DNB Group

Risk and capital management

Disclosure according to
Pillar 3 2022

The CRO's summary of the year

The year 2022 was a year of contrasts. The repercussion of the pandemic have continued to affect the world economy through absence of factor inputs and carriage delays. The combination of pandemic effects and war in Ukraine has resulted in high inflation and rising interest rates. Costs for both companies and households have increased through the year. Although we face increased uncertainty, the Norwegian economy is expected to remain strong, DNB is well capitalised and we enter 2023 with a robust portfolio.

Sverre Krog
Chief Risk Officer
Group Risk Management

Ripple effects from the war in Ukraine, including strong sanctions against Russia, strongly affected energy prices in 2022. The European energy crisis has highlighted the need for a balance between the energy transition and energy security. High energy prices have affected some hedging agreements for customers with exposure to commodity derivatives, but also strengthened the servicing capacity of customers in oil-related industries. We have seen few signs of increased defaults in our credit portfolios in 2022. For the industries hardest hit by the infection control measures during the pandemic, 2022 was a more normal year, while for energy-intensive industries and companies with high debt or low margins the uncertainty increased.

Operational risk management is part of all business operations and concerns all employees. Group Risk Management has a strong focus on sound assessment and management of operational risk and conducts training in this area. The implementation of sanctions, surveillance activities and work to prevent cyber attacks in the wake of the war in Ukraine have been extensive. The bank is well equipped and has not experienced significant incidents or an increase in the number of attacks as a result of the war. DNB conducts scenario analyses on an ongoing basis and works proactively to strengthen IT security.

In September 2022, Finanstilsynet imposed DNB a coercive fine of NOK 50 000 per business day for not having complied with an order to verify the identities of the entire customer base. It is an extensive job that is carried out with high priority.

In 2022, DNB received approval to acquire Sbanken, and the merger will be completed in May 2023. Coordination of processes across DNB and Sbanken was well underway at the end of the year. Taking care of Sbanken's customers and employees has been important during this phase. In December, DNB submitted an application to Finanstilsynet to use DNB's IRB models for Sbanken's mortgage portfolio. The use of the internal models will strengthen risk management and have a positive effect on capital adequacy.

Sustainability, and especially the increasingly visible and extensive consequences of climate change, have continued to affect both DNB and the world through 2022. The financial industry has an important role to play in ensuring that capital is channelled into the climate transition. Natural risk and loss of biodiversity is high on the global agenda. Access to high-quality sustainability data will be key to measuring and managing sustainability risk effectively, meeting regulatory requirements and managing our portfolios in line with the transition plan towards net zero emission in 2050.

Despite increased uncertainty related to macroeconomic and geopolitical conditions, DNB is well capitalised with a CET1 ratio of 18.3 per cent at the end of 2022 , 1.75 percentage points above the supervisory authorities' current capital level expectation. Furthermore stress tests shows that DNB has good capacity to handle adverse developments.

Risk statement from the Board of Directors

The Board of Directors of DNB Bank ASA has approved this risk statement. The Board stays informed of the Group's risk development through regular reports and established notification procedures. Risk appetite and other risk frameworks are considered by the Board at least once a year. The Board believes that the Group's risk management is sufficient and well adapted to the Group's risk appetite and business strategy.

DNB was the second largest primary listed company on Oslo Børs (Oslo Stock Exchange), and the largest financial services group in Scandinavia, with a market capitalisation of NOK 301.4 billion at year-end 2022. The Group offers a full range of financial services, including loans, savings, advisory services, insurance and pension products for personal and corporate customers. At the end of 2022, DNB[1)] had 2 million personal customers and 229 000 corporate customers.

At year-end, the Group's common equity Tier 1 (CET1) capital ratio was at 18.3 per cent, which is 1.75 percentage points above the supervisory authorities' current capital level expectation. DNB's target capital level is the supervisory expectation plus some headroom to reflect expected future regulatory capital changes and market-driven CET1 fluctuations. The total capital adequacy ratio was 21.8 per cent at year-end 2022.

