(1 955)	(2 209)	(2 425)	(4 259)	453	1 644			(3 926)	(4 825)
Profit from operations held for sale, after taxes				(0)	221	(49)			221	(49)
Profit for the year	5 866	6 628	7 274	13 175	4 522	3 002			17 661	22 805

1) *See note 10 Development in accumulated impairment of financial instruments for an analysis of the gross change in impairment for the banking group.*

Balance sheets

DNB Bank Group

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Bank Group	
Amounts in NOK billion	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
Loans to customers [1]	817	795	775	764	112	113	(1)	(1)	1 704	1 671
Assets held for sale					2	1	(0)		2	1
Other assets	13	16	131	90	1 532	1 610	(801)	(918)	876	798
Total assets	831	811	907	854	1 647	1 725	(802)	(919)	2 582	2 471
Deposits from customers [1]	460	425	648	542	7	16	(2)	(6)	1 112	978
Liabilities held for sale					1	0	(0)	(0)	1	0
Other liabilities	324	338	158	214	1 550	1 624	(799)	(913)	1 233	1 263
Total liabilities	784	764	806	755	1 559	1 641	(802)	(919)	2 346	2 241
Allocated capital [2]	47	47	101	99	88	83			236	230
Total liabilities and equity	831	811	907	854	1 647	1 725	(802)	(919)	2 582	2 471

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 banking group. The capital allocated in 2020 corresponds to a common equity Tier 1 capital ratio of 17.6 per cent compared to 16.8 per cent in 2019. Book equity is used for the banking group.*

Key figures

DNB Bank Group

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Bank Group	
Per cent	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Cost/income ratio [1]	51.0	47.4	37.8	35.7					41.9	42.7
Ratio of deposits to loans as at 31 December [2]	56.2	53.5	83.5	70.9					65.3	58.5
Return on allocated capital [3]	12.2	14.2	7.1	13.6					7.8	11.1

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 banking group. Return on equity is used for the banking group.*

Note 3 Capitalisation policy and capital adequacy

DNB has a capital requirement margin of at least 1.0 percentage point in addition to the total regulatory CET1 capital ratio requirement. The objective of the capital requirement margin is to cushion against fluctuations in risk-weighted assets and earnings that arise from e.g. changes in exchange rates in basis swap spreads, to enable the Group to maintain normal growth in lending, and a predictable dividend policy. At year-end 2020, the total regulatory CET1 capital ratio requirement was about 16.0 per cent (incl. margin). The requirement will vary due to the counter-cyclical buffer and systemic risk buffer, which are determined based on the total exposure in each country. The capitalisation targets are based on the prevailing basis of calculation at any given time.

At year-end 2020, the DNB Group's common equity Tier 1 (CET1) capital ratio was 18.7 per cent and a capital adequacy ratio of 22.1 per cent, compared with 18.6 per cent and 22.9 per cent, respectively, a year earlier. Risk-weighted assets came to NOK 967 billion at year-end 2020, compared with NOK 961 billion the year before.

The DNB Bank Group had a CET1 capital ratio of 19.6 per cent and a capital adequacy ratio of 25.0 per cent at year-end 2020, compared with 18.3 and 24.4 per cent, respectively, a year earlier.

DNB Bank ASA had a CET1 capital ratio of 21.3 per cent at year-end 2020, compared with 19.3 per cent a year earlier. The capital adequacy ratio was 27.5 per cent at year-end 2020, compared with 26.3 per cent a year earlier.

At year-end 2020, DNB Boligkreditt AS had a CET1 capital ratio of 23.6 per cent and a capital adequacy ratio of 26.6 per cent.

Following the financial crisis, leverage ratio was introduced as a supplement to the capital adequacy regulations.

It is calculated on the basis of Tier 1 capital, which, in addition to common equity Tier 1 capital, includes additional Tier 1 capital. The calculation base consists of both balance sheet items and off-balance sheet items, and the same conversion factors are used as in the standardised approach for the capital adequacy calculation. In addition, some special adjustments are made for derivatives and repo transactions. The definitions of leverage ratio and calculation base are in accordance with international rules and legislation. The Norwegian leverage ratio requirement consists of a minimum requirement of 3 per cent that will apply to all financial institutions, a mandatory 2 per cent buffer for banks and an additional mandatory buffer of 1 per cent for systemically important financial institutions. DNB is thus the only systemically important bank in Norway that will be required to have a leverage ratio of 6 per cent.

At year-end 2020, the DNB Bank Group's leverage ratio was 7.3 per cent, compared to 7.2 per cent a year earlier. DNB meets the total requirement of 6 per cent by a good margin.

Note 3 Capitalisation policy and capital adequacy (continued)

Capital adequacy

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. Associated companies are consolidated pro rata.

DNB Bank ASA		Own funds	DNB Bank Group	
31 Dec. 2019	31 Dec. 2020	*Amounts in NOK million*	31 Dec. 2020	31 Dec. 2019
187 993	208 905	Total equity	236 161	229 619
		Effect from regulatory consolidation	(250)	(198)
(26 048)	(17 995)	Additional Tier 1 capital instruments included in total equity	(17 995)	(26 048)
(510)	(276)	Net accrued interest on additional Tier 1 capital instruments	(276)	(510)
161 434	190 635	Common equity Tier 1 capital instruments	217 641	202 862
		Deductions		
(2 376)	(2 427)	Goodwill	(2 992)	(2 946)
(457)	(453)	Deferred tax assets that are not due to temporary differences	(970)	(868)
(1 016)	(1 014)	Other intangible assets	(1 583)	(1 626)
	(13 953)	Group contribution/dividend payable [1]	(26 949)	(25 000)
(1 633)	(788)	Expected losses exceeding actual losses, IRB portfolios	(1 781)	(2 502)
(532)	(683)	Value adjustments due to the requirements for prudent valuation (AVA)	(855)	(810)
57	29	Adjustments for unrealised losses/(gains) on debt measured at fair value	(23)	2
(460)	(527)	Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(94)	(96)
155 017	170 819	Common equity Tier 1 capital	182 393	169 016
26 048	17 995	Additional Tier 1 capital instruments	17 995	26 048
181 065	188 814	Tier 1 capital	200 388	195 064
5 774	5 640	Perpetual subordinated loan capital	5 640	5 774
24 943	26 320	Term subordinated loan capital	26 320	24 943
30 717	31 960	Additional Tier 2 capital	31 960	30 717
211 783	220 774	Own funds	232 348	225 781
804 721	801 447	Risk-weighted assets	930 384	924 869
64 378	64 116	Minimum capital requirement	74 431	73 990
19.3	21.3	Common equity Tier 1 capital ratio	19.6	18.3
22.5	23.6	Tier 1 capital ratio (%)	21.5	21.1
26.3	27.5	Capital ratio (%)	25.0	24.4

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

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 Bank ASA**

Amounts in NOK million	Nominal exposure 31 Dec. 2020	EAD [1] 31 Dec. 2020	Average risk weights in per cent 31 Dec. 2020	Risk-weighted assets 31 Dec. 2020	Capital requirements 31 Dec. 2020	Capital requirements 31 Dec. 2019
IRB approach						
Corporate exposures	819 651	655 963	46.6	305 417	24 433	24 328
Of which specialised lending (SL)	*13 056*	*12 392*	*47.8*	*5 924*	*474*	*442*
Of which small and medium sized entities (SME)	*216 265*	*190 363*	*45.5*	*86 585*	*6 927*	*6 690*
Of which other corporates	*590 330*	*453 208*	*47.0*	*212 908*	*17 033*	*17 196*
Retail exposures	219 747	203 035	24.3	49 251	3 940	4 129
Of which other retail	*88 301*	*71 589*	*25.1*	*18 001*	*1 440*	*1 653*
Of which secured by mortgages on immovable property	*131 446*	*131 446*	*23.8*	*31 251*	*2 500*	*2 476*
Total credit risk, IRB approach	1 039 398	858 998	41.3	354 669	28 374	28 457
Standardised approach						
Central government and central banks	301 982	300 840	0.0	79	6	3
Regional governments or local authorities	41 081	37 092	1.3	496	40	48
Public sector entities	77	75	17.1	13	1	1
Multilateral development banks	27 245	27 242				
International organisations	5 933	5 933				
Institutions	573 907	468 749	19.9	93 385	7 471	7 845
Corporates	119 832	102 681	66.9	68 707	5 497	6 134
Retail	157 551	55 898	74.8	41 793	3 343	2 560
Secured by mortgages on immovable property	2 868	2 740	36.6	1 002	80	362
Exposures in default	1 740	1 484	126.1	1 871	150	50
Items associated with particular high risk	7 102	5 071	150.0	7 607	609	49
Covered bonds	101 477	101 477	10.0	10 148	812	506
Collective investment undertakings	303	303	100.0	303	24	2
Equity positions	110 650	110 650	100.0	110 650	8 852	9 489
Other assets	16 551	16 551	113.3	18 750	1 500	1 803
Total credit risk, standardised approach	1 468 298	1 236 785	28.7	354 802	28 384	28 852
Total credit risk	2 507 696	2 095 784	33.9	709 471	56 758	57 309
Market risk						
Position and general risk, debt instruments				9 406	752	827
Position and general risk, equity instruments				648	52	30
Currency risk				48	4	1
Commodity risk				1	0	
Total market risk				10 103	808	858
Credit value adjustment risk (CVA)				5 215	417	316
Operational risk				76 658	6 133	5 895
Total risk-weighted assets and capital requirements				801 447	64 116	64 378

1) EAD, exposure at default.

Note 3 Capitalisation policy and capital adequacy (continued)

Specification of risk-weighted assets and capital requirements **DNB Bank Group**

Amounts in NOK million	Nominal exposure 31 Dec. 2020	EAD [1] 31 Dec. 2020	Average risk weights in per cent 31 Dec. 2020	Risk-weighted assets 31 Dec. 2020	Capital requirements 31 Dec. 2020	Capital requirements 31 Dec. 2019
IRB approach						
Corporate exposures	1 006 402	808 754	47.0	380 065	30 405	31 040
Of which specialised lending (SL)	*13 993*	*13 330*	*48.4*	*6 449*	*516*	*503*
Of which small and medium sized entities (SME)	*216 347*	*190 445*	*45.5*	*86 636*	*6 931*	*6 695*
Of which other corporates	*776 062*	*604 980*	*47.4*	*286 979*	*22 958*	*23 843*
Retail exposures	958 732	942 020	21.7	204 641	16 371	15 546
Of which other retail	*88 301*	*71 589*	*25.1*	*18 001*	*1 440*	*1 653*
Of which secured by mortgages on immovable property	*870 431*	*870 431*	*21.4*	*186 641*	*14 931*	*13 893*
Total credit risk, IRB approach	1 965 134	1 750 774	33.4	584 706	46 776	46 586
Standardised approach						
Central government and central banks	325 073	324 165	0.1	232	19	6
Regional governments or local authorities	47 184	41 859	2.6	1 099	88	102
Public sector entities	1 455	1 024	38.3	393	31	27
Multilateral development banks	27 265	27 263	0.0	4		
International organisations	5 933	5 933				
Institutions	141 769	114 685	20.1	23 086	1 847	2 169
Corporates	177 289	153 202	68.6	105 044	8 403	9 293
Retail	163 965	60 264	74.2	44 744	3 580	2 812
Secured by mortgages on immovable property	29 149	28 137	60.7	17 069	1 366	2 245
Exposures in default	2 960	2 355	123.5	2 909	233	216
Items associated with particular high risk	7 420	5 343	150.0	8 015	641	80
Covered bonds	43 558	43 558	10.0	4 356	348	396
Collective investment undertakings	1 368	1 368	22.2	303	24	2
Equity positions	9 322	9 321	100.0	9 321	746	681
Other assets	19 881	19 879	97.4	19 368	1 549	1 025
Total credit risk, standardised approach	1 003 591	838 357	28.1	235 943	18 875	19 054
Total credit risk	2 968 725	2 589 131	31.7	820 649	65 652	65 641
Market risk						
Position and general risk, debt instruments				9 345	748	842
Position and general risk, equity instruments				648	52	30
Currency risk				48	4	1
Commodity risk				1	0	0
Total market risk				10 042	803	873
Credit value adjustment risk (CVA				5 741	459	354
Operational risk				93 951	7 516	7 122
Total risk-weighted assets and capital requirements				930 384	74 431	73 990

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 banking 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 banking group guidelines for credit activity are approved by the Boards of Directors of DNB. The principal objective of credit activity is to ensure that the quality and composition of the loan portfolio provide a good basis for the banking 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 banking group's governance processes. The risk appetite framework should provide a holistic and balanced view of the risk in the business and it 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 banking 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 banking 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 banking 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 banking 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	S&P Global
1	0.01	0.10	Aaa – A3	AAA – A-
2	0.10	0.25	Baa1 – Baa2	BBB+ – BBB
3	0.25	0.50	Baa3	BBB-
4	0.50	0.75	Ba1	BB+
5	0.75	1.25	Ba2	BB
6	1.25	2.00		
7	2.00	3.00	Ba3	BB-
8	3.00	5.00	B1	B+
9	5.00	8.00	B2	B
10	8.00	default	B3, Caa/C	B-, CCC/C

1) DNB's risk classification system, where 1 represents the lowest risk and 10 the highest risk.

Guidelines for credit activity

DNB's guidelines and processes for approving credits are described in DNB Group's 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 Banking 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 DNB Group's credit guidelines, thus aiming to help customers through a tough financial period when it is expected that they will meet their obligations on a later date. This is part of DNB's strategy to reduce losses.

Following the business-related and financial impacts of the COVID-19 outbreak, DNB has offered several customers payment waivers in order to provide temporary relief from the current situation, primarily by granting reduced or deferred instalment payments. In the first two quarters of 2020 DNB offered several customers payment waivers directly related to the COVID-19 outbreak. Combined with an otherwise healthy financial situation for the customer, the waivers do not result in forbearance classification. However, when payment waivers are combined with high credit risk and an expectation that the forbearance measures are not temporary, reclassification to the forbearance category should still be performed.

The banking group's total forbearance exposures, in accordance with the definition of forbearance in CRD IV, are shown in the table below.

DNB Bank ASA			**Forbearance as at 31 December 2020** [1]	DNB Bank Group		
Stage 2	Stage 3	Total	*Amounts in NOK million*	Total	Stage 3	Stage 2
18 220	12 076	30 296	Gross carrying amount and loan commitments	37 137	13 417	23 720
357	5 319	5 676	Expected credit loss	6 200	5 770	430

DNB Bank ASA			**Forbearance as at 31 December 2019**	DNB Bank Group		
Stage 2	Stage 3	Total	*Amounts in NOK million*	Total	Stage 3	Stage 2
17 654	10 709	28 364	Gross carrying amount and loan commitments	34 469	11 638	22 831
272	4 272	4 544	Expected credit loss	4 820	4 503	317

1) *The figures have been updated after the quarterly report due to manual registration of forbearance measures in connection with COVID-19 pandemic.*

Credit-impaired portfolio

In the event of credit impairment, customers are closely monitored. In the bank's experience, other supplementary resources are required during this stage than for performing customers. Customer exposures which fall into this category will either be transferred in their entirety to a separate unit with special expertise, or persons from this unit will join the customer team.

Note 4 Credit risk management (continued)

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 DNB 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.

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.
In addition, derivatives are also used to hedge currency and interest rate risk arising in connection with funding and lending. Derivatives are generally traded "over the counter" (OTC), which means that individual contracts are agreed upon by the parties. The credit risk that arises in connection with derivative trading is included in the DNB Group's overall credit risk measurement.

Netting agreements and bilateral guarantee agreements are used as a means of minimising counterparty risk associated with individual counterparties. These agreements make it possible to net the positive and negative market values linked to contracts with individual counterparties. CSA (Credit Support Annex) agreements are another type of risk-mitigating measure. CSA agreements have been entered into with most major bank counterparties and other financial counterparties, as well as a steadily increasing number of non-financial counterparties. Under these agreements, the market value of all derivative contracts between DNB and the counterparty is settled either daily or weekly, which largely eliminates counterparty risk. These transactions are mostly settled in cash, though government bonds and covered bonds are used as well. The agreements are not normally dependent on the credit quality of the counterparty, but some of them stipulate that the maximum exposure level before collateral is required (the threshold value) will be reduced if the counterparty is downgraded.

The different interest rate products (interest rate swaps and Forward Rate Agreements (FRAs) in currencies) are settled through clearing houses like LCH. DNB's counterparty risk on an individual counterparty is thus transferred to the clearing house. Equity forward contracts, securities loans and currency trading for personal customers are monitored and increases/decreases in value are settled daily.

Note 5 Measurement of expected credit loss

DNB applies a three-stage approach when measuring expected credit loss (ECL) on loans to customers, loan commitments, financial guarantees and other financial instruments subject to the IFRS 9 impairment rules:

- A financial instrument that is not purchased or originated credit impaired is classified as stage 1 with 12-month ECL.
- If a significant increase in credit risk since initial recognition is identified the financial instrument is moved to stage 2 with lifetime ECL measurement.
- An increase in credit risk reflects both customer-specific circumstances and developments in relevant macro risk drivers for the segment where the customer belongs. The assessment of what is considered to be a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and backstops.
- If credit risk deteriorates further and the financial instrument is assessed to be credit impaired, the financial instrument is moved to stage 3 with lifetime ECL measurement. As opposed to stages 1 and 2, the effective interest rate is calculated on amortised cost instead of the gross carrying amount. For definition of credit impaired see further description below.

The expected credit loss measurement is based on the following principles:

- 12-month ECL is measured as an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months.
- The loss provision for financial assets in stage 1 and stage 2 is calculated as the present value of exposure at default (EAD) multiplied by the probability of default (PD) multiplied by loss given default (LGD) and discounted by using the effective interest rate (EIR). PD, LGD and EAD use the IRB framework as a starting point, but are converted to be point in time and forward-looking as opposed to through the cycle and conservative.
- Past, present and forward-looking information is used to estimate ECL. For this purpose, DNB's loan portfolio is split into 22 segments based on geography and industry. All customers within a segment are exposed to the same risk drivers.
- For stage 3 individual assessments are performed for credit impaired financial instruments.
- For stage 1 and 2, a model is used to calculate ECL.

Key components for the ECL measurement, summarised

IFRS 9 stage	Credit risk development	Customer status	ECL measurement	ECL measurement method	Effective interest calculation
Stage 1	No significant increase	Performing	12-month	ECL model	Gross carrying amount
Stage 2	Significant increase	Performing	Lifetime	ECL model	Gross carrying amount
Stage 3	Defaulted	Credit impeaired	Lifetime	Individual measurement per customer	Amortised cost

Measurement of expected credit loss in stages 1 and 2 (ECL model)

The model used for stage 1 and stage 2 follows five steps: Segmentation, determination of macro scenarios, determination of credit cycle index, calculation of ECL and staging. In the following each step will be described in more detail.

Segmentation, macro scenarios and credit cycle index

The assessment of significant increase in credit risk and the calculation of ECL incorporate past, present and forward-looking information. The level of uncertainty in assessing forward-looking information has increased considerably, due to the massive lockdown and gradual reopening of the economy following the COVID-19 outbreak, combined with the related oil market imbalances. The high level of uncertainty reflects the magnitude and duration of the business-related and financial impacts, as well as the effects of the various financial support and relief measures being implemented by the Government.

In order to reflect the effect of macro drivers in a reasonable and supportable manner DNB's portfolio has been divided into 22 segments with shared credit risk characteristics. The segmentation is based on industry and geographical location, but about half of the industry segments are exposed to global markets and are influenced by global risk drivers.

Based on a statistical regression analysis, key risk drivers impacting PD are identified for the different segments. The assessments used to select the different risk drivers have been based on several criteria; the statistical model's explanatory power, a qualitative reasonableness check (e.g. if it makes sense to include the risk driver) and an aim not to have too many factors as this would unnecessarily increase the complexity. Relevant macro drivers are shown in the table below. Their impact on ECL will vary by financial instrument. Forecasts of each of the relevant risk drivers (the base economic scenario) are primarily prepared on a quarterly basis and provide the best estimate of developments in the risk drivers for the forecast period. The forecast periods incorporated in the segments vary between three and four years, and forecasts are prepared for each year in the forecast period. The macroeconomic forecasts for each segment have been carefully considered in the expert credit judgement forum to ensure that they reflect the expected impact of the economic consequences of the COVID-19 outbreak. Macro forecasts are usually obtained from DNB Markets and supplementary internal sources. Following the rapid change in the economic situation during 2020, forecasts from various external sources have also been considered. When selecting the macroeconomic forecasts, consideration has been given to both the reliability of the source and the timeliness of the update.

Due consideration has been given to all aspects of the situation when assessing the duration of the financial and business-related consequences of the COVID-19 outbreak. In general, the estimated adverse economic impact is incorporated into the first year of the period. The remaining forecast periods are expected to be substantially less affected by the adverse economic consequences.

Note 5 Measurement of expected credit loss (continued)

The macro forecasts are incorporated in the credit cycle index (CCI). The CCI shows the relationship between the historically observed defaults and relevant macro factors established from statistical regression analysis. The position on the index indicates whether the current state of the economy for a given segment is better or worse than normal, and the forecasts are used to project the development of the index in the forecast period. After the forecast period, the CCI is assumed to be mean reverting. This means that the credit cycle for each segment returns to a normal state (long-term mean).

The CCI is further used to generate a base line PD curve for each instrument that follows the development of the CCI. When the CCI moves towards better times, the PD will everything else equal be reduced and vice versa.

When the updated macro forecasts do not result in projections of the credit cycle in a way that represents the management's view of the expected business-related and financial impacts, professional judgement has been applied to ensure that the management's view is better reflected in the credit cycle index used.

Multiple scenarios
In order to capture the non-linear relationship between negative credit risk development and ECL, multiple scenarios are incorporated when determining significant increase in credit risk and measuring ECL. DNB use the base scenario for each risk driver as a starting point when deriving CCI and PD curves as described above. Alternative scenarios are translated into alternative paths of a probability fan around the baseline. This method means that each scenario represents one percentile on a probability fan with each percentile representing a possible development in credit risk depending on the macroeconomic development.

The width of the fan for the individual segment is determined by the past volatility in the correlation between developments in the risk drivers and developments in credit risk and ECL. This results in a correlation where the higher the volatility in a segment resulting from changes in the risk drivers, the larger the gap between the baseline and the outer percentiles of the fan.

Sensitivity
To calculate expected credit losses in stage 1 and 2, DNB uses a range of macroeconomic variables where each variable is given several alternative scenarios of probability.

Macroeconomic variables are interrelated in that, changes in a forecast in one variable will most likely affect forecasts in the other variables. Furthermore a weakening of the macro forecasts would normally imply more customers migrating from stages 1 and 2 to stages 2 and 3. Comparative sensitivity analyses for each macroeconomic variable, will therefore, in isolation, not provide relevant sensitivity information.

DNB has simulated an alternative adverse scenario for relevant macro forecasts. The scenario represents a possible downside compared with the scenario used for calculating the ECL recognised in the financial statements. Each macroeconomic variable is given alternative weaker expectations for each period in the forecast period. The table below shows the average change in the macro variables in the alternative scenario compared with the base scenario in the forecast period, in per cent. In the simulated alternative scenario, the ECL in stages 1 and 2 would increase by approximately 44 per cent compared with the ECL in stages 1 and 2 which is recognised in the financial statements at 31 December 2020.

The following table shows selected base case macroeconomic variables for the period 2020 to 2022 in DNB's model used to calculate the ECL recognised in the financial statements compared with the base case in the alternative scenario. Each variable represents an annual estimate.

Selected base case macroeconomic variables used for calculating the ECL recognised in the financial statements and the alternative scenario

	Base case financial statements			Base case alternative scenario		
	2020	2021	2022	2020	2021	2022
Global GDP, year-to-year growth	(3.9)	5.0	3.7	(3.9)	(0.3)	3.7
Emerging countries' GDP, year-to-year growth	(2.6)	6.1	4.5	(2.6)	0.0	4.5
Swedish GDP, year-to-year growth	(4.8)	2.8	2.5	(4.8)	0.3	2.8
Oil price, USD per barrel	42	53	65	42	36	42
Norwegian house price index, year-to-year growth	4.5	8.0	4.0	4.5	(10.0)	4.0
Norwegian registered unemployment rate	5.0	3.6	3.1	5.0	5.0	3.7
NIBOR 3-month interest rate	0.7	0.4	0.6	0.7	0.5	0.7

The following table provides an overview of the macro forecasts that are included in the loan loss model. The table includes the average downside that is imposed on each macro variable in the alternative scenario.

Note 5 Measurement of expected credit loss (continued)

Change from the average base case level used for calculating the ECL recognised in the financial statements, to the average base case level used in the alternative scenario.

