

DNB Group

Fourth quarter report 2020

(Preliminary and unaudited)



DNB

Financial highlights

	DNB Group			
Income statement	4th quarter 2020	4th quarter 2019	Full year 2020	Full year 2019
<i>Amounts in NOK million</i>				
Net interest income	9 479	10 347	38 623	39 202
Net commissions and fees	2 494	2 636	9 500	9 716
Net gains on financial instruments at fair value	184	(447)	5 902	3 183
Net financial and risk result, life insurance	474	216	659	1 129
Other operating income	694	447	1 714	1 628
Net other operating income	3 847	2 852	17 776	15 655
Total income	13 326	13 199	56 399	54 857
Operating expenses	(6 076)	(5 966)	(22 759)	(22 608)
Restructuring costs and non-recurring effects	(434)	(148)	(643)	(525)
Pre-tax operating profit before impairment	6 816	7 085	32 998	31 724
Net gains on fixed and intangible assets	(15)	6	767	1 703
Impairment of financial instruments	(1 250)	(178)	(9 918)	(2 191)
Pre-tax operating profit	5 552	6 913	23 847	31 235
Tax expense	(570)	(1 036)	(4 229)	(5 465)
Profit from operations held for sale, after taxes	292	68	221	(49)
Profit for the period	5 274	5 945	19 840	25 721

Balance sheet	31 Dec. 2020	31 Dec. 2019
<i>Amounts in NOK million</i>		
Total assets	2 918 943	2 793 294
Loans to customers	1 693 811	1 667 189
Deposits from customers	1 105 574	969 557
Total equity	248 396	242 255
Average total assets	3 230 354	2 906 775
Total combined assets	3 363 166	3 176 655

Key figures and alternative performance measures	4th quarter 2020	4th quarter 2019	Full year 2020	Full year 2019
Return on equity, annualised (per cent) ¹⁾	8.9	10.4	8.4	11.7
Earnings per share (NOK)	3.28	3.57	12.04	15.54
Combined weighted total average spread for lending and deposits (per cent) ¹⁾	1.23	1.34	1.27	1.33
Average spread for ordinary lending to customers (per cent) ¹⁾	2.02	1.80	2.04	1.84
Average spread for deposits from customers (per cent) ¹⁾	0.08	0.62	0.12	0.51
Cost/income ratio (per cent) ¹⁾	48.8	46.3	41.5	42.2
Ratio of customer deposits to net loans to customers at end of period ¹⁾	67.3	57.5	67.3	57.5
Net loans at amortised cost and financial commitments in stage 2, per cent of net loans at amortised cost ^{1) 2)}	10.51	6.88	10.51	6.88
Net loans at amortised cost and financial commitments in stage 3, per cent of net loans at amortised cost ^{1) 2)}	1.55	1.13	1.55	1.13
Impairment relative to average net loans to customers at amortised cost, annualised (per cent) ^{1) 2)}	(0.30)	(0.04)	(0.60)	(0.14)
Common equity Tier 1 capital ratio at end of period (per cent) ³⁾	18.7	18.6	18.7	18.6
Leverage ratio (per cent) ³⁾	7.1	7.4	7.1	7.4
Share price at end of period (NOK)	168.00	164.00	168.00	164.00
Book value per share	148.30	137.20	148.30	137.20
Price/book value ¹⁾	1.13	1.20	1.13	1.20
Dividend per share (NOK) ⁴⁾			9.00	8.40
Score from RepTrak's reputation survey in Norway (points)	76.7	72.5	76.7	72.5
Customer satisfaction index, CSI, personal customers in Norway (score)	74.8	72.0	73.6	72.8
Female representation at management levels 1-4 (%)	39.5	38.0	39.5	38.0

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

2) Figures from 1 January 2020 are recognised excluding loans at fair value. Historical figures have been adjusted accordingly.

3) Dividends for 2019 and 2020 have been deducted from the CET1 and LR ratios.

4) Dividends for 2019 are due to be paid in March 2021. The Board of Directors will ask the Annual General Meeting in April 2021 for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020, for distribution after September 2021.

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

Fourth quarter report 2020

Directors' report	4
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Accounts for the DNB Group

Income statement.....	13
Comprehensive income statement	14
Balance sheet	15
Statement of changes in equity.....	16
Cash flow statement.....	17
Note 1 Basis for preparation.....	18
Note 2 Segments.....	18
Note 3 Capital adequacy	19
Note 4 Taxes	21
Note 5 Measurement of expected credit loss.....	22
Note 6 Development in gross carrying amount and maximum exposure	24
Note 7 Development in accumulated impairment of financial instruments.....	26
Note 8 Loans and financial commitments to customers by industry segment	28
Note 9 Financial instruments at fair value.....	30
Note 10 Debt securities issued and subordinated loan capital	32
Note 11 Contingencies	33

Accounts for DNB ASA

Income statement.....	34
Balance sheet	34
Statement of changes in equity.....	34
Note 1 Basis for preparation	35
Note 2 Dividends/group contribution from subsidiaries	35

Additional information DNB Group

Information about the DNB Group	36
---------------------------------------	----

There has been no full or partial external audit of the quarterly directors' report and accounts, though the report has been reviewed by the Audit Committee.

Directors' report

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

Fourth quarter financial performance

The profit in the quarter was NOK 5 274 million, a decrease of NOK 671 million from the year-earlier period. Compared with the previous quarter, profits decreased by NOK 272 million.

Earnings per share were NOK 3.28 in the quarter, compared with NOK 3.57 in the year-earlier period and NOK 3.41 in the third quarter of 2020.

The common equity Tier 1 (CET1) capital ratio was 18.7 per cent, up from 18.6 per cent a year earlier, and down from 18.9 per cent in the third quarter of 2020.

The leverage ratio for the Group was 7.1 per cent, down from 7.4 per cent in the fourth quarter of 2019, and up from 6.9 per cent in the third quarter of 2020.

Return on equity (ROE) was negatively impacted by mark-to-market adjustments, and ended at 8.9 per cent. The comparable figures were 10.4 per cent in the fourth quarter of 2019 and 9.5 per cent in the third quarter of 2020.

Net interest income was down NOK 868 million, or 8.4 per cent, from the fourth quarter of 2019. This was mainly due to reduced margins reflecting the effect of repricing after Norges Bank's key policy rate cuts, as well as lower interest on equity. Compared with the third quarter, net interest income was up NOK 181 million, or 1.9 per cent, mainly due to increased lending and deposit volumes.

Net other operating income amounted to NOK 3 847 million in the fourth quarter, up NOK 994 million from the corresponding period in 2019. This was mainly due to higher valuation adjustments for derivatives (CVA/DVA/FVA) and other mark-to-market adjustments, including basis swaps. Net commissions and fees decreased by NOK 142 million, or 5.4 per cent, from the year-earlier period, due to lower income from money transfer and banking services caused by the COVID-19 situation. Compared with the third quarter, net other operating income was down NOK 262 million, mainly due to negative exchange rate effects on additional Tier 1 (AT1) capital. Net commissions and fees increased by NOK 122 million, or 5.1 per cent, mainly due to higher income from investment banking services.

Operating expenses amounted to NOK 6 509 million in the fourth quarter, which included a provision for a possible administrative fine from Finanstilsynet (the Financial Supervisory Authority of Norway) of NOK 400 million. Compared with the previous quarter, operating expenses were up NOK 808 million, due to the mentioned provision, restructuring expenses, seasonally higher activity and increased salaries and other personnel expenses.

Impairment of financial instruments amounted to NOK 1 250 million in the fourth quarter. This is an increase of NOK 1 072 million compared with the fourth quarter last year and of NOK 474 million compared with the third quarter of 2020. Impairment provisions of NOK 1 250 million in the quarter was to a large extent related to stage 3 customers in the corporate customers industry segments, especially within offshore in the oil, gas and offshore industry segment. However, the impairment provisions in the corporate customers industry segments were to a certain extent curtailed by reversals in stages 1 and 2 spread across most industries. The personal customers industry segment experienced

net reversals in stages 1 and 2 in the fourth quarter, particularly within the consumer finance portfolio. In general, there is still significant uncertainty due to the COVID-19 pandemic.

Dividends

The Board of Directors was authorised by an extraordinary general meeting in November 2020 to decide on a dividend for 2019 after 1 January 2021. In January 2021, the Norwegian Ministry of Finance conveyed an expectation that the banks' total distribution of dividends should be kept within 30 per cent of the accumulated profit for the years 2019 and 2020, until September 2021. In light of this, the Board of Directors has decided to pay a dividend of NOK 8.40 per share for 2019, and the distribution will take place in March 2021.

The Board of Directors will ask the Annual General Meeting in April 2021 for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020, applicable from 1 October 2021 until the Annual General Meeting in 2022.

Important events in the fourth quarter

In December, DNB received a preliminary report from Finanstilsynet following an ordinary AML inspection in February 2020. According to the report, DNB had not been complicit in money laundering, but Finanstilsynet criticised the bank for inadequate compliance with the Norwegian Anti-Money Laundering Act. On the basis of this criticism, Finanstilsynet wrote in a preliminary report that it is considering imposing an administrative fine of NOK 400 million on the bank. The bank will examine Finanstilsynet's preliminary report and submit a response to Finanstilsynet by the deadline.

In November, together with SpareBank 1, DNB made a strategic acquisition of Uni Micro, one of Norway's leading players in enterprise resource planning (ERP) and accounting systems. Uni Micro will be the system provider of the new version of DNB's accounting app, DNB Regnskap. The acquisition will strengthen the banks' efforts relating to digital systems for accounting and financial management, and lead to a highly flexible accounting solution that will be relevant for the entire small and medium-sized enterprises (SME) market in Norway. The transaction is subject to the approval of Finanstilsynet.

In the fourth quarter, through an international cooperation project, DNB and 14 other banks disclosed the carbon intensity of their shipping portfolios. The banks collected their customers' emissions data per ship, and made the results from their combined portfolios available to the public, in the form of a report.

In November, DNB launched 'Next Generation', which is a new and greener pension profile for corporate customers who are particularly interested in sustainability and want to give their employees the opportunity to invest their pension for the benefit of future generations. The fund managers ensure that the companies in the portfolio safeguard human rights, working conditions and the environment, and do not engage in corruption or child labour.

In December, DNB established a new green framework for unsecured funding, the Green Financing Framework, complementing DNB's existing Green Covered Bond Framework.

In mid-December, DNB reopened the coronavirus phone line so as to be available to customers needing help and advice. The reason for this was a second wave of the coronavirus pandemic that caused challenges for many companies in Norway.

In the fourth quarter, DNB's savings app Spare was made available to all personal customers, including people who do not have an account in DNB.

In November, DNB won the Fidus security award from the Norwegian Center for Information Security (NorSIS) for the second year running. The aim of the award is to raise awareness of the importance of information security, both among private individuals

and in the business community. The finalists are selected through a large population survey before the winner is chosen by a jury.

The Financial Times published this year's Diversity Leaders Special Report in the fourth quarter. The report ranks 850 companies from 24 different industry sectors across 16 European countries on diversity and inclusion. DNB was ranked fourth overall and ended up at the top of the Banking and Financial Services category. The result is based on nearly 300 000 evaluations.

In the fourth quarter, rating agencies S&P Global Ratings and Moody's both affirmed their solid ratings of DNB of AA- and Aa2, respectively. Both rating agencies emphasised DNB's robust capitalisation and strong earnings, despite the drop in the oil price and market conditions affected by the COVID-19 pandemic.