1) DNB, excluding Sbanken.

Credit risk is managed in accordance with the Group policy for risk management and the Group instructions for credit activity. The governing documents are elaborated in a detailed set of rules for credit activity, which is available to all DNB employees. There are overall limits for credit risk in risk appetite, which includes credit quality, credit growth and risk concentrations. In addition, limits for credit quality have been established for the individual credit segments. The Board is kept informed of the level of risk measured against these limits. If a limit is exceeded, the Board is notified and provided with an analysis of the reasons and an action plan, to control the development of the risk level.

The aftermath of the pandemic and the war in Ukraine meant that 2022 was another year of high uncertainty for DNB's credit customers. High and volatile energy prices have been particularly challenging, even though government action has dampened the effects on households in Norway. Uncertainty about geopolitical developments and persistent challenges related to global supply chains have contributed to high inflation and rising interest rates. Despite this, the quality of the credit portfolio remained stable throughout the year. The portfolio is considered to be robust.

Market risk is managed in accordance with the Group policy for risk management and the Group instructions for market risk. The Board has set the overall limit for market risk in risk appetite. The Board has also set limits for all significant market risk exposures, i.e. interest rate risk, currency risk, equity risk, commodity risk and basis swap risk. The Board receives reports on utilisation of these limits at least quarterly and is notified if any limits are exceeded.

During 2022, the market risk level for DNB Group was relatively stable as measured by economic capital, and was somewhat lower than year-end 2021. The market risk stayed well within the risk appetite limit of 10 per cent of total economic capital. Utilisation of the risk limits set by the Board of Directors has been moderate and only minor adjustments were made to the market risk limits in 2022.

Liquidity risk is managed in accordance with the Group policy for risk management and the Group instructions for liquidity risk. The Board has set internal limits for Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), ratio of deposits to net loans and minimum requirement for own funds and eligible liabilities (MREL) in the risk appetite framework. DNB aims to have a balance sheet structure which reflects the liquidity risk profile of an international bank with AA-level long-term credit ratings.

Maintaining a low risk profile calls for adequate diversification of sources of funding with respect to both contractual counterparties, tenors and instruments. During 2022, DNB had ample access to funding in various currencies and had a satisfactory liquidity position at year-end. The ratio of deposits to loans remained high throughout the year. The liquidity indicators LCR and NSFR were stable and well above the limits in risk appetite throughout 2022. DNB has issued several non-preferred senior bonds during 2022 and is well within the requirements for both MREL capital and senior non-preferred bonds.

DNB is one of the few banks with a long-term credit rating of AA from both S&P Global and Moody's, AA- and Aa2, respectively. In addition, DNB has a short-term credit rating of A-1+ from S&P Global and P-1 from Moody's, both of which are the highest rating score. S&P Global and Moody's confirmed DNB's ratings in July and October 2022, respectively.

Reputational risk is followed up through monitoring and analyses of media coverage and customer satisfaction. The risk appetite framework states that DNB is to work for a good reputation and deliver on expectations from society and our stakeholders.

In 2022, DNB's reputation, as measured by Traction, was lower than DNB's target. Among other things, increased interest rates and the extensive effort to have all customers renew their proof of identity have led to negative media reports and frustration among some customers.

ESG risk (Environmental, Social and Governance) is managed in accordance with the Group policy for risk management and the Group instructions for sustainability in credit activities. ESG risk assessments are an integrated part of DNB's credit decision process for all corporate customers with a total credit exposure above NOK 8 million and is assessed on equal footing with other risk factors.

In 2023 the Board approved a methodology for quantifying and developing a risk appetite statement for both transition risk and physical risk. Efforts to strengthen the collection, structuring and analysis of ESG data have been ongoing through 2022 and will be further strengthened in 2023. At the same time, work continues on the transition plan for how we will achieve our overall goal of net zero emissions by 2050, and how we can best serve our role as a driving force for sustainable transition.