	Change
Global GDP (percentage points)	(1.3)
Emerging countries' GDP (percentage points)	(1.5)
Oil price (per cent)	(26.6)
Norwegian mainland GDP (percentage points)	(0.4)
Norwegian consumer price index (percentage points)	(0.2)
Norwegian house price index (percentage points)	(4.5)
Norwegian registered unemployment rate (percentage points)	0.6
NIBOR 3-month interest rate (percentage points)	0.1
Swedish GDP (percentage points)	(0.5)
Norwegian commercial real estate rental price (per cent)	(1.3)
Salmon price (per cent)	(25.6)
Floater spot rate (per cent)	(10.1)
Rig utilisation rate (per cent)	0.0
Very large crude carriers spot rate (per cent)	(24.5)
Capesize spot rate (per cent)	(30.3)
Very large gas carrier spot rate (per cent)	0.0

One of the most significant exposures in stages 1 and 2 is lending to personal customers. The lending includes mortgage lending, credit card and consumer financing. In addition to specific customer attributes, the portfolio's ECL is forecast based on the Norwegian house price Index, the Norwegian interest rate, household debt level and the unemployment rate. In the simulated alternative scenario, where all of these input parameters cause more adverse projections, the ECL in stages 1 and 2 would increase by approximately 66 per cent for the personal customer portfolio compared with the ECL measured at 31 December 2020 for the same portfolio and stages.

DNB has furthermore investigated the effect of non-linearity in the ECL for stage 1 and stage 2. If the base scenario alone is used to calculate expected credit losses, thereby excluding the fan that represents the range of alternative scenarios, the ECL at 31.12.2020 would decrease by 10 per cent.

Calculation of ECL

The determination of a significant increase in credit risk and the measurement of ECL are based on parameters already used in credit risk management and for capital adequacy calculations: PD, LGD and EAD. The parameters have been adjusted in order to give an unbiased estimate of ECL.

Probability of default (PD)

DNB applies a range of different models to determine a customer's PD. The choice of model depends on whether it is a personal or corporate customer and on which industry the customer operates in. The development in the customer's PD is a key component in DNB's monitoring of credit risk in the portfolio, see note 4 Credit risk management, and 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.

Loss given default (LGD)

LGD represents the percentage of EAD which the banking 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.

The extension or deferral of payments to a borrower does not automatically result in an instrument being considered to have a significantly increased credit risk. Careful consideration is given to whether the credit risk has significantly increased and the borrower is unlikely to restore their creditworthiness and consequently is granted forbearance, or whether the borrower is only experiencing a temporary liquidity constraint, for instance due to COVID-19 lockdown measures. On a general level, a change in the macroeconomic outlook will influence the assessment of a significant increase in customers' credit risk, as this will affect the overall view of the economic situation for the relevant segment.

Qualitative criteria
Qualitative information is normally reflected in the respective PD models for each group of customers.

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.

Sensitivitiy
DNB has performed a sensitivity analysis on threshold of the significant increase in credit risk used to measure ECL in stages 1 and 2. If a threshold of 1.5 times lifetime PD is used for determining the significant increase in credit risk, as an alternative to the 2.5 threshold, more exposures would migrate from stage 1 to stage 2 and the ECL in stage 1 and 2 would increase by 2 per cent compared with the ECL measured at 31 December 2020. If a threshold of 3.5 times lifetime PD is used instead, the ECL would decrease by 1 per cent compared with the ECL measured at 31 December 2020.

Expert credit judgement

For many of the input parameters in the ECL-measurement significant professional judgment is applied. The assessment of the macro prognoses and the impact to the forecasted credit cycle index is 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 reflect 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 DNB 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 for assuming that the payment obligation will not be met (anticipated default).

A commitment is defined to represent anticipated default if it is considered likely that the customer, based on its regular business activities, does not have debt payment ability for its total obligations (unlikeliness to pay).

From 1 January 2021 a new definition of default will be applicable. DNB will continue the alignment between credit impaired and defaulted under the new definition. For customers in the return to non-default period under the new definition the model described above for calculation of lifetime expected credit losses will be used.

Measurement of expected credit loss for credit-impaired financial instruments

In DNB, the ECL for credit-impaired financial instruments with exposure above NOK 5 million is calculated individually per customer and without the use of modelled inputs. When a customer becomes credit impaired (stage 3) the probability of default is set to 100 per cent. The ECL provision is estimated as the difference between the carrying amount and the net present value of the estimated future cash flows discounted by the original effective interest rate. The estimated future cash flows are based on developments in the customer's exposure, past experience with the customer, the probable outcome of negotiations and expected macroeconomic developments that will influence the customer's expected cash flow. The business-related and financial impacts of the COVID-19 outbreak and the oil price fall, as well as of the estimated relief expected to be provided through established Government programmes, are incorporated into the net present value of the discounted, estimated future cash flows. If the exposure is collateralised, the value of the collateral in going concern scenarios is included in the estimated future cash flows regardless of whether foreclosure is probable or not. When establishing the estimated collateral value, weighting of at least two possible scenarios for the development in future cash flows from the collateral in a going concern scenario are incorporated. In some cases a liquidation scenario is included in the valuation of the collateral.

For credit impaired exposures below NOK 5 million a portfolio approach is used to estimate ECL.

Sensitivity:
If the value of collaterals on all stage 3 exposures were reduced by 10 per cent, the stage 3 ECL as at 31 December 2020 would increase by approximately NOK 2 billion.

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 criterions for default are satisfied.

For exposures in stage 3 where ECL is measured individually per customer, significant judgement is applied when determining assumptions used as input for the customer's future cash flow and assumptions related to valuation of collateral, including the point in time when collateral is potentially taken over.

Sensitivities are disclosed separately above.

Note 6 Credit risk exposure and collateral

Credit risk exposure and collateral as at 31 December 2020 **DNB Bank ASA**

Amounts in NOK million	Maximum exposure to credit risk	Secured by real estate	Collateralised by securities	Other collateral [1]
Deposits with central banks	281 266		10 880	
Due from credit institutions	360 174		63 395	2
Loans to customers	883 722	362 787	81 733	216 709
Commercial paper and bonds	327 983			
Financial derivatives	198 009		494	125 662
Other assets	12 851			
Total maximum exposure to credit risk reflected on the balance sheet	2 064 005	362 787	156 503	342 373
Guarantees	11 074	52		5 842
Unutilised credit lines and loan offers	577 849	49 463		65 823
Other commitments	76 736	3 931		10 575
Total maximum exposure to credit risk not reflected on the balance sheet	665 659	53 447		82 239
Total	2 729 664	416 234	156 503	424 612
Of which subject to expected credit loss:				
Deposits with central banks	*281 266*		*10 880*	
Due from credit institutions	*360 174*		*63 395*	*2*
Loans to customers	*876 692*	*356 994*	*81 733*	*216 660*
Commercial paper and bonds	*78 820*			
Total maximum exposure to credit risk reflected on the balance sheet	*1 596 952*	*356 994*	*156 009*	*216 661*
Guarantees	*11 074*	*52*		*5 842*
Unutilised credit lines and loan offers	*577 849*	*49 463*		*65 823*
Other commitments	*76 736*	*3 931*		*10 575*
Total maximum exposure to credit risk not reflected on the balance sheet	*665 659*	*53 447*		*82 239*
Total	*2 262 611*	*410 442*	*156 009*	*298 901*
Of which stage 3:				
Loans to customers	*16 039*	*2 952*		*12 711*
Total maximum exposure to credit risk reflected on the balance sheet	*16 039*	*2 952*		*12 711*
Guarantees	*1 581*			*1 581*
Unutilised credit lines and loan offers	*2 026*	*87*		*629*
Other commitments	*900*	*31*		*325*
Total maximum exposure to credit risk not reflected on the balance sheet	*4 506*	*118*		*2 534*
Total	*20 545*	*3 069*		*15 246*

1) Other collateral includes the assessed fair value of movables, sureties, ships and cash as well as other credit enhancements, such as netting agreements and guarantees received.

Financial assets of NOK 4 837 million in stage 3 have no credit loss due to collateralisation.

Note 6 Credit risk exposure and collateral (continued)

Credit risk exposure and collateral as at 31 December 2019 **DNB Bank ASA**

Amounts in NOK million	Maximum exposure to credit risk	Secured by real estate	Collateralised by securities	Other collateral [1]
Deposits with central banks	300 288		40 014	
Due from credit institutions	394 237		84 877	59
Loans to customers	880 203	367 284	81 733	212 582
Commercial paper and bonds	231 910			
Financial derivatives	136 255		200	93 239
Other assets	11 458			
Total maximum exposure to credit risk reflected on the balance sheet	1 954 351	367 284	206 825	305 880
Guarantees	15 635	12		6 863
Unutilised credit lines and loan offers	440 838	42 817		62 497
Other commitments	77 038	4 692		12 380
Total maximum exposure to credit risk not reflected on the balance sheet	533 510	47 521		81 740
Total	2 487 861	414 805	206 825	387 621
Of which subject to expected credit loss:				
Deposits with central banks	*300 288*		*40 014*	
Due from credit institutions	*394 237*		*84 877*	*59*
Loans to customers	*871 708*	*360 110*	*81 733*	*212 544*
Commercial paper and bonds	*52 164*			
Total maximum exposure to credit risk reflected on the balance sheet	*1 618 396*	*360 110*	*206 625*	*212 603*
Guarantees	*15 635*	*12*		*6 863*
Unutilised credit lines and loan offers	*440 838*	*42 816*		*62 497*
Other commitments	*77 038*	*4 692*		*12 380*
Total maximum exposure to credit risk not reflected on the balance sheet	*533 510*	*47 520*		*81 740*
Total	*2 151 906*	*407 631*	*206 625*	*294 344*
Of which stage 3:				
Loans to customers	*13 387*	*2 915*		*7 987*
Total maximum exposure to credit risk reflected on the balance sheet	*13 387*	*2 915*		*7 987*
Guarantees	*580*			*314*
Unutilised credit lines and loan offers	*1 515*	*154*		*118*
Other commitments	*604*	*42*		*97*
Total maximum exposure to credit risk not reflected on the balance sheet	*2 698*	*196*		*528*
Total	*16 086*	*3 111*		*8 515*

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 1 388 million in stage 3 have no credit loss due to collateralisation.

Note 6 Credit risk exposure and collateral (continued)

Credit risk exposure and collateral as at 31 December 2020 **DNB Bank Group**

Amounts in NOK million	Maximum exposure to credit risk	Secured by real estate	Collateralised by securities	Other collateral [1]
Deposits with central banks	282 785		10 880	
Due from credit institutions	77 289		63 395	2
Loans to customers	1 703 524	1 053 872	82 141	258 712
Commercial paper and bonds	279 732			
Financial derivatives	187 534		494	124 190
Other assets	8 355			
Total maximum exposure to credit risk reflected on the balance sheet	2 539 219	1 053 872	156 911	382 904
Guarantees	11 111	52		5 842
Unutilised credit lines and loan offers	632 349	134 712		84 381
Other commitments	80 150	3 977		10 869
Total maximum exposure to credit risk not reflected on the balance sheet	723 609	138 741		101 091
Total	3 262 828	1 192 613	156 911	483 995
Of which subject to expected credit loss:				
Deposits with central banks	*282 785*		*10 880*	
Due from credit institutions	*77 289*		*63 395*	*2*
Loans to customers	*1 655 549*	*1 007 387*	*82 141*	*258 649*
Commercial paper and bonds	*90 457*			
Total maximum exposure to credit risk reflected on the balance sheet	*2 106 080*	*1 007 387*	*156 417*	*258 650*
Guarantees	*11 111*	*52*		*5 842*
Unutilised credit lines and loan offers	*632 349*	*134 707*		*84 381*
Other commitments	*80 150*	*3 977*		*10 869*
Total maximum exposure to credit risk not reflected on the balance sheet	*723 609*	*138 736*		*101 091*
Total	*2 829 689*	*1 146 123*	*156 417*	*359 742*
Of which stage 3:				
Loans to customers	*19 976*	*3 934*		*15 898*
Total maximum exposure to credit risk reflected on the balance sheet	*19 976*	*3 934*		*15 898*
Guarantees	*1 581*			*1 581*
Unutilised credit lines and loan offers	*2 892*	*90*		*1 429*
Other commitments	*951*	*31*		*325*
Total maximum exposure to credit risk not reflected on the balance sheet	*5 423*	*121*		*3 335*
Total	*25 399*	*4 055*		*19 234*

1) *Other collateral includes the assessed fair value of movables, sureties, ships and cash as well as other credit enhancements, such as netting agreements and guarantees received.*

Financial assets of NOK 5 725 million in stage 3 have no credit loss due to collateralisation.

Note 6 Credit risk exposure and collateral (continued)

Credit risk exposure and collateral as at 31 December 2019 **DNB Bank 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	101 165		84 877	59
Loans to customers	1 671 350	1 018 581	82 404	255 561
Commercial paper and bonds	222 368			
Financial derivatives	125 364		200	92 675
Other assets	7 651			
Total maximum exposure to credit risk reflected on the balance sheet	2 431 617	1 018 581	207 496	348 295
Guarantees	15 638	12		6 863
Unutilised credit lines and loan offers	597 823	120 979	6	79 651
Other commitments	80 499	4 737		12 568
Total maximum exposure to credit risk not reflected on the balance sheet	693 960	125 728	6	99 083
Total	3 125 577	1 144 309	207 501	447 378
Of which subject to expected credit loss:				
Deposits with central banks	*303 720*		*40 014*	
Due from credit institutions	*101 165*		*84 877*	*59*
Loans to customers	*1 621 354*	*970 185*	*82 404*	*255 738*
Commercial paper and bonds	*58 863*			
Total maximum exposure to credit risk reflected on the balance sheet	*2 085 101*	*970 185*	*207 296*	*255 797*
Guarantees	*15 638*	*12*		*6 863*
Unutilised credit lines and loan offers	*597 823*	*120 974*	*6*	*79 651*
Other commitments	*80 499*	*4 737*		*12 568*
Total maximum exposure to credit risk not reflected on the balance sheet	*693 960*	*125 723*	*6*	*99 083*
Total	*2 779 062*	*1 095 908*	*207 302*	*354 880*
Of which stage 3:				
Loans to customers	*15 393*	*4 024*		*9 567*
Total maximum exposure to credit risk reflected on the balance sheet	*15 393*	*4 024*		*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	*18 192*	*4 231*		*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 2 032 million in stage 3 have no credit loss due to collateralisation.

The table above includes on and off-balance sheet items which entail credit risk and the assessed value of related collateral. If available, fair values are used. In general, fair values are estimated according to different techniques depending on the type of collateral. With respect to properties, models estimating the value of collateral based on market parameters for similar properties, are used. Corresponding techniques are used for other non-financial collateral. In order to reflect the effective available collateral value, the fair value of collateral included in the table is limited to the maximum credit exposure of the individual loan or exposure.

Comments to the main items as at 31 December 2020:

- *Deposits with central banks:* Deposits with Norges Bank totalled NOK 33 million. DNB engages only in short-term transactions with central banks outside Norway, mainly in OECD countries.
- *Loans to customers:* See further description under "Guidelines for credit activity" in note 4 Credit risk management.
- *Commercial paper and bonds:* The Group's investments in commercial paper and bonds, are within market risk limits approved by the Board of Directors.
- *Financial derivatives:* Other collateral represents netting opportunities against other outstanding balances with customers and cash collateral received.
- *Guarantees:* See further description under "Guidelines for credit activity" in note 4 Credit risk management.
- *Unutilised credit lines and loan offers:* Offers of loans, credits and credit lines totalling NOK 155 741 million for the DNB Bank Group and 155 503 for the DNB Bank ASA were included in the maximum credit exposure. No formal collateral has been established for such exposure, and the assessed value is not included in the table. Collateral is established once the offers are accepted by the customers. The assessment of the value of any collateral established in connection with such offers follows the procedure and criteria described under "Guidelines for credit activity" in note 4 Credit risk management.

Note 7 Credit risk exposure by risk grade

In the tables below, all loans to customers and financial commitments to customers are presented by risk grade. The amounts are based on the gross carrying amount and the maximum exposure before adjustments for impairments.

Loans as at 31 December 2020 — **DNB Bank ASA**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Risk grade based on probability of default					
1 - 4	482 080	25 871		94 623	602 575
5 - 7	139 159	43 485		28 468	211 111
8 - 10	18 084	34 821		2 633	55 538
Credit impared			26 189	456	26 645
Total	639 323	104 177	26 189	126 180	895 870

Loans as at 31 December 2019 — **DNB Bank ASA**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Risk grade based on probability of default					
1 - 4	500 117	1 826		102 046	603 988
5 - 7	160 552	17 210		30 849	208 611
8 - 10	18 197	34 697		2 270	54 918
Credit impared			21 251	491	21 988
Total	678 866	53 733	21 251	135 656	889 505

Figures from 31 December 2020 do not include loans at fair value through other comprehensive income in the stage columns. Loans at fair value through other comprehensive income is presented in the column Loans at fair value. Historical figures have been adjusted accordingly.

Loans as at 31 December 2020 — **DNB Bank 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	1 164 019	26 902		37 739	1 221 642
5 - 7	308 582	66 352		9 609	384 544
8 - 10	27 623	44 079		580	72 282
Credit impared			32 006	47	32 054
Total	1 500 223	137 333	32 006	47 975	1 717 538

Loans as at 31 December 2019 — **DNB Bank 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	1 171 531	3 496		38 660	1 213 687
5 - 7	322 663	40 141		10 730	373 533
8 - 10	24 823	44 653		567	70 043
Credit impared			24 297	39	24 336
Total	1 519 017	88 291	24 297	49 995	1 681 600

Note 7 Credit risk exposure by risk grade (continued)

Financial commitments as at 31 December 2020 — **DNB Bank ASA**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Risk grade based on probability of default				
1 - 4	379 977	8 285		388 262
5 - 7	83 588	8 235		91 823
8 - 10	7 704	13 132		20 836
Credit impared			5 107	5 107
Total	471 269	29 652	5 107	506 028

Financial commitments as at 31 December 2019 — **DNB Bank ASA**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Risk grade based on probability of default				
1 - 4	360 246	490		360 736
5 - 7	74 693	3 884		78 577
8 - 10	7 827	9 164		16 991
Credit impared			3 245	3 245
Total	442 766	13 537	3 245	459 547

Financial commitments as at 31 December 2020 — **DNB Bank Group**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Risk grade based on probability of default				
1 - 4	533 875	8 310		542 185
5 - 7	105 031	12 005		117 036
8 - 10	9 075	16 164		25 239
Credit impared			6 024	6 024
Total	647 981	36 478	6 024	690 484

Financial commitments as at 31 December 2019 — **DNB Bank Group**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Risk grade based on probability of default				
1 - 4	509 851	721		510 572
5 - 7	99 074	7 824		106 898
8 - 10	8 420	15 249		23 669
Credit impared			3 343	3 343
Total	617 345	23 794	3 343	644 482

Note 8 Impairment of financial instruments

DNB Bank ASA

Amounts in NOK million	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Originated and purchased	(3)			(3)	(8)	(2)		(10)
Increased expected credit loss	(1 371)	(2 677)	(10 674)	(14 723)	(342)	(1 698)	(5 879)	(7 919)
Decreased expected credit loss	859	2 394	5 093	8 346	332	1 771	3 804	5 907
Derecognition	4	0	76	80	20	81	37	137
Write-offs		(1)	(1 888)	(1 889)		(2)	(727)	(729)
Recoveries on loans previously written off			104	104			129	129
Total impairment	**(512)**	**(283)**	**(7 289)**	**(8 085)**	**2**	**150**	**(2 636)**	**(2 484)**

DNB Bank Group

Amounts in NOK million	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Originated and purchased	(72)	(17)		(89)	(62)	(5)		(66)
Increased expected credit loss	(1 755)	(4 043)	(12 631)	(18 429)	(464)	(2 071)	(6 568)	(9 103)
Decreased expected credit loss	1 201	3 996	5 112	10 309	539	2 516	4 381	7 436
Derecognition	30	14	76	120	37	85	40	162
Write-offs			(1 949)	(1 949)		(2)	(755)	(757)
Recoveries on loans previously written off			119	119			138	138
Total impairment	**(596)**	**(50)**	**(9 272)**	**(9 918)**	**50**	**523**	**(2 765)**	**(2 191)**

The contractual amount outstanding on financial assets that were written off during the reporting period and is still subject to enforcement activity, was NOK 73 million as at 31 December 2020 for DNB Bank ASA (NOK 70 million as at 31 December 2019) and NOK 98 million as at 31 December 2020 for DNB Bank Group (NOK 100 million as at 31 December 2019).

Note 9 Development in gross carrying amount and maximum exposure

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

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

Loans to customers at amortised cost [1] — **DNB Bank ASA**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	**607 258**	**49 259**	**23 195**	**679 712**
Transfer to stage 1	30 164	(29 754)	(410)	
Transfer to stage 2	(43 838)	46 368	(2 530)	
Transfer to stage 3	(3 152)	(3 027)	6 180	
Originated and purchased	259 090	5 079		264 168
Derecognition	(184 994)	(14 212)	(5 220)	(204 426)
Exchange rate movements	(870)	(55)	36	(889)
Other [2]	15 208	76		15 284
Gross carrying amount as at 31 December 2019	**678 866**	**53 733**	**21 251**	**753 849**
Transfer to stage 1	79 625	(78 833)	(791)	
Transfer to stage 2	(164 007)	166 338	(2 331)	
Transfer to stage 3	(3 370)	(13 748)	17 118	
Originated and purchased	249 639	20 195		269 834
Derecognition	(206 086)	(43 900)	(9 307)	(259 293)
Exchange rate movements	4 656	393	250	5 299
Other				
Gross carrying amount as at 31 December 2020	**639 323**	**104 177**	**26 189**	**769 690**

1) *Figures from 1 January 2020 are recognised excluding loans at fair value through other comprehensive income. Historical figures have been adjusted accordingly.*
2) *With accounting effect from 1 January 2019, DNB Næringskreditt AS was merged with DNB Bank ASA. The merger means that DNB Bank has taken over all assets, rights and obligations belonging to DNB Næringskreditt without remuneration.*

Loans to customers at amortised cost — **DNB Bank Group**

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	**1 449 032**	**82 255**	**27 832**	**1 559 120**
Transfer to stage 1	67 630	(66 796)	(835)	
Transfer to stage 2	(91 879)	96 543	(4 664)	
Transfer to stage 3	(3 842)	(5 350)	9 192	
Originated and purchased	470 770	4 753		475 523
Derecognition	(373 187)	(23 305)	(7 324)	(403 815)
Exchange rate movements	305	190	95	590
Other	188	0	0	188
Gross carrying amount as at 31 December 2019	**1 519 017**	**88 291**	**24 297**	**1 631 605**
Transfer to stage 1	124 100	(122 532)	(1 568)	
Transfer to stage 2	(223 662)	227 209	(3 548)	
Transfer to stage 3	(4 363)	(18 364)	22 726	
Originated and purchased	453 660	17 727		471 387
Derecognition	(378 385)	(55 279)	(9 724)	(443 388)
Exchange rate movements	9 854	282	(178)	9 959
Other				
Gross carrying amount as at 31 December 2020	**1 500 223**	**137 333**	**32 006**	**1 669 563**

Note 9 Development in gross carrying amount and maximum exposure (continued)

Financial commitments — DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 1 January 2019	**457 594**	**18 722**	**3 922**	**480 237**
Transfer to stage 1	16 298	(16 054)	(244)	
Transfer to stage 2	(18 622)	18 865	(243)	
Transfer to stage 3	(1 148)	(691)	1 839	
Originated and purchased	345 181	11		345 192
Derecognition	(356 693)	(7 321)	(2 016)	(366 030)
Exchange rate movements	155	5	(12)	149
Maximum exposure as at 31 December 2019	**442 766**	**13 537**	**3 245**	**459 547**
Transfer to stage 1	30 733	(30 504)	(228)	
Transfer to stage 2	(61 869)	62 567	(697)	
Transfer to stage 3	(1 190)	(4 241)	5 430	
Originated and purchased	394 001	1 772		395 773
Derecognition	(334 471)	(13 534)	(2 665)	(350 670)
Exchange rate movements	1 299	56	22	1 377
Maximum exposure as at 31 December 2020	**471 269**	**29 652**	**5 107**	**506 028**

Financial commitments — DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 1 January 2019	**620 917**	**29 462**	**4 152**	**654 531**
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	396 849	0		396 849
Derecognition	(395 478)	(10 062)	(2 198)	(407 737)
Exchange rate movements	715	135	(10)	840
Other				
Maximum exposure as at 31 December 2019	**617 345**	**23 794**	**3 343**	**644 482**
Transfer to stage 1	40 614	(40 382)	(233)	
Transfer to stage 2	(75 629)	76 330	(701)	
Transfer to stage 3	(1 553)	(8 426)	9 979	
Originated and purchased	427 525	3 451		430 975
Derecognition	(365 259)	(18 486)	(6 314)	(390 058)
Exchange rate movements	4 938	197	(51)	5 084
Other				
Maximum exposure as at 31 December 2020	**647 981**	**36 478**	**6 024**	**690 484**