DNB was awarded a rating of A in the category 'climate change' by CDP (formerly the Carbon Disclosure Project) in the fourth quarter, placing it at the top of this category for the fourth year running.

In December, DNB won the prestigious award for best real estate strategy for commercial property at the IPE Conference & Awards 2020. IPE Real Assets is a leading conference in Europe for European insurance and pension funds.

For the second year in a row, corporate customers voted to give DNB's investment banking unit, DNB Markets, first place in the Prospera ranking for Corporate Finance Advisors M&A Norway 2020, for financial advice relating to mergers and acquisitions. In addition, Prospera ranked DNB number one for the sixth time in a row in the category Domestic Equity Norway.

DNB's overall score in the Norwegian ethical bank guide ('*Etisk bankguide*') increased for the fifth year in a row, this time from 73 per cent to 75 per cent. New guidelines and improvements made to old guidelines, as well as greater openness and transparency regarding corporate responsibility on our website, are factors that have been emphasised in this year's positive assessment.

DNB has had eight good quarters in a row in RepTrak's quarterly reputation survey in Norway. In the fourth quarter, DNB scored 76.7 points, the highest ever. This shows that DNB is still a well-liked bank. Anything over 70 points indicates a good reputation.

Fourth quarter income statement – main items

Net interest income

Amounts in NOK million	4Q20	3Q20	4Q19
Lending spreads, customer segments	8 084	8 201	7 050
Deposit spreads, customer segments	232	(0)	1 521
Amortisation effects and fees	949	922	889
Operational leasing	529	510	463
Contributions to the deposit guarantee and resolution funds	(256)	(256)	(391)
Other net interest income	(59)	(78)	815
Net interest income	9 479	9 298	10 347

Net interest income decreased by NOK 868 million, or 8.4 per cent, from the fourth quarter of 2019. This was mainly due to reduced margins reflecting the effect of repricing after Norges Bank's key policy rate cuts, and lower interest on equity. However, increased lending and deposit volumes contributed positively. There was an average increase of NOK 37.6 billion, or 2.4 per cent, in the healthy loan portfolio compared with the fourth quarter of 2019. Adjusted for exchange rate effects, volumes were up NOK 29.4 billion, or 1.9 per cent. During the same period, deposits were up NOK 133.3 billion, or 13.7 per cent. Adjusted for exchange rate effects, there was an increase of NOK 130.3 billion, or 13.4 per cent. Average lending spreads widened by 22 basis points, and deposit spreads narrowed by 54 basis points compared with the fourth quarter of 2019. Volume-weighted spreads for the customer segments narrowed by 12 basis points compared with the same period in 2019.

Compared with the third quarter, net interest income increased by NOK 181 million, or 1.9 per cent, mainly due to increased lending and deposit volumes. There was an average increase of

NOK 20.9 billion, or 1.3 per cent, in the healthy loan portfolio, and deposits were up NOK 26.2 billion, or 2.4 per cent. Volume-weighted spreads for the customer segments were at the same level as in the third quarter of 2020.

Net other operating income

Amounts in NOK million	4Q20	3Q20	4Q19
Net commissions and fees	2 494	2 372	2 636
Basis swaps	(152)	(363)	(361)
Exchange rate effects on additional Tier 1 capital	(1 508)	(391)	(742)
Net gains on other financial instruments at fair value	1 844	1 572	656
Net financial and risk result, life insurance	474	299	216
Net profit from associated companies	264	310	52
Other operating income	431	309	394
Net other operating income	3 847	4 109	2 852

Net other operating income increased by NOK 994 million from the fourth quarter of 2019. The increase was mainly due to higher valuation adjustments for derivatives (CVA/DVA/FVA) and other mark-to-market adjustments, including basis swaps. Net commissions and fees decreased by NOK 142 million, or 5.4 per cent, from the year-earlier period, mainly driven by lower income from money transfer and banking services as a result of fewer international transactions following the COVID-19 pandemic. However, real estate broking continued to show solid development in a seasonally slow quarter.

Compared with the third quarter of 2020, net other operating income decreased by NOK 262 million. The decrease was mainly due to negative exchange rate effects on AT1 capital. However, this was partly offset by a positive contribution from valuation adjustments for derivatives (CVA/DVA/FVA) and other mark-to-market adjustments. Net commissions and fees increased by NOK 122 million, or 5.1 per cent, from the third quarter, mainly driven by higher income from investment banking services, which saw a high level of activity in the capital markets in the fourth quarter.

Operating expenses

Amounts in NOK million	4Q20	3Q20	4Q19
Salaries and other personnel expenses	(3 487)	(3 273)	(3 390)
Restructuring expenses	(52)	(2)	(52)
Other expenses	(2 086)	(1 583)	(1 837)
Depreciation of fixed and intangible assets	(902)	(833)	(744)
Impairment of fixed and intangible assets	18	(11)	(91)
Total operating expenses	(6 509)	(5 702)	(6 114)

Operating expenses amounted to NOK 6 509 million in the fourth quarter, which included a provision for a possible administrative fine from Finanstilsynet of NOK 400 million. There was an increase in operating expenses of NOK 395 million, or 6.5 per cent, compared with the fourth quarter of 2019, due to the mentioned provision and higher salaries and other personnel expenses, driven by increased fixed salaries as a result of the annual wage settlements in Norway. At the same time, pension expenses were lower, due to lower costs associated with the defined-benefit pension scheme including the compensation scheme.

Compared with the third quarter of 2020, operating expenses were up NOK 808 million, or 14.2 per cent. The main factors were the NOK 400 million provision, restructuring expenses, seasonally higher activity and increased salaries and other personnel expenses. In addition, pension costs increased due to higher returns on the closed defined-benefit pension scheme, where the hedging was presented as gain on financial instruments.

The cost/income ratio was 48.8 per cent in the fourth quarter.

Impairment of financial instruments

Amounts in NOK million	4Q20	3Q20	4Q19
Personal customers	139	360	(81)
Commercial real estate	(41)	24	(70)
Shipping	(36)	32	171
Oil, gas and offshore	(1 340)	(1 037)	(360)
Other industry segments	28	(156)	163
Total impairment of financial instruments	(1 250)	(776)	(178)

Impairment of financial instruments amounted to NOK 1 250 million in the fourth quarter. This is an increase of NOK 1 072 million compared with the fourth quarter of 2019 and of NOK 474 million compared with the third quarter of 2020. The impairment provisions were a result of an increase within stage 3, curtailed by reversals in stages 1 and 2. Overall, the reversals in stages 1 and 2 reflect the fact that the economy is closer to the expected recovery in 2021 and 2022 and another quarter has passed since the initial outbreak of COVID-19. However, there is still significant uncertainty relating to the development of the pandemic in the time ahead.

The personal customers industry segment saw reversals of NOK 139 million in the quarter compared with impairment provisions of NOK 81 million in the corresponding quarter in 2019 and reversals of NOK 360 million in the third quarter of 2020. The reversals can primarily be attributed to consumer finance in stages 1 and 2, caused by lower exposure, positive credit risk migration and an improved macro-outlook compared with previous quarters in 2020.

Impairment of financial instruments in commercial real estate decreased by NOK 29 million compared with the fourth quarter of 2019. Compared with the third quarter of 2020, impairment of financial instruments showed an increase of NOK 65 million. Commercial real estate experienced relatively stable macro forecasts and credit quality in the quarter. There are still no indications of deteriorating credit quality within the commercial real estate portfolio.

There were impairment provisions of NOK 36 million within the shipping segment in the fourth quarter. This is an increase of NOK 207 million compared with the fourth quarter of 2019 and an increase of NOK 68 million compared with the third quarter of 2020. The overall portfolio quality and the development in relevant macro drivers for the shipping portfolio were stable in the fourth quarter.

There were impairment provisions of NOK 1 340 million within the oil, gas and offshore segment in the quarter. This is an increase of NOK 980 million from the fourth quarter of 2019 and an increase of NOK 303 million from the third quarter of 2020. The Impairment provisions this quarter were primarily driven by increased impairment provisions relating to customers already in stage 3. Migration from stage 2 to stage 3 accounted for a majority of the reversals within stage 2 in the quarter.

Other industry segments showed reversals of NOK 28 million compared with the fourth quarter of 2019, which showed reversals of NOK 163 million. The NOK 28 million reversals stem from customers in both stages 1 and stage 2, mainly due to positive migration but partly offset by an increase in stage 3.

For the hotel and tourism industry, there were generally no significant migration or macro effects within the segment during the quarter. However, there is uncertainty regarding the impact of the vaccine rollout on activity levels going forward, and the segment is being monitored closely to identify any potential negative credit development at an early stage.

Net stage 3 loans and financial commitments amounted to NOK 25 billion at end-December 2020, up from NOK 18 billion in the fourth quarter of 2019 and down by NOK 5 billion from the third quarter of 2020.

Taxes

The DNB Group's tax expense for the fourth quarter has been estimated at NOK 570 million, or 10.3 per cent of pre-tax operating profits. For the fourth quarter, it is particularly the income

recognition of dividends and deductions of debt interest from operations outside Norway that has caused the tax rate to be lower than in previous periods.

Financial performance – segments

Financial governance in DNB is adapted to the different customer segments. Reported figures reflect total sales of products and services to the relevant segments.

Personal customers

Income statement in NOK million	4Q20	3Q20	4Q19
Net interest income	3 116	3 184	3 523
Net other operating income	1 121	1 173	1 173
Total income	4 238	4 356	4 696
Operating expenses	(2 254)	(2 176)	(2 249)
Pre-tax operating profit before impairment	1 984	2 180	2 447
Net gains on fixed and intangible assets			(3)
Impairment of financial instruments	175	167	(103)
Pre-tax operating profit	2 159	2 347	2 340
Tax expense	(540)	(587)	(585)
Profit for the period	1 619	1 760	1 755

Average balance sheet items in NOK billion

Net loans to customers	815.0	802.6	794.3
Deposits from customers	462.7	462.6	431.1

Key figures in per cent

Lending spread ¹⁾	1.58	1.70	1.29
Deposit spread ¹⁾	0.10	(0.03)	0.87
Return on allocated capital	13.3	14.1	14.5
Cost/income ratio	53.2	50.0	47.9
Ratio of deposits to loans	56.8	57.6	54.3

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

The fourth quarter was characterised by rising funding costs combined with net reversals on impairment provisions. Pre-tax operating profit fell by 7.8 per cent from the corresponding quarter in 2019 and return on allocated capital fell by 1.2 percentage points compared with the year-earlier period, to 13.3 per cent.

The full effect of the interest rate adjustments on deposits combined with rising money market rates explain the development in net interest income from the previous quarter. Combined spreads on loans and deposits narrowed by 2 basis points from the previous quarter and by 10 basis points from the fourth quarter of 2019.

Average net loans grew moderately by 2.6 per cent from the fourth quarter of 2019. Growth in the healthy home mortgage portfolio made up 3.6 per cent of this growth. Deposits from customers showed a solid average growth of 7.3 per cent from the corresponding quarter in 2019, and the ratio of deposits to loans improved by 2.5 percentage points compared with the year-earlier period.

Net other operating income was lower than in the fourth quarter of 2019, mainly due to falling revenues from cards and currency withdrawals due to the COVID-19 situation. However, increased activity in the areas of securities and real estate broking contributed positively.