Operational risk is managed in accordance with the Group policy for risk management and the Group instructions for operational risk. The Board has set limits in risk appetite for how much operational risk DNB is willing to accept. The Board is notified immediately if any significant events arise. The Board receives a detailed report on the operational risk in the Group as part of the quarterly risk report.

Total operational losses were NOK 392 million in 2022. The greatest operational risk is information security and is associated with extensive and increasingly advanced cyber attacks. IT and payment systems are closely monitored to identify and prevent possible cyber attacks and fraud attempts. IT operational performance was stable during the year, with few critical incidents.

Oslo, 8 March 2023
The Board of Directors of DNB Bank ASA

Olaug Svarva
(Chair of the Board)

Svein Richard Brandtzæg
(Vice Chair of the Board)

Gro Bakstad

Julie Galbo

Lillian Hattrem

Jens Petter Olsen

Stian Tegler Samuelsen

Jaan Ivar Semlitsch

Jannicke Skaanes

Kim Wahl

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

Sverre Krog
(Group Chief Risk Officer, CRO)

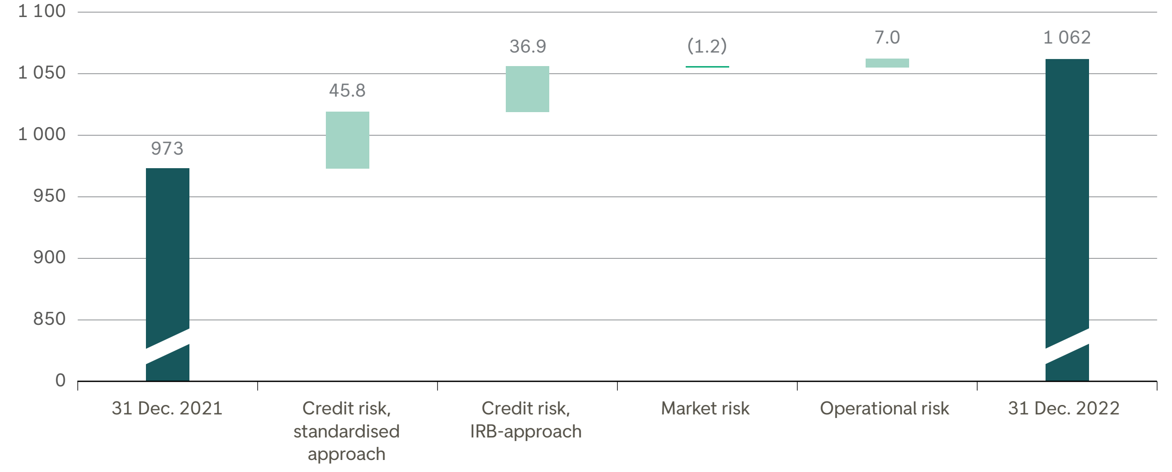
Key figures

Capital	31 December 2022	31 December 2021
Risk exposure amount (NOK billion)	1 062	973
Own funds (NOK billion)	231	234
CET1 capital ratio (per cent)	18.3	19.4
Capital adequacy (per cent)	21.8	24.0
Leverage ratio (per cent)	6.8	7.3
Liquidity		
LCR, significant currencies (per cent)	149	135
NSFR, significant currencies (per cent)	114	112
Credit and counterparty credit risk		
Credit risk, EAD (NOK billion) [1]	2 287.6	2 052.0
- of which counterparty credit risk, EAD (NOK billion)	78.2	69.3
Impairment of financial instruments (NOK billion)	0.3	0.9
Risk exposure amount, credit and counterparty credit risk (NOK billion)	967.8	884.5
Market risk		
Market risk as a share of economic capital (per cent) [2]	12.2	12.8
Risk exposrue amount, market risk (NOK billion)	14.0	15.2
Operational risk		
Operational losses (NOK million)	392	98
Risk exposure amount, operational risk (NOK billion)	105.4	98.4
Reputational risk, Traction (points)	60	63

1) Excluding institutions, government, central banks, equity positions and exposure in associated companies. Counterparty risk has been included.
2) Including strategic ownership.