Note 10 Development in accumulated impairment of financial instruments

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

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

Loans to customers at amortised cost — DNB Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2019	**(154)**	**(850)**	**(7 416)**	**(8 420)**
Transfer to stage 1	(219)	199	20	
Transfer to stage 2	33	(174)	141	
Transfer to stage 3	3	33	(37)	
Originated and purchased	(83)	(137)		(220)
Increased expected credit loss [1]	(201)	(959)	(5 392)	(6 552)
Decreased (reversed) expected credit loss [1]	431	781	2 884	4 096
Write-offs	0	0	1 558	1 558
Derecognition (including repayments)	23	330	19	371
Exchange rate movements	0	1	(30)	(29)
Accumulated impairment as at 31 December 2019	**(168)**	**(777)**	**(8 252)**	**(9 197)**
Transfer to stage 1	(479)	458	21	
Transfer to stage 2	151	(311)	160	
Transfer to stage 3	1	411	(412)	
Originated and purchased	(257)	(217)		(474)
Increased expected credit loss	(721)	(1 865)	(10 051)	(12 637)
Decreased (reversed) expected credit loss	872	999	4 330	6 201
Write-offs			3 660	3 660
Derecognition (including repayments)	49	318	76	443
Exchange rate movements	(3)	(4)	(37)	(44)
Accumulated impairment as at 31 December 2020	**(555)**	**(987)**	**(10 506)**	**(12 048)**

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 an increase in expected credit loss of approximately NOK 70 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)

Loans to customers at amortised cost — DNB Bank Group

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2019	**(351)**	**(1 224)**	**(8 321)**	**(9 897)**
Transfer to stage 1	(351)	319	32	
Transfer to stage 2	58	(276)	218	
Transfer to stage 3	3	86	(90)	
Originated and purchased	(169)	(145)		(314)
Increased expected credit loss [1]	(274)	(1 250)	(6 187)	(7 711)
Decreased (reversed) expected credit loss [1]	745	1 031	3 613	5 389
Write-offs	0	0	1 840	1 840
Derecognition (including repayments)	35	422	40	497
Exchange rate movements	(1)	(6)	(49)	(55)
Accumulated impairment as at 31 December 2019	**(305)**	**(1 041)**	**(8 904)**	**(10 251)**
Transfer to stage 1	(638)	599	38	
Transfer to stage 2	204	(404)	200	
Transfer to stage 3	1	423	(424)	
Originated and purchased	(365)	(270)		(635)
Increased expected credit los	(990)	(2 430)	(12 291)	(15 711)
Decreased (reversed) expected credit loss	1 260	1 365	4 655	7 281
Write-offs			4 587	4 587
Derecognition (including repayments)	72	550	76	698
Exchange rate movements	(0)	(5)	24	18
Accumulated impairment as at 31 December 2020	**(761)**	**(1 213)**	**(12 039)**	**(14 013)**

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 5 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 Bank ASA

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2019	**(117)**	**(436)**	**(569)**	**(1 122)**
Transfer to stage 1	(182)	147	35	
Transfer to stage 2	44	(48)	4	
Transfer to stage 3	0	5	(6)	
Originated and purchased	(121)	(14)		(136)
Increased expected credit loss [1]	(72)	(538)	(1 179)	(1 789)
Decreased (reversed) expected credit loss [1]	333	341	1 155	1 830
Derecognition	4	184		188
Exchange rate movements	0	(1)	(0)	(1)
Other	0	0	14	14
Accumulated impairment as at 31 December 2019	**(111)**	**(358)**	**(546)**	**(1 016)**
Transfer to stage 1	(194)	191	4	
Transfer to stage 2	74	(85)	11	
Transfer to stage 3	1	176	(177)	
Originated and purchased	(295)	(82)		(377)
Increased expected credit loss	(326)	(894)	(1 260)	(2 480)
Decreased (reversed) expected credit loss	619	424	1 368	2 411
Derecognition	3	190		193
Exchange rate movements	0	(1)	(0)	(1)
Other				
Accumulated impairment as at 31 December 2020	**(231)**	**(438)**	**(601)**	**(1 270)**

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 an increase in expected credit loss of approximately NOK 70 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 Bank Group**
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2019	**(149)**	**(1 001)**	**(569)**	**(1 719)**
Transfer to stage 1	(187)	152	35	
Transfer to stage 2	46	(50)	4	
Transfer to stage 3	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)**
Transfer to stage 1	(227)	224	4	
Transfer to stage 2	82	(93)	11	
Transfer to stage 3	1	314	(315)	
Originated and purchased	(351)	(92)		(443)
Increased expected credit loss	(388)	(1 602)	(1 663)	(3 654)
Decreased (reversed) expected credit loss	734	1 049	1 906	3 689
Derecognition	12	312	0	324
Exchange rate movements	1	(11)	(0)	(11)
Other				
Accumulated impairment as at 31 December 2020	**(284)**	**(566)**	**(601)**	**(1 451)**

1) *In the second quarter of 2019, DNB performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans and financial commitments. The net effect of the recalibration is a decrease in expected credit loss of NOK 5 million. As the recalibration resulted in both increases and decreases on a financial instrument level, the effect is included in the flows 'Increased expected credit loss' and 'Decreased (reversed) expected credit loss'.*

Note 11 Loans and financial commitments to customers by industry segment

Loans to customers as at 31 December 2020 — **DNB Bank ASA**

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	85 219	(16)	(34)	(353)	3	84 819
Commercial real estate	184 694	(102)	(54)	(363)	161	184 337
Shipping	23 693	(25)	(163)	(236)		23 269
Oil, gas and offshore	40 263	(81)	(153)	(6 559)		33 471
Power and renewables	24 085	(11)	(2)	(244)		23 828
Healthcare	727	(0)	(0)			727
Public sector	8 173	(0)	(0)	(0)		8 175
Fishing, fish farming and farming	47 238	(48)	(68)	(145)	253	47 231
Retail industries	31 257	(20)	(53)	(322)	20	30 881
Manufacturing	31 511	(20)	(68)	(131)		31 292
Technology, media and telecom	13 097	(7)	(8)	(15)		13 068
Services	70 657	(39)	(109)	(612)	35	69 931
Residential property	81 006	(31)	(21)	(143)	2 095	82 906
Personal customers	73 582	(116)	(119)	(391)	123 481	196 437
Other corporate customers	54 487	(38)	(135)	(993)	28	53 348
Total [1]	**769 690**	**(555)**	**(987)**	**(10 506)**	**126 078**	**883 720**

1) *Of which NOK 54 166 million in repo trading volumes.*
2) *Figures from 31 December 2020 do not include loans at fair value through other comprehensive income (FVOCI) in the Gross carrying amount column. FVOCI is presented in the column Loans at fair value. Historical figures have been adjusted accordingly*

Loans to customers as at 31 December 2019 — **DNB Bank ASA**

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	94 216	(4)	(8)	(23)	8	94 190
Commercial real estate	171 103	(9)	(32)	(367)	168	170 864
Shipping	26 803	(19)	(58)	(262)		26 463
Oil, gas and offshore	47 107	(30)	(225)	(4 164)		42 689
Power and renewables	24 398	(2)	(2)	(9)		24 386
Healthcare	2 022	(0)	(0)			2 022
Public sector	10 775	(0)	(0)	(0)	5	10 780
Fishing, fish farming and farming	36 923	(5)	(28)	(143)	182	36 929
Retail industries	36 354	(4)	(17)	(672)	11	35 672
Manufacturing	35 501	(5)	(30)	(190)	4	35 280
Technology, media and telecom	11 053	(5)	(6)	(25)	3	11 019
Services	61 338	(13)	(31)	(653)	75	60 716
Residential property	68 991	(5)	(12)	(121)	2 014	70 867
Personal customers	70 171	(51)	(281)	(455)	133 043	202 427
Other corporate customers	57 094	(14)	(46)	(1 170)	36	55 900
Total [1]	**753 849**	**(168)**	**(777)**	**(8 252)**	**135 550**	**880 203**

1) *Of which NOK 56 049 million in repo trading volumes*

Note 11 Loans and financial commitments to customers by industry segment (continued)

Loans to customers as at 31 December 2020 **DNB Bank Group**

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	102 834	(17)	(34)	(353)		102 430
Commercial real estate	188 048	(103)	(56)	(389)	107	187 607
Shipping	41 633	(45)	(227)	(327)		41 033
Oil, gas and offshore	57 588	(113)	(224)	(7 671)		49 580
Power and renewables	31 866	(38)	(4)	(248)		31 576
Healthcare	16 857	(4)	(0)			16 853
Public sector	11 764	(16)	(0)	(0)		11 748
Fishing, fish farming and farming	51 680	(56)	(68)	(145)	119	51 531
Retail industries	35 653	(29)	(79)	(430)	16	35 131
Manufacturing	37 539	(37)	(68)	(132)		37 303
Technology, media and telecom	25 325	(23)	(12)	(15)	3	25 279
Services	79 749	(57)	(111)	(612)	24	78 993
Residential property	102 951	(32)	(22)	(143)	296	103 050
Personal customers	821 154	(141)	(141)	(558)	47 394	867 708
Other corporate customers	64 923	(53)	(166)	(1 017)	16	63 703
Total [1]	**1 669 563**	**(761)**	**(1 213)**	**(12 039)**	**47 975**	**1 703 524**

1) Of which NOK 54 166 million in repo trading volumes.

Loans to customers as at 31 December 2019 **DNB Bank Group**

Amounts in NOK million	Gross carrying amount	Accumulated impairment Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	122 024	(8)	(8)	(23)	5	121 991
Commercial real estate	173 751	(10)	(37)	(384)	144	173 464
Shipping	47 076	(47)	(94)	(285)		46 651
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	71 390
Residential property	89 719	(6)	(13)	(121)	362	89 941
Personal customers	781 089	(72)	(307)	(641)	48 962	829 030
Other corporate customers	66 203	(17)	(58)	(1 345)	69	64 852
Total [1]	**1 631 605**	**(305)**	**(1 041)**	**(8 904)**	**49 995**	**1 671 350**

1) Of which NOK 56 049 million in repo trading volumes.

Note 11 Loans and financial commitments to customers by industry segment (continued)

Financial commitments as at 31 December 2020 **DNB Bank ASA**

Amounts in NOK million	Maximum exposure	Accumulated impairment Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	21 820	(8)	(3)	(0)	21 809
Commercial real estate	25 901	(17)	(2)	(3)	25 880
Shipping	6 848	(12)	(11)	(7)	6 819
Oil, gas and offshore	29 008	(62)	(191)	(294)	28 460
Power and renewables	37 967	(15)	(0)		37 951
Healthcare	2 162	(0)	(0)		2 161
Public sector	5 848	(0)	(0)		5 848
Fishing, fish farming and farming	16 215	(12)	(6)	(9)	16 188
Retail industries	29 576	(12)	(37)	(14)	29 513
Manufacturing	38 036	(18)	(53)	(3)	37 962
Technology, media and telecom	11 623	(5)	(1)	(0)	11 617
Services	25 681	(14)	(53)	(22)	25 592
Residential property	38 030	(17)	(2)	(5)	38 007
Personal customers	186 270	(20)	(10)	0	186 240
Other corporate customers	31 043	(18)	(68)	(245)	30 711
Total	**506 028**	**(231)**	**(438)**	**(601)**	**504 758**

Financial commitments as at 31 December 2019 **DNB Bank ASA**

Amounts in NOK million	Maximum exposure	Accumulated impairment Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	19 341	(4)	(1)	(0)	19 336
Commercial real estate	26 505	(2)	(1)	(4)	26 498
Shipping	6 638	(10)	(30)		6 598
Oil, gas and offshore	31 259	(44)	(168)	(268)	30 780
Power and renewables	25 617	(2)	(18)		25 597
Healthcare	895	(0)	(0)		895
Public sector	7 226		(0)		7 226
Fishing, fish farming and farming	16 971	(2)	(0)	(6)	16 962
Retail industries	26 263	(3)	(14)	(39)	26 208
Manufacturing	37 307	(6)	(29)	(2)	37 270
Technology, media and telecom	8 461	(3)	(3)	(0)	8 454
Services	22 588	(9)	(16)	(21)	22 541
Residential property	33 352	(2)	(1)	(3)	33 345
Personal customers	162 818	(14)	(65)	(0)	162 739
Other corporate customers	34 307	(9)	(12)	(202)	34 084
Total	**459 547**	**(111)**	**(358)**	**(546)**	**458 532**

Note 11 Loans and financial commitments to customers by industry segment (continued)

Financial commitments as at 31 December 2020 — DNB Bank Group

Amounts in NOK million	Maximum exposure	Accumulated impairment Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	27 712	(10)	(3)	(0)	27 700
Commercial real estate	25 561	(17)	(2)	(3)	25 539
Shipping	9 830	(15)	(14)	(7)	9 794
Oil, gas and offshore	47 598	(70)	(301)	(294)	46 933
Power and renewables	42 141	(28)	(0)		42 112
Healthcare	23 556	(4)	(0)		23 553
Public sector	10 266	(0)	(0)		10 266
Fishing, fish farming and farming	17 366	(14)	(6)	(9)	17 337
Retail industries	34 807	(18)	(37)	(14)	34 738
Manufacturing	54 314	(24)	(61)	(3)	54 226
Technology, media and telecom	20 871	(8)	(6)	(0)	20 857
Services	28 780	(19)	(54)	(22)	28 687
Residential property	38 147	(17)	(2)	(5)	38 124
Personal customers	272 061	(21)	(11)	0	272 029
Other corporate customers	37 474	(20)	(69)	(245)	37 140
Total	**690 484**	**(284)**	**(566)**	**(601)**	**689 033**

Financial commitments as at 31 December 2019 — DNB Bank Group

Amounts in NOK million	Maximum exposure	Accumulated impairment Stage 1	Stage 2	Stage 3	Total
Bank, insurance and portfolio management	26 189	(5)	(1)	(0)	26 183
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	**644 482**	**(146)**	**(667)**	**(543)**	**643 124**

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 banking 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 banking group's overall risk, see note 4 Risk management. Economic capital for market risk should cover potential market risk losses at the 99.9 per cent confidence level over a one year horizon. Exposures included in the model could be either actual exposures or limits.

Economic capital for total market risk in the banking group at year-end 2020 was NOK 8.9 billion, compared with NOK 5.8 billion in 2019. The change in economic capital is largely due to the inclusion of CVA risk in the estimation of market risk.

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 the DNB Bank Group excluding 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 the DNB Bank Group relative to the bank's positions. Also, all interest rate movements within the same interval will be unfavourable for the banking group. The figures will thus reflect maximum losses for the DNB Bank Group.

The calculations are based on the banking 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 Bank Group [1]
Amounts in NOK million	Up to 1 month	From 1 months to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
31 December 2020						
NOK	758	216	417	153	200	172
USD	94	44	25	33	73	153
EUR	78	45	23	13	149	171
GBP	3	6			1	9
SEK	33	8	16	5	2	32
Other currencies	5	28	7	6	3	38
31 December 2019						
NOK	10	447	489	596	98	465
USD	1	118	81	100	9	72
EUR	4	50	5	20	87	109
GBP	3	4	10	2		11
SEK	40	7	24	10	3	36
Other currencies	8	23	27	5	2	55

1) The figures do not include the operations in DNB Poland and are identical for DNB Bank ASA.

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.

DNB Bank ASA			DNB Bank Group	
Net currency positions			Net currency positions	
31 Dec. 2019	31 Dec. 2020	*Amounts in NOK million*	31 Dec. 2020	31 Dec. 2019
1 174	163	USD	163	1 174
(623)	1 171	EUR	1 173	(620)
(40)	(932)	GBP	(932)	(40)
(73)	(173)	SEK	(173)	(73)
13	468	DKK	468	14
5	4	CHF	5	5
(31)	(30)	JPY	(30)	(31)
227	132	Other	132	227
653	803	Total foreign currencies	806	657

Note 15 Financial derivatives and hedge accounting

The majority of derivative transactions in DNB relate to transactions with customers, where DNB enables them to transfer, modify, take or reduce prevailing or expected risk. Derivatives are also used to hedge currency and interest rate risk arising in connection with funding and lending. In addition, Markets conducts derivative trading for their own account and also acts as market maker. A market maker is obliged to furnish both offer and bid prices with a maximum differential between offer and bid price, together with a minimum volume. Market makers always trade for their own account.

DNB uses a range of financial derivatives for both trading and hedging purposes. "Over the counter" (OTC) derivatives are contracts entered into outside an exchange where terms are negotiated directly with the counterparties. OTC derivatives are usually traded under a standardised International Swaps and Derivatives Association (ISDA) master agreement between DNB and its counterparties. Exchange-traded derivatives are derivative contracts with standardised terms for amounts and settlement dates, which are bought and sold on regulated exchanges.

DNB Bank ASA

	31 December 2020			31 December 2019		
Amounts in NOK million	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
Derivatives held for trading						
Interest rate-related contracts						
Forward rate agreements	1 208 295	1 002	851	1 475 226	331	321
Swaps	3 756 429	78 902	82 956	3 507 756	52 537	62 523
OTC options	105 181	451	412	102 492	560	553
Total interest rate-related contracts	5 069 904	80 355	84 219	5 085 475	53 428	63 397
Foreign exchange-related contracts						
Forward contracts	98 784	10 936	11 607	56 568	7 069	6 592
Swaps	1 946 533	35 379	55 341	1 634 769	27 710	46 441
OTC options	18 328	1 410	1 100	21 288	1 291	983
Total foreign exchange-related contracts	2 063 645	47 726	68 048	1 712 625	36 070	54 016
Equity-related contracts						
Forward contracts	2 490	1 405	1 216	4 896	2 379	1 032
Other	2 430	343	327	3 276	333	476
Total OTC derivatives	4 920	1 748	1 543	8 172	2 712	1 508
Futures	2 444	0	0	949	0	1
Other	3 427	23	59	5 041	82	82
Total exchange-traded contracts	5 871	23	59	5 990	82	83
Total equity-related contracts	10 791	1 771	1 602	14 161	2 794	1 591
Commodity-related contracts						
Swaps and options	81 234	5 051	4 619	66 666	3 573	2 970
Total commodity related contracts	81 234	5 051	4 619	66 666	3 573	2 970
Total financial derivatives trading	7 225 574	134 902	158 487	6 878 926	95 865	121 973
Derivatives held for hedge accounting						
Fair value hedges of interest rate risk						
Interest rate swaps	230 129	6 143	3 195	221 430	6 560	1 406
Total financial derivatives hedge accounting	230 129	6 143	3 195	221 430	6 560	1 406
Collateral pledged/received on financial derivatives						
Total cash collateral pledged/received		56 964	50 822		33 830	44 970
Total financial derivatives	**7 455 703**	**198 009**	**212 505**	**7 100 356**	**136 255**	**168 349**

Note 15 Financial derivatives and hedge accounting (continued)

DNB Bank Group

Amounts in NOK million	31 December 2020 Total nominal values	Positive market value	Negative market value	31 December 2019 Total nominal values	Positive market value	Negative market value
Derivatives held for trading						
Interest rate-related contracts						
Forward rate agreements	1 208 065	1 002	851	1 475 226	331	321
Swaps	2 787 741	52 642	57 200	2 745 961	30 840	40 683
OTC options	105 181	449	413	102 568	560	552
Total interest rate-related contracts	4 100 987	54 093	58 463	4 323 755	31 731	41 556
Foreign exchange-related contracts						
Forward contracts	100 841	10 980	11 630	60 122	7 054	6 597
Swaps	1 573 133	27 124	42 977	1 269 246	17 434	15 877
OTC options	18 455	1 303	1 100	21 527	1 290	982
Total foreign exchange-related contracts	1 692 429	39 407	55 708	1 350 895	25 778	23 457
Equity-related contracts						
Forward contracts	2 490	1 405	1 216	4 896	2 379	1 032
Other	2 430	343	327	3 293	372	476
Total OTC derivatives	4 920	1 748	1 543	8 188	2 751	1 508
Futures	2 444	0	0	949	0	1
Other	3 427	23	59	5 041	82	82
Total exchange-traded contracts	5 871	23	59	5 990	82	83
Total equity-related contracts	10 791	1 771	1 602	14 178	2 833	1 591
Commodity-related contracts						
Swaps and options	81 234	5 051	4 619	66 679	3 573	2 970
Total commodity related contracts	81 234	5 051	4 619	66 679	3 573	2 970
Total financial derivatives trading	5 885 441	100 322	120 391	5 755 507	63 914	69 574
Derivatives held for hedge accounting						
Fair value hedges of interest rate risk						
Interest rate swaps	575 005	31 558	3 119	566 753	28 121	1 390
Total financial derivatives hedge accounting	575 005	31 558	3 119	566 753	28 121	1 390
Collateral pledged/received on financial derivatives						
Total cash collateral pledged/received		55 654	50 660		33 329	44 906
Total financial derivatives	**6 460 445**	**187 534**	**174 170**	**6 322 260**	**125 364**	**115 871**

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 Bank 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.

The DNB Bank Group uses basis swaps and cross currency interest swaps to convert foreign currency borrowings into the desired currency. As a typical example, DNB raises a loan in euro and converts it into US dollars through a basis swap. In this example DNB pays a US dollar interest rate based on a swap curve and receives a euro interest rate reduced or increased by a margin. The basis swaps are financial derivatives measured at fair value. There may be significant variations in the value of the basis swaps from day to day, due to changes in basis swap spreads. This unhedged risk causes unrealised gains and losses. For the year 2020, there was a NOK 526 million increase in value (positive effect on profits), compared with a NOK 270 million increase in value in 2019.

Hedge accounting

DNB applies fair value hedge of interest rate risk on investments in fixed rate commercial papers and bonds in currency, issued bonds and subordinated debt with fixed interest in currency and net investment hedge of investments in foreign operations in order to reduce or eliminate accounting mismatches. Fair value hedge of interest rate risk is applied both in DNB Bank ASA and in DNB Bank Group, while net investment hedge is only applied in DNB Bank Group.

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.

Note 15 Financial derivatives and hedge accounting (continued)

In fair value hedges of interest rate risk, the interest rate exposure on fixed-rate investments and borrowings is converted to floating rates. Only the interest rate component is hedged. It is determined as the change in fair value arising from changes in the interbank swap interest rate.

The critical terms of the hedging instruments and the hedging objects are set to match at the inception of the hedge and the hedge ratio is 1:1. Consequently, there was no significant hedge ineffectiveness during the year.

Fair value hedges of interest rate risk as at 31 December 2020 — **DNB Bank ASA**

Amounts in NOK million	Balance sheet item	Carrying amount	Accumulated fair value adjustment of the hedged item	Value changes used for calculating hedge ineffectiveness
Hedged exposure				
Investments in bonds	Commercial paper and bonds	70 936	1 709	1 959
Issued bonds	Debt securities issued	141 410	3 302	882
Subordinated debt	Debt securities issued	27 949	163	188
Hedging instrument				
Interest rate swaps	Financial derivatives			(2 981)

Fair value hedges of interest rate risk as at 31 December 2019 — **DNB Bank ASA**

Amounts in NOK million	Balance sheet item	Carrying amount	Accumulated fair value adjustment of the hedged item	Value changes used for calculating hedge ineffectiveness
Hedged exposure				
Investments in bonds	Commercial paper and bonds	46 666	(20)	(20)
Issued bonds	Debt securities issued	166 746	3 468	1 501
Subordinated debt	Debt securities issued	19 405	162	(202)
Hedging instrument				
Interest rate swaps	Financial derivatives			(1 136)

Fair value hedges of interest rate risk as at 31 December 2020 — **DNB Bank Group**

Amounts in NOK million	Balance sheet item	Carrying amount	Accumulated fair value adjustment of the hedged item	Value changes used for calculating hedge ineffectiveness
Hedged exposure				
Investments in bonds	Commercial paper and bonds	70 936	1 709	1 959
Issued bonds	Debt securities issued	514 618	25 555	(486)
Subordinated debt	Debt securities issued	27 949	163	188
Hedging instrument				
Interest rate swaps	Financial derivatives			(1 118)

Fair value hedges of interest rate risk as at 31 December 2019 — **DNB Bank 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

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 was NOK 32 million as at end-December 2020.

Note 15 Financial derivatives and hedge accounting (continued)

Residual maturity of interest rate swaps held as hedging instruments at 31 December 2020 — **DNB Bank ASA**

	Maturity				
Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Fair value hedges of interest rate risk, nominal amounts					
Investments in bonds	254	314		62 329	5 746
Hedges of issued bonds	105	21 138	10 858	107 466	4 474
Hedges of subordinated debt				17 446	

Residual maturity of interest rate swaps held as hedging instruments at 31 December 2019 — **DNB Bank ASA**

	Maturity				
Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Fair value hedges of interest rate risk, nominal amounts					
Investments in bonds				40 765	5 975
Hedges of issued bonds	4 643	247	22 605	125 071	4 665
Hedges of subordinated debt			945	16 516	

Residual maturity of interest rate swaps held as hedging instruments at 31 December 2020 — **DNB Bank Group**

	Maturity				
Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Fair value hedges of interest rate risk, nominal amounts					
Investments in bonds	254	314		62 329	5 746
Hedges of issued bonds	17 590	22 613	31 098	309 784	107 831
Hedges of subordinated debt				17 446	

Residual maturity of interest rate swaps held as hedging instruments at 31 December 2019 — **DNB Bank Group**

	Maturity				
Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Fair value hedges of interest rate risk, nominal amounts					
Investments in bonds				40 765	5 975
Hedges of issued bonds	4 890	286	51 925	332 597	112 856
Hedges of subordinated debt			945	16 516	

In net investment hedges of foreign operations in the DNB Bank Group, 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 DNB Bank Group's subsidiaries with functional currencies of EUR, USD, GBP, SEK and DKK.