Costs were stable compared with the corresponding quarter in 2019. Rising costs from the previous quarter were mainly associated with marketing and IT, while seasonally lower costs from real estate broking activities contributed positively.

The personal customers segment experienced net reversals on impairment provisions of NOK 175 million in the fourth quarter, primarily related to stage 3 in the private banking segment. There was a reduced level of defaults on both secured and unsecured loans during the period.

DNB's market share of credit to households stood at 23.7 per cent at end-November 2020, while the market share of total household savings was 30.3 per cent at the same point in time. The market share of mutual funds grew from 37.2 per cent at end-

December 2019 to 38.9 per cent at end-November 2020. DNB Eiendom had an average market share of 17.8 per cent in the fourth quarter.

DNB experienced an increased demand for home mortgages in the fourth quarter, and sales of mutual funds, as well as assets under management, continued to increase. Pensions and pension accounts are expected to receive considerable attention in 2021, and DNB has raised awareness about this topic through campaigns such as the #huninvesterer (#girlsinvest) pension campaign.

Corporate customers

Income statement in NOK million	4Q20	3Q20	4Q19
Net interest income	6 023	5 803	6 227
Net other operating income	2 506	1 898	2 193
Total income	8 529	7 701	8 420
Operating expenses	(3 138)	(2 992)	(3 083)
Pre-tax operating profit before impairment	5 391	4 709	5 337
Net gains on fixed and intangible assets	(1)	0	16
Impairment of financial instruments	(1 422)	(947)	(75)
Profit from repossessed operations	351	(2)	92
Pre-tax operating profit	4 319	3 760	5 370
Tax expense	(1 080)	(940)	(1 310)
Profit for the period	3 239	2 820	4 060

Average balance sheet items in NOK billion

Net loans to customers	796.4	788.0	780.7
Deposits from customers	647.4	621.0	547.1

Key figures in per cent

Lending spread ¹⁾	2.48	2.47	2.33
Deposit spread ¹⁾	0.07	0.02	0.42
Return on allocated capital	12.5	10.8	16.3
Cost/income ratio	36.8	38.9	36.6
Ratio of deposits to loans	81.3	78.8	70.1

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

Despite a challenging year, customer activity was at a high level, resulting in an increased pre-tax operating profit before impairment of 1.0 per cent from the fourth quarter of 2019 and 14.5 per cent from the third quarter of 2020. However, the effects of the COVID-19 pandemic and the oil price fall continued to have an impact on impairment provisions in the fourth quarter.

Net interest income decreased from the fourth quarter of 2019 but increased from the previous quarter. Average loan volumes were up 1.1 per cent compared with the third quarter, and the underlying currency-adjusted growth rate was up 1.2 per cent. Lending volumes for small and medium-sized enterprises (SMEs) grew by 1.3 per cent, from end-September to end-December.

There was also continued underlying growth in deposit volumes in the fourth quarter, mainly from the SME and Future & Tech Industries segments but also from Ocean Industries. The strong increase in deposit volumes resulted in a very high ratio of deposits to loans of 81.3 per cent in the fourth quarter. Deposit spreads were positively affected by increasing money market rates.

Net other operating income was up 14.3 per cent from the corresponding quarter in 2019, and 32.1 per cent from the previous quarter. Income from investment banking services followed seasonal activity and was on the same level as the corresponding quarter last year, driven by high activity in all product areas and especially within corporate finance. Net gains on financial instruments at fair value also contributed strongly through an increase of NOK 300 million from the third quarter and NOK 266 million from the fourth quarter of 2019.

Operating expenses were up 1.8 per cent compared with the fourth quarter of 2019, primarily due to depreciation of operating leases within DNB Finans. Compared with the previous quarter, operating expenses increased by 4.9 per cent. This increase was mainly due to salary increases and other personnel expenses.

Impairment of financial instruments increased from the third quarter and amounted to NOK 1 422 million in the fourth quarter of 2020. The impairment provisions in the fourth quarter were primarily associated with customers in offshore-related industries in stage 3. The credit quality has been stable in the portfolio over the last quarter.

In the time ahead, DNB will focus on continued capital optimisation within the large corporates portfolio and will ensure continued profitable growth within the SME segment. It is also important to continue to monitor and secure the credit quality and ensure close cooperation with customers in a challenging position. In the fourth quarter, DNB announced a joint venture with SpareBank 1 to acquire Uni Micro. The company is one of Norway's leading players within ERP and accounting systems and will strengthen DNB's value proposition within the SME segment.

Other operations

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

Income statement in NOK million	4Q20	3Q20	4Q19
Net interest income	340	311	597
Net other operating income	1 083	2 008	67
Total income	1 423	2 319	662
Operating expenses	(1 982)	(1 503)	(1 362)
Pre-tax operating profit before impairment	(559)	816	(699)
Net gains on fixed and intangible assets	(13)		(7)
Impairment of financial instruments	(3)	4	0
Profit from repossessed operations	(351)	2	(92)
Pre-tax operating profit	(926)	822	(797)
Tax expense	1 050	141	859
Profit from operations held for sale, after taxes	292	2	68
Profit for the period	416	965	130

Average balance sheet items in NOK billion

Net loans to customers	129.7	127.1	136.7
Deposits from customers	70.1	58.0	44.6

The profit for the other operations segment was NOK 416 million in the fourth quarter of 2020.

Risk Management achieved satisfactory results from money market activities and repurchase agreements (repo trading). Income related to fixed-income securities was higher than for the corresponding period last year.

For traditional pension products with a guaranteed rate of return, net other operating income was at a very strong level of NOK 654 million in the fourth quarter, up NOK 207 million from the year-earlier period, reflecting a significant increase in profits in both the corporate and the common portfolio.

The solvency margin with transitional rules, which is the company's regulatory capital requirement, was 194 per cent as at 31 December 2020. This is an increase from 176 per cent at the end of the third quarter.

The solvency margin without transitional rules was 125 per cent as at 31 December 2020, up from 80 per cent at end-September. Interest rates measured against the ten-year Norwegian swap rate increased from 0.89 per cent as at 30 September 2020 to 1.29 per cent at the end of the fourth quarter. Increased interest rates are the main reason for the strengthened solvency margin.

DNB's share of the profit in associated companies (most importantly Luminor, Vipps and Fremtind) is included in this segment with a total income of NOK 264 million. There was an increase in profit from these companies of NOK 212 million compared with the fourth quarter of 2019 and a decrease of NOK 46 million from the third quarter of 2020.

Full year 2020

DNB recorded profits of NOK 19 840 million in 2020, down NOK 5 881 million from 2019, driven by higher impairment of financial instruments and lower net interest income.

Return on equity was 8.4 per cent, compared with 11.7 per cent in the year-earlier period, and earnings per share were NOK 12.04, down from NOK 15.54 in 2019.

Net interest income decreased by NOK 579 million from the same period last year, driven by reduced margins and lower interest on equity.

Net other operating income increased by NOK 2 121 million from 2019, mainly due to positive exchange rate effects on AT1 capital and basis swaps. Net commissions and fees decreased by NOK 215 million, or 2.2 per cent, compared with 2019. The reduction was due to lower income from money transfer and banking services caused by the COVID-19 situation.

Total operating expenses were up NOK 268 million from 2019.

Impairment of financial instruments amounted to NOK 9 918 million in 2020, an increase of NOK 7 727 million from 2019. The increase was caused by the impact on the economy, both in Norway and globally, of the COVID-19 pandemic, combined with the effect of the sharp decline in the oil price. Around 93 per cent of the impairment provisions were in stage 3. Oil-related industries accounted for 69 per cent of the total impairment provisions, while the remaining impairment was spread across different 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.

Income statement for 2020

Net interest income

<i>Amounts in NOK million</i>	2020	2019
Lending spreads, customer segments	32 326	28 096
Deposit spreads, customer segments	1 267	4 808
Amortisation effects and fees	3 622	3 370
Operational leasing	2 042	1 731
Resolution fund fee and deposit guarantee fund levy	(1 064)	(1 106)
Other net interest income	429	2 304
Net interest income	38 623	39 202

Net interest income decreased by NOK 579 million, or 1.5 per cent, from 2019. This was mainly due to lower interest on equity capital and reduced margins reflecting the effect of repricing after Norges Bank's key policy rate cuts during 2020. However, increased volumes and currency effects contributed positively.

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

Net other operating income

<i>Amounts in NOK million</i>	2020	2019
Net commissions and fees	9 500	9 716
Basis swaps	526	270
Exchange rate effects additional Tier 1 capital	855	(143)
Net gains on other financial instruments at fair value	4 521	3 057
Net financial and risk result, life insurance	659	1 129
Net profit from associated companies	402	410
Other operating income	1 312	1 218
Net other operating income	17 776	15 655

Net other operating income was up NOK 2 121 million from 2019, mainly due to positive exchange rate effects on AT1 capital and

basis swaps. Net commissions and fees decreased by NOK 215 million or 2.2 per cent. The reduction was mainly due to lower income from money transfer and banking services caused by the COVID-19 situation.

Operating expenses

<i>Amounts in NOK million</i>	2020	2019
Salaries and other personnel expenses	(12 793)	(12 534)
Restructuring expenses	(81)	(69)
Other expenses	(7 208)	(7 472)
Depreciation of fixed and intangible assets	(3 327)	(2 850)
Impairment of fixed and intangible assets	7	(207)
Operating expenses	(23 401)	(23 133)

Total operating expenses were up NOK 268 million, partly due to higher salaries and other personnel expenses. In addition, a provision was made for a possible administrative fine from Finantilsynet of NOK 400 million in 2020.

The cost income ratio was 41.5 per cent in 2020.

Impairment of financial instruments

<i>Amounts in NOK million</i>	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 of 2020 compared with NOK 2 191 million in 2019, which is an increase in impairment 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 a reversal 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 for the whole year, which was an increase of NOK 967 million compared with 2019. The increase was partly driven by a negative development for specific customers within stage 3, in different industry segments including power and renewables and travel-related industries, as well as a negative impact from the macro outlook within stages 1 and 2 due to the COVID-19 pandemic.

Net stage 3 loans and financial commitments amounted to NOK 25 billion at end-December 2020 which is an increase of NOK 7 billion from the end of the fourth quarter of 2020.

Overall, the macro outlook for most industry segments has worsened from the end of 2019 to the end of 2020. In general, there has been 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.

Funding, liquidity and balance sheet

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

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

The nominal value of long-term debt securities issued by the Group was NOK 618 billion at end-December 2020, compared with NOK 654 billion a year earlier. Average remaining term to maturity for long-term debt securities issued was 3.5 years at end-December 2020, compared with 3.7 years a year earlier.

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

Total combined assets were NOK 3 363 billion at end-December 2020, up from NOK 3 177 billion a year earlier. Total assets in the Group's balance sheet were NOK 2 919 billion at end-December 2020 and NOK 2 793 billion a year earlier. Of this, total assets in DNB Livsforsikring amounted to NOK 355 billion and NOK 340 billion, respectively.

Loans to customers increased by NOK 26.6 billion, or 1.6 per cent, in the fourth quarter, compared with the fourth quarter of 2019. Customer deposits were up NOK 136.0 billion, or 14.0 per cent, during the same period. The ratio of customer deposits to net loans to customers was 67.3 per cent at the end of the year, up from 57.5 per cent a year earlier.

Risk management and capital position

DNB's capital position remained strong in the quarter and was well above the regulatory requirements.