Development in risk exposure amount (REA)

NOK billion

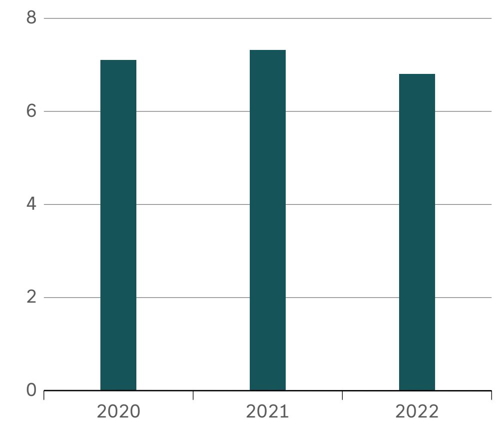


Capital adequacy ratio

Per cent

Leverage ratio

Per cent



Content

About this report

The Pillar 3 report provides information about DNB's risk management, risk measurement and capital adequacy, and supplements the extensive information provided in DNB's annual report, quarterly interim reports and fact books.

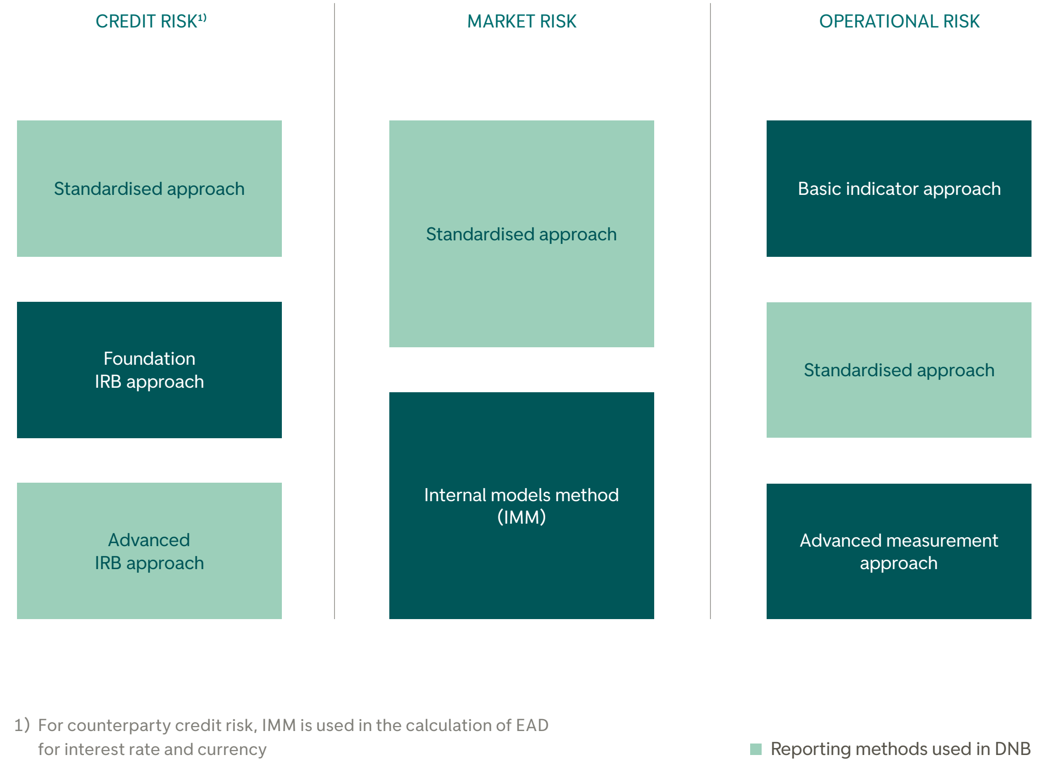
REGULATORY FRAMEWORK

This report, with the additional Excel disclosures, has been prepared in accordance with the Capital Requirements Regulation and Directive (CRR and CRD) and includes all the revisions and adjustments that were implemented through the EU Banking Package. The EU Banking Package was implemented in Norway on 1 June 2022 and consists of amendments to the capital requirements legislation (CRR II /CRD V) and to the Bank Recovery and Resolution Directive (BRRD II). Articles 431–455 in CRR II specify the reporting requirements. This report, together with DNB's annual report and the Excel disclosure "Risk and capital management - Pillar 3, attachment (Excel)", provides the consolidated disclosure of DNB as required in these regulations and the guidelines given by the European Banking Authority (EBA) in "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013".