The total hedged exposure in the net investment hedges amounted to NOK 64 864 million at 31 December 2020. There was no significant hedge ineffectiveness during the year, since the foreign currency gains and losses on the hedged items were offset by the foreign currency gains and losses on the hedging instruments. The effects of the net investment hedge can be seen in the statement of changes in equity.

Any reclassifications from net investment hedge reserve to the income statement, due to for instance sales of subsidiaries, can be seen in the comprehensive income statement and the statement of changes in equity.

Note 16 Liquidity risk

Liquidity risk is the risk that the DNB Bank Group will be unable to meet its payment obligations. Overall liquidity management in the banking 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 banking group's ratio of deposits to net loans was 67.3 per cent at end-December 2020, down from 57.9 per cent a year earlier.

The first half of the year was greatly affected by the coronavirus pandemic, which led to high levels of uncertainty in the market for a while. A healthy pre-pandemic liquidity and financing situation gave DNB a good starting position, and the bank was able to wait until the market calmed down, activity levels increased, and funding prices approached more normal levels. Interest rate cuts and substantial injections of capital by central banks across the globe contributed to good access to liquidity for banks. Prices fell as summer approached and throughout the second half-year, and DNB had ample access to liquidity at attractive prices.

The long-term funding markets had a positive start to the year and many transactions were issued at all-time-low prices, before the pandemic contributed to a marked deterioration towards the end of the pandemic. Credit risk premiums increased significantly for all bonds, peaking in mid-April. After the summer, activity levels continued to rise in all long-term funding markets, with prices stabilising at pre-pandemic levels. DNB issued large volumes of senior bonds in the fourth quarter of 2019 in preparation for the fulfilment of the upcoming Minimum Requirement for Own funds and Eligible Liabilities (MREL), and the need for long-term funding has therefore been low in 2020. In the subordinated senior bonds market, activity levels were high during the autumn, and DNB successfully issued its first subordinated senior bond in USD in this period. Long-term funding costs remained stable throughout the second half-year, and DNB had good access to funding in all markets.

The nominal value of long-term debt securities issued by the banking group was NOK 619 billion at the end of December 2020, compared with NOK 655 billion a year earlier. The average remaining term to maturity for these long-term debt securities was 3.5 years at the end of December 2020, compared with 3.7 years a year earlier.

The short-term liquidity requirement, the Liquidity Coverage Ratio (LCR), remained stable at above 100 per cent throughout the year and stood at 148 per cent at the end of December 2020.

Note 16 Liquidity risk (continued)

Residual maturity as at 31 December 2020 — DNB Bank ASA

Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Cash and deposits with central banks	261 282		20 674				281 956
Due from credit institutions	262 534	76 030	11 816	7 892	1 902		360 175
Loans to customers	215 919	83 990	98 399	270 364	215 882		884 553
Commercial paper and bonds	10 120	9 023	45 537	229 078	31 042		324 800
Shareholdings						113 078	113 078
Total	749 855	169 043	176 426	507 334	248 826	113 078	1 964 562
Liabilities							
Due to credit institutions	200 875	60 276	14 676	20 522			296 349
Deposits from customers	1 086 616						1 086 616
Debt securities issued	32 409	56 059	88 705	138 933	5 482		321 588
Other liabilities etc.	28 535	25	855	292	1 784		31 491
Subordinated loan capital				26 512	5 640		32 152
Total	1 348 435	116 360	104 236	186 259	12 906		1 768 196
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	488 526	402 811	297 107	704 131	266 697		2 159 271
Outgoing cash flows	493 642	412 138	305 010	693 983	267 257		2 172 030
Financial derivatives, net settlement	129	(303)	(1 144)	(2 504)	(1 283)		(5 106)
Total financial derivatives	(4 987)	(9 630)	(9 047)	7 643	(1 844)		(17 865)
Credit lines, commitments and documentary credit	471 944	7 158	64 491	98 901	23 166		665 659

Residual maturity as at 31 December 2019 — DNB Bank ASA

Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Cash and deposits with central banks	297 547		3 699				301 246
Due from credit institutions	275 300	93 824	15 579	7 630	1 904		394 237
Loans to customers	237 012	77 277	89 943	247 386	231 265	(947)	881 935
Commercial paper and bonds	2 721	2 292	27 502	178 283	20 768		231 565
Shareholdings						123 372	123 372
Total	812 580	173 393	136 723	433 299	253 937	122 425	1 932 355
Liabilities							
Due to credit institutions	190 869	47 080	18 000	21 240			277 188
Deposits from customers	956 661						956 661
Debt securities issued	57 708	95 771	89 102	164 849	5 694		413 124
Other liabilities etc.	40 143	2 892	3 402	3 871	1 791		52 100
Subordinated loan capital		214		24 943	5 774		30 931
Total	1 245 381	145 957	110 504	214 903	13 259		1 730 004
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	428 918	354 214	230 649	723 251	312 019		2 049 050
Outgoing cash flows	433 533	356 998	230 846	728 128	310 351		2 059 856
Financial derivatives, net settlement	340	1 421	(931)	636	(371)		1 095
Total financial derivatives	(4 275)	(1 363)	(1 128)	(4 241)	1 297		(9 710)
Credit lines, commitments and documentary credit	341 273	5 793	58 061	103 903	24 480		533 510

Nominal future interest payments in excess of accrued interest are not included on the balance sheet date.

Note 16 Liquidity risk (continued)

Residual maturity as at 31 December 2020 — **DNB Bank Group**

Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Cash and deposits with central banks	262 852		20 674				283 526
Due from credit institutions	56 530	19 076	1 284	406			77 295
Loans to customers	229 849	98 498	112 703	344 637	918 253		1 703 940
Commercial paper and bonds	13 410	10 584	41 367	180 105	31 222		276 687
Shareholdings						14 300	14 300
Total	562 641	128 158	176 028	525 148	949 475	14 300	2 355 748
Liabilities							
Due to credit institutions	109 271	64 420	12 650	20 653			206 995
Deposits from customers	1 112 055						1 112 055
Debt securities issued	51 443	62 262	140 845	395 033	112 109		761 691
Other liabilities etc.	16 075	22	1 016	294	1 784		19 192
Subordinated loan capital		192		26 320	5 640		32 152
Total	1 288 844	126 896	154 511	442 300	119 533		2 132 085
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	465 816	398 033	259 362	472 962	163 849		1 760 022
Outgoing cash flows	471 393	407 199	267 925	475 037	164 351		1 785 905
Financial derivatives, net settlement	896	1 022	2 875	10 765	8 884		24 442
Total financial derivatives	(4 681)	(8 145)	(5 687)	8 690	8 381		(1 441)
Credit lines, commitments and documentary credit	349 444	8 819	75 363	182 541	107 442		723 609

Residual maturity as at 31 December 2019 — **DNB Bank 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	60 105	35 926	5 064	70			101 165
Loans to customers	261 535	89 564	102 156	325 393	895 515	(1 333)	1 672 830
Commercial paper and bonds	2 965	2 292	19 732	172 081	24 860		221 930
Shareholdings						15 966	15 966
Total	625 652	127 782	130 651	497 544	920 375	14 633	2 316 637
Liabilities							
Due to credit institutions	151 900	37 361	12 493	424			202 177
Deposits from customers	977 536						977 536
Debt securities issued	58 053	104 615	130 318	438 372	117 524		848 882
Other liabilities etc.	14 869	2 853	3 631	3 871	1 791		27 015
Subordinated loan capital		214		24 943	5 774		30 931
Total	1 202 358	145 043	146 442	467 610	125 089		2 086 541
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	425 264	343 543	189 935	488 924	197 005		1 644 671
Outgoing cash flows	430 419	347 475	194 243	501 265	200 637		1 674 039
Financial derivatives, net settlement	986	2 447	2 724	15 811	10 965		32 934
Total financial derivatives	(4 169)	(1 485)	(1 583)	3 470	7 333		3 566
Credit lines, commitments and documentary credit	318 605	6 466	69 550	194 761	104 578		693 960

Nominal future interest payments in excess of accrued interest are not included.

Note 17 Net interest income

DNB Bank ASA

Amounts in NOK million	2020 Measured at FVTPL	2020 Measured at FVOCI	2020 Measured at amortised cost [1]	2020 Total	2019 Measured at FVTPL	2019 Measured at FVOCI	2019 Measured at at amortised cost [1]	2019 Total
Interest on amounts due from credit institutions			1 679	1 679			7 473	7 473
Interest on loans to customers	218	2 690	24 561	27 469	233	3 377	27 751	31 362
Interest on commercial paper and bonds	3 555	599	1	4 154	3 959	478	0	4 437
Front-end fees etc.	1	3	337	341	1	2	336	339
Other interest income	847		5 201	6 048	57		4 673	4 730
Total interest income	**4 620**	**3 292**	**31 779**	**39 691**	**4 251**	**3 857**	**40 233**	**48 341**
Interest on amounts due to credit institutions	1		(1 530)	(1 529)	(2)		(5 494)	(5 496)
Interest on deposits from customers	(350)		(4 701)	(5 052)	(312)		(9 212)	(9 524)
Interest on debt securities issued	(300)		(3 169)	(3 468)	(330)		(7 316)	(7 647)
Interest on subordinated loan capital	(6)		(410)	(417)	(75)		(289)	(365)
Contributions to the deposit guarantee and resolution funds			(895)	(895)			(925)	(925)
Other interest expenses [2]	1 162		(529)	653	6 358		(562)	5 796
Total interest expenses	**526**		**(11 233)**	**(10 707)**	**5 638**		**(23 799)**	**(18 161)**
Net interest income	**5 147**	**3 292**	**20 546**	**28 984**	**9 889**	**3 857**	**16 434**	**30 180**

DNB Bank Group

Amounts in NOK million	2020 Measured at FVTPL	2020 Measured at FVOCI	2020 Measured at amortised cost [1]	2020 Total	2019 Measured at FVTPL	2019 Measured at FVOCI	2019 Measured at at amortised cost [1]	2019 Total
Interest on amounts due from credit institutions			155	155			3 467	3 467
Interest on loans to customers	1 345	0	45 769	47 114	1 383	(0)	53 172	54 554
Interest on commercial paper and bonds	2 952	599	90	3 641	3 673	478	97	4 249
Front-end fees etc.	4		390	393	5		341	346
Other interest income	853		3 864	4 716	57		3 517	3 575
Total interest income	**5 153**	**599**	**50 268**	**56 019**	**5 118**	**478**	**60 595**	**66 190**
Interest on amounts due to credit institutions	1		(1 106)	(1 105)	(2)		(4 278)	(4 280)
Interest on deposits from customers	(350)		(4 926)	(5 277)	(312)		(9 685)	(9 997)
Interest on debt securities issued	(857)		(3 839)	(4 696)	(2 024)		(8 147)	(10 171)
Interest on subordinated loan capital	(6)		(414)	(420)	(75)		(293)	(368)
Contributions to the deposit guarantee and resolution funds			(1 064)	(1 064)			(1 106)	(1 106)
Other interest expenses [2]	(3 948)		(225)	(4 173)	(72)		(287)	(360)
Total interest expenses	**(5 161)**		**(11 573)**	**(16 734)**	**(2 486)**		**(23 796)**	**(26 282)**
Net interest income	**(9)**	**599**	**38 695**	**39 285**	**2 631**	**478**	**36 799**	**39 908**

1) *Includes hedged items.*
2) *Other interest expenses include interest rate adjustments resulting from interest rate swaps. Derivatives are measured at FVTPL.*

Note 18 Interest rates on selected balance sheet items

DNB Bank ASA

	Average interest rate in per cent [1] 2020	2019	Average volume in NOK million 2020	2019
Assets				
Due from credit institutions	0.20	0.99	855 918	757 325
Loans to customers	3.10	3.69	885 250	850 701
Commercial paper and bonds	1.30	1.97	319 383	225 731
Liabilities				
Due to credit institutions	0.36	1.68	424 722	327 601
Deposits from customers	0.47	0.99	1 081 311	957 642
Debt securities issued	0.86	1.85	401 483	413 697

DNB Bank Group

	Average interest rate in per cent [1] 2020	2019	Average volume in NOK million 2020	2019
Assets				
Due from credit institutions	0.03	0.73	574 724	473 387
Loans to customers	2.75	3.31	1 710 870	1 648 904
Commercial paper and bonds	1.32	1.94	274 912	218 943
Liabilities				
Due to credit institutions	0.32	1.76	344 203	243 040
Deposits from customers	0.48	1.02	1 103 647	981 203
Debt securities issued	0.53	1.14	879 223	893 702

1) *Average interest rate in per cent is calculated as total interest in NOK for the specific products in relation to the appurtenant average capital.*

Note 19 Net commission and fee income

DNB Bank ASA 2019	2020	*Amounts in NOK million*	DNB Bank Group 2020	2019
3 372	2 674	Money transfer and interbank transactions	2 679	3 377
856	899	Guarantee commissions	944	895
172	173	Asset management services	178	176
389	443	Custodial services	454	399
475	591	Securities broking	621	499
1 196	1 236	Corporate finance	1 445	1 352
446	319	Credit broking	358	467
534	553	Sales of insurance products	553	534
		Real estate broking	1 272	1 203
903	941	Other commissions and fees	883	856
8 343	**7 828**	**Total commission and fee income**	**9 387**	**9 758**
(1 577)	(1 333)	Money transfer and interbank transactions	(1 333)	(1 577)
(65)	(34)	Guarantee commissions	(44)	(75)
(40)	(34)	Asset management services	(34)	(40)
(197)	(241)	Custodial services	(241)	(197)
(119)	(155)	Securities broking	(154)	(118)
(219)	(281)	Corporate finance	(281)	(219)
(188)	(170)	Sale of insurance products	(170)	(188)
(763)	(920)	Other commissions and fees	(865)	(727)
(3 168)	**(3 168)**	**Total commission and fee expenses**	**(3 121)**	**(3 141)**
5 175	**4 660**	**Net commission and fee income**	**6 266**	**6 618**

Note 20 Net gains on financial instruments at fair value

DNB Bank ASA 2019	2020	*Amounts in NOK million*	DNB Bank Group 2020	2019
1 771	3 072	Foreign exchange and financial derivatives	2 776	2 029
1 015	805	Commercial paper and bonds	813	1 022
252	295	Shareholdings	247	271
22	78	Financial liabilities	78	22
3 061	4 251	Net gains on financial instruments, mandatorily at FVTPL	3 915	3 344
(18)	176	Loans at fair value [1]	1 130	(192)
(642)	797	Commercial paper and bonds [2]	619	(636)
171	(61)	Financial liabilities [3]	(252)	514
(489)	912	Net gains on financial instruments, designated as at FVTPL	1 497	(314)
(1 136)	(2 981)	Financial derivatives, hedging	(1 118)	4 925
(20)	1 959	Commercial paper and bonds FVOCI, hedged	1 959	(20)
1 299	1 070	Financial liabilities, hedged items	(298)	(4 756)
143	48	Net gains on hedged items [4] [5]	542	149
(27)	(26)	Dividends	(17)	(6)
2 688	**5 184**	**Net gains on financial instruments at FVTPL**	**5 938**	**3 173**

1) *The change in fair value due to credit risk amounted to a NOK 3 million loss during the year and a NOK 84 million loss cumulatively for DNB Bank Group and a NOK 1 million gain during the year and a NOK 16 million loss cumulatively for DNB Bank ASA. Credit risk reflected in fair value measurements is based on normalised losses and changes in normalised losses in the relevant portfolio.*
2) *The change in fair value due to changes in credit spreads amounted to a NOK 21 million loss during the year and a NOK 176 million gain cumulatively.*
3) *For liabilities designated as at FVTPL, changes in fair value due to credit risk are recognised in other comprehensive income.*
4) *With respect to hedged liabilities, the hedged risk is measured at fair value, while the rest of the instrument is measured at amortised cost. Derivatives used for hedging are measured at fair value. Changes in fair value arising from hedged risk are presented under Financial derivatives, hedging. Net gains on hedged financial liabilities include amortization of fair values on discontinued hedging relationships.*
5) *The DNB Group uses hedge accounting for long-term borrowings in foreign currency in DNB Boligkreditt and DNB Bank ASA. Loans are hedged 1:1 through external contracts where there is a correlation between currencies, interest rate flows and the hedging instrument. At the time the loans are raised, Markets considers whether to enter into a hedging transaction for the relevant loan based on the Group's foreign currency positions and the underlying interest rate exposure for the loan.*

Note 21 Salaries and other personnel expenses

DNB Bank ASA 2019	2020	*Amounts in NOK million*	DNB Bank Group 2020	2019
(6 901)	(7 259)	Salaries *)	(8 555)	(8 175)
(1 310)	(1 333)	Employer's national insurance contributions	(1 491)	(1 458)
(1 390)	(1 270)	Pension expenses	(1 398)	(1 515)
(69)	(69)	Restructuring expenses	(81)	(70)
(690)	(633)	Other personnel expenses	(712)	(772)
(10 360)	**(10 566)**	**Total salaries and other personnel expenses**	**(12 238)**	**(11 989)**
(5 820)	*(6 195)*	**) Of which: Ordinary salaries*	*(6 940)*	*(6 575)*
(796)	*(741)*	*Performance-based pay*	*(1 283)*	*(1 311)*

DNB Bank ASA 2019	2020	**Number of employees/full-time positions**	DNB Bank Group 2020	2019
7 562	7 661	Number of employees as at 31 December	8 895	8 927
1 031	1 019	- of which number of employees abroad	1 298	1 350
7 361	7 479	Number of employees calculated on a full-time basis as at 31 December	8 643	8 617
1 017	1 009	- of which number of employees calculated on a full-time basis abroad	1 282	1 327
7 499	7 518	Average number of employees	8 823	8 890
7 296	7 337	Average number of employees calculated on a full-time basis	8 543	8 569

Note 22 Other expenses

DNB Bank ASA			DNB Bank Group	
2019	2020	*Amounts in NOK million*	2020	2019
(455)	(384)	Fees	(456)	(521)
(3 707)	(3 595)	IT expenses [1]	(3 733)	(3 806)
(133)	(127)	Postage and telecommunications	(141)	(149)
(21)	(23)	Office supplies	(28)	(29)
(572)	(475)	Marketing and public relations	(675)	(805)
(205)	(52)	Travel expenses	(69)	(251)
(171)	(117)	Reimbursement to Norway Post for transactions executed	(117)	(171)
(52)	(34)	Training expenses	(40)	(59)
(427)	(415)	Operating expenses on properties and premises [2]	(468)	(479)
(60)	(51)	Operating expenses on machinery, vehicles and office equipment	(59)	(69)
(671)	(919)	Other operating expenses	(1 115)	(793)
(6 477)	**(6 190)**	**Total other expenses**	**(6 901)**	**(7 131)**

1) *Systems development fees totalled NOK 1 494 million for DNB Bank ASA and NOK 1 496 million for the DNB Bank Group in 2020, compared with NOK 1 546 million and NOK 1 548 million, respectively, in 2019.*

2) *Costs relating to leased premises were NOK 993 million and NOK 1 062 million respectively for DNB Bank ASA and the DNB Bank Group in 2020, compared with NOK 985 million and NOK 1 061 million in 2019.*

Note 23 Depreciation and impairment of fixed and intangible assets

DNB Bank ASA			DNB Bank Group	
2019	2020	*Amounts in NOK million*	2020	2019
(1 681)	(1 974)	Depreciation of machinery, vehicles and office equipment	(1 980)	(1 690)
(641)	(667)	Depreciation of right of use assets	(727)	(708)
(534)	(691)	Other depreciation of tangible and intangible assets	(737)	(552)
(33)		Impairment of capitalised systems development		(33)
(314)	(30)	Other impairment of fixed and intangible assets	7	(174)
(3 203)	**(3 362)**	**Total depreciation and impairment of fixed and intangible assets**	**(3 437)**	**(3 157)**

See note 36 Intangible assets and note 37 Fixed assets.

Note 24 Pensions

Description of the pension schemes

The DNB Group has defined-contribution pensions for all employees in Norway, with the exception of around 247 employees from the former Postbanken, who are covered by a closed, group pension plan in the Norwegian Public Service Pension Fund.

The contribution rates are:

- Salary equivalent to 0 to 7.1 times the National Insurance basic amount, G: 7 per cent
- Salary equivalent to 7.1 to 12 times G: 15 per cent
- The Group has no defined-contribution pension scheme for salaries exceeding 12G (apart from the closed scheme for employees from before 2008).

Employees who were enrolled in the former defined-benefit pension schemes (terminated between 2015 and 2017) are also covered by a compensation scheme that is structured as a supplementary, contribution-based direct pension scheme.

Based on the terms and conditions approved at the time of conversion, the savings plan in the compensation scheme aims to give the individual employee a total pension capital when reaching the age of 67 corresponding to what he or she would have received if the defined-benefit pension scheme had been retained. Both the pension entitlements and the return on the pension funds are funded through operations.

The DNB Group has a disability pension scheme for all employees in Norway. The disability pension represents:

- 3 per cent of pensionable income up to 12G
- 25 per cent of G, maximum 6 per cent of pensionable income, up to 12G
- 66 per cent of pensionable income in the interval between 6G and 12G

The Norwegian companies in the Group are part of the contractual early retirement pension (AFP) scheme for the private sector. In addition, the Group has an agreement on contractual early retirement pension according to public sector rules for employees who are members of the Norwegian Public Service Pension Fund.

The private early retirement pension scheme will be funded through an annual premium established as a percentage of salaries between 1 and 7.1G.

Employer's contributions and financial activities tax are included in pension expenses and commitments.

Subsidiaries and branch offices outside Norway have separate schemes for their employees, mainly in the form of defined-contribution pension schemes. Pension expenses for employees outside Norway represented NOK 219 million.

Note 24 Pensions (continued)

Economic assumptions applied in calculating pension expenses and commitments are in accordance with the guidance from the Norwegian Accounting Standards Board per 31 December 2020.

Pension expenses	DNB Bank ASA	
Amounts in NOK million	2020	2019
Net present value of pension entitlements	(401)	(553)
Interest expenses on pension commitments	(65)	(78)
Calculated return on pension funds	35	40
Curtailment		(30)
Administrative expenses	(1)	(1)
Total defined benefit pension schemes	(432)	(622)
Contractual pensions, new scheme	(97)	(96)
Risk coverage premium	(50)	(49)
Defined contribution pension schemes	(691)	(623)
Net pension expenses	(1 271)	(1 390)

Pension expenses	DNB Bank Group	
Amounts in NOK million	2020	2019
Net present value of pension entitlements	(452)	(579)
Interest expenses on pension commitments	(66)	(79)
Calculated return on pension funds	34	40
Curtailment	34	(30)
Administrative expenses	(1)	(1)
Total defined benefit pension schemes	(451)	(650)
Contractual pensions, new scheme	(109)	(107)
Risk coverage premium	(50)	(49)
Defined contribution pension schemes	(788)	(708)
Net pension expenses	(1 398)	(1 515)

DNB Bank ASA		**Pension commitments**	DNB Bank Group	
2019	2020	*Amounts in NOK million*	2020	2019
5 551	5 528	Opening balance	5 659	5 663
(553)		Correction for previous according to actuarial calculation [1]		(553)
553	401	Accumulated pension entitlements	452	579
78	65	Interest expenses	66	79
102	283	Actuarial losses/(gains), net	273	97
(64)	(66)	Changes in the pension schemes	(66)	(64)
73		Curtailment	34	73
(280)	(230)	Pension payments	(249)	(287)
68	3	Exchange rate differences	21	72
5 528	5 984	Closing balance	6 190	5 659

		Pension funds		
2019	2020	*Amounts in NOK million*	2020	2019
2 440	2 074	Opening balance	2 091	2 464
(441)		Correction for previous according to actuarial calculation [1]		(442)
40	35	Expected return	34	40
(13)	22	Actuarial gains/(losses), net	9	(19)
(43)		Curtailments		(43)
96	90	Premium paid	90	96
(93)	(96)	Pension payments	(96)	(93)
(1)	(1)	Administrative expenses	(1)	(1)
89	(108)	Exchange rate differences	(36)	88
2 074	2 017	Closing balance	2 091	2 091
3 454	3 967	Net defined benefit obligation	4 099	3 568

1) *The correction is made due to a scheme that is no longer recognised in the balance sheet.*

Note 24 Pensions (continued)

Sensitivity analyses for pension calculations

The following estimates are based on facts and conditions prevailing on 31 December 2020, assuming that all other parameters are constant. Actual results may deviate significantly from these estimates.