At the end of December 2020, the CET1 capital ratio was 18.7 per cent, up from 18.6 per cent a year earlier, and down from 18.9 per cent at end-September.

The dividends for 2019 and 2020 are part of the Group's equity, but have been deducted from the CET1 capital. The Board of Directors will ask the Annual General Meeting in April 2021 for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020, for distribution after September 2021 or when the economic outlook suggests that there is a basis for doing so.

The CET1 requirement for DNB is 15.0 per cent as at end-December, while the ratio expectation from the supervisory authorities is at 16.0 per cent including Pillar 2 Guidance.

Risk-weighted assets decreased by NOK 13 billion from end-September to NOK 967 billion at end-December 2020. Exchange rate effects were the main reason for the decrease in risk-weighted assets from end-September, while the proposal for an authorisation to pay dividends for 2020 had a negative impact on the CET1 capital from the previous quarter.

The non-risk based leverage ratio was 7.1 per cent at end-December, down from 7.4 per cent from the year-earlier period, and up from 6.9 per cent at end-September.

In the fourth quarter, Finanstilsynet conducted an annual supervisory review and evaluation process (SREP) in collaboration with the supervisory authorities of the DNB College, without making any changes in capital requirements.

Development in CET1 capital ratio

Per cent	CET1 capital ratio
3Q20	18.9
Change in classification (IRB/standard)	0.1
Counterparty risk	0.1
Exchange rate effects	0.1
Construction loans with 150 per cent risk weight	(0.1)
Operational risk	(0.1)
Retained profit (after dividend)	(0.2)
Other effects	(0.1)
4Q20	18.7

Capital adequacy

The capital adequacy regulations specify a minimum primary capital requirement based on risk-weighted assets that include credit risk, market risk and operational risk. In addition to meeting the minimum requirement, DNB must satisfy various buffer requirements (Pillar 1 and Pillar 2 requirements).

Capital and risk

	4Q20	3Q20	4Q19
CET1 capital ratio, per cent	18.7	18.9	18.6
Tier 1 capital ratio, per cent	20.1	20.3	20.8
Capital ratio, per cent	22.1	22.5	22.9
Risk-weighted assets, NOK billion	967	980	961
Leverage ratio, per cent	7.1	6.9	7.4

As the DNB Group consists of both a credit institution and an insurance company, DNB has to satisfy a cross-sectoral calculation test to demonstrate that it complies with sectoral requirements: the capital adequacy requirement, in accordance with CRR/CRD IV, and the Solvency II requirement. At end-December 2020, DNB complied with these requirements by a good margin, with excess capital of NOK 44.8 billion.

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 is 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 July 2021. The new Act is based on the current one, with comprehensive amendments. Due to the scope and complexity of the Act, DNB had already established a fast-working Group project in the summer of 2020, to identify the need for adjustments to systems, products and services.

Own pension account scheme to be introduced in 2021

The statutory provisions introducing the own pension account scheme entered into force on 1 January 2021. However, the actual realisation and consolidation of pension funds will be carried out in accordance with deadlines set throughout the year. Nearly 1.5 million pension capital certificates are to be moved and combined. The Ministry of Finance has established supplementary regulations and transitional rules that allow the transactions to be made over a period stretching from 1 May until the end of 2021.

Macroeconomic developments

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

In response to the crisis, powerful economic measures were introduced, in both fiscal and monetary policy. Central banks injected large amounts of liquidity into the markets, increasing purchases of securities and reducing 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 addition, the monthly national accounts figures for October showed that mainland GDP had increased by 1.2 per cent from September. Activity levels were thus relatively high at the start of the fourth quarter. However, in November, new restrictions were introduced that affected the level of activity, and mainland GDP fell by 0.9 per cent. The infection control measures are likely to last for some time in the first quarter of 2021 and are expected to result in a sluggish start to the year, before a reopening, supported by the vaccination programme, contributes to a strong second half.

Service consumption fell sharply, but the consumption of goods increased in 2020. 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 can 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 fall to NOK 331 billion, equivalent to 3.2 per cent of the oil fund, due to a reduced need for support measures. However, recent weeks' developments in the pandemic will cause the budget deficit for this year to increase more than the agreed deficit figure.

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

Future prospects

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

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

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

The tax rate going forward is expected to be 22 per cent, down from 23 per cent.

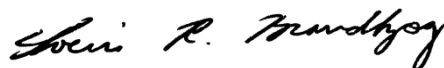
The supervisory expectation for the common equity Tier 1 (CET1) capital ratio for DNB was 16.0 per cent at end-2020, including Pillar 2 Guidance at 1.0 per cent, while the actual value achieved was 18.7 cent. In the capital planning, DNB takes into account full counter-cyclical buffer requirements of 2.5 per cent in Norway, which will increase the expected CET1 level to 17.1 per cent. This supervisory expectation plus some headroom will be the targeted capital level. The headroom will reflect expected future capital needs including expected future regulatory capital changes and market-driven CET1 fluctuations. The EU Banking Package, CRR II/CRD V, is expected to be implemented in Norway later in 2021, with only minor effects on the CET1 ratio.

The Group's dividend policy remains unchanged, with a payout ratio of more than 50 per cent in cash dividends and an ambition to increase the nominal dividend per share each year. In addition to dividend payments, repurchases of own shares will be used as a flexible tool for allocating excess capital to DNB's owners.

Oslo, 9 February 2021
The Board of Directors of DNB ASA



Olaug Svarva
(Chair of the Board)



Svein Richard Brandtzæg
(Vice Chair of the Board)



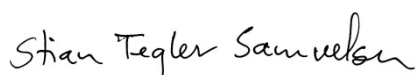
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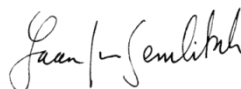
Lillian Hattrem



Jens Petter Olsen



Stian Tegler Samuelsen



Jaan Ivar Semlitsch



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

Income statement

	DNB Group			
	4th quarter	4th quarter	Full year	Full year
<i>Amounts in NOK million</i>	2020	2019	2020	2019
Interest income, amortised cost	11 043	15 980	50 660	60 225
Other interest income	1 002	1 323	4 636	5 123
Interest expenses, amortised cost	(1 363)	(5 701)	(11 511)	(23 661)
Other interest expenses	(1 203)	(1 255)	(5 161)	(2 486)
Net interest income	9 479	10 347	38 623	39 202
Commission and fee income	3 504	3 644	13 289	13 484
Commission and fee expenses	(1 009)	(1 008)	(3 789)	(3 768)
Net gains on financial instruments at fair value	184	(447)	5 902	3 183
Net financial result, life insurance	479	35	418	696
Net risk result, life insurance	(4)	181	241	433
Profit from investments accounted for by the equity method	264	52	402	410
Net gains on investment properties	(8)	92	(61)	92
Other income	439	302	1 373	1 126
Net other operating income	3 847	2 852	17 776	15 655
Total income	13 326	13 199	56 399	54 857
Salaries and other personnel expenses	(3 540)	(3 442)	(12 873)	(12 603)
Other expenses	(2 086)	(1 837)	(7 208)	(7 472)
Depreciation and impairment of fixed and intangible assets	(884)	(835)	(3 320)	(3 058)
Total operating expenses	(6 509)	(6 114)	(23 401)	(23 133)
Pre-tax operating profit before impairment	6 816	7 085	32 998	31 724
Net gains on fixed and intangible assets	(15)	6	767	1 703
Impairment of financial instruments	(1 250)	(178)	(9 918)	(2 191)
Pre-tax operating profit	5 552	6 913	23 847	31 235
Tax expense	(570)	(1 036)	(4 229)	(5 465)
Profit from operations held for sale, after taxes	292	68	221	(49)
Profit for the period	5 274	5 945	19 840	25 721
Portion attributable to shareholders	5 083	5 620	18 712	24 603
Portion attributable to non-controlling interests	(11)	(1)	(15)	(5)
Portion attributable to additional Tier 1 capital holders	202	326	1 143	1 123
Profit for the period	5 274	5 945	19 840	25 721
Earnings/diluted earnings per share (NOK)	3.28	3.57	12.04	15.54
Earnings per share excluding operations held for sale (NOK)	3.09	3.53	11.89	15.57

Comprehensive income statement

<i>Amounts in NOK million</i>	DNB Group			
	4th quarter 2020	4th quarter 2019	Full year 2020	Full year 2019
Profit for the period	5 274	5 945	19 840	25 721
Actuarial gains and losses	(36)	149	(324)	(3)
Property revaluation	488	50	578	278
Items allocated to customers (life insurance)	(488)	(50)	(578)	(278)
Financial liabilities designated at FVTPL, changes in credit risk	(40)	349	33	232
Tax	18	(130)	72	(63)
Items that will not be reclassified to the income statement	(57)	367	(218)	165
Currency translation of foreign operations	(4 607)	(180)	3 519	462
Hedging of net investment	3 898	209	(3 246)	(459)
Financial assets at fair value through OCI	129	85	103	59
Tax	(1 007)	(382)	786	(208)
Items that may subsequently be reclassified to the income statement	(1 586)	(268)	1 161	(147)
Other comprehensive income for the period	(1 644)	99	943	19
Comprehensive income for the period	3 631	6 045	20 783	25 740

Balance sheet

		DNB Group	
		31 Dec. 2020	31 Dec. 2019
<i>Amounts in NOK million</i>	<i>Note</i>		
Assets			
Cash and deposits with central banks		283 526	304 746
Due from credit institutions		78 466	102 961
Loans to customers	6, 7, 8, 9	1 693 811	1 667 189
Commercial paper and bonds	9	439 231	376 323
Shareholdings	9	29 360	36 247
Financial assets, customers bearing the risk	9	116 729	98 943
Financial derivatives	9	186 740	125 076
Investment properties		18 087	17 403
Investments accounted for by the equity method		18 389	16 559
Intangible assets		5 498	5 454
Deferred tax assets		4 377	1 224
Fixed assets		20 474	19 098
Assets held for sale		2 402	1 274
Other assets		21 852	20 798
Total assets		2 918 943	2 793 294
Liabilities and equity			
Due to credit institutions		207 457	202 782
Deposits from customers	9	1 105 574	969 557
Financial derivatives	9	174 979	115 682
Debt securities issued	9, 10	786 352	870 170
Insurance liabilities, customers bearing the risk		116 729	98 943
Liabilities to life insurance policyholders		200 422	206 876
Payable taxes		7 556	10 710
Deferred taxes		48	48
Other liabilities		31 522	39 125
Liabilities held for sale		1 016	423
Provisions		2 096	1 726
Pension commitments		4 476	3 903
Subordinated loan capital	9, 10	32 319	31 095
Total liabilities		2 670 547	2 551 038
Additional Tier 1 capital		18 362	26 729
Non-controlling interests		119	45
Share capital		15 503	15 706
Share premium		22 609	22 609
Other equity		191 804	177 167
Total equity		248 396	242 255
Total liabilities and equity		2 918 943	2 793 294