The capital requirements framework consist of three pillars:

- **Pillar 1** covers the regulatory requirements for banks' capital and descriptions of the calculation methods for risk exposure amounts and own funds.
- **Pillar 2** sets out requirements for the Internal Capital Adequacy Assessment Process (ICAAP) and the bank's responsibility for assessing risks other than those described under Pillar 1.
- **Pillar 3** covers public disclosure requirements and allows the market to assess financial institutions' capital and risk management.

The methods used to calculate capital requirements for the various risk categories are illustrated in the figure. DNB reports credit risk according to the advanced IRB approach (A-IRB), using internal risk models to calculate the capital requirement. Some credit portfolios are temporarily or permanently exempt from IRB reporting and are reported according to the standardised approach. Market risk is measured using the standardised approach. Operational risk is reported using the standardised approach.



1) For counterparty credit risk, IMM is used in the calculation of EAD for interest rate and currency

The Board of Directors of DNB Bank ASA approves the guidelines and procedures for Pillar 3 reporting and reviews the report prior to publication. The Pillar 3 report is not subject to external audit.

LEGAL STRUCTURE AND CONSOLIDATION RULES

This report complements DNB's annual report with additional information and is intended to be read in conjunction with the annual report, in particular the section on Corporate Governance and the disclosures relating to remuneration. Together with the annual report, this report provides information on DNB's material risks and includes details on the Group's risk profile which form the basis for the calculation of capital requirements.

The Pillar 3 report is based on the Group's consolidated situation as of 31 December 2022. The DNB Group consists of several legal entities, where subsidiaries are defined as companies where DNB has direct or indirect control. DNB Bank ASA is the parent company in the DNB Group and has several subsidiaries, including DNB Livsforsikring AS and DNB Asset Management Holding AS, each having underlying subsidiaries. The CRR/CRD regulations do not apply to insurance companies, therefore DNB Livsforsikring AS will publish its own Pillar 3 report, "Solvency and Financial Condition Report", on 5 April 2023.

When this report refers to "DNB" or "the Group" or "the bank", it normally relates to the activities in DNB that are regulated by CRR/CRD.

DNB prepares its consolidated financial statements in accordance with the international accounting standards IFRS. A description of the accounting principles is presented in the Group's annual report. When the consolidated financial statements are prepared, intra-Group transactions and balances, as well as unrealised gains or losses on these transactions between Group entities, are eliminated. The consolidation rules under the capital requirements regulations for banks and investment firms (CRR/CRD) deviate from the consolidation of the annual financial statements for the DNB Group, and the differences between the accounting and regulatory scopes of consolidation are shown in Tables EU CC2 and EU LI1 in the appendix to this report. In accordance with the capital requirements regulations, only companies in the financial sector and companies providing ancillary services are included in the consolidated capital adequacy. Associated companies are proportionally consolidated (pro rata up to 50 per cent) based on DNB's ownership interest. For 2022, this applies to the following companies:

- **Eksportfinans** (ownership interest of 40 per cent). DNB Bank ASA has also issued guarantees for other loans in Eksportfinans. The transactions have been carried out on ordinary market terms as if they had taken place between independent parties.
- **Luminor Group AB** (ownership interest of about 20 per cent).
- **Vipps AS** (ownership interest of about 47 per cent).