								DNB Bank 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	10-16	16-18	20-25	20-22	12-14	0	3	3
Net pension expenses for the period	18-20	19-21	22-25	20-22	10-12	0	3	3

Note 25 Taxes

DNB Bank ASA		**Tax expense on pre-tax operating profit**	DNB Bank Group	
2019	2020	*Amounts in NOK million*	2020	2019
(7 671)	(1 414)	Current taxes	(7 012)	(9 282)
3 550	(1 128)	Changes in deferred taxes	3 086	4 457
(4 121)	**(2 542)**	**Tax expense**	**(3 926)**	**(4 825)**

		Reconciliation of tax expense against nominal tax rate		
		Amounts in NOK million		
30 883	23 595	Pre-tax operating profit	21 366	27 678
(6 794)	(5 191)	Estimated tax expense at nominal tax rate 22 per cent	(4 701)	(6 089)
(489)	(337)	Tax effect of financial tax in Norway	(425)	(502)
3	13	Tax effect of different tax rates in other countries	30	59
1 140	288	Tax effect of debt interest distribution with international branches	288	1 140
1 859	1 765	Tax effect of tax-exempt income from shareholdings [1]	133	52
343	933	Tax effect of other tax-exempt income and non-deductible expenses	921	348
(6)		Tax effect of changed tax rate for deferred taxes recognised in the balance sheet	(10)	(54)
(177)	(13)	Excess tax provision previous year	(162)	221
(4 121)	**(2 542)**	**Tax expense**	**(3 926)**	**(4 825)**
13%	11%	Effective tax rate	18%	17%

		Income tax on other comprehensive income		
		Amounts in NOK million		
(20)	40	Items that will not be reclassified to the income statement	38	(84)
		Hedges of net investments	812	(194)
(20)	**40**	**Total income tax on other comprehensive income**	**850**	**(278)**

1) *In Norway, a company's income from share investments is normally exempt from tax. As a rule, this applies to investments in companies domiciled in the EU/EEA. The tax exemption applies to both dividends and gains/ (losses) upon realisation. However, 3 per cent of dividends from tax-exempt investments is included in taxable income.*

Financial tax in Norway

The financial activities tax is an additional tax imposed on companies within the financial services sector. This tax represents an increased income tax rate of 3 percentage points for financial institutions.

Tax effect of debt interest distribution with international branch offices

According to Norwegian tax legislation, external interest expenses shall be distributed proportionally among operations in Norway and international branches based on the respective units' total assets. This could result in additions or deductions from income in Norway.

DNB has been notified in 2019 of changes in the tax assessment provisions for the years 2015–2017, related to the calculation of debt interest deduction. The changes considered by the tax authorities in the notification amount to approximately NOK 3.6 billion in increased taxable income for the period in question. DNB disagrees with the tax authorities' interpretation of the regulations, and has submitted a reply that counters all points in the notification. Against this background, allocations have not been made for the claim in the notification at the end of 2020.

Other tax-exempt income and non-deductible expenses

Realised currency movements of NOK 1 970 million on hybrid loans in USD, which were repaid at the end of March 2020, have been recognised directly against equity.

Note 25 Taxes (continued)

Expectations regarding the effective tax rate

The nominal tax rate in Norway was 22 per cent in 2020. Business operations outside Norway are subject to local tax rates in their country of operation, and nominal tax rates range from 12 to 25 per cent. The effective taxation of operations outside Norway depends on both local tax rules and on whether it is possible to avoid double taxation. Tax-exempt income from share investments contributes to a lower expected tax rate than 22 per cent. In some periods, tax losses carried forward that are not recognised in the balance sheet have caused variations in the effective tax rate. In periods when such assets have not been recognised, the effective tax rate has been higher than the long-term expectation, whereas it has been lower in periods when tax losses not recognised as assets have been utilised.

DNB Bank ASA 2019	DNB Bank ASA 2020	Deferred tax assets/(deferred taxes) *Amounts in NOK million*	DNB Bank Group 2020	DNB Bank Group 2019
		The year's changes in deferred tax assets/(deferred taxes)		
2 574	6 117	Deferred tax assets/(deferred taxes) as at 1 January	1 898	(2 488)
3 550	(1 128)	Changes recorded against profits	3 086	4 456
(5)	67	Changes recorded against comprehensive income	65	(71)
(2)	2	Currency translation differences on deferred taxes	(6)	1
6 117	5 058	Deferred tax assets/(deferred taxes) as at 31 December	5 043	1 898

DNB Bank ASA

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. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Fixed assets and intangible assets	(1 415)	(947)	94	87
Commercial paper and bonds	(585)	(748)		
Debt securities issued	868	900		
Financial derivatives	5 481	5 795		
Net pension liabilities	993	858		
Net other tax-deductable temporary differences	(645)	(110)	(2)	1
Tax losses and tax credits carried forward	453	457		
Total deferred tax assets	5 150	6 205	92	88

DNB Bank Group

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. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Fixed assets and intangible assets	(1 236)	(1 022)	19	13
Commercial paper and bonds	(837)	(748)	(1)	34
Debt securities issued	6 606	5 863		
Financial derivatives	(742)	(3 946)	(8)	
Net pension liabilities	1 022	884		
Net other tax-deductable temporary differences	(570)	59	52	13
Tax losses and tax credits carried forward	862	868		
Total deferred tax assets	5 105	1 958	62	60

A significant share of the financial instruments are measured at fair value in the accounts, while for tax purposes, the same instruments are recorded on an accrual basis in accordance with the realisation principle. This gives rise to large differences between profits stated in the accounts and profits computed for tax purposes for the individual accounting years, especially in years with significant fluctuations in interest rate levels and exchange rates. These differences are offset in the longer term.

Due to large exchange rate fluctuations in 2020 and 2019, there were significant changes in unrealised gains and losses on financial instruments used in managing the banking 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.

Note 25 Taxes (continued)

Overview over tax assets from tax losses and tax credits carried forward — **DNB Bank ASA**

Amounts in NOK million	31 December 2020			31 December 2019		
Tax losses carried forward	Total tax losses carried forward	Of which as for tax assets	Recognised tax asset	Total tax carried	Of which as for tax assets	Recognised tax asset
Singapore	282	282	48	305	305	52
Total of tax losses and tax assets	282	282	48	305	305	52
Tax credits carried forward [1]			405			405
Total of deferred tax assets from tax losses and tax credits carried forward			**453**			**457**

1) *All tax credits carried forward relates to tax payers in Norway*

Overview over deferred tax assets from tax losses and tax credits carried forward — **DNB Bank Group**

Amounts in NOK million	31 December 2020			31 December 2019		
Tax losses carried forward	Total tax losses carried forward	Of which as for tax assets	Recognised tax asset	Total tax carried	Of which as for tax assets	Recognised tax asset
Norway	161			189		
Singapore	282	282	48	305	305	52
Denmark	1 860	1 860	409	1 868	1 868	411
Total of tax losses and tax assets	2 303	2 142	457	2 362	2 173	463
Tax credits carried forward [1]			405			405
Total of deferred tax assets from tax losses and tax credits carried forward			**862**			**868**

1) *All tax credits carried forward relates to tax payers in Norway*

Note 26 Classification of financial instruments

As at 31 December 2020 — **DNB Bank ASA**

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					281 956	281 956
Due from credit institutions					360 174	360 174
Loans to customers			7 030	119 050	757 642	883 722
Commercial paper and bonds	90 588		158 574	78 782	38	327 983
Shareholdings	3 872	1 556				5 428
Financial derivatives	191 866	6 143				198 009
Investments accounted for by the equity method					2 568	2 568
Investments in subsidiaries					105 265	105 265
Other assets					12 078	12 078
Total financial assets	286 326	7 699	165 605	197 832	1 519 721	2 177 183
Due to credit institutions					296 349	296 349
Deposits from customers			14 238		1 072 380	1 086 618
Financial derivatives	209 310	3 195				212 505
Debt securities issued			6 815		319 960	326 776
Other liabilities	2 982				20 529	23 511
Subordinated loan capital			179		32 140	32 319
Total financial liabilities [4]	212 292	3 195	21 232		1 741 359	1 978 078

1) Including derivatives used as hedging instruments.
2) For liabilities designated as at FVTPL, changes in fair value due to credit risk are recognised in other comprehensive income.
3) Including hedged liabilities.
4) Contractual obligations of financial liabilities designated as at fair value totalled NOK 21 224 million.

As at 31 December 2019 — **DNB Bank ASA**

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					301 246	301 246
Due from credit institutions					394 237	394 237
Loans to customers			8 495	127 055	744 653	880 203
Commercial paper and bonds	70 882		108 865	52 013	151	231 910
Shareholdings	5 151	857				6 008
Financial derivatives	129 695	6 560				136 255
Investments accounted for by the equity method					2 575	2 575
Investments in subsidiaries					113 810	113 810
Other assets					10 247	10 247
Total financial assets	205 728	7 417	117 360	179 068	1 566 918	2 076 490
Due to credit institutions			0		277 188	277 188
Deposits from customers			19 535		937 120	956 655
Financial derivatives	166 943	1 406				168 349
Debt securities issued	63		7 657		408 845	416 565
Other liabilities	10 883				32 815	43 698
Subordinated loan capital			176		30 919	31 095
Total financial liabilities [4]	177 889	1 406	27 369		1 686 887	1 893 551

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 27 397 million.

Note 26 Classification of financial instruments (continued)

As at 31 December 2020 — **DNB Bank Group**

Amounts in NOK million	Mandatorily at FVTPL Trading	Mandatorily at FVTPL Other [1]	Designated as at FVTPL [2]	FVOCI	Amortised cost [3]	Carrying amount
Cash and deposits with central banks					283 526	283 526
Due from credit institutions					77 289	77 289
Loans to customers		11	47 964		1 655 549	1 703 524
Commercial paper and bonds	89 246		100 029	89 481	976	279 732
Shareholdings	3 872	3 004				6 876
Financial derivatives	155 976	31 558				187 534
Other assets					7 416	7 416
Total financial assets	249 093	34 574	147 993	89 481	2 024 756	2 545 897
Due to credit institutions					206 995	206 995
Deposits from customers			14 238		1 097 819	1 112 058
Financial derivatives	171 051	3 119				174 170
Debt securities issued			21 950		765 863	787 813
Other liabilities	2 982				7 950	10 933
Subordinated loan capital			179		32 140	32 319
Total financial liabilities [4]	174 033	3 119	36 367		2 110 768	2 324 288

1) *Including derivatives used as hedging instruments.*
2) *For liabilities designated as at FVTPL, changes in fair value due to credit risk are recognised in other comprehensive income.*
3) *Including hedged liabilities.*
4) *Contractual obligations of financial liabilities designated as at fair value totalled NOK 35 767 million.*

As at 31 December 2019 — **DNB Bank 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					101 165	101 165
Loans to customers		11	49 985		1 621 354	1 671 350
Commercial paper and bonds	68 416		95 089	52 013	6 850	222 368
Shareholdings	5 151	2 328				7 479
Financial derivatives	97 243	28 121				125 364
Other assets					6 236	6 236
Total financial assets	170 810	30 460	145 074	52 013	2 040 351	2 438 707
Due to credit institutions			0		202 177	202 177
Deposits from customers			19 535		957 996	977 530
Financial derivatives	114 480	1 390				115 871
Debt securities issued	63		21 694		849 875	871 632
Other liabilities	10 883				7 492	18 375
Subordinated loan capital			176		30 919	31 095
Total financial liabilities [4]	125 426	1 390	41 405		2 048 458	2 216 680

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 41 015 million.*

Note 27 Fair value of financial instruments at amortised cost

DNB Bank ASA

Amounts in NOK million	31 December 2020 Carrying amount	31 December 2020 Fair value	31 December 2019 Carrying amount	31 December 2019 Fair value
Cash and deposits with central banks	281 956	281 956	301 246	301 246
Due from credit institutions	360 174	360 257	394 237	394 345
Loans to customers	757 642	763 074	744 653	749 234
Commercial paper and bonds	38	38	151	151
Total financial assets	1 399 810	1 405 325	1 440 287	1 444 976
Due to credit institutions	296 349	296 349	277 188	277 188
Deposits from customers	1 072 380	1 072 380	937 120	937 120
Debt securities issued	319 960	320 527	408 845	409 888
Subordinated loan capital	32 140	32 253	30 919	30 941
Total financial liabilities	1 720 830	1 721 509	1 654 072	1 655 138

DNB Bank Group

Amounts in NOK million	31 December 2020 Carrying amount	31 December 2020 Fair value	31 December 2019 Carrying amount	31 December 2019 Fair value
Cash and deposits with central banks	283 526	283 526	304 746	304 746
Due from credit institutions	77 289	77 289	101 165	101 165
Loans to customers	1 655 549	1 659 723	1 621 354	1 626 124
Commercial paper and bonds	976	1 056	6 850	6 640
Total financial assets	2 017 340	2 021 593	2 034 115	2 038 675
Due to credit institutions	206 995	207 006	202 177	202 168
Deposits from customers	1 097 819	1 097 760	957 996	955 550
Debt securities issued	765 863	769 426	849 875	853 449
Subordinated loan capital	32 140	32 253	30 919	30 941
Total financial liabilities	2 102 818	2 106 445	2 040 966	2 042 109

DNB Bank ASA

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1 [1]	Valuation based on observable market data Level 2 [1]	Valuation based on inputs other than observable market data Level 3 [1]	Total
Assets as at 31 December 2020				
Cash and deposits with central banks		281 956		281 956
Due from credit institutions		354 968	5 289	360 257
Loans to customers			763 074	763 074
Commercial paper and bonds			38	38
Liabilities as at 31 December 2020				
Due to credit institutions		296 349		296 349
Deposits from customers		1 072 380		1 072 380
Debt securities issued		320 527		320 527
Subordinated loan capital		25 048	7 205	32 253

DNB Bank Group

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1 [1]	Valuation based on observable market data Level 2 [1]	Valuation based on inputs other than observable market data Level 3 [1]	Total
Assets as at 31 December 2020				
Cash and deposits with central banks		283 526		283 526
Due from credit institutions		77 289		77 289
Loans to customers		754 627	905 096	1 659 723
Commercial paper and bonds			1 056	1 056
Liabilities as at 31 December 2020				
Due to credit institutions		207 006		207 006
Deposits from customers		1 097 760		1 097 760
Debt securities issued		733 573	35 852	769 426
Subordinated loan capital		25 048	7 205	32 253

Note 27 Fair value of financial instruments at amortised cost (continued)

DNB Bank ASA

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1 [1]	Valuation based on observable market data Level 2 [1]	Valuation based on inputs other than observable market data Level 3 [1]	Total
Assets as at 31 December 2019				
Cash and deposits with central banks		301 246		301 246
Due from credit institutions		389 026	5 318	394 345
Loans to customers			749 234	749 234
Commercial paper and bonds			151	151
Liabilities as at 31 December 2019				
Due to credit institutions		277 188		277 188
Deposits from customers		937 120		937 120
Debt securities issued		409 888		409 888
Subordinated loan capital		16 279	14 662	30 941

DNB Bank Group

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1 [1]	Valuation based on observable market data Level 2 [1]	Valuation based on inputs other than observable market data Level 3 [1]	Total
Assets as at 31 December 2019				
Cash and deposits with central banks		304 746		304 746
Due from credit institutions		101 165		101 165
Loans to customers		722 352	903 772	1 626 124
Commercial paper and bonds			6 640	6 640
Liabilities as at 31 December 2019				
Due to credit institutions		202 168		202 168
Deposits from customers		955 550		955 550
Debt securities issued		817 927	35 522	853 449
Subordinated loan capital		16 279	14 662	30 941

1) See note 28 Financial instruments at fair value for a definition of the levels.

Due from credit institutions (level 2)

The value of loans to and deposits with credit institutions is assessed to equal amortised cost. The fixed-rate period is relatively short.

Loans to customers (levels 2 and 3)

When valuing loans, the loan portfolio has been divided into the following categories: Personal customers and the customer divisions in Corporate customers. In addition, separate calculations have been made for Poland.

Loans in level 2 mainly consist of retail loans with floating interest rate measured at amortised cost. Since the fixed-rate period is very short amortised cost is considered to be a good estimate of fair value. All other loans measured at amortised cost are classified in level 3.

The valuations of loans in level 3 are based on average margins in December, considered relative to the business units' best estimate of the potential margin requirement at year-end 2020 if the loans had been extended at that time. Differentiated margin requirements have been calculated for each portfolio, as specified above, based on estimated costs related to lending. The margin requirement includes costs covering normalised losses, which, as opposed to impairment recorded in the annual accounts, represent a long-term assessment of loss levels.

A margin requirement is calculated for margin loans, and the difference between the margin requirement and the agreed margin is discounted over the average expected time to repricing of the loan.

With respect to impaired loans, an assessment has been made of potential cash flows for the loans discounted by the effective rate of interest adjusted for changes in market conditions for corresponding non-impaired loans. Loan rates prior to provisions being made reflect the increased credit risk of the commitment. Given the general uncertainty in fair value measurements, it is evaluated that the impaired value gives a good reflection of the fair value of these loans.

Note 27 Fair value of financial instruments at amortised cost (continued)

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 (level 3)
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 very short term to maturity fair value is assessed to equal amortised cost.

Deposits from customers (level 2)
For deposits from customers fair value is assessed to equal amortised cost.

Securities issued and subordinated loan capital (levels 2 and 3)
The valuation in level 2 is based on observable market data in the form of interest rate curves and credit margins when available. Securities and subordinated loan capital in level 3 are valued based on models. The items consist mainly of funding in foreign currency and floating rate securities in Norwegian kroner.

Note 28 Financial instruments at fair value

DNB Bank ASA

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 2020				
Loans to customers		119 050	7 030	126 080
Commercial paper and bonds	49 220	278 442	283	327 945
Shareholdings	3 931	798	699	5 428
Financial derivatives	375	195 757	1 877	198 009
Liabilities as at 31 December 2020				
Deposits from customers		14 238		14 238
Debt securities issued		6 815		6 815
Subordinated loan capital		179		179
Financial derivatives	465	210 526	1 513	212 505
Other financial liabilities [1)]	2 982			2 982
Assets as at 31 December 2019				
Loans to customers		127 055	8 495	135 550
Commercial paper and bonds	22 432	208 972	356	231 759
Shareholdings	5 116	259	633	6 008
Financial derivatives	244	134 143	1 868	136 255
Liabilities as at 31 December 2019				
Deposits from customers		19 535		19 535
Debt securities issued		7 720		7 720
Subordinated loan capital		176		176
Financial derivatives	261	166 553	1 536	168 349
Other financial liabilities [1)]	10 883			10 883

1) Short positions, trading activities.

Note 28 Financial instruments at fair value (continued)

DNB Bank 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 2020				
Loans to customers			47 975	47 975
Commercial paper and bonds	59 740	218 734	283	278 756
Shareholdings	5 090	845	941	6 876
Financial derivatives	375	185 282	1 877	187 534
Liabilities as at 31 December 2020				
Deposits from customers		14 238		14 238
Debt securities issued		21 950		21 950
Subordinated loan capital		179		179
Financial derivatives	465	172 192	1 513	174 170
Other financial liabilities [1]	2 982			2 982
Assets as at 31 December 2019				
Loans to customers			49 995	49 995
Commercial paper and bonds	22 432	192 730	356	215 518
Shareholdings	6 414	270	795	7 479
Financial derivatives	244	123 252	1 868	125 364
Liabilities as at 31 December 2019				
Deposits from customers		19 535		19 535
Debt securities issued		21 757		21 757
Subordinated loan capital		176		176
Financial derivatives	261	114 074	1 536	115 871
Other financial liabilities [1]	10 883			10 883

1) Short positions, trading activities.

The levels

Financial instruments are categorised within different levels based on the quality of the market data for the individual instruments. Transfers between levels in the fair value hierarchy are reflected as taking place at the end of each quarter. With respect to financial instruments categorised as level 2, the quality of market data may vary depending on whether the relevant instrument has been traded. Thus, it will be natural that some instruments are moved between level 2 and level 3. This applies primarily to commercial paper and bonds.

Level 1: Valuation based on quoted prices in an active market

Classified as level 1 are financial instruments valued by using quoted prices in active markets for identical assets or liabilities. Instruments in this category include listed shares and mutual funds, Treasury bills and commercial paper traded in active markets.

Level 2: Valuation based on observable market data

Classified as level 2 are financial instruments which are valued by using inputs other than quoted prices, but where prices are directly or indirectly observable for the assets or liabilities, including quoted prices in non-active markets for identical assets or liabilities.

Included in this category are, among others, interbank derivatives such as interest rate swaps, currency swaps and forward contracts with prices quoted on Reuters or Bloomberg, basis swaps between the currencies NOK, EUR, USD and GBP and cross-currency interest rate derivatives with customers with insignificant credit margins. Exchange-traded options are classified as level 2 if it is possible to scan or interpolate/ extrapolate implicit volatility based on observable prices.

Note 28 Financial instruments at fair value (continued)

Level 3: Valuation based on other than observable market data
Classified as level 3 are financial instruments which cannot be valued based on directly observable prices. For these instruments other valuation techniques are used, such as valuation of assets and liabilities in companies, estimated cash flows and other models where key parameters are not based on observable market data.

Included in this category are loans to customers and instruments where credit margins constitute a major part of adjustments to market value.

Gains or losses, that occur when the estimated fair value is different from the transaction price (day-one gain/loss) has not had significant impact to the financial statement neither for 2020 or 2019.

The instruments in the different levels

Loans to customers (levels 2 and 3)
Loans in level 2 in DNB Bank ASA mainly consist of retail loans with floating interest rate measured at FVOCI. Since the fixed-rate period is very short amortised cost is considered to be a good estimate of fair value. The corresponding loans are measured at amortised cost in the Bank Group, due to a hold to collect business model.

Loans in level 3 consist primarily of fixed-rate loans in Norwegian kroner. The value of fixed-rate loans is determined by discounting agreed cash flows over the term of the loan, using a discount factor adjusted for margin requirements.

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 and investments in unquoted equities.

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 primarily based on measurement in relation to a swap curve, and changes in credit margins have an insignificant effect.

Debt securities issued (level 2)
The valuation is primarily based on observable market data in the form of interest rate curves and credit margins. The item consists mainly of funding in Norwegian kroner. For fixed rate foreign currency funding, hedge accounting is used where hedges are entered into. In all other respects, debt securities issued are carried at amortised cost.

Subordinated loan capital (level 2)
Subordinated loans carried at fair value consist of one loan in Norwegian kroner, and the valuation is based on observable interest rate curves and credit margins.

Note 28 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3 — DNB Bank ASA

Amounts in NOK million	Financial assets: Loans to customers	Financial assets: Commercial paper and bonds	Financial assets: Share-holdings	Financial assets: Financial derivatives	Financial liabilities: Financial derivatives
Carrying amount as at 31 December 2018	**7 509**	**319**	**583**	**2 036**	**1 654**
Net gains recognised in the income statement	(17)	(156)	62	(535)	(215)
Additions/purchases	2 188	419	112	1 152	849
Sales	(28)	(280)	(125)		
Settled	(1 157)			(774)	(753)
Transferred from level 1 or level 2		129			
Transferred to level 1 or level 2		(135)			
Other		60		(11)	1
Carrying amount as at 31 December 2019	**8 495**	**356**	**633**	**1 868**	**1 536**
Net gains recognised in the income statement	173	(75)	219	141	367
Additions/purchases	4 245	315	33	1 247	914
Sales	(2 300)	(340)	(187)		
Settled	(3 583)			(1 408)	(1 331)
Transferred from level 1 or level 2		365			
Transferred to level 1 or level 2		(371)			
Other		34		29	27
Carrying amount as at 31 December 2020	**7 030**	**283**	**699**	**1 877**	**1 513**

Financial instruments at fair value, level 3 — DNB Bank Group

Amounts in NOK million	Financial assets: Loans to customers	Financial assets: Commercial paper and bonds	Financial assets: Share-holdings	Financial assets: Financial derivatives	Financial liabilities: Financial derivatives
Carrying amount as at 31 December 2018	**48 794**	**319**	**741**	**2 036**	**1 654**
Net gains recognised in the income statement	(188)	(156)	62	(535)	(215)
Additions/purchases	9 696	419	128	1 152	849
Sales		(280)	(136)		
Settled	(8 306)			(774)	(753)
Transferred from level 1 or level 2		129			
Transferred to level 1 or level 2		(135)			
Other		60	(0)	(11)	1
Carrying amount as at 31 December 2019	**49 995**	**356**	**795**	**1 868**	**1 536**
Net gains recognised in the income statement	1 122	(75)	198	141	367
Additions/purchases	10 550	315	139	1 247	914
Sales		(340)	(191)		
Settled	(13 692)			(1 408)	(1 331)
Transferred from level 1 or level 2		365			
Transferred to level 1 or level 2		(371)			
Other		34	(0)	29	27
Carrying amount as at 31 December 2020	**47 975**	**283**	**941**	**1 877**	**1 513**

Loans to customers
The portfolio of loans carried at fair value consists primarily of fixed-rate loans in Norwegian kroner.

Fixed-rate loans
The value of fixed-rate loans is determined by discounting agreed interest flows over the term of the loan, using a discount factor adjusted for margin requirements. The discount factor used has as a starting point a swap rate based on a duration equal to the average remaining lock-in period for the relevant fixed-rate loans. The assumptions underlying the calculation of the margin requirement are based on a review of the market conditions on the balance sheet date and on an assessment of the deliberations made by external investors when investing in a corresponding portfolio. Fixed-rate loans carried at fair value totalled NOK 47 964 million at year-end 2020.

Note 28 Financial instruments at fair value (continued)

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.