Statement of changes in equity

DNB Group

<i>Amounts in NOK million</i>	Non-controlling interests	Share capital ¹⁾	Share premium	Additional Tier 1 capital	Net currency translation reserve	Liability credit reserve	Other equity ¹⁾	Total equity ¹⁾
Balance sheet as at 31 Dec. 2018		15 944	22 609	16 194	5 063	(176)	164 333	223 966
Profit for the period	(5)			1 123			24 603	25 721
Actuarial gains and losses							(3)	(3)
Financial assets at fair value through OCI							59	59
Financial liabilities designated at FVTPL, changes in credit risk						232		232
Currency translation of foreign operations	0				462			462
Hedging of net investment					(459)			(459)
Tax on other comprehensive income					(194)	(58)	(20)	(271)
Comprehensive income for the period	(4)			1 123	(191)	174	24 638	25 740
Additional Tier 1 capital issued				10 474			(39)	10 436
Interest payments additional Tier 1 capital				(1 052)				(1 052)
Currency movements taken to income				(10)			10	
Non-controlling interests DNB Auto Finance OY	49							49
Repurchased under share buy-back programme		(238)					(3 540)	(3 778)
Dividends paid for 2018 (NOK 8.25 per share)							(13 105)	(13 105)
Balance sheet as at 31 Dec. 2019	45	15 706	22 609	26 729	4 872	(2)	172 297	242 255
Profit for the period	(15)			1 143			18 712	19 840
Actuarial gains and losses							(324)	(324)
Financial assets at fair value through OCI							103	103
Financial liabilities designated at FVTPL, changes in credit risk						33		33
Currency translation of foreign operations	4				3 515			3 519
Hedging of net investment					(3 246)			(3 246)
Tax on other comprehensive income					812	(8)	55	858
Comprehensive income for the period	(11)			1 143	1 081	25	18 545	20 783
Interest payments additional Tier 1 capital				(1 578)				(1 578)
Additional Tier 1 capital redeemed ²⁾				(10 024)				(10 024)
Currency movements interest payments and redemption additional Tier 1 capital				2 092			(1 971)	122
Non-controlling interests Pearl Holdco AS	86							86
Repurchased under share buy-back programme		(202)					(3 036)	(3 238)
Net purchase of treasury shares		(1)					(8)	(9)
Balance sheet as at 31 Dec. 2020	119	15 503	22 609	18 362	5 952	23	185 829	248 396

1) *Of which treasury shares held by DNB Markets for trading purposes:*

Balance sheet as at 31 December 2019

Net purchase of treasury shares (1) (8) (9)

Reversal of fair value adjustments through the income statement (8) (8)

Balance sheet as at 31 December 2020 (1) (16) (17)

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

Cash flow statement

	DNB Group	
	Full year 2020	Full year 2019
<i>Amounts in NOK million</i>		
Operating activities		
Net payments on loans to customers	(26 092)	(71 034)
Interest received from customers	48 628	57 236
Net receipts on deposits from customers	133 573	41 353
Interest paid to customers	(6 597)	(11 181)
Net receipts on loans to credit institutions	32 784	41 486
Interest received from credit institutions	227	3 640
Interest paid to credit institutions	(1 381)	(4 286)
Net payments on the sale of financial assets for investment or trading	(70 650)	(17 531)
Interest received on bonds and commercial paper	3 280	5 049
Net receipts on commissions and fees	9 523	9 414
Payments to operations	(20 291)	(18 136)
Taxes paid	(9 211)	(2 022)
Receipts on premiums	14 313	14 446
Net payments on premium reserve transfers	(4 204)	(625)
Payments of insurance settlements	(13 704)	(13 523)
Other net payments	(5 626)	(4 313)
Net cash flow from operating activities	84 573	29 974
Investing activities		
Net payments on the acquisition or disposal of fixed assets	(3 835)	(2 599)
Net receipts/(payments) on investment properties	54	(271)
Net disposal/(investment) in long-term shares	(1 370)	3 260
Dividends received on long-term investments in shares	428	1 140
Net cash flow from investing activities	(4 723)	1 530
Financing activities		
Receipts on issued bonds and commercial paper	1 152 054	1 097 101
Payments on redeemed bonds and commercial paper	(1 225 085)	(954 715)
Interest payments on issued bonds and commercial paper	(13 193)	(16 908)
Receipts on the raising of subordinated loan capital	4 056	9
Redemptions of subordinated loan capital	(4 207)	(9)
Interest payments on subordinated loan capital	(504)	(413)
Net receipts/(payments) on issue or redemption of additional Tier 1 capital	(10 024)	10 436
Interest payments on additional Tier 1 capital	(1 578)	(1 052)
Lease payments	(502)	(442)
Repurchased shares	(3 247)	(3 778)
Dividend payments		(13 105)
Net cash flow from financing activities	(102 232)	117 123
Effects of exchange rate changes on cash and cash equivalents	3 723	(174)
Net cash flow	(18 659)	148 453
Cash as at 1 January	307 751	159 298
Net receipts/payments of cash	(18 659)	148 453
Cash at end of period ¹⁾	289 092	307 751
 *) Of which: Cash and deposits with central banks	 283 526	 304 746
Deposits with credit institutions with no agreed period of notice ¹⁾	5 566	3 006

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

Note 1 Basis for preparation

The quarterly financial statements for the Group have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. When preparing the consolidated financial statements, the management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied by the Group, can be found in note 1 Accounting principles in the annual report for 2019.

With effect from the first quarter of 2020, the Group changed the composition of reportable segments. For further information, see note 2 Segments.

Note 2 Segments

According to DNB's management model, the operating segments are independent profit centres that are fully responsible for their profit after tax and for achieving the targeted returns on allocated capital. DNB has the following operating segments: Personal customers, Corporate customers, Risk management and Traditional pension products. The Risk management and Traditional pension products segments are included in Other operations. DNB's share of profit in associated companies (most importantly Luminor, Vipps and Fremtind) is included in Other operations. With effect from the first quarter of 2020, DNB changed the composition of reportable segments, as the Small and medium-sized enterprises and Large corporates and international customers were combined into the reportable segment Corporate customers. Figures for 2019 have been adjusted accordingly.

Income statement, fourth quarter

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<i>Amounts in NOK million</i>										
Net interest income	3 116	3 523	6 023	6 227	340	597			9 479	10 347
Net other operating income	1 121	1 173	2 506	2 193	1 083	67	(864)	(580)	3 847	2 852
Total income	4 238	4 696	8 529	8 420	1 423	662	(864)	(580)	13 326	13 199
Operating expenses	(2 254)	(2 249)	(3 138)	(3 083)	(1 982)	(1 362)	864	580	(6 509)	(6 114)
Pre-tax operating profit before impairment	1 984	2 447	5 391	5 337	(559)	(699)			6 816	7 085
Net gains on fixed and intangible assets		(3)	(1)	16	(13)	(7)			(15)	6
Impairment of financial instruments	175	(103)	(1 422)	(75)	(3)	0			(1 250)	(178)
Profit from repossessed operations			351	92	(351)	(92)				
Pre-tax operating profit	2 159	2 340	4 319	5 370	(926)	(797)			5 552	6 913
Tax expense	(540)	(585)	(1 080)	(1 310)	1 050	859			(570)	(1 036)
Profit from operations held for sale, after taxes				(0)	292	68			292	68
Profit for the period	1 619	1 755	3 239	4 060	416	130			5 274	5 945

Income statement, January-December

	Personal customers		Corporate customers		Other operations		Eliminations		DNB Group	
	Full year		Full year		Full year		Full year		Full year	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<i>Amounts in NOK million</i>										
Net interest income	13 395	13 703	23 878	23 636	1 350	1 863			38 623	39 202
Net other operating income	4 604	4 896	7 983	7 870	7 953	5 251	(2 763)	(2 361)	17 776	15 655
Total income	17 999	18 599	31 861	31 506	9 302	7 113	(2 763)	(2 361)	56 399	54 857
Operating expenses	(8 892)	(8 583)	(12 325)	(11 544)	(4 947)	(5 367)	2 763	2 361	(23 401)	(23 133)
Pre-tax operating profit before impairment	9 107	10 016	19 536	19 961	4 355	1 746			32 998	31 724
Net gains on fixed and intangible assets		(4)	(1)	15	769	1 691			767	1 703
Impairment of financial instruments	(473)	(353)	(9 438)	(1 835)	(7)	(4)			(9 918)	(2 191)
Profit from repossessed operations			241	(109)	(241)	109				
Pre-tax operating profit	8 633	9 660	10 338	18 033	4 876	3 542			23 847	31 235
Tax expense	(2 158)	(2 415)	(2 585)	(4 406)	514	1 356			(4 229)	(5 465)
Profit from operations held for sale, after taxes				(0)	221	(49)			221	(49)
Profit for the period	6 475	7 245	7 754	13 626	5 611	4 849			19 840	25 721

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

Note 3 Capital adequacy

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

Own funds	DNB Bank ASA		DNB Bank Group		DNB Group	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
<i>Amounts in NOK million</i>						
Total equity excluding profit for the period	208 905	187 993	236 161	229 619	248 396	242 255
Effect from regulatory consolidation			(250)	(198)	(6 014)	(4 963)
Additional Tier 1 capital instruments included in total equity	(17 995)	(26 048)	(17 995)	(26 048)	(17 995)	(26 048)
Net accrued interest on additional Tier 1 capital instruments	(276)	(510)	(276)	(510)	(276)	(510)
Common equity Tier 1 capital instruments	190 635	161 434	217 641	202 862	224 112	210 734
Deductions						
Goodwill	(2 427)	(2 376)	(2 992)	(2 946)	(4 697)	(4 651)
Deferred tax assets that are not due to temporary differences	(453)	(457)	(970)	(868)	(970)	(868)
Other intangible assets	(1 014)	(1 016)	(1 583)	(1 626)	(1 583)	(1 626)
Dividends payable etc. ¹⁾	(13 953)		(26 949)	(25 000)	(26 976)	(17 625)
Significant investments in financial sector entities ²⁾					(6 018)	(4 254)
Expected losses exceeding actual losses, IRB portfolios	(788)	(1 633)	(1 781)	(2 502)	(1 781)	(2 502)
Value adjustments due to the requirements for prudent valuation (AVA)	(683)	(532)	(855)	(810)	(855)	(810)
Adjustments for unrealised losses/(gains) on debt measured at fair value	29	57	(23)	2	(23)	2
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(527)	(460)	(94)	(96)	(94)	(96)
Common equity Tier 1 capital	170 819	155 017	182 393	169 016	181 115	178 304
Additional Tier 1 capital instruments	17 995	26 048	17 995	26 048	17 995	26 048
Deduction of holdings of Tier 1 instruments in insurance companies ³⁾					(1 500)	(1 500)
Non-eligible Tier 1 capital, DNB Group ⁴⁾					(2 920)	(2 561)
Tier 1 capital	188 814	181 065	200 388	195 064	194 689	200 291
Perpetual subordinated loan capital	5 640	5 774	5 640	5 774	5 640	5 774
Term subordinated loan capital	26 320	24 943	26 320	24 943	26 320	24 943
Deduction of holdings of Tier 2 instruments in insurance companies ³⁾					(5 750)	(5 761)
Non-eligible Tier 2 capital, DNB Group ⁴⁾					(6 711)	(5 032)
Additional Tier 2 capital instruments	31 960	30 717	31 960	30 717	19 499	19 925
Own funds	220 774	211 783	232 348	225 781	214 188	220 216
Risk-weighted assets	801 447	804 721	930 384	924 869	967 146	960 691
Minimum capital requirement	64 116	64 378	74 431	73 990	77 372	76 855
Common equity Tier 1 capital ratio	21.3	19.3	19.6	18.3	18.7	18.6
Tier 1 capital ratio	23.6	22.5	21.5	21.1	20.1	20.8
Capital ratio	27.5	26.3	25.0	24.4	22.1	22.9

1) Dividends from DNB ASA for 2019 of 8.40 per share are due to be paid in March 2021. The Board of Directors in DNB ASA and DNB Bank ASA will ask the Annual General Meeting in April 2021 for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020, for distribution after September 2021.