At year-end 2022, DNB's share of the risk exposure amounts for credit and market risk in Eksportfinans amounted to NOK 1.2 billion, and NOK 16.2 billion in Luminor. The companies are also included in the basis for calculating capital requirements for operational risk. Risk exposure amounts in Vipps were insignificant. Consolidation of capital adequacy is based on the valuation principles used in the operating companies' financial statements. The valuation principles that form the basis for solvency calculations in the respective companies at the national level are applied to shareholdings in the foreign companies that are being consolidated. The solvency report for the consolidated Group (cross-sectoral reporting) includes the subsidiary DNB Livsforsikring AS and the pro rata consolidation of Fremtind AS, where DNB has a 35 per cent ownership interest.

DNB has a branch office in Grand Cayman, which is under the New York office. Both Finanstilsynet (the Financial Supervisory Authority of Norway) and local and federal supervisors regularly receive access to this business in connection with the supervision of the New York branch. Over the recent years, the activities in the Cayman Islands have been scaled down.

ACQUISITION OF SBANKEN

Sbanken became a wholly owned subsidiary of DNB in March 2022 and is included in the Group's reporting from 31 March 2022. A merger between Sbanken ASA and DNB Bank ASA has been approved, and the merger will be completed with effect from 2 May 2023.
A merger between Sbanken Boligkreditt AS and DNB Boligkreditt AS is also planned. As a result of the acquisition, Sbanken is included in DNB's risk management and control processes from 2022 and is included in all tables and figures in this Pillar 3 report, unless explicitly stated otherwise. For further information on the acquisition of Sbanken, please refer to Note G2 to the DNB Group's annual report.

SIGNIFICANT SUBSIDARIES

DNB Boligkreditt AS is a wholly owned subsidiary of DNB Bank ASA and provides loans secured by residential property for up to 75 per cent of the value of the property. Based on developments in international capital markets, DNB Boligkreditt has been given a key role in ensuring the DNB Group long-term and solid financing. This is done through the issuance of covered bonds. DNB Boligkreditt AS is defined as a large institution pursuant to Article 4.1 (146) and must comply with the reporting requirement in Article 13 of the CRR. The relevant tables for DNB Boligkreditt (Articles 437, 438, 440, 442, 450, 451, 451a and 453) are shown in the Excel disclosure. The figures and information in these attachments should be viewed in the context of DNB Boligkreditt's annual report.

For an overview of the Group's legal structure, see: https://www.dnb.no/portalfront/nedlast/en/about-us/Juridisk_struktur_DNB-konsernet_per_30._mars_2022_-_Legal_structure_DNB_Group_as_at_30_March_2022.pdf

Information in accordance with Pillar 3 requirements is published quarterly in separate Excel files, see: https://www.ir.dnb.no/press-and-reports/financial-reports

For more information on DNB's Corporate Governance, see DNB's annual report: https://www.ir.dnb.no/press-and-reports/financial-reports

For more information on DNB's remuneration scheme, see DNB's annual report: https://www.ir.dnb.no/press-and-reports/financial-reports

1
Risk management and control

DNB must only assume risks that are understood and can be managed. The concept of risk management includes coordinated activities, processes and measures that ensure that assessed risks are managed, monitored, reported, and controlled to an adequate extent and in line with DNB's guidelines and requirements.