Breakdown of fair value, level 3 — DNB Bank ASA

	31 December 2020			31 December 2019		
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings	Loans to customers	Commercial paper and bonds	Share-holdings
Principal amount/purchase price	6 902	278	490	8 540	386	558
Fair value adjustment [1]	118	1	209	(58)	(31)	76
Accrued interest	10	4		13		
Carrying amount	7 030	283	699	8 495	356	633

Breakdown of fair value, level 3 — DNB Bank Group

	31 December 2020			31 December 2019		
Amounts in NOK million	Loans to customers	Commercial paper and bonds	Share-holdings	Loans to customers	Commercial paper and bonds	Share-holdings
Principal amount/purchase price	46 689	278	679	49 832	386	647
Fair value adjustment [1]	1 222	1	262	92	(31)	147
Accrued interest	64	4		71		
Carrying amount	47 975	283	941	49 995	356	795

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 Bank ASA

Amounts in NOK million	Unquoted equities	Private Equity (PE) funds	Other	Total
Carrying amount as at 31 December 2020	573	116	10	699
Carrying amount as at 31 December 2019	475	149	9	633

Breakdown of shareholdings, level 3 — DNB Bank Group

Amounts in NOK million	Unquoted equities	Private Equity (PE) funds	Other	Total
Carrying amount as at 31 December 2020	815	116	10	941
Carrying amount as at 31 December 2019	636	149	9	795

Note 28 Financial instruments at fair value (continued)

Sensitivity analysis, level 3 — **DNB Bank ASA**

	31 December 2020		31 December 2019	
Amounts in NOK million	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Loans to customers	7 030	(29)	8 495	(31)
Commercial paper and bonds	283	0	356	(1)
Shareholdings	699		633	
Financial derivatives, net	365		333	

Sensitivity analysis, level 3 — **DNB Bank Group**

	31 December 2020		31 December 2019	
Amounts in NOK million	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Loans to customers	55 372	(165)	49 995	(146)
Commercial paper and bonds	283	0	356	(1)
Shareholdings	10 787		795	
Financial derivatives, net	365		333	

In order to show the sensitivity of the loan portfolio, the discount rate on fixed-rate loans has been increased by 10 basis points.

Level 3 bonds mainly represent investments in Norwegian industries, offshore and power companies. A 10 basis point increase in the discount rate has had insignificant effects.

Note 29 Offsetting

The tables below present the potential effects of the DNB Bank ASA's and the banking group's netting arrangements on financial assets and financial liabilities. See note 1 Accounting principles for more information.

DNB Bank ASA

Amounts in NOK million	Gross amount	Amounts offset in the statement of financial position	Carrying amount	Netting agreements	Other collateral [1]	Amounts after possible netting
Assets as at 31 December 2020						
Cash and deposits with central banks [2]	10 880		10 880		10 880	
Due from credit institutions [2]	63 395		63 395		63 395	
Loans to customers [2]	81 733		81 733		81 733	
Financial derivatives [3]	198 009		198 009	17 876	108 281	71 853
Liabilities as at 31 December 2020						
Due to credit institutions [2]	102 289		102 289		102 289	
Deposits from customers [2]	4 112		4 112		4 112	
Financial derivatives [3]	212 505		212 505	17 876	107 925	86 704
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]	136 255		136 255	14 439	78 999	42 816
Liabilities as at 31 December 2019						
Due to credit institutions [2]	94 601		94 601		94 601	
Deposits from customers [2]	9 844		9 844		9 844	
Financial derivatives [3]	168 349		168 349	14 439	81 213	72 697

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 collateralized by cash or securities under Credit Support Annex.

Note 29 Offsetting (continued)

DNB Bank 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 2020						
Cash and deposits with central banks [2]	10 880		10 880		10 880	
Due from credit institutions [2]	63 395		63 395		63 395	
Loans to customers [2]	81 733		81 733		81 733	
Financial derivatives [3]	187 534		187 534	17 876	106 808	62 850
Liabilities as at 31 December 2020						
Due to credit institutions [2]	76 488		76 488		76 488	
Deposits from customers [2]	4 112		4 112		4 112	
Financial derivatives [3]	174 170		174 170	17 876	106 453	49 842
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]	125 364		125 364	14 439	78 435	32 490
Liabilities as at 31 December 2019						
Due to credit institutions [2]	89 387		89 387		89 387	
Deposits from customers [2]	9 844		9 844		9 844	
Financial derivatives [3]	115 871		115 871	14 439	78 264	23 168

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 collateralized by cash or securities under Credit Support Annex.*

Note 30 Shareholdings

DNB Bank ASA 31 Dec. 2019	DNB Bank ASA 31 Dec. 2020	*Amounts in NOK million*	DNB Bank Group 31 Dec. 2020	DNB Bank Group 31 Dec. 2019
6 008	**5 428**	**Total shareholdings**	**6 876**	**7 479**

Note 31 Transferred assets or assets with other restrictions

DNB Bank ASA		Transferred assets still recognised in the balance sheet	DNB Bank Group	
31 Dec. 2019	31 Dec. 2020	*Amounts in NOK million*	31 Dec. 2020	31 Dec. 2019
		Repurchase agreements		
6 265	10 846	Commercial paper and bonds	10 846	6 377
		Derivatives		
22 115	66 991	Commercial paper and bonds	65 659	17 438
		Securities lending		
138	448	Shares	448	138
28 518	78 286	Total repurchase agreements, derivatives and securities lending	76 953	23 954

DNB Bank ASA		Liabilities associated with the assets	DNB Bank Group	
31 Dec. 2019	31 Dec. 2020	*Amounts in NOK million*	31 Dec. 2020	31 Dec. 2019
6 261	10 743	**Repurchase agreements**	10 743	6 373
22 115	66 991	**Derivatives**	65 659	17 438
145	470	**Securities lending**	470	145
28 521	78 205	Total liabilities	76 872	23 957

Restricted assets

Local statutory capital requirements might restrict the ability of the banking group to access or transfer assets freely to or from other entities within the banking group and to settle liabilities within the banking group.

Restrictions affecting the DNB Bank Group's ability to use assets:

- The DNB Bank Group has pledged assets to collateralise its obligations (pledged securities) and issued covered bonds (cover pool).
- The DNB Bank Group has pledged collateral in connection with derivative instruments, see note 15 Financial derivatives and hedge accounting for further information.

Cover pool	DNB Boligkreditt AS	
Amounts in NOK million	31 Dec. 2020	31 Dec. 2019
Pool of eligible loans	673 513	632 580
Market value of eligible derivatives	27 862	41 595
Total collateralised assets	701 375	674 176
Debt securities issued, carrying value	521 195	471 715
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(59)	(78)
Debt securities issued, valued according to regulation [1]	521 137	471 637
Collateralisation (per cent)	134.6	142.9

1) *The debt securities issued are bonds with preferred rights in the appurtenant cover pool. The composition and calculation of values in the cover pool are defined in Sections 11-8 and 11-11 of the Financial Institutions Act with appurtenant regulations.*

Note 32 Securities received which can be sold or repledged

DNB Bank ASA 31 Dec. 2019	31 Dec. 2020	Securities received *Amounts in NOK million*	DNB Bank Group 31 Dec. 2020	31 Dec. 2019
		Reverse repurchase agreements		
185 623	145 737	Commercial paper and bonds	121 270	185 623
		Securities borrowing		
23 886	21 081	Shares	21 081	23 886
209 509	166 818	Total securities received	142 350	209 509
		Of which securities received and subsequently sold or repledged:		
81 698	*81 754*	*Commercial paper and bonds*	*57 287*	*75 901*
16 286	*14 007*	*Shares*	*14 007*	*16 286*

Note 33 Investment properties

Amounts included in the income statement *Amounts in NOK million*	DNB Bank Group 2020	2019
Rental income from investment properties	40	20
Direct expenses (including repairs and maintenance) related to investment properties generating rental income	(22)	(17)
Direct expenses (including repairs and maintenance) related to investment properties not generating rental income		
Total	18	3

Investment properties are mainly related to acquired companies and are classified at level 3 in the valuation hierarchy.

Changes in the value of investment properties *Amounts in NOK million*	DNB Bank Group Investment properties
Carrying amount as at 31 December 2018	**638**
Additions, purchases of new properties	177
Additions, capitalised investments	0
Additions, acquired companies	0
Net gains	(5)
Disposals	(60)
Exchange rate movements	(8)
Carrying amount as at 31 December 2019	**741**
Additions, purchases of new properties	0
Additions, capitalised investments	0
Additions, acquired companies	0
Net gains	(61)
Disposals	(35)
Exchange rate movements	27
Carrying amount as at 31 December 2020	**672**

Note 34 Investments accounted for by the equity method

Income statement — DNB Bank Group

	Luminor		Vipps		Eksportfinans		Other		Total	
Amounts in NOK million	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Income [1]	4 147	3 908	446	743	170	229				
Profits after tax [1]	359	513	(33)	(249)	44	106				
Share of profits after tax	72	102	(15)	(112)	18	42				
Deprecation and impairment of value adjustments after tax [2]			(96)	(126)						
Other adjustments [2]	19	146	13	59						
The Group's share of profits after tax	91	248	(98)	(178)	18	42	217	190	226	302

Balance sheets — DNB Bank Group

	Luminor		Vipps		Eksportfinans		Other		Total	
Amounts in NOK million	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
Financial instruments [1]	154 405	134 048		104	13 068	13 618				
Goodwill and intangible assets [1]	70	81	2 445	2 291	7	8				
Other assets [1]	1 631	1 441	574	315	706	956				
Debt [1]	138 682	119 427	548	204	7 434	8 116				
Equity [1]	17 424	16 143	2 473	2 506	6 347	6 466				
The Group's share of equity	3 476	3 221	1 110	1 125	2 539	2 587				
Goodwill [2]										
Value adjustments after tax [2]			5	102						
Eliminations [2]	26		(281)	(294)						
Carrying amount	3 502	3 221	834	932	2 539	2 587	575	727	7 450	7 467

DNB Bank Group

Amounts in NOK million	Head office	Industry	Ownership share (%) 31 Dec. 2020	Ownership share (%) 31 Dec. 2019	Carrying amount 31 Dec. 2020	Carrying amount 31 Dec. 2019
Luminor Holding AS	Talinn	Financial services	20	20	3 502	3 221
Vipps AS	Oslo	Payment services	45	45	834	932
Eksportfinans AS	Oslo	Financial services	40	40	2 539	2 587
Other associated companies					575	727
Total					**7 450**	**7 467**

DNB Bank ASA

Amounts in NOK million	Head office	Industry	Ownership share (%) 31 Dec. 2020	Ownership share (%) 31 Dec. 2019	Carrying amount 31 Dec. 2020	Carrying amount 31 Dec. 2019
Vipps AS	Oslo	Payment services	45	45	1 733	1 733
Eksportfinans AS	Oslo	Financial services	40	40	719	719
Other associated companies					116	123
Total					**2 568**	**2 575**

1) *Values in the accounts of associated companies. Preliminary and unaudited accounts have been used.*
2) *Include deferred tax positions and value adjustments not reflected in the company's balance sheet.*

Transactions 2019

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 through the wholly owned subsidiary DNB Baltic Invest AB.

Note 35 Investments in subsidiaries as at 31 December 2020

Amounts in 1 000 *Values in NOK unless otherwise indicated*		Share capital	Number of shares	DNB Bank ASA Ownership share in per cent	Carrying amount
Foreign subsidiaries					
DNB Invest Denmark	DKK	877 579	877 578 841	100	11 465 102
DNB Baltic Invest	EUR	5 000	1 000	100	3 426 760
DNB Bank Polska	PLN	1 257 200	1 257 200 000	100	1 773 564
DNB Asia [1]	USD	38 226	150 000 000	100	175 582
DNB Asia [1]	SGD	20 000	20 000 000	100	100 769
DNB Auto Finance	EUR	100	60	60	66 501
DNB Capital [2]				100	20 446 200
DNB Luxembourg	EUR	70 000	70 000	100	732 046
DNB Markets Inc.	USD	1	1 000	100	3 122
DNB Sweden	SEK	100 000	100 000 000	100	15 125 954
DNB (UK) Limited	GBP	1 154 200	1 154 200 000	100	13 420 951
Domestic subsidiaries					
DNB Boligkreditt		5 257 000	52 570 000	100	37 634 000
DNB Eiendom		10 003	100 033	100	168 241
DNB Eiendomsutvikling		91 200	91 200 000	100	330 885
DNB Gjenstandsadministrasjon		3 000	30	100	3 000
DNB Invest Holding		1 000	200 000	100	22 703
DNB Næringsmegling		1 000	10 000	100	24 000
DNB Ventures		100	1 000	100	83 468
IOS Tubular Management		900	750	100	42 200
Kongsberg Industrieiendom		100	1 000	100	10 000
Ocean Holding		8 984	1 000	100	191 829
RQ Holding		26 179	237 986 434	100	4 682
RQ Invest		8 501	8 500 504	100	
RQ Invest II		6 069	5 517 500	100	13 418
Total investments in subsidiaries					**105 264 975**

1) DNB Asia Ltd has part of its share capital denominated in SGD (due to local requirements) and a part of its share capital denominated in USD.
2) DNB Capital LLC, a limited liability company, has paid-in capital of USD 2.4 billion.

Hedging of investments in subsidiaries

In DNB Bank ASA, currency risk associated with foreign currency investments in subsidiaries is subject to fair value hedging. The hedging instruments used are mainly debt securities issued. Changes in the value of the investments and hedging instruments resulting from exchange rate movements are recorded in the income statement. At group level, net investments in subsidiaries are hedged through cash flow hedges for an amount corresponding to DNB Bank's investments. Changes in the value of investments and hedging instruments are recorded in the comprehensive income statement. Ineffectiveness in the hedging relationship is recognised in the income statement. The weakening of the Norwegian krone through 2020 increased the value of investments in subsidiaries by NOK 3 246 million, which was offset by a corresponding reduction in the value of hedging contracts, adjusted for tax effects. In 2019, there was an increase in the value of investments in subsidiaries by NOK 459 million.

Note 36 Intangible assets

DNB Bank ASA				
Amounts in NOK million	Goodwill	Capitalised systems development	Other intangible assets	Total
Cost as at 1 January 2019	2 856	2 640	701	6 197
Additions		310		310
Disposals			(0)	(0)
Exchange rate movements	(13)	(0)	(6)	(20)
Cost as at 31 December 2019	2 843	2 949	695	6 486
Total depreciation and impairment as at 1 January 2019	(467)	(1 637)	(664)	(2 768)
Depreciation		(302)	(30)	(333)
Disposals			0	0
Exchange rate movements		0	6	7
Total depreciation and impairment as at 31 December 2019	(467)	(1 938)	(689)	(3 094)
Carrying amount as at 31 December 2019	**2 376**	**1 010**	**6**	**3 392**
Cost as at 1 January 2020	2 843	2 949	695	6 486
Additions		346		346
Disposals			(219)	(219)
Exchange rate movements	51	2	25	78
Cost as at 31 December 2020	2 894	3 297	501	6 692
Total depreciation and impairment as at 1 January 2020	(467)	(1 938)	(689)	(3 094)
Depreciation		(347)	(3)	(351)
Disposals			219	219
Exchange rate movements		(0)	(24)	(25)
Total depreciation and impairment as at 31 December 2020	(467)	(2 286)	(498)	(3 250)
Carrying amount as at 31 December 2020	**2 427**	**1 011**	**3**	**3 441**

Note 36 Intangible assets (continued)

Amounts in NOK million	Goodwill	Capitalised systems development	Other intangible assets	Total
				DNB Bank Group
Cost as at 1 January 2019	3 929	4 037	994	8 960
Additions		317	49	365
Disposals	(2)	(16)	6	(13)
Exchange rate movements	(14)	(0)	(6)	(20)
Cost as at 31 December 2019	3 913	4 337	1 043	9 293
Total depreciation and impairment as at 1 January 2019	(1 362)	(2 966)	(891)	(5 218)
Depreciation		(316)	(46)	(361)
Impairment			(0)	(0)
Disposals		9	16	25
Exchange rate movements		0	6	6
Total depreciation and impairment as at 31 December 2019	(1 362)	(3 272)	(915)	(5 549)
Carrying amount as at 31 December 2019	**2 551**	**1 065**	**128**	**3 744**
Cost as at 1 January 2020	3 913	4 337	1 043	9 293
Additions		368	20	388
Disposals			(219)	(219)
Reclassification		21	(21)	(0)
Exchange rate movements	55	1	24	81
Cost as at 31 December 2020	3 968	4 727	847	9 543
Total depreciation and impairment as at 1 January 2020	(1 362)	(3 272)	(915)	(5 549)
Depreciation		(363)	(22)	(385)
Impairment	(10)	(4)		(14)
Disposals			219	219
Exchange rate movements		0	(22)	(22)
Total depreciation and impairment as at 31 December 2020	(1 372)	(3 640)	(739)	(5 751)
Carrying amount as at 31 December 2020	**2 596**	**1 088**	**108**	**3 792**

Goodwill

The risk-free interest rate is set at 1.5 per cent, the market risk premium is set at 6.0 per cent, and the long-term growth factor is set at 2.0 per cent for all cash-generating units. Beta values are estimated separately for each cash-generating unit. Required rate of return is before tax. For a detailed description of methods and assumptions used in the calculation of the recoverable amount for goodwill, see note 1 Accounting principles.

Note 36 Intangible assets (continued)

DNB Bank ASA		Goodwill per unit as at 31 December 2020	DNB Bank Group	
Recorded NOK million	Required rate of return Per cent		Required rate of return Per cent	Recorded NOK million
982	11.9	Personal customers	11.9	982
483	11.9	Small and medium sized enterprises	11.9	483
798	11.9	DNB Finans - car financing	11.9	798
165	11.9	Other	11.9	334
2 427		**Total goodwill**		**2 596**

DNB Bank ASA		Goodwill per unit as at 31 December 2019	DNB Bank Group	
Recorded NOK million	Required rate of return Per cent		Required rate of return Per cent	Recorded NOK million
982	11.4	Personal customers	11.4	982
483	11.4	Small and medium sized enterprises	11.4	483
753	11.5	DNB Finans - car financing	11.5	753
158	11.5	Other	11.5	334
2 376		**Total goodwill**		**2 551**

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 impairment of loans.

Note 37 Fixed assets

DNB Bank ASA

Amounts in NOK million	Bank buildings and other properties	Machinery, equipment and vehicles	Fixed assets operating leases	Other fixed assets	Right of use assets	Total
Accumulated cost as at 31 Dec. 2018	162	3 467	9 769	18	5 019	18 435
Additions		586	3 495	6	355	4 442
Disposals	(3)	(256)	(1 912)	(0)	(101)	(2 273)
Reorganisations		38			36	74
Exchange rate movements	5	0	(69)	(0)	(19)	(83)
Cost as at 31 Dec. 2019	163	3 835	11 284	24	5 290	20 596
Total depreciation and impairment as at 31 Dec. 2018	(56)	(2 255)	(2 688)	(5)		(5 003)
Disposals		255	1 241		15	1 511
Depreciation [1]	(9)	(367)	(1 500)	(2)	(657)	(2 535)
Reorganisations		(18)			(11)	(29)
Impairment			(1)			(1)
Exchange rate movements	(2)	(0)	21	0	(1)	18
Total depreciation and impairment as at 31 Dec. 2019	(67)	(2 385)	(2 927)	(7)	(654)	(6 039)
Carrying amount as at 31 Dec. 2019	96	1 450	8 357	17	4 636	14 557
Accumulated cost as at 31 Dec. 2019	163	3 835	11 284	24	5 290	20 596
Additions	1	313	3 397	1	97	3 809
Disposals	(5)	(34)	(1 954)	(0)	(2)	(1 996)
Reorganisations		0		(0)		
Exchange rate movements	0	(1)	408	1	12	420
Cost as at 31 Dec. 2020	159	4 112	13 135	26	5 397	22 829
Total depreciation and impairment as at 31 Dec. 2019	(67)	(2 385)	(2 927)	(7)	(654)	(6 039)
Disposals		35	1 516	1	2	1 553
Depreciation [1]	(10)	(512)	(1 790)	(1)	(689)	(3 001)
Impairment		(3)				(3)
Exchange rate movements	0	(3)	(120)	(0)	4	(120)
Total depreciation and impairment as at 31 Dec. 2020	(77)	(2 869)	(3 321)	(7)	(1 337)	(7 610)
Carrying amount as at 31 Dec. 2020	82	1 244	9 814	19	4 060	15 219

Note 37 Fixed assets (continued)

DNB Bank Group

Amounts in NOK million	Bank buildings and other properties	Machinery, equipment and vehicles	Fixed assets operating leases	Other fixed assets	Right of use assets	Total
Accumulated cost as at 31 Dec. 2018	162	3 620	9 769	56	5 261	18 868
Additions		597	3 495	6	520	4 618
Disposals	(3)	(271)	(1 912)	(3)	(101)	(2 290)
Exchange rate movements	5	1	(69)	(0)	(24)	(88)
Cost as at 31 Dec. 2019	164	3 946	11 284	59	5 656	21 108
Total depreciation and impairment as at 31 Dec. 2018	(56)	(2 356)	(2 688)	(38)		(5 138)
Disposals		268	1 241	2	15	1 526
Depreciation [1)]	(9)	(379)	(1 500)	(4)	(730)	(2 622)
Impairment			(1)		(9)	(10)
Exchange rate movements	(2)	(0)	21	0	(1)	18
Total depreciation and impairment as at 31 Dec. 2019	(67)	(2 468)	(2 927)	(39)	(725)	(6 226)
Carrying amount as at 31 Dec. 2019	97	1 477	8 357	20	4 931	14 882
Accumulated cost as at 31 Dec. 2019	164	3 946	11 284	59	5 656	21 108
Additions	1	351	3 398	3	106	3 858
Disposals	(5)	(35)	(1 954)	(3)	(4)	(2 001)
Exchange rate movements	0	(4)	408	1	13	419
Cost as at 31 Dec. 2020	159	4 258	13 136	60	5 770	23 384
Total depreciation and impairment as at 31 Dec. 2019	(67)	(2 468)	(2 927)	(39)	(725)	(6 226)
Disposals		35	1 516	3	4	1 558
Depreciation [1)]	(10)	(519)	(1 790)	(2)	(748)	(3 069)
Impairment		(4)			(3)	(7)
Exchange rate movements	0	(3)	(120)	(1)	6	(118)
Total depreciation and impairment as at 31 Dec. 2020	(77)	(2 959)	(3 321)	(39)	(1 465)	(7 862)
Carrying amount as at 31 Dec. 2020	83	1 299	9 815	21	4 305	15 522

1) Based on cost less any residual value, other assets are subject to straight-line depreciation over their expected useful life within the following limits:

Technical installations	*10 years*
Machinery	*3-10 years*
Fixtures and fittings	*5-10 years*
Computer equipment	*3-5 years*
Means of transport	*5-7 years*

The DNB Bank ASA has not placed any collateral for loans/funding of fixed assets, including property.

Note 38 Leasing

DNB Finans offers operational and financial leasing contracts, fleet management and loans to corporate customers, public sector entities and consumers in Norway, Sweden, Denmark and Finland. The business is conducted through vendor partnerships and direct sales, in close cooperation with the client advisers in DNB Bank where possible. Focus is on financing standard assets where there is an existing and functioning second hand market. The largest asset class in the portfolio is passenger cars and LCVs. Other large asset classes are buses, trucks and trailers and construction equipment and machinery.

DNB Bank ASA		Financial leases (as lessor)	DNB Bank Group	
31 Dec. 2019	31 Dec. 2020	*Amounts in NOK million*	31 Dec. 2020	31 Dec. 2019
		Gross investment in the lease		
9 733	1 361	Due within 1 year	1 358	10 117
42 263	46 579	Due in 1-5 years	47 600	42 909
10 892	13 030	Due in more than 5 years	12 917	10 749
62 889	60 970	Total gross investment in the lease	61 875	63 776
		Present value of minimum lease payments		
9 430	1 319	Due within 1 year	1 309	9 803
34 021	37 508	Due in 1-5 years	37 739	33 986
7 238	8 681	Due in more than 5 years	8 564	7 127
50 689	47 508	Total present value of lease payments	47 612	50 916
12 200	13 462	Unearned financial income	14 263	12 860
87	97	Unguaranteed residual values accruing to the lessor	97	87
2 539	2 814	Accumulated loan-loss provisions	2 826	2 542
68	76	Variable lease payments recognised as income during the period	76	68

DNB Bank ASA		Operational leases (as lessor)	DNB Bank Group	
31 Dec. 2019	31 Dec. 2020	*Amounts in NOK million*	31 Dec. 2020	31 Dec. 2019
		Future minimum lease payments under non-cancellable leases		
1 049	126	Due within 1 year	126	1 074
5 335	6 395	Due in 1-5 years	6 395	5 336
62	451	Due in more than 5 years	451	62
6 446	6 971	Total future minimum lease payments under non-cancellable leases	6 971	6 471

DNB Bank ASA		Leases (as lessee)	DNB Bank Group	
31 Dec. 2019	31 Dec. 2020	*Amounts in NOK million*	31 Dec. 2020	31 Dec. 2019
		Minimum future lease payments under non-cancellable leases		
118	107	Due within 1 year	107	119
648	504	Due in 1-5 years	524	686
4 781	4 095	Due in more than 5 years	4 095	4 781
5 547	4 706	Total minimum future lease payments under non-cancellable leases	4 726	5 586
265	221	Total minimum future sublease payments expected to be received under non-cancellable subleases	102	112

DNB Bank ASA		DNB Bank Group
Sum of lease liability	*Amounts in NOK million*	Sum of lease liability
5 267	Lease liabilities as at 1 January 2019	5 349
115	Interest expense	115
518	Additions	519
(849)	Payments	(874)
10	Other	(19)
5 060	Lease liabilities as at 31 December 2019	5 090
115	Interest expense	116
16	Additions	24
80	Revaluation of existing lease liability	80
(47)	Cancellations	
(783)	Payments	(798)
(9)	Other	(17)
4 432	Lease liabilities as at 31 December 2020	4 495

Note 39 Other assets

DNB Bank ASA 31 Dec. 2019	31 Dec. 2020	*Amounts in NOK million*	DNB Bank Group 31 Dec. 2020	31 Dec. 2019
438	544	Accrued expenses and prepaid revenues	524	452
1 816	1 113	Amounts outstanding on documentary credits and other payment services	1 113	1 816
1 710	2 875	Unsettled contract notes	2 875	1 710
7 932	8 864	Other amounts outstanding [1]	4 367	4 125
11 897	**13 395**	**Total other assets [2]**	**8 879**	**8 103**

1) DNB Bank ASA had outstanding group contributions totaling NOK 5 544 million as at 31 December 2020.
2) Other assets are generally of a short-term nature.