2) Deductions are made for significant investments in financial sector entities when the total value of the investments exceeds 10 per cent of common equity Tier 1 capital. The amounts that are not deducted are given a risk weight of 250 per cent. The increased deduction is due to the investment in Fremtind.

3) Investments in Tier 1 and Tier 2 instruments issued by the Group's insurance companies are deducted from the Group's Tier 1 and Tier 2 capital.

4) Tier 1 and Tier 2 capital in DNB Bank ASA not included in consolidated own funds in accordance with Articles 85-88 of the CRR.

Note 3 Capital adequacy (continued)

The majority of the credit portfolios are reported according to the IRB approach. Exposures to central governments, institutions, equity positions and other assets are, however, reported according to the standardised approach.

Specification of risk-weighted assets and capital requirements

DNB Group

	Nominal exposure 31 Dec. 2020	EAD ¹⁾ 31 Dec. 2020	Average risk weights in per cent 31 Dec. 2020	Risk- weighted assets 31 Dec. 2020	Capital requirement 31 Dec. 2020	Capital requirement 31 Dec. 2019
<i>Amounts in NOK million</i>						
IRB approach						
Corporate exposures	1 006 402	808 754	47.0	380 065	30 405	31 040
<i>of which specialised lending (SL)</i>	13 993	13 330	48.4	6 449	516	503
<i>of which small and medium sized entities (SME)</i>	216 347	190 445	45.5	86 636	6 931	6 695
<i>of which other corporates</i>	776 062	604 980	47.4	286 979	22 958	23 843
Retail exposures	958 732	942 020	21.7	204 641	16 371	15 546
<i>of which other retail</i>	88 301	71 589	25.1	18 001	1 440	1 653
<i>of which secured by mortgages on immovable property</i>	870 431	870 431	21.4	186 641	14 931	13 893
Total credit risk, IRB approach	1 965 134	1 750 774	33.4	584 706	46 776	46 586
Standardised approach						
Central government and central banks	325 091	324 183	0.1	232	19	6
Regional government 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	118 172	91 089	20.2	18 367	1 469	1 802
Corporate	177 212	153 126	68.6	105 028	8 402	9 293
Retail	163 965	60 264	74.2	44 744	3 580	2 812
Secured by mortgages on immovable property	29 149	28 137	60.7	17 069	1 366	2 245
Exposured in default	2 960	2 355	123.5	2 909	233	216
Items associated with particular high risk	7 420	5 343	150.0	8 015	641	80
Covered bonds	43 558	43 558	10.0	4 356	348	396
Collective investment undertakings	1 745	1 745	29.7	518	41	18
Equity positions	20 785	20 784	235.1	48 854	3 908	3 754
Other assets	21 904	21 902	90.1	19 737	1 579	1 064
Total credit risk, standardised approach	993 799	828 566	32.7	271 325	21 706	21 814
Total credit risk	2 958 933	2 579 340	33.2	856 031	68 483	68 400
Market risk						
Position and general risk, debt instruments				9 345	748	842
Position and general risk, equity instruments				648	52	30
Currency risk				48	4	1
Commodity risk				1		
Total market risk				10 042	803	873
Credit value adjustment risk (CVA)				5 741	459	354
Operational risk				95 331	7 627	7 228
Total risk-weighted assets and capital requirements				967 146	77 372	76 855

1) EAD, exposure at default.

Note 4 Taxes

<i>Amounts in NOK million</i>	DNB Group	
	Full year 2020	Full year 2019
Pre-tax operating profit	23 847	31 235
Estimated tax expense - nominal tax rate - 22 per cent	(5 246)	(6 872)
Tax effect of financial tax	(460)	(578)
Tax effect of different tax rates in other countries	30	59
Tax effect of debt interest distribution with international branches	288	1 140
Tax effect of tax-exempt income and non-deductible expenses	1 331	619
Tax effect of changed tax rate for deferred taxes recognised in the balance sheet	(10)	(54)
Excess tax provision previous year	(162)	221
Total tax expense	(4 229)	(5 465)
Effective tax rate	18%	17%

Note 5 Measurement of expected credit loss (ECL)

In light of the spread of COVID-19, a variety of measures have been taken by the Group to assist individuals and businesses in handling the financial consequences of the virus outbreak, primarily by offering payment waivers to customers. Furthermore, the business-related and financial impacts on the various business segments as well as Government relief programmes have been considered when measuring expected credit losses (ECL) on loans to customers, loan commitments, financial guarantees and other financial instruments subject to the IFRS 9 impairment rules.

Forbearance

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 gross carrying amount of loans and financial commitments classified in the forbearance category was NOK 35 113 million as at 31 December 2020, compared with NOK 34 469 million as at 31 December 2019.

Segmentation, macro scenarios and credit cycle index

The assessment of significant increases 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 is divided into 22 segments with shared credit risk characteristics. 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.

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

Sensitivity

To calculate expected credit losses in stages 1 and 2, DNB uses a range of macroeconomic variables. 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. In the simulated alternative scenario, the ECL in stages 1 and 2 would increase by approximately 44 per cent compared with the ECL in stages 1 and 2 that is recognised in the financial statements at 31 December 2020.

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

Note 5 Measurement of expected credit loss (ECL) (continued)

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.

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. This lending includes mortgage lending, credit card lending and consumer financing. In addition to specific customer attributes, the portfolio's ECL is forecasted based on the Norwegian house price index, the Norwegian interest rate, the household debt level and the unemployment rate. In the simulated alternative scenario, where all of these input parameters are given 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 stages 1 and 2. If the base case scenario alone is used to calculate expected credit losses, thereby excluding the fan that represents the range of alternative scenarios, the ECL at 31 December 2020 would decrease by 10 per cent.

Significant increase in credit risk (staging)

To assess significant increase in credit risk, the Group considers changes in the probability of a default occurring during the expected life of a financial instrument. Debt levels are expected to rise, and this will typically affect credit risk assessments.

The assessment of a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and backstops. The extension or deferral of payments from borrowers does not automatically result in instruments being considered to have a significantly increased credit risk. Careful consideration is given to whether the credit risk has significantly increased and borrowers are unlikely to restore their creditworthiness, or whether the borrowers are 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.

Measurement of expected credit loss for credit-impaired financial instruments

The business-related and financial impacts of the COVID-19 outbreak and the oil price fall, as well as of the assessed relief expected to be provided through established Government programmes, are incorporated into the net present value of the discounted estimated future cash flows.

Sensitivity

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

Note 6 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 (quarterly figures)

DNB Group

Amounts in NOK million	4th quarter 2020				4th quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 30 Sept.	1 454 637	173 585	36 918	1 665 140	1 506 520	87 877	26 822	1 621 220
Transfer to stage 1	41 265	(40 841)	(424)		15 563	(15 216)	(347)	
Transfer to stage 2	(28 238)	28 855	(616)		(20 683)	22 474	(1 791)	
Transfer to stage 3	(379)	(2 158)	2 537		(2 039)	(1 222)	3 262	
Originated and purchased	128 052	736		128 788	99 895	861		100 756
Derecognition	(105 348)	(21 642)	(5 995)	(132 985)	(97 614)	(6 622)	(3 695)	(107 931)
Exchange rate movements	(7 000)	(1 086)	(402)	(8 487)	1 968	194	57	2 219
Other								
Gross carrying amount as at 31 Dec.	1 482 987	137 450	32 020	1 652 457	1 503 609	88 347	24 308	1 616 264

Loans to customers at amortised cost (year-to-date figures)

DNB Group

Amounts in NOK million	Full year 2020				Full year 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 Dec.	1 503 609	88 347	24 308	1 616 264	1 435 014	82 321	27 846	1 545 180
Transfer to stage 1	124 598	(123 026)	(1 572)		67 730	(66 890)	(840)	
Transfer to stage 2	(224 195)	227 746	(3 551)		(91 994)	96 661	(4 668)	
Transfer to stage 3	(4 367)	(18 366)	22 733		(3 846)	(5 356)	9 202	
Originated and purchased	454 549	17 735		472 284	473 915	4 767		478 682
Derecognition	(380 599)	(55 268)	(9 720)	(445 587)	(377 761)	(23 346)	(7 327)	(408 434)
Exchange rate movements	9 392	282	(178)	9 497	362	190	95	647
Other					188			188
Gross carrying amount as at 31 Dec.	1 482 987	137 450	32 020	1 652 457	1 503 609	88 347	24 308	1 616 264

Note 6 Development in gross carrying amount and maximum exposure (continued)

Financial commitments (quarterly figures)

DNB Group

<i>Amounts in NOK million</i>	4th quarter 2020				4th quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 30 Sept.	655 285	49 035	7 963	712 283	636 663	26 504	4 282	667 448
Transfer to stage 1	13 812	(13 774)	(38)		3 443	(3 417)	(26)	
Transfer to stage 2	(5 392)	5 513	(121)		(5 176)	5 415	(239)	
Transfer to stage 3	(27)	(276)	303		(241)	(57)	298	
Originated and purchased	114 719	783		115 503	81 620	0	0	81 621
Derecognition	(113 032)	(4 263)	(2 010)	(119 305)	(95 024)	(4 496)	(982)	(100 502)
Exchange rate movements	(7 931)	(539)	(73)	(8 544)	309	(157)	11	163
Maximum exposure as at 31 Dec.	657 434	36 478	6 024	699 937	621 594	23 794	3 343	648 730

Financial commitments (year-to-date figures)

DNB Group

<i>Amounts in NOK million</i>	Full year 2020				Full year 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Maximum exposure as at 31 Dec.	621 594	23 794	3 343	648 730	627 302	29 462	4 152	660 916
Transfer to stage 1	40 614	(40 382)	(233)		20 580	(20 331)	(249)	
Transfer to stage 2	(75 629)	76 330	(701)		(25 073)	25 600	(528)	
Transfer to stage 3	(1 553)	(8 426)	9 979		(1 164)	(1 010)	2 175	
Originated and purchased	430 229	3 451		433 680	397 213	0	0	397 214
Derecognition	(362 758)	(18 486)	(6 314)	(387 557)	(397 978)	(10 062)	(2 198)	(410 238)
Exchange rate movements	4 938	197	(51)	5 084	715	135	(10)	840
Maximum exposure as at 31 Dec.	657 434	36 478	6 024	699 937	621 594	23 794	3 343	648 730

Note 7 Development in accumulated impairment of financial instruments

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

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

Loans to customers at amortised cost (quarterly figures)

DNB Group

Amounts in NOK million	4th quarter 2020				4th quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 Sept.	(811)	(1 681)	(13 775)	(16 267)	(343)	(1 217)	(8 473)	(10 034)
Transfer to stage 1	(145)	140	5		(62)	55	7	
Transfer to stage 2	32	(81)	50		10	(155)	144	
Transfer to stage 3		104	(105)			6	(6)	
Originated and purchased	(129)	(34)		(163)	(26)	(106)		(132)
Increased expected credit loss ¹⁾	(44)	(195)	(2 547)	(2 786)	(41)	(231)	(1 985)	(2 257)
Decreased (reversed) expected credit loss ¹⁾	301	394	1 347	2 042	151	471	775	1 397
Write-offs			2 859	2 859			656	656
Derecognition	17	121	10	148	7	137	20	163
Exchange rate movements	14	18	117	149	(2)	(1)	(42)	(45)
Other								
Accumulated impairment as at 31 Dec.	(765)	(1 214)	(12 039)	(14 018)	(306)	(1 042)	(8 905)	(10 252)

Loans to customers at amortised cost (year-to-date figures)

DNB Group

Amounts in NOK million	Full year 2020				Full year 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 Dec.	(306)	(1 042)	(8 905)	(10 252)	(352)	(1 225)	(8 321)	(9 898)
Transfer to stage 1	(639)	601	38		(351)	319	32	
Transfer to stage 2	204	(404)	200		58	(276)	218	
Transfer to stage 3	1	423	(424)		3	86	(90)	
Originated and purchased	(369)	(270)		(639)	(170)	(145)		(315)
Increased expected credit loss ¹⁾	(998)	(2 432)	(12 292)	(15 722)	(212)	(1 221)	(6 103)	(7 535)
Decreased (reversed) expected credit loss ¹⁾	1 271	1 366	4 656	7 292	686	1 003	3 510	5 198
Write-offs			4 587	4 587			1 838	1 838
Derecognition	72	549	76	697	33	423	61	516
Exchange rate movements	(0)	(5)	24	18	(1)	(6)	(49)	(55)
Other								
Accumulated impairment as at 31 Dec.	(765)	(1 214)	(12 039)	(14 018)	(306)	(1 042)	(8 905)	(10 252)

1) In the second quarter of 2019, DNB performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans and financial commitments. The net effect of the recalibration is a decrease in expected credit loss of NOK 6 million. As the recalibration resulted in both increases and decreases on a financial instrument level, the effect is included in the flows 'increased expected credit loss' and 'decreased (reversed) expected credit loss'.