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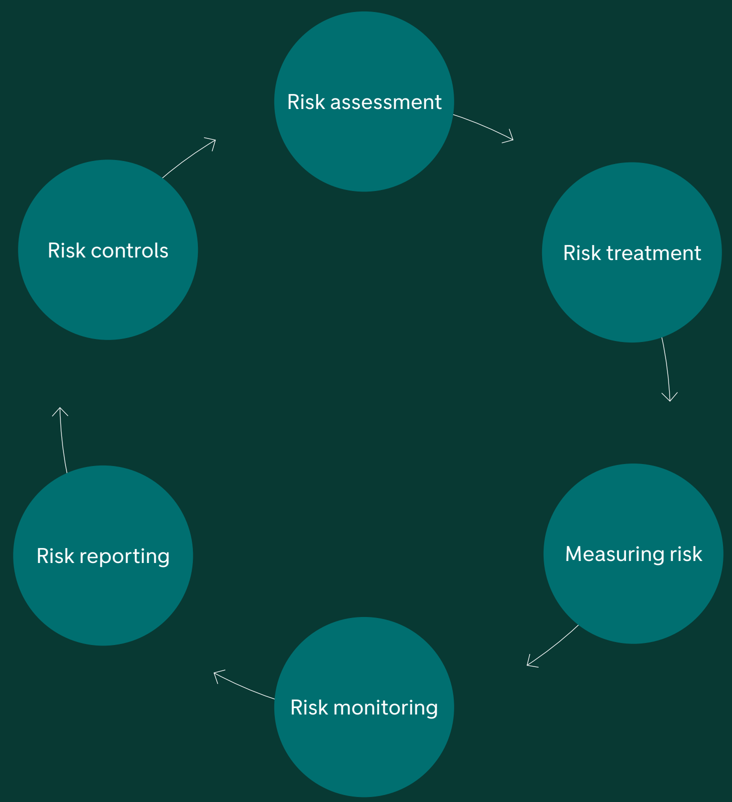
Risk culture

DNB's culture must be endorsed by Group management and characterised by individual responsibility, transparent methods and processes that support sound risk management. All levels in the organisation must have access to relevant and necessary risk information.

Risk management in DNB



RISK MANAGEMENT

The risk management and control framework states that DNB is to have proactive management of risk with clear and appropriate guidelines and procedures that enable DNB to make well-informed risk decisions.

All levels in the organisation must have access to relevant and necessary risk information. Each individual manager must ensure that employees understand and take an active approach to risk and return on this. Risk must be an integral part of the governance and remuneration system, through indicators that operationalise risk limits and strategies and that are followed up by managers individually. Managers are also responsible for requiring and establishing adequate risk reporting in their own unit.

Risk management must be of good quality and have high information value. The concept of risk management includes coordinated activities, processes and measures that ensure that assessed risks are managed, monitored, reported, and controlled to an adequate extent and in line with DNB's guidelines and requirements.

CORPORATE GOVERNANCE AND THE RISK AND CAPITAL MANAGEMENT FRAMEWORK

Corporate governance in DNB is about how the Board and DNB's management exercise their roles to preserve and develop the company's values in an optimal manner. DNB's executives and Board of Directors carry out an annual assessment of corporate governance principles and practices. Risk management is part of our business operations and is integrated into DNB's performance management processes and management system.

DNB's corporate governance documents contain management principles related to:

- strategy and values
- risk appetite (risk tolerance)
- attracting, safeguarding, and developing employees
- ethics (Code of Conduct)
- internal control, risk management and compliance
- application of DNB's governing requirements.

Of these, risk appetite and internal control, risk management and compliance are particularly related to the management and control of risk. The management principles are elaborated in the Group-risk-management policy.

The Board determines the long-term risk profile through DNB's risk appetite framework, which is assessed and renewed at least once a year. The targets and limits set out in the risk appetite framework are reflected in other parts of risk management, including authorisations and business frameworks. The framework for risk appetite is described in more detail later in the chapter.

The capitalisation assessment (Internal Capital Adequacy Assessment Process, ICAAP) is integrated into the governance processes through the risk appetite framework, and general monitoring of risk trends. ICAAP is described in more detail in the chapter on capital management.