Note 40 Deposits from customers by industry segment

DNB Bank ASA 31 Dec. 2019	31 Dec. 2020	*Amounts in NOK million*	DNB Bank Group 31 Dec. 2020	31 Dec. 2019
41 737	39 026	Bank, insurance and portfolio management	39 041	41 803
47 021	52 791	Commercial real estate	51 641	46 874
32 025	28 043	Shipping	29 440	32 787
51 131	67 626	Oil, gas and offshore	67 933	51 364
12 281	18 403	Power and renewables	19 388	13 318
9 919	13 545	Healthcare	13 545	9 927
52 467	55 189	Public sector	56 285	53 134
13 786	14 670	Fishing, fish farming and farming	14 694	13 787
27 739	39 834	Retail industries	44 768	32 592
47 241	63 791	Manufacturing	65 368	47 969
17 356	23 081	Technology, media and telecom	26 021	18 555
93 056	114 092	Services	116 035	94 356
17 443	20 383	Residential property	20 251	17 215
373 550	407 028	Personal customers	412 499	380 217
119 903	129 117	Other corporate customers	135 149	123 631
956 655	**1 086 618**	**Deposits from customers**	**1 112 058**	**977 530**

Note 41 Debt securities issued

Changes in debt securities issued — DNB Bank ASA

Amounts in NOK million	Balance sheet 31 Dec. 2020	Issued 2020	Matured/ redeemed 2020	Echange rate movements 2020	Other adjustments 2020	Balance sheet 31 Dec. 2019
Commercial papers issued, nominal amount	137 931	1 113 162	(1 121 261)	(42 091)		188 120
Bond debt, nominal amount [1) 2)]	175 115	3 448	(60 411)	9 529		222 550
Senior non-preferred bonds, nominal amount	8 519	9 462		(943)		
Adjustments	5 210			17	(702)	5 895
Total debt securities issued	**326 776**	**1 126 072**	**(1 181 672)**	**(33 488)**	**(702)**	**416 565**

Maturity of debt securities issued measured at amortised cost as at 31 December 2020 [1) 2) 3)] — DNB Bank ASA

Amounts in NOK million	NOK	Foreign currency	Total
2021		137 931	137 931
Total commercial papers issued, nominal amount		137 931	137 931
2021		35 889	35 889
2022	4 876	53 030	57 905
2023	2 800	52 261	55 061
2024		13 558	13 558
2025		471	471
2026		1 966	1 966
2027 and later		3 509	3 509
Total bond debt, nominal amount	7 676	160 683	168 359
2025		8 519	8 519
Total senior non-preferred bonds, nominal amount		8 519	8 519
Total debt securities issued, nominal amount	7 676	307 133	314 809

Maturity of debt securities issued measured at fair value as at 31 December 2020 [1) 2)] — DNB Bank ASA

Amounts in NOK million	NOK	Foreign currency	Total
2021		(1)	(1)
Total commercial papers issued, nominal amount		(1)	(1)
2021	3 331		3 331
2022	520		520
2023	2 771		2 771
2024	125		125
2025	2		2
2026	7		7
2027 and later			
Total bond debt, nominal amount	6 756		6 756
Total senior non-preferred bonds, nominal amount			
Total debt securities issued, nominal amount	6 756	(1)	6 756
Adjustments	71	5 139	5 210
Debt securities issued	14 504	312 272	326 776

1) *Minus own bonds.*
2) *The measurement category for debt securities issued in Norwegian kroner with floating rates has been changed from FVTPL to amortised cost as of 31 December 2019. Comparative information has not been restated.*
3) *Includes hedged items.*

Note 41 Debt securities issued (continued)

Changes in debt securities issued — DNB Bank Group

Amounts in NOK million	Balance sheet 31 Dec. 2020	Issued 2020	Matured/ redeemed 2020	Echange rate movements 2020	Other adjustments 2020	Balance sheet 31 Dec. 2019
Commercial papers issued, nominal amount	137 931	1 113 162	(1 121 261)	(42 091)		188 120
Bond debt, nominal amount [1) 2)]	610 594	29 430	(103 824)	29 533		655 455
Senior non-preferred bonds, nominal amount	8 519	9 462		(943)		
Adjustments	30 769			17	2 695	28 057
Total debt securities issued	**787 813**	**1 152 054**	**(1 225 085)**	**(13 483)**	**2 695**	**871 632**

Maturity of debt securities issued measured at amortised cost as at 31 December 2020 [1) 2) 3)] — DNB Bank Group

Amounts in NOK million	NOK	Foreign currency	Total
2021		137 931	137 931
Total commercial papers issued, nominal amount		137 931	137 931
2021	13 953	89 842	103 795
2022	24 746	124 841	149 587
2023	2 800	122 356	125 156
2024	6 592	50 448	57 040
2025	9 882	33 670	43 552
2026		40 105	40 105
2027 and later	120	70 153	70 273
Total bond debt, nominal amount	58 093	531 416	589 509
2025		8 519	8 519
Total senior non-preferred bonds, nominal amount		8 519	8 519
Total debt securities issued, nominal amount	58 093	677 866	735 960

Maturity of debt securities issued measured at fair value as at 31 December 2020 [1) 2)] — DNB Bank Group

Amounts in NOK million	NOK	Foreign currency	Total
2021		(1)	(1)
Total commercial papers issued, nominal amount		(1)	(1)
2021	8 176		8 176
2022	6 020		6 020
2023	3 028		3 028
2024	695		695
2025	1 436		1 436
2026	1 730		1 730
2027 and later			
Total bond debt, nominal amount	21 085		21 085
Total senior non-preferred bonds, nominal amount			
Total debt securities issued, nominal amount	21 085	(1)	21 085
Adjustments	919	29 849	30 769
Debt securities issued	80 098	707 715	787 813

1) *Minus own bonds. Nominal amount of outstanding covered bonds in DNB Boligkreditt totalled NOK 364.8 billion as at 31 December 2020. The cover pool market value represented NOK 673.5 billion.*

2) *The measurement category for debt securities issued in Norwegian kroner with floating rates has been changed from FVTPL to amortised cost as of 31 December 2019. Comparative information has not been restated.*

3) *Includes hedged items.*

Note 42 Subordinated loan capital and perpetual subordinated loan capital securities

Changes in subordinated loan capital and perpetual subordinated loan capital securities — **DNB Bank Group**

Amounts in NOK million	Balance sheet 31 Dec. 2020	Issued 2020	Matured/ redeemed 2020	Exchange rate movements 2020	Other adjustments 2020	Balance sheet 31 Dec. 2019
Term subordinated loan capital, nominal amount	26 320	4 056	(4 207)	1 528		24 943
Perpetual subordinated loan capital, nominal amount	5 640			(134)		5 774
Adjustments	359			(0)	(19)	378
Total subordinated loan capital and perpetual subordinated loan capital securities	**32 319**	**4 056**	**(4 207)**	**1 394**	**(19)**	**31 095**

DNB Bank Group

Year raised	Carrying amount in foreign currency		Interest rate	Maturity	Call date	Carrying amount in NOK
Term subordinated loan capital						
2016	JPY	10 000	1.00% p.a.	2026	2021	827
2017	JPY	11 500	1.04% p.a.	2027	2022	951
2017	NOK	170	3.08% p.a.	2027	2022	170
2017	SEK	750	3-month STIBOR + 1.70%	2027	2022	782
2017	SEK	1 000	1.98% p.a.	2027	2022	1 043
2017	EUR	650	1.25% p.a.	2027	2022	6 798
2017	NOK	1 400	3-month NIBOR + 1.75%	2027	2022	1 400
2018	JPY	25 000	0.75% p.a.	2028	2023	2 067
2018	SEK	300	1.61% p.a.	2028	2023	313
2018	SEK	700	3-month STIBOR + 1.06%	2028	2023	730
2018	EUR	600	1.125% p.a.	2028	2023	6 275
2018	NOK	900	3-month NIBOR + 1.10%	2028	2023	900
2020	NOK	2 500	3-month NIBOR + 2.30%	2030	2025	2 500
2020	SEK	1 500	3-month STIBOR + 2.35%	2030	2025	1 565
Total, nominal amount						26 320
Perpetual subordinated loan capital						
1985	USD	215	3-month LIBOR + 0.25%			1 832
1986	USD	200	6-month LIBOR + 0.13%			1 704
1986	USD	150	6-month LIBOR + 0.15%			1 278
1999	JPY	10 000	4.51% p.a.		2029	827
Total, nominal amount						5 640

The subordinated loan capital and perpetual subordinated loan capital securities are issued by DNB Bank ASA.

Note 43 Other liabilities

DNB Bank ASA			DNB Bank Group	
31 Dec. 2019	31 Dec. 2020	*Amounts in NOK million*	31 Dec. 2020	31 Dec. 2019
446	700	Short-term funding	700	446
10 883	2 982	Short positions trading	2 982	10 883
3 200	3 247	Accrued expenses and prepaid revenues	3 463	3 407
1 391	454	Documentary credits, cheques and other payment services	454	1 391
1 379	1 930	Unsettled contract notes	1 930	1 379
25 841	13 205	Group contribution/dividends	(0)	(0)
1 233	1 795	Accounts payable	2 054	1 363
257	254	General employee bonus	254	257
5 060	4 432	Lease liabilities	4 495	5 090
2 526	2 445	Other liabilities	2 811	2 913
52 215	**31 444**	**Total other liabilities** [1]	**19 145**	**27 129**

1) Other liabilities are generally of a short-term nature.

Note 44 Equity

Share capital

DNB Bank ASA is a wholly owned subsidiary of DNB ASA, which is a Norwegian public limited company listed on the Oslo Stock Exchange (Oslo Børs). The share capital of DNB Bank ASA at 31 December 2020 was NOK 19 379 562 763 divided into 1 550 365 021 shares, each with a nominal value of NOK 12.50. The share capital of DNB Bank ASA at 31 December 2019 was NOK 18 255 648 000 divided into 182 556 480 shares, each with a nominal value of NOK 100.

The Board of Directors was authorised by an extraordinary general meeting in November 2020 to decide on a dividend for 2019 after 1 January 2021. In January 2021, the Norwegian Ministry of Finance conveyed an expectation that the banks' total distribution of dividends should be kept within 30 per cent of the accumulated profit for the years 2019 and 2020, until September 2021. In light of this, the Board of Directors in DNB Bank ASA has decided to pay a dividend of NOK 12 478 million for 2019 to DNB ASA. The distribution took place in February 2021.

In the same manner as in DNB ASA, the Board of Directors in DNB Bank ASA will ask the Annual General Meeting in April 2021 for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020, applicable from 1 October 2021 until the Annual General Meeting in 2022. This will ensure that the DNB Group can will be able to distribute dividends after the merger has been completed (read more in the Directors' report).

Fund for unrealised gains

The restricted share of retained earnings (fund for unrealised gains) in DNB Bank ASA totalled NOK 4 231 million at 31 December 2020 and NOK 2 208 million at 31 December 2019.

Additional Tier 1 capital

The additional Tier 1 capital is issued by DNB Bank ASA.

Changes in additional Tier 1 capital — **DNB Bank Group**

Amounts in NOK million	Balance sheet 31 Dec. 2020	Redeemed 2020	Interest paid 2020	Interest accrued 2020	Exchange rate movements 2020	Balance sheet 31 Dec. 2019
Additional Tier 1 capital, nominal amount	17 995	(8 053)				26 048
Adjustments	367	(1 971)	(1 578)	1 143	2 092	681
Additional Tier 1 capital	**18 362**	**(10 024)**	**(1 578)**	**1 143**	**2 092**	**26 729**

DNB Bank Group

Year raised		Carrying amount in currency	Interest rate	Carrying amount in NOK
2016	NOK	1 400	3-month NIBOR + 5.25%	1 400
2016	USD	750	6.50% p.a.	6 120
2019	NOK	2 700	3-month NIBOR + 3.50%	2 700
2019	USD	850	4.875% p.a.	7 774
Total, nominal amount				17 995

Note 45 Remunerations etc.

Pursuant to section 7-31b of the Norwegian Accounting Act, the Board of Directors will present the following statement on remunerations to senior executives to the Annual General Meeting for voting:

Information on DNB's general remunerations scheme

Financial institutions are required to publish information about the main principles for determining remuneration, criteria for the stipulation of any variable remuneration and quantitative information on remuneration to senior executives. The information in the Board of Directors' statement on the stipulation of salaries and other remuneration to senior executives counts as necessary information under the Financial Institutions Regulations.

The Group standard for remuneration in the DNB Group applies to the total remuneration to all employees in the DNB Group and has been approved by the Board of Directors. The standard comprises total remuneration (fixed salary, short and long-term incentives and pensions) and employee benefits (personnel insurance and other employee benefits). The purpose of the Group Standard is to ensure that the Group's remuneration schemes support the Group's strategy and value base and contribute to achievement of the Group's targets, as well as complying with regulatory requirements.

According to the standard, total remuneration is to be based on a total evaluation of the performance of the Group, as well as the unit's and each individual's contributions to value creation. Total remuneration should be structured to ensure that it does not expose the Group to unwanted risk. The remuneration should be competitive, but also cost-effective for the Group.

Furthermore, the standard specifies that total remuneration is to consist of fixed salary, any supplementary pay related to the relevant position, and a variable part where appropriate. Fixed salary elements, including supplementary pay related to the position or market conditions, should correspond with the responsibilities and requirements assigned to each position, as well as its complexity, while variable remuneration should encourage increased performance and desired conduct.

Variable remuneration is based on an overall performance assessment in relation to the results achieved within defined target areas for the Group, unit and individual ('what we deliver'), as well as behaviour and target attainment related to the Group's purpose, values, Code of Conduct, compliance and leadership principles ('how we deliver'). Furthermore, it should counteract excessive risk-taking and promote sound and efficient risk management in DNB. Variable remuneration may not exceed 50 per cent of fixed salary for senior executives or 100 per cent for other risk takers. Managers of independent control functions may not receive variable remuneration.

The Group standard shall ensure that the use of variable remuneration complies with the regulatory provisions that apply to the Group's various areas of operation and geographical locations. Special rules have been adopted for variable remuneration to senior executives, employees with responsibilities which are of great importance to the company's risk exposure ('risk takers'), and employees in independent control functions.

DNB's variable remuneration scheme applies globally, although non-Norwegian branch offices and subsidiaries will also be required to comply with local legislation. In cases where Norwegian regulations deviate from local legislation, the Group will seek advice from the relevant authorities and international experts to ensure that the practice is in compliance with both Norwegian and local regulations.

Remuneration structure

Fixed salary elements should normally constitute the main part of the total remuneration and be of such a size that in some years, it can be determined that no variable remuneration will be allocated. The individual salary level is determined on the basis of the responsibilities and complexity of each position, as well as the current market level for similar positions and competence.

To ensure the necessary flexibility and to be an attractive employer in the competition for sought-after competence, supplementary pay related to the position or market conditions can be added to the agreed fixed salary.

Variable remuneration

The Board of Directors will determine overall criteria, principles and the limits for variable remuneration. Variable remuneration must be allocated on the basis of a comprehensive assessment of performance in relation to financial and non-financial targets, and should as a main rule not exceed 50 per cent of the agreed fixed salary elements. The overall remuneration structure should be of such a nature that it does not contribute to unwanted risk-taking on the part of the individual employee.

For 2020, the Board of Directors decided that target attainment related to the Group's financial ambitions for return on equity and cost/income ratio should have a weighting of 60 per cent when determining variable remuneration. In addition to the financial targets, strategy-related qualitative and quantitative targets were established, which were to be weighted by a total of 40 per cent. Factors such as compliance and behaviour in line with the Group's Code of Conduct are included in the comprehensive assessment of variable remuneration. The Group's financial target figures have been broken down into relevant targets for the various business areas and staff and support units.

Note 45 Remunerations, etc. (continued)

Special rules for risk takers
DNB has special rules for identified risk takers, employees responsible for independent control functions and senior executives, hereafter referred to as risk takers. The special rules supplement the general Group standard for remuneration and have been formulated in compliance with the provisions of the Norwegian Financial Institutions Regulations, the Regulations to the Securities Funds Act, the Regulations to the Act on the Management of Alternative Investment Funds (the AIF Regulations), and the corresponding circular from Finanstilsynet (the Financial Supervisory Authority of Norway).

In accordance with prevailing requirements, DNB has surveyed the entire organisation to identify risk takers based on the criteria derived from the circular and the EU regulation in this area.

For risk takers, the following main principles apply to variable remuneration:

- The remuneration is earned over a period of two years.
- Variable remuneration may not exceed the agreed fixed remuneration.
- Senior executives in independent control functions will receive no variable remuneration.

For risk takers, 50 per cent of the earned variable remuneration after tax is deferred and conditional and paid in the form of DNB shares. The remuneration paid in the form of shares is subject to a minimum holding period and is released in stages over three years. The deferred and conditional payments will be in compliance with the stipulations in the Financial Institutions Regulations. During the period in which the right to the shares/instruments is conditional, a subsequent risk adjustment must be made, also an relating to compliance. If the assessment shows that the original risk adjustment was incorrect, the risk taker's right to conditionally allocated shares may be wholly or partly repealed. The same applies if the allocation was found to be based on incorrect grounds or insufficient information.

Shares with a minimum holding period have a lower market value than freely negotiable shares. In order to compensate for this disadvantage, additional shares are granted corresponding to the difference in the estimated market value of freely negotiable shares and shares with the applicable holding period. The calculation is performed according to recognised methodology for such pricing and in line with Norwegian tax assessment practice.

Pensions, etc.
All employees in Norway are members of the defined-contribution pension scheme pursuant to the Norwegian Occupational Pension Act.

When the defined-benefit entitlements were replaced by defined-contribution direct pension schemes as of 1 January 2016, the pension entitlements of the senior executives, calculated on the conversion date, were estimated to correspond to the technical value of the former defined-benefit scheme. Future capital entitlements now comprise annual contributions and the return on the entitlements earned. The annual contributions are calculated individually to ensure that, based on the calculation assumptions, the defined-contribution direct pension scheme will have the same value as the former defined-benefit agreement would have given at the agreed retirement age.

Remuneration to senior executives in 2020

The Group standard for remuneration, which is decided annually by the Board of Directors at the beginning of the accrual year, has been complied with. Every year, a report on compliance with the standard is drawn up. The report is assessed by the internal auditor and is considered by the Board of Directors. The Annual General Meeting of DNB ASA in 2021 will be presented with guidelines on executive pay for a binding vote.

The Group Chief Executive Officer's remuneration is determined by the Board of Directors. The Group Chief Executive Officer determines the remuneration to senior executives in agreement with the Board of Directors.

The total remuneration to senior executives consists of fixed salary (main element), any supplementary pay related to the position, share programme (if applicable), variable remuneration, benefits in kind, and pension and insurance schemes. The total remuneration is determined on the basis of the need to offer competitive terms. The remuneration should promote the Group's competitiveness in the relevant labour market without making the Group a market leader in terms of salaries, and also promote the Group's profitability, as well as the desired income and cost development. The total remuneration should take into account DNB's reputation and ensure that DNB attracts and retains senior executives with the desired skills and experience. Taking all this into account, the Board of Directors emphasises moderation in the determination of the remuneration to senior executives.

The fixed salary and supplementary pay related to the position are subject to an annual evaluation and determined based on salary levels in the labour market in general and in the financial industry in particular.

The variable remuneration to senior executives is determined based on an overall assessment of the results achieved within defined target areas. Variable remuneration may not exceed 50 per cent of fixed salary.

Benefits in kind may be offered to senior executives to the extent that the benefits have a relevant connection to the employee's function in the Group or are in line with market practice. The benefits should not be significant relative to the employee's fixed salary.

Note 45 Remunerations, etc. (continued)

Total remuneration of the Group Chief Executive Officer (CEO)
The CEO's total remuneration consists of fixed salary (main element), share programme, benefits in kind, variable remuneration, and pension and insurance schemes. The total remuneration is determined on the basis of an overall assessment of performance where the main element of the variable part of the remuneration is based on the Group's financial targets. In addition to the financial targets, strategic targets have been established for 2020 where, among other things, developments in the customer areas, payment area, savings area and streamlining of the organisation have been assessed. In the Board of Directors' overall assessment of the CEO's variable remuneration, emphasis is also placed on compliance with external and internal regulations, ethical guidelines and leadership principles. The total remuneration to the CEO should be competitive, but not market-leading. DNB's reputation must also be taken into account.

The CEO's fixed salary
The CEO's fixed salary was adjusted by the Board of Directors and set to NOK 7 920 thousand effective from 1 January 2020. The fixed salary is subject to annual evaluation and is determined based on, among other things, salary levels in the labour market in general and in the financial industry in particular, and on remuneration levels for comparable positions.

A conditional agreement has also been entered into with the CEO, that a supplement of 30 per cent of the fixed salary is to be paid in the form of shares. This scheme was approved by the Annual General Meeting on 30 June 2020. The amount is set aside throughout the year, and the net amount after tax is to be used to purchase shares in DNB ASA, with a minimum holding period for as long as the CEO holds the position. Upon leaving this position, the shares are released in stages over a period of three years. The relationship to the Norwegian Government's guidelines on executive pay is described in note 46 of the annual report for 2019.

The CEO's variable remuneration
Variable remuneration to the CEO is determined based on an overall assessment of performance in relation to pre-defined target areas. Variable remuneration may not exceed 50 per cent of fixed salary. The CEO is not awarded any performance-based benefits other than the stated variable remuneration.

At the start of 2020, the Board of Directors decided that target attainment relating to the Group's financial ambitions for return on equity and cost/income ratio should have a total weighting of 60 per cent when determining variable remuneration. In addition to the financial targets, strategy-related qualitative and quantitative targets were established, which were to have a total weighting of 40 per cent. Factors such as compliance and behaviour in line with the Group's ethical principles (set out in the Code of Conduct) are included in the comprehensive assessment of variable remuneration. Moreover, in its comprehensive assessment, the Board of Directors takes into account factors both within and outside the Group that affect the Group's overall performance, including factors that affect target attainment relating to the financial and strategic performance criteria.

DNB's annual profit for 2020 gave a return on equity of 8.4 per cent and a cost/income ratio of 41.5 per cent. The Board of Directors decided on the CEO's performance criteria for 2020 in December 2019, before the coronavirus pandemic struck. The pandemic, unforeseen economic developments and Government measures changed the underlying basis for the Group's priorities, and by extension for the CEO's performance criteria. In March 2020, the Board of Directors defined the Group's key priorities as the safe and stable operation of activities of critical importance to Norwegian society, the health of employees, and support to customers during an acute and critical phase. At year-end, the Board of Directors carried out an overall assessment of the original performance criteria decided for 2020 and of the priorities set in March 2020. In the overall assessment, the Board of Directors also took into account adjustments to the strategic performance criteria, in line with the adjusted Group strategy adopted in the third quarter of 2020.

In the Board's opinion, the CEO and the Group have, overall, delivered in accordance with the priorities set for 2020. The CEO and DNB have handled the extraordinary situation in a good way, and have strengthened the Group's position during the course of the year. As one of the few major Nordic banking groups, DNB has shown a positive value development throughout the year, while European banks on average had a negative value development of around 25 per cent. At year-end 2020, DNB was financially in a position to deliver fully on the Group's dividend policy for both 2019 and 2020. As it did in 2019, the Board of Directors has again emphasised compliance in its assessment of variable remuneration in 2020, and the CEO's target attainment has been reduced as a result of factors relating to this.

Following an overall assessment, the Board of Directors has taken as its basis that the CEO's performance in 2020 was at the same level as in 2019, although the financial performance criteria were adversely affected by the coronavirus pandemic, and the target attainment reflects this. According to chapter 15 of the Financial Institutions Regulations, the final level of the CEO's variable remuneration is to be determined on the basis of the average of the current and previous year's target attainment. Since the CEO's target attainment was higher in 2018 than in 2019, the average target attainment in 2020 is reduced compared with that of 2019. With a target attainment of 80 per cent in both 2019 and 2020, the average target attainment is 80 per cent. The variable remuneration may not exceed 50 per cent of fixed salary, which means that an average target attainment of 80 per cent gives a variable remuneration of 40 per cent of the fixed salary.