Note 7 Development in accumulated impairment of financial instruments (continued)

Financial commitments (quarterly figures)

DNB Group

Amounts in NOK million	4th quarter 2020				4th quarter 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 Sept.	(318)	(616)	(937)	(1 870)	(152)	(904)	(1 054)	(2 110)
Transfer to stage 1	(34)	34			(37)	32	5	
Transfer to stage 2	14	(18)	4		7	(9)	1	
Transfer to stage 3		25	(25)					
Originated and purchased	(79)	(35)		(115)	(23)			(23)
Increased expected credit loss ¹⁾	(19)	(119)	(157)	(296)	(23)	(132)	(69)	(225)
Decreased (reversed) expected credit loss ¹⁾	139	102	513	754	79	219	574	872
Derecognition	8	46	0	54	3	116		119
Exchange rate movements	5	16	0	21		10		9
Other								0
Accumulated impairment as at 31 Dec.	(284)	(566)	(601)	(1 451)	(146)	(667)	(543)	(1 357)

Financial commitments (year-to-date figures)

DNB Group

Amounts in NOK million	Full year 2020				Full year 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 Dec.	(146)	(667)	(543)	(1 357)	(149)	(1 001)	(569)	(1 719)
Transfer to stage 1	(227)	224	4		(187)	152	35	
Transfer to stage 2	82	(93)	11		46	(50)	4	
Transfer to stage 3	1	314	(315)			9	(9)	
Originated and purchased	(351)	(92)		(443)	(158)	(14)		(172)
Increased expected credit loss ¹⁾	(388)	(1 602)	(1 663)	(3 654)	(83)	(653)	(1 173)	(1 909)
Decreased (reversed) expected credit loss ¹⁾	734	1 049	1 906	3 689	375	697	1 155	2 228
Derecognition	12	312	0	325	8	201		209
Exchange rate movements	1	(11)	(0)	(11)		(8)		(9)
Other							14	14
Accumulated impairment as at 31 Dec.	(284)	(566)	(601)	(1 451)	(146)	(667)	(543)	(1 357)

- 1) In the second quarter of 2019, DNB performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans and financial commitments. The net effect of the recalibration is a decrease in expected credit loss of NOK 6 million. As the recalibration resulted in both increases and decreases on a financial instrument level, the effect is included in the flows 'increased expected credit loss' and 'decreased (reversed) expected credit loss'.

Note 8 Loans and financial commitments to customers by industry segment

Loans to customers as at 31 December 2020

<i>Amounts in NOK million</i>	Gross carrying amount	Accumulated impairment			DNB Group	
		Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	72 151	(17)	(34)	(353)		71 747
Commercial real estate	199 171	(107)	(56)	(389)	107	198 726
Shipping	41 633	(45)	(227)	(327)		41 033
Oil, gas and offshore	57 588	(113)	(224)	(7 671)		49 580
Power and renewables	31 866	(38)	(4)	(248)		31 576
Healthcare	16 857	(4)	(0)			16 853
Public sector	11 764	(16)	(0)	(0)		11 748
Fishing, fish farming and farming	51 680	(56)	(68)	(145)	119	51 531
Retail industries	35 653	(29)	(79)	(430)	16	35 131
Manufacturing	37 539	(37)	(68)	(132)		37 303
Technology, media and telecom	25 325	(23)	(12)	(15)	3	25 279
Services	79 749	(57)	(111)	(612)	24	78 993
Residential property	102 951	(32)	(22)	(143)	296	103 050
Personal customers	823 608	(141)	(141)	(559)	54 791	877 558
Other corporate customers	64 923	(53)	(166)	(1 017)	16	63 703
Total ¹⁾	1 652 457	(765)	(1 214)	(12 039)	55 372	1 693 811

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

Loans to customers as at 31 December 2019

<i>Amounts in NOK million</i>	Gross carrying amount	Accumulated impairment			DNB Group	
		Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Bank, insurance and portfolio management	92 336	(8)	(8)	(23)	5	92 303
Commercial real estate	185 586	(10)	(37)	(384)	145	185 299
Shipping	47 957	(47)	(94)	(285)		47 531
Oil, gas and offshore	64 934	(44)	(376)	(4 384)		60 131
Power and renewables	31 254	(8)	(3)	(46)		31 197
Healthcare	20 989	(7)	(3)			20 979
Public sector	13 952	(7)	(0)	(0)		13 945
Fishing, fish farming and farming	41 198	(6)	(29)	(143)	161	41 182
Retail industries	40 551	(10)	(34)	(457)	58	40 108
Manufacturing	42 216	(21)	(35)	(204)	19	41 976
Technology, media and telecom	24 540	(21)	(6)	(25)	25	24 513
Services	72 108	(24)	(38)	(847)	191	71 391
Residential property	89 719	(6)	(13)	(121)	362	89 941
Personal customers	782 720	(72)	(308)	(641)	60 143	841 842
Other corporate customers	66 203	(17)	(59)	(1 345)	69	64 852
Total ¹⁾	1 616 264	(306)	(1 042)	(8 905)	61 178	1 667 189

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

Note 8 Loans and financial commitments to customers by industry segment (continued)

Financial commitments as at 31 December 2020

<i>Amounts in NOK million</i>	Maximum exposure	Accumulated impairment			DNB Group Total
		Stage 1	Stage 2	Stage 3	
Bank, insurance and portfolio management	37 166	(10)	(3)	(0)	37 153
Commercial real estate	25 561	(17)	(2)	(3)	25 539
Shipping	9 830	(15)	(14)	(7)	9 794
Oil, gas and offshore	47 598	(70)	(301)	(294)	46 933
Power and renewables	42 141	(28)	(0)		42 112
Healthcare	23 556	(4)	(0)		23 553
Public sector	10 266	(0)	(0)		10 266
Fishing, fish farming and farming	17 366	(14)	(6)	(9)	17 337
Retail industries	34 807	(18)	(37)	(14)	34 738
Manufacturing	54 314	(24)	(61)	(3)	54 226
Technology, media and telecom	20 871	(8)	(6)	(0)	20 857
Services	28 780	(19)	(54)	(21)	28 687
Residential property	38 147	(17)	(2)	(5)	38 124
Personal customers	272 061	(21)	(11)	(0)	272 029
Other corporate customers	37 474	(20)	(69)	(245)	37 140
Total	699 937	(284)	(566)	(601)	698 486

Financial commitments as at 31 December 2019

<i>Amounts in NOK million</i>	Maximum exposure	Accumulated impairment			DNB Group Total
		Stage 1	Stage 2	Stage 3	
Bank, insurance and portfolio management	30 438	(5)	(1)	(0)	30 432
Commercial real estate	26 052	(2)	(1)	(4)	26 045
Shipping	10 409	(11)	(30)		10 368
Oil, gas and offshore	57 026	(48)	(463)	(268)	56 247
Power and renewables	28 403	(5)	(19)		28 378
Healthcare	29 100	(8)	(0)		29 091
Public sector	11 086	(0)	(0)		11 085
Fishing, fish farming and farming	17 835	(2)	(0)	(6)	17 826
Retail industries	30 429	(5)	(17)	(35)	30 373
Manufacturing	50 321	(11)	(32)	(2)	50 276
Technology, media and telecom	16 138	(10)	(3)		16 125
Services	25 494	(11)	(16)	(21)	25 445
Residential property	33 412	(2)	(1)	(3)	33 405
Personal customers	241 498	(14)	(67)	(0)	241 416
Other corporate customers	41 089	(10)	(17)	(203)	40 859
Total	648 730	(146)	(667)	(543)	647 373

Note 9 Financial instruments at fair value

	DNB Group			
	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
<i>Amounts in NOK million</i>				
Assets as at 31 December 2020				
Loans to customers			55 372	55 372
Commercial paper and bonds	59 740	293 308	283	353 330
Shareholdings	5 073	13 501	10 787	29 360
Financial assets, customers bearing the risk		116 729		116 729
Financial derivatives	375	184 488	1 877	186 740
Liabilities as at 31 December 2020				
Deposits from customers		14 238		14 238
Debt securities issued		20 489		20 489
Subordinated loan capital		179		179
Financial derivatives	465	173 001	1 513	174 979
Other financial liabilities ¹⁾	2 982			2 982

	DNB Group			
	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
<i>Amounts in NOK million</i>				
Assets as at 31 December 2019				
Loans to customers			61 178	61 178
Commercial paper and bonds	22 432	265 418	356	288 205
Shareholdings	6 414	22 814	7 018	36 247
Financial assets, customers bearing the risk		98 943		98 943
Financial derivatives	244	122 964	1 868	125 076
Liabilities as at 31 December 2019				
Deposits from customers		19 535		19 535
Debt securities issued		20 294		20 294
Subordinated loan capital		176		176
Financial derivatives	261	113 886	1 536	115 682
Other financial liabilities ¹⁾	10 883			10 883

¹⁾ Short positions, trading activities.

For a further description of the instruments and valuation techniques, see the annual report for 2019.

Note 9 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Group

	Financial assets				Financial liabilities
	Loans to customers	Commercial paper and bonds	Share-holdings	Financial derivatives	Financial derivatives
<i>Amounts in NOK million</i>					
Carrying amount as at 31 December 2018	62 476	319	4 810	2 036	1 654
Net gains recognised in the income statement	(192)	(156)	401	(535)	(215)
Additions/purchases	9 696	419	2 766	1 152	849
Sales		(280)	(959)		
Settled	(10 664)			(774)	(753)
Transferred from level 1 or level 2		129			
Transferred to level 1 or level 2		(135)			
Other	(138)	60	(0)	(11)	1
Carrying amount as at 31 December 2019	61 178	356	7 018	1 868	1 536
Net gains recognised in the income statement	1 116	(75)	738	141	367
Additions/purchases	10 550	315	3 977	1 247	914
Sales		(340)	(947)		
Settled	(17 549)			(1 408)	(1 331)
Transferred from level 1 or level 2		365			
Transferred to level 1 or level 2		(371)			
Other	78	34	(0)	29	27
Carrying amount as at 31 December 2020	55 372	283	10 787	1 877	1 513

Sensitivity analysis, level 3

An increase in the discount rate on fixed-rate loans by 10 basis points will decrease the fair value by NOK 165 million. The effects on other Level 3 financial instruments are insignificant.