The CEO's fixed salary forms the basis for variable remuneration. In addition to the general adjustment of the CEO's fixed salary as of 1 January 2020, the size of the variable remuneration is affected by the fact that 2020 was the CEO's first full year in the position. The calculation of the variable remuneration for 2019 was based on two different salaries, with 2/3 calculated on the basis of the fixed salary in the CEO's previous position and 1/3 calculated on the basis of the fixed salary in the position as CEO. The CEO's fixed salary increased from NOK 4 375 thousand to NOK 7 665 thousand on taking up the position of CEO on 1 September 2019.

The CEO's benefits in kind
In addition to variable remuneration, the CEO may be granted benefits in kind such as a company car scheme, 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 45 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, on a par with all other employees in Norway. The scheme's maximum pensionable income is equivalent to 12 times the National Insurance basic amount (G).

The CEO also has a defined-contribution direct pension agreement. This agreement was continued from a previous position with equal annual earnings in NOK as before becoming CEO. The annual contribution will be adjusted in line with ordinary changes in pensionable income. After the age of 67, no further contribution will be accrued in the defined-contribution direct pension agreement. The relationship to the Norwegian Government's guidelines on executive pay is described in note 46 of the annual report for 2019.

The CEO's term of notice and termination payment rights
The CEO has a term of notice of six months. In the event of a termination of the employment initiated by the employer, the CEO is entitled to a termination payment equivalent to six months' fixed salary at the end of the term of notice. If the CEO enters into another employment relationship during the termination payment period, the termination payment must be reduced by half of the new income. Supplementary benefits are retained for a period of three months. The relationship to the Norwegian Government's guidelines on executive pay is described in note 46 of the annual report for 2019.

Changes in the Group Management team
There have been no changes in the composition of the Group Management team in 2020.

Shares, subscription rights, options etc.
An amount corresponding to 50 per cent of the earned variable remuneration of the CEO, senior executives and other risk takers is invested in shares in DNB ASA, with a minimum holding period of one year for one third of the shares, two years for another third of the shares, and three years for the remaining third of the shares.

A conditional agreement has been entered into with some members of the Group Management team, specifying that an additional 30 per cent of ordinary fixed salary is to be paid in shares. This amount is set aside throughout the year, and the net amount after tax is used to purchase shares in DNB ASA after the end of the year, with a minimum holding period for as long as the person is part of the Group Management team. After leaving this position, the shares are released in stages over a period of three years.

Other shares, subscription rights, options and other kinds of remuneration only linked to shares or the development of the share price in the company or in other companies within the same Group, are not allocated to the CEO or senior executives. The CEO and senior executives are, however, given the opportunity to participate in a share subscription scheme on the same terms as other employees in the DNB Group.

The effects on the company and the shareholders of remuneration in the form of shares, subscription rights, options, etc.
An amount corresponding to 50 per cent of the gross variable remuneration earned by the CEO, senior executives and other risk takers in 2020 is invested in shares in DNB ASA. The Board of Directors believes that the awarding of shares to senior executives, in view of the total number of shares in the company, will have no negative consequences for the company or the shareholders.

Terms for the Chair of the Board of Directors
In 2020, Olaug Svarva received a remuneration of NOK 612 thousand as Chair of the Board of Directors of DNB ASA, and a remuneration of NOK 483 thousand as Chair of the Board of Directors of DNB Bank ASA.

Terms for the Group Chief Executive Officer (CEO)
Kjerstin R. Braathen had a fixed salary of NOK 7 920 thousand in 2020, compared with NOK 7 665 thousand in 2019. In addition, Braathen received a fixed salary supplement of 30 per cent, which amounted to NOK 2 376 thousand. This amount is paid out in shares with a minimum holding period as long as she is a member of the Group Management team. The Board of Directors of DNB ASA set the CEO's variable remuneration for 2020 at NOK 3 168 thousand, compared with NOK 2 230 thousand in 2019. Variable remuneration will be paid in 2021, of which 50 per cent is deferred and conditional and paid in the form of DNB shares. The share part is divided into three with a holding period of up to three years. Benefits in kind were estimated at NOK 268 thousand, compared with NOK 213 thousand in 2019. Costs of NOK 809 thousand in connection with the CEO's pension scheme were recognised for the 2020 accounting year, compared with costs of NOK 774 thousand in 2019. The costs are divided between DNB ASA and DNB Bank ASA.

Subscription rights programme for employees
There was no subscription rights programme for employees in the DNB Group at year-end 2020.

Note 45 Remunerations etc. (continued)

The table has been constructed to show rights earned during the period.

Remunerations etc. in 2020 **DNB Bank Group**

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2020 [1]	Remune-ration paid in 2020 [2]	Paid salaries in 2020 [3]	Variable remune-ration earned in 2020 [4]	Fixed salary supple-ment in 2020 [5]	Benefits in kind and other benefits in 2020	Total remune-ration in 2020	Loans as at 31 Dec. 2020 [6]	Accrued pension expenses in 2020 [7]
Board of Directors of DNB Bank ASA									
Olaug Svarva (Chair)		1 096				13	1 109		
Kim Wahl (Vice Chair)		408					408	80	
Julie Galbo (from 30.06.20)		293					293		
Lillian Hattrem (until 30.06.20)	710	476	881	24		46	1 427	3 908	124
Jens Petter Olsen (until 30.06.20)		622					622	149	
Eli Solhaug (from 30.06.20)	702	295	716	24		35	1 070	1 750	
Group Management									
Kjerstin R. Braathen, CEO	7 920		7 900	3 192	2 376	268	13 736	2 039	809
Ottar Ertzeid, CFO	6 550		7 085	2 774	1 965	62	11 885		855
Kari Bech-Moen, group EVP	2 600		2 603	1 084		82	3 769	7 739	125
Rasmus Aage Figenschou, group EVP	3 350		3 474	1 364		101	4 939	13 932	125
Mirella E. Grant, group, EVP	3 975		3 979	24		79	4 082	7 346	125
Håkon Hansen, group EVP	3 720		3 799	1 554		85	5 438	7 595	268
Ida Lerner, group EVP 8)	4 318		4 318	24		2 164	6 506	5	
Maria Ervik Løvold, group EVP	3 500		3 468	1 514		115	5 097	8 360	214
Thomas Midteide, group EVP	3 375		3 502	1 374		76	4 952	1 944	280
Alexander Opstad, group EVP	6 250		6 554	2 604	1 875	162	11 195	14 800	178
Harald Serck-Hanssen, group EVP	5 100		5 202	1 974		39	7 215	3 421	1 420
Ingjerd Blekeli Spiten, group EVP	3 850		3 973	1 614		93	5 680	6 462	125
Loans to other employees								19 803 032	

1) *Fixed annual salary as 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. For those who have received remuneration for more than one position in 2020, the following amounts are related to their board positions in DNB Bank ASA:*
   Olaug Svarva: NOK 483 404
   Lillian Hattrem: NOK 187 998
   Jens Petter Olsen: NOK 263 998
   Some persons are members of more than one body.
3) *Includes salary payments for the entire year and holiday pay on variable remuneration. Some employees were members of the Board of Directors or the Group Management team for only parts of the year.*
4) *Variable remuneration earned in 2020, excluding holiday pay. The amount includes the Group bonus of NOK 24 thousand, which is paid according to defined allocation criteria to all permanent employees as at 31 December 2020.*
5) *An agreement has been entered into with some members of the Group Management team concerning a fixed salary supplement, which will be allocated for share purchases (see description earlier in the note).*
6) *Loans to shareholder-elected representatives are extended on ordinary customer terms. Loans to DNB employees are extended on special terms, which are close to ordinary customer terms.*
7) *Pension rights earned during the year (SCC). The calculation of pension entitlements is based on the same economic and actuarial assumptions as those used in note 24 Pensions.*
8) *Ida Lerner is on international assignment from Sweden to Norway. In accordance with DNB's international assignment policy, she has assignment-related benefits in kind, such as accommodation and children's school costs. Both her salary and benefits in kind are provided as net entitlements. The amounts have been grossed up with Norwegian taxes by an external service provider. As she is not a member of the Norwegian National Insurance Scheme, no social security contributions have been included in the gross amounts.*

Note 45 Remunerations etc. (continued)

The table has been constructed to show rights earned during the period.

Remunerations etc. in 2019 — **DNB Bank Group**

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2019 [1]	Remune-ration paid in 2019 [2]	Paid salaries in 2019 [3]	Variable remune-ration earned in 2019 [4]	Fixed salary supple-ment in 2019 [5]	Benefits in kind and other benefits in 2019	Total remune-ration in 2019	Loans as at 31 Dec. 2019 [6]	Accrued pension expenses in 2019 [7]
Board of Directors of DNB Bank ASA									
Olaug Svarva (Chair)		1 060				22	1 081		
Kim Wahl (Vice Chair from 30.04.19)		367					367	17	
Gro Bakstad (Vice Chair until 30.04.19)		515				1	516	24	
Lillian Hattrem	708	367	717	24		38	1 146	4 090	135
Jens Petter Olsen (from 30.04.19)		467					467	2 986	
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 [8]	4 076		4 076	24		1 996	6 096		
Maria Ervik Løvold, group EVP (from 23.09.19)	3 200		2 344	824		192	3 360	9 188	211
Thomas Midteide, group EVP	3 170		3 268	1 324		246	4 838	2 022	276
Alexander Opstad, group EVP (from 01.09.19)	6 000		5 911	4 024	485	163	10 583	17 721	175
Alf Otterstad, group EVP (until 23.09.19)	3 200		3 325	1 124		234	4 683	2 397	123
Harald Serck-Hanssen, group EVP	4 700		4 638	1 904		261	6 803	3 571	1 304
Ingjerd Blekeli Spiten, group EVP	3 530		3 595	1 524		256	5 375	7 210	123
Mirella E. Grant, group EVP	3 625		3 525	24		248	3 797	3 726	123
Loans to other employees								18 212 218	

1) *Fixed annual salary as 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. For those who have received remuneration for more than one position in 2019, the following amounts are related to their board positions in DNB Bank ASA:*
   Olaug Svarva: NOK 472 332
   Gro Bakstad: NOK 154 667
   Some persons are members of more than one body.
3) *Includes salary payments for the entire year and holiday pay on variable remuneration. Some employees were members of the Board of Directors or the Group Management team for only parts of the year.*
4) *Variable remuneration earned in 2019, excluding holiday pay. The amount includes the Group bonus, which is paid according to defined allocation criteria to all permanent employees as at 31 December 2019. For senior executives who have changed positions during 2019, the basis for the variable remuneration is calculated pro rata for the old and the new position.*
5) *An agreement has been entered into with some members of the Group Management team concerning a fixed salary supplement, which will be allocated for share purchases (see description earlier in the note).*
6) *Loans to shareholder-elected representatives are extended on ordinary customer terms. Loans to DNB employees are extended on special terms, which are close to ordinary customer terms.*
7) *Pension rights earned during the year (SCC). The calculation of pension entitlements is based on the same economic and actuarial assumptions as those used in note 24 Pensions.*
8) *Ida Lerner is on international assignment from Sweden to Norway. In accordance with DNB's international assignment policy, she has assignment-related benefits in kind, such as accommodation and children's school costs. Both her salary and benefits in kind are provided as net entitlements. The amounts have been grossed up with Norwegian taxes by an external service provider. As she is not a member of the Norwegian National Insurance Scheme, no social security contributions have been included in the gross amounts.*

Note 45 Remunerations etc. (continued)

DNB Bank ASA		Remuneration to the statutory auditor	DNB Bank Group	
2019	2020	*Amounts in NOK 1 000, excluding VAT*	2020	2019
(13 990)	(16 923)	Statutory audit [1]	(27 184)	(23 463)
(3 153)	(2 825)	Other certification services	(6 709)	(4 068)
(6 219)	(2 930)	Tax-related advice [2]	(3 228)	(6 545)
(1 602)	(1 950)	Other services	(1 950)	(1 602)
(24 963)	**(24 628)**	**Total remuneration to the statutory auditor**	**(39 072)**	**(35 677)**

1) *Includes fees for interim audit.*
2) *Mainly refers to tax-related advice to employees on international assignments.*

Note 46 Information on related parties

DNB Bank ASA is 100 per cent owned by DNB ASA. 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.

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 in the table are associated companies plus DNB Savings Bank Foundation. See note 34 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 other DNB Bank Group companies are shown in a separate table.

Transactions with related parties			**DNB Bank Group**	
	Group management and Board of Directors		Related companies	
Amounts in NOK million	2020	2019	2020	2019
Loans as at 1 January	85	78	696	21 976
New loans/repayments during the year	(4)	(15)	(160)	(254)
Changes in related parties	6	21		(21 026)
Loans as at 31 December	**87**	**85**	**536**	**696**
Interest income	**2**	**2**	**8**	**8**
Deposits as at 1 January	61	144	1 458	1 116
Deposits/withdrawals during the year	59	(91)	582	30
Changes in related parties	(20)	8		312
Deposits as at 31 December	**100**	**61**	**2 039**	**1 458**
Interest expenses	**(0)**	**(0)**	**(2)**	**(13)**
Guarantees [1]			**879**	**1 462**

1) *DNB Bank ASA has issued guarantees for other loans in Eksportfinans. The total guarantee commitment is included in the table above.*

No impairments were made on loans to related parties in 2019 and 2020. Reference is made to note 45 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 arrear. Employee loans are within the term limits applying to general customer relationships. Security is furnished for employee loans in accordance with legal requirements.

Note 46 Information on related parties (continued)

DNB Bank ASA 2019	2020	Transactions with other DNB Group companies [1] *Amounts in NOK million*	DNB Bank Group 2020	2019
321 289	313 403	Loans as at 31 December	30 683	29 688
16 301	16 590	Other receiveables as at 31 December [2]	229	267
90 526	100 188	Deposits as at 31 December	7 452	8 407
78 672	51 965	Other liabilities as at 31 December [2]	314	276
6 796	4 356	Interest income	759	864
(3 170)	(2 482)	Interest expenses	(27)	(102)
15 192	12 460	Net other operating income [3]	1 204	1 314
(360)	(392)	Operating expenses	(369)	(286)

1) *For DNB Bank ASA, the table includes transactions with subsidiaries, sister companies and DNB ASA. For the banking group, the table includes transactions with sister companies and DNB ASA. Investments in bonds issued by related parties are described below and are not included in the table.*

2) *Other receivables and other liabilities in DNB Bank ASA as at 31 December 2019 and 2020 were mainly financial derivative contracts with DNB Boligkreditt as counterparty and group contributions.*

3) *DNB Bank ASA recognised NOK 9 413 million and NOK 12 461 million in group contributions from subsidiaries in 2020 and 2019, respectively.*

Major transactions and agreements with related parties

DNB Boligkreditt AS

DNB Boligkreditt (Boligkreditt) is 100 per cent owned by DNB Bank ASA. As part of ordinary business transactions, a large number of banking transactions are entered into between Boligkreditt and the bank, including loans, deposits and financial derivatives used in currency and interest rate risk management. Transactions are carried out on market terms and are regulated in the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS" (the transfer agreement) and the "Contract between DNB Bank ASA and DNB Boligkreditt AS concerning purchase of management services" (the maagement agreement).

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. During 2020, portfolios of NOK 49.2 billion (NOK 1.5 billion in 2019) were transferred from the bank to Boligkreditt.

Pursuant to the management agreement, Boligkreditt purchases services from the bank, including administration, bank production, distribution, customer contact, IT operations and financial and liquidity management. Boligkreditt pays an annual management fee for these services based on the lending volume under management and the achieved lending spreads. The management fee paid in 2020 totalled NOK 1.0 billion (NOK 0.7 billion in 2019).

At end-December 2020 the bank had invested NOK 59.9 billion (NOK 16.2 billion in 2019) in covered bonds issued by Boligkreditt.

Boligkreditt enters into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 25.8 billion at end-December 2020 (NOK 5.2 billion in 2019).

Boligkreditt has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 180 billion.

DNB Livsforsikring AS

As part of the company's ordinary investment activity, DNB Livsforsikring has subscribed for covered bonds issued by DNB Boligkreditt. At year-end 2020, DNB Livsforsikring's holding of listed DNB Boligkreditt bonds was valued at NOK 1.5 billion (NOK 1.5 billion in 2019).

Note 47 Contingencies

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

In December, DNB received a preliminary report from Finanstilsynet following an ordinary AML inspection in February 2020. According to the report, DNB had not been complicit in money laundering, but Finanstilsynet criticised the bank for inadequate compliance with the Norwegian Anti-Money Laundering Act. On the basis of this criticism, Finanstilsynet wrote in a preliminary report that it is considering imposing an admi¬nistrative fine of NOK 400 million on the bank. This constitutes about 7 per cent of the maximum amount Finanstilsynet is at liberty to impose, and 0.7 per cent of DNB's annual turnover. The maximum administrative fine it is possible to impose corresponds to 10 per cent of a company's annual turnover. A provision of NOK 400 million has been booked in the fourth quarter of 2020.

Statement pursuant to Section 5-5 of the Securities Trading Act

We hereby confirm that the annual accounts for the banking group and the company for 2020 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the banking group and the company taken as a whole.

The Directors' report gives a true and fair review of the development and performance of the business and the position of the banking group and the company, as well as a description of the principal risks and uncertainties facing the banking group.

Oslo, 10 March 2021
The Board of Directors of DNB Bank ASA

Olaug Svarva
Olaug Svarva
(Chair of the Board)

Kim Wahl
(Vice Chair of the Board)

Julie Galbo

Eli Solhaug
Eli Solhaug

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

Ottar Ertzeid
(Group Chief Financial Officer, CFO)

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Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of DNB Bank ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DNB Bank ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement, comprehensive income statement, cash flow statement and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2020, the income statement, comprehensive income statement, cash flow statement and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material 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.

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Impairment of loans and financial commitments

Loans to customers represent NOK 1 703 524 million (66 per cent) of total assets for the Group as at 31 December 2020. Financial commitments amount to NOK 690 484 million as at 31 December 2020. Total expected credit losses (ECL) on loans to customers and financial commitments amount to NOK 15 464 million, of which NOK 2 824 million is based on model calculations (stages 1 and 2) and NOK 12 640 million is based on individual assessments (stage 3).

In respect of the ECL calculation, IFRS 9 requires models, but does not prescribe a specific approach, thus requiring management to use judgement to obtain an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes. In addition, the measurement of ECL shall reflect the time value of money and reasonable and supportable information about past events, current conditions and forecasts of economic expectations as well as criteria for significant increases in credit risk at engagement or portfolio level. To calculate the provision the Group is required to make estimates and assumptions, including the probability of default, exposure at default, loss given default and forecasts of economic development. Loans subject to individual assessments (stage 3) require judgement about various assumptions, including the expected future cash flows and the value of underlying collateral. Due to the use of judgement in applying the ECL measurement criteria of IFRS 9, the complexity of the calculation and the effect on estimates, we consider ECL a key audit matter.

We assessed the Group's methodology applied for calculating ECL including the criteria for determining significant increases in credit risk. We assessed the design and tested the effectiveness of controls related to assumptions, input and calculation of ECL. We also tested IT general controls over access and change management for related IT-systems. We involved specialists on our team and assessed management's internal validation of the ECL models. We evaluated the model structure, logic and back testing results as well as management's assessments of macroeconomic data used to create forward looking estimates applied in the ECL models to derive probability of default and loss given default, including parameters and conclusions from management's expert credit judgement forum. We assessed the completeness of the identification of exposures with significant increase in credit risk. For a sample of engagements subject to individual assessment by management (stage 3), we evaluated the assumptions applied to determine the expected credit losses, including expected future cash flows and valuation of underlying collateral. Due to the ongoing pandemic, we had increased focus on the uncertainty in the estimates of future cash flows and values of collateral for companies in segments that have been significantly affected by COVID-19.

Furthermore, we assessed the adequacy of the disclosures in the financial statements related to IFRS 9 and ECL, and refer to note 4, 5, 6, 7, 8, 9, 10 and 11 in the consolidated financial statements.

Valuation of Financial Instruments

Unlisted or illiquid financial instruments measured at fair value are valued based on models that use assumptions that are not observable in the market place. The valuation of these instruments therefore have a higher risk of errors. Such instruments comprise assets of NOK 51 076 million and liabilities of NOK 1 513 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 28 in the consolidated financial statements.

IT environment supporting financial reporting

The Group has a complex and automated IT environment and is dependent on IT processes for reporting of financial information. To ensure complete and accurate processing and reporting of financial data it is important that controls over appropriate access rights and system changes are designed and operate effectively. Also, controls over transaction processing need to be designed and operate effectively. The operation of the IT environment is largely outsourced to various service providers. The IT environment supporting the financial reporting process is considered a Key Audit Matter as the IT environment is critical to ensure accurate, complete and reliable financial reporting.

We obtained an understanding of the Group's IT environment, including outsourced services and controls related to financial reporting. We tested IT general controls over access management, change management and IT operations. Further we tested automated controls in the IT environment supporting financial reporting. For IT systems outsourced to service providers we evaluated third party attestation reports (ISAE 3402 reports) and assessed and tested the effectiveness of the controls. We involved specialists on our team in the understanding the IT environment and in assessing and testing the operative effectiveness of controls.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Group Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally 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

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- 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

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report 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.

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Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 10 March 2021
ERNST & YOUNG AS

Anders Gøbel
State Authorised Public Accountant (Norway)

Governing bodies in DNB Bank ASA

As at 31 December 2020

Board of Directors

Members

Olaug Svarva, Oslo (chair)
Kim Wahl, Bærum (vice chair)
Julie Galbo, Danmark
Eli Solhaug, Oslo [1)]

Deputy for the employee representatives

Tore Müller Andresen, Bergen [1)]

Observer

Jannicke Skaanes, Oslo [1)]

Election Committee

Camilla Grieg, Bergen (chair)
Jan Tore Føsund, Oslo
Ingebret Hisdal, Oslo
André Støylen, Oslo

Group management

Group Chief Executive Officer (CEO)
Kjerstin R. Braathen

Group Chief Financial Officer (CFO)
Ottar Ertzeid

Group Executive Vice President Personal Banking
Ingjerd Blekeli Spiten

Group Executive Vice President Corporate Banking
Harald Serck-Hanssen

Group Executive Vice President Wealth Management
Håkon Hansen

Group Executive Vice President Markets
Alexander Opstad

Group Executive Vice President Payments & Innovation
Rasmus Figenschou

Group Executive Vice President People
Kari Bech-Moen

Group Executive Vice President Group Risk Management
Ida Lerner

Group Executive Vice President Technology & Services
Maria Ervik Løvold

Group Executive Vice President Group Compliance
Mirella E. Grant

Group Executive Vice President Communications & Sustainability
Thomas Midteide

Group audit

Tor Steenfeldt-Foss

Statutory auditor

Ernst & Young AS (EY)

1) Not independent.

Cautionary statement regarding forward-looking statements

This annual report contains statements regarding the future prospects, 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 annual report 2020 has been produced by Group Financial Reporting in DNB.

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We are here.
So you can stay ahead.

DNB Bank

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Dronning Eufemias gate 30
Bjørvika, Oslo

dnb.no

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	20.11.2012	04.12.2012
Telefon	Deres referanse	Vår referanse
22078139	Bjørn Erik Næss	2012/891563

DNB BANK ASA

0021 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for DNB Bank ASA, org. nr. 984 851 006

Det vises til deres brev av 20. november 2012 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for DNB Bank ASA.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering DNB Bank ASA dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Bakgrunn
DNB Bank ASA er et heleid datterselskap av DNB ASA. DNB Bank ASA er morselskap for juridiske selskaper som inngår i bankvirksomheten i DNB-konsernet. DNB Bank-konsernet driver bankvirksomhet og retter seg mot privat- og bedriftsmarked, hvor ca 80 prosent av denne virksomheten er i Norge.

DNB Bank ASA har utstedt obligasjoner og sertifikater som er børsnotert. DNB Bank-konsernets verdipapirgjeld var totalt 733 milliarder kroner per 30. september 2012, hvor ca 90 prosent av dette er solgt i markedet til utenlandske investorer. Innlånsprogram og all dokumentasjon knyttet til låneopptak foreligger kun på engelsk. All kommunikasjon med ratingbyråer, analytikere og investorer skjer på engelsk, og flere av interessentene behersker kun engelsk. Selskapet har tillatelse fra Oslo Børs til å benytte engelsk språk på delårs - og årsrapportene.

Informasjon om virksomheten er inkludert i DNB-konsernets årsregnskap som utarbeides både på norsk og engelsk. DNB-konsernets årsregnskap inneholder samme informasjon som DNB Bank-konsernets årsregnskap, med tillegg av konsernets øvrige virksomhet. Antall nedlastinger av DNB Bank-konsernets rapporter fra hjemmesiden viser at bruken av det norske årsregnskap er begrenset. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal "*årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.*"

Postadresse	Besøksadresse	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org. nr: 996250318	Telefaks
For elektronisk henvendelse se www.skatteetaten.no		22 17 08 60

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

> *"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at ca 90 prosent av selskapets børsnoterte obligasjoner og sertifikater er solgt i markedet til utenlandske investorer. Selskapet er et heleid datterselskap og all informasjon om virksomheten er inkludert i morselskapets årsregnskap som utarbeides både på norsk og engelsk. Videre er det vektlagt at selskapet har tillatelse til å rapportere til Oslo Børs på engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

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