Note 10 Debt securities issued and subordinated loan capital

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

Debt securities issued 2020

	Balance sheet 31 Dec. 2020	Issued 2020	Matured/ redeemed 2020	Exchange rate movements 2020	Other changes 2020	DNB Group Balance sheet 31 Dec. 2019
<i>Amounts in NOK million</i>						
Commercial papers issued, nominal amount	137 931	1 113 162	(1 121 261)	(42 091)		188 120
Bond debt, nominal amount ¹⁾	609 169	29 430	(103 824)	29 533		654 030
Senior non-preferred bonds, nominal amount	8 519	9 462		(943)		
Value adjustments	30 733			17	2 697	28 019
Total debt securities issued	786 352	1 152 054	(1 225 085)	(13 483)	2 697	870 170

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

Debt securities issued 2019

	Balance sheet 31 Dec. 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	DNB Group Balance sheet 31 Dec. 2018
<i>Amounts in NOK million</i>						
Commercial papers issued, nominal amount	188 120	977 397	(885 921)	(78 087)		174 732
Bond debt, nominal amount ¹⁾	654 030	119 704	(68 794)	(1 008)		604 127
Senior non-preferred bonds, nominal amount						
Value adjustments	28 019				4 961	23 059
Total debt securities issued	870 170	1 097 101	(954 715)	(79 095)	4 961	801 918

1) Minus own bonds.

Subordinated loan capital and perpetual subordinated loan capital securities 2020

	Balance sheet 31 Dec. 2020	Issued 2020	Matured/ redeemed 2020	Exchange rate movements 2020	Other changes 2020	DNB Group Balance sheet 31 Dec. 2019
<i>Amounts in NOK million</i>						
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
Value adjustments	359				(19)	378
Total subordinated loan capital and perpetual subordinated loan capital securities	32 319	4 056	(4 207)	1 394	(19)	31 095

Subordinated loan capital and perpetual subordinated loan capital securities 2019

	Balance sheet 31 Dec. 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	DNB Group Balance sheet 31 Dec. 2018
<i>Amounts in NOK million</i>						
Term subordinated loan capital, nominal amount	24 943	9	(9)	(167)		25 110
Perpetual subordinated loan capital, nominal amount	5 774			81		5 693
Value adjustments	378				100	278
Total subordinated loan capital and perpetual subordinated loan capital securities	31 095	9	(9)	(86)	100	31 082

Note 11 Contingencies

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

In 2016, the Norwegian Consumer Council instituted legal proceedings before the Oslo District Court against DNB Asset Management AS, a wholly owned subsidiary of DNB ASA offering asset management services. The Council filed a group action to pursue compensation from DNB Asset Management for charging high fees for active management while actually tracking an index. The original claim amounted to NOK 690 million. The Oslo District Court rejected the claim in 2018 and DNB Asset Management was held not liable. However, the Borgarting Court of Appeal ruling in 2019 and the Norwegian Supreme Court ruling at end-February 2020 found in favour of the Norwegian Consumer Council. DNB Asset Management was sentenced to pay approximately NOK 350 million. A provision of NOK 200 million was recognised in the second quarter of 2019 in DNB Asset Management's accounts, and the remaining claim was recognised in the first quarter of 2020, presented as operational losses/operating expenses in the profit and loss account.

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

DNB ASA

Income statement

	DNB ASA			
	4th quarter 2020	4th quarter 2019	Full year 2020	Full year 2019
<i>Amounts in NOK million</i>				
Interest income, amortised cost	1	17	19	82
Interest expenses, amortised cost	(84)	(153)	(471)	(547)
Net interest income	(83)	(136)	(452)	(466)
Commissions and fees payable	(1)	(1)	(5)	(5)
Other income ¹⁾	(11 946)	26 981	(10 855)	26 984
Net other operating income	(11 947)	26 981	(10 860)	26 978
Total income	(12 030)	26 845	(11 312)	26 513
Salaries and other personnel expenses				(0)
Other expenses	(65)	(75)	(271)	(294)
Total operating expenses	(65)	(75)	(271)	(295)
Net gain on the sale of fixed and intangible assets ²⁾				2 237
Pre-tax operating profit	(12 095)	26 771	(11 583)	28 455
Tax expense	(154)	(138)	(0)	
Profit for the period	(12 249)	26 632	(11 584)	28 455
Earnings/diluted earnings per share (NOK)	(7.90)	16.91	(7.45)	17.98
Earnings per share excluding operations held for sale (NOK)	(7.90)	16.91	(7.45)	17.98

Balance sheet

	DNB ASA	
	31 Dec. 2020	31 Dec. 2019
<i>Amounts in NOK million</i>		
Assets		
Due from DNB Bank ASA	1 779	4 572
Investments in associated companies	6 714	4 725
Investments in subsidiaries	74 163	74 059
Receivables due from Group companies ¹⁾	13 820	26 981
Other assets	1	
Total assets	96 477	110 337
Liabilities and equity		
Short-term amounts due to DNB Bank ASA	9	17
Other liabilities and provisions	13 023	14 035
Long-term amounts due to DNB Bank ASA	23 587	22 617
Total liabilities	36 619	36 669
Share capital	15 504	15 706
Share premium	22 556	22 556
Other equity	21 798	35 406
Total equity	59 858	73 668
Total liabilities and equity	96 477	110 337

1) Reference is made to note 2 Dividends/Group contributions from subsidiaries.

2) The establishment of the insurance company Fremtind Forsikring AS, through the merger of SpareBank 1 Skadeforsikring and DNB Forsikring AS in January 2019, resulted in a gain of NOK 2 237 million in the first quarter for DNB ASA. The gain for the DNB Group amounted to NOK 1 740 million.

Statement of changes in equity

	DNB ASA			
	Share capital	Share premium	Other equity	Total equity
<i>Amounts in NOK million</i>				
Balance sheet as at 31 December 2018	15 944	22 556	24 525	63 025
Profit for the period			28 455	28 455
Repurchase under share buy-back programme	(238)		(3 540)	(3 778)
Dividends for 2019 (NOK 9.00 proposed per share)			(14 035)	(14 035)
Balance sheet as at 31 December 2019	15 706	22 556	35 406	73 668
Profit for the period			(11 584)	(11 584)
Repurchase under share buy-back programme	(202)		(3 036)	(3 238)
Adjustment of 2019 dividend to NOK 8.40 per share			1 012	1 012
Balance sheet as at 31 December 2020	15 504	22 556	21 798	59 858

Note 1 Basis for preparation

DNB ASA has prepared the financial statements according to the Norwegian Ministry of Finance's regulations on annual accounts. A description of the accounting principles applied by the company when preparing the financial statements appears in note 1 Accounting principles in the annual report for 2019.

Note 2 Dividends/Group contributions from subsidiaries

In 2019, DNB ASA recognised NOK 26 984 million as other income, mainly due to the proposed dividend from DNB Bank ASA at year-end 2019 of NOK 24 428 million. Due to the outbreak of the coronavirus pandemic and an uncertain economic outlook, the decision on dividends for 2019 and the payment of these were postponed. The Board of Directors was authorised by an extraordinary general meeting in November 2020 to consider this more closely on the basis of the recommendation from the authorities. In January 2021, the Norwegian Ministry of Finance conveyed an expectation that the banks' total distribution of dividends must be kept within 30 per cent of the accumulated profit for the years 2019 and 2020, until September 2021. In light of this, the Board of Directors in DNB ASA has decided to pay a dividend of NOK 13 023 million (NOK 8.40 per share) for 2019. The distribution will take place in March 2021. In addition, the Board of Directors in DNB Bank ASA has decided to pay a dividend of NOK 12 478 million to DNB ASA. This distribution will take place in February 2021.

In addition, the dividend recognised in 2019 from DNB Livsforsikring has been reversed in full, and the dividend from DNB Asset Management has been reduced. A dividend distribution of NOK 1 250 million from DNB Livsforsikring AS was received in the first quarter of 2020, related to the second part of the Fremtind Forsikring AS merger.

The Board of Directors in DNB ASA will ask the Annual General Meeting in April 2021 for an authorisation to pay a dividend of up to NOK 9.00 per share for 2020, for distribution after September 2021, or when the economic outlook suggests that it is possible to do so. The Board of Directors in DNB Bank ASA has asked for the same authorisation. Dividend for 2020 has not been recognised in the accounts.

Due to this, other income in DNB ASA had a net reversal of NOK 10 855 million in 2020, mainly due to the reduction of dividends for 2019 from DNB Bank ASA.

Information about the DNB Group

Head office DNB ASA

Mailing address	P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address	Dronning Eufemias gate 30, Oslo
Telephone	+47 91 50 48 00
Internet	dnb.no
Organisation number	Register of Business Enterprises NO 981 276 957 MVA

Board of Directors in DNB ASA

Olaug Svarva, Chair of the Board
Svein Richard Brandtzæg, Vice Chair of the Board
Gro Bakstad
Lillian Hattrem
Jens Petter Olsen
Stian Tegler Samuelsen
Jaan Ivar Semlitsch

Group Management

Kjerstin R. Braathen	Group Chief Executive Officer (CEO)
Ottar Erteid	Group Chief Financial Officer (CFO)
Ingjerd Blekeli Spiten	Group Executive Vice President of Personal Banking
Harald Serck-Hanssen	Group Executive Vice President of Corporate Banking
Håkon Hansen	Group Executive Vice President of Wealth Management
Alexander Opstad	Group Executive Vice President of Markets
Rasmus Figenschou	Group Executive Vice President of Payments & Innovation
Mirella E. Grant	Group Chief Compliance Officer (CCO)
Ida Lerner	Group Chief Risk Officer (CRO)
Maria Ervik Løvdal	Group Executive Vice President of Technology & Services
Kari Bech-Moen	Group Executive Vice President of People
Thomas Midteide	Group Executive Vice President of Communications & Sustainability

Investor Relations

Rune Helland, head of Investor Relations	tel. +47 23 26 84 00	rune.helland@dnb.no
Anne Engebretsen, Investor Relations	tel. +47 23 26 84 08	anne.engebretsen@dnb.no
Ida Eilertsen Nygård, Investor Relations	tel. +47 98 61 19 52	ida.eilertsen.nygård@dnb.no
Thor Tellefsen, Long Term Funding	tel. +47 23 26 84 04	thor.tellefsen@dnb.no

Financial calendar 2021

24 February	Ex-dividend date for 2019 dividends
as of 4 March	Distribution of 2019 dividends
11 March	Annual report 2020
27 April	Annual General Meeting
29 April	Q1 2021
13 July	Q2 2021
21 October	Q3 2021

Other sources of information

Annual and quarterly reports

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

*The quarterly report has been produced by Group Financial Reporting in DNB.
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We are here. So you can stay ahead.

DNB

Mailing address:
P.O.Box 1600 Sentrum
N-0021 Oslo

Visiting address:
Dronning Eufemias gate 30
Bjørvika, Oslo

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