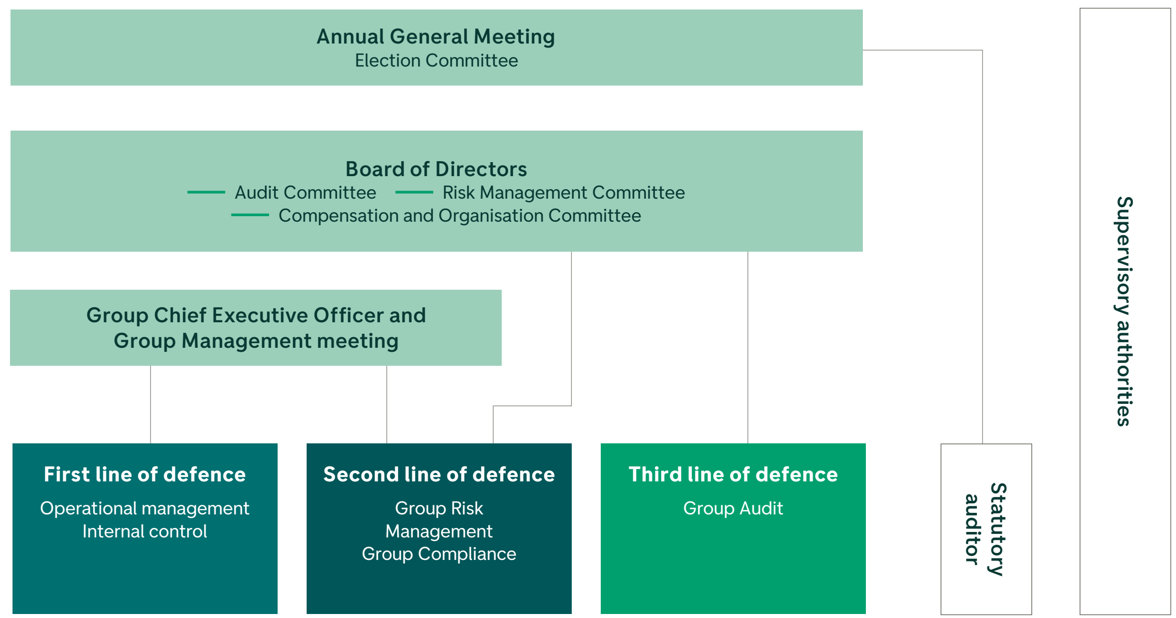
The recovery plan is intended to ensure that DNB can be recovered from a very serious stress situation, without involvement or support from the authorities. The plan is renewed annually and is an integral part of DNB's risk and capital management. There is overlap between the indicators in the recovery plan and the risk appetite framework, so risk appetite acts as an early warning system. Both frameworks are followed up and reported monthly to Group Management and quarterly to the Board. The recovery plan is described in more detail later in this chapter.

To be as prepared as possible to handle serious business and operational disruptions, DNB must have a framework for business continuity and crisis management. This includes plans for transition to back-up solutions for information technology, for outsourced operations and for the recovery of critical functions.

For a more detailed description of DNB's corporate governance, see the annual report and corporate governance report at ir.dnb.no.

Governing bodies of DNB Bank ASA

As at 31 December 2022



The Board has overall responsibility for ensuring that DNB has appropriate internal control, including for risk management and compliance. The Board also determines the Group's overall risk appetite. The Board evaluates its work and competence related to the enterprise's internal control, including related to risk management and compliance, at least annually.

The CEO is responsible for ensuring that the Board's internal control guidelines, including risk management and compliance, are implemented in the business. Roles and responsibilities related to internal control, including risk management and compliance, are distributed according to a corporate governance model with three lines of defence.

- **The first line of defence** covers all of DNB's operational functions (business areas, staff units and support units). Operational management is responsible for establishing, managing and following up internal control, including risk management and compliance, within its own area of responsibility. All risk is owned by the first line. Risk is to be owned at the lowest possible organisational level. Roles, responsibilities, and distribution of risk between business areas, staff units and support units within the first line are set out in the Group's governance model and are specified in the units' governing documents. Employees are responsible for maintaining good internal control in their daily work tasks.
- **The second line of defence** consists of the risk management function and the compliance function. Risk management and compliance must be independent control functions that report to the general manager and must have the opportunity to report their assessments to the Board. The functions shall have the necessary authority, expertise, competence, and resources, as well as access to all relevant information. The functions are to be involved in and contribute to assessing the risk associated with the introduction of new strategies, organisational changes, and other changes in the business, provided that such changes are to be regarded as significant. Responsibilities and how the tasks are to be performed are described in more detail in the framework for the risk management and compliance functions, respectively.
- **The third line of defence** is internal audit (Group Audit) and assists the Board in ensuring that there is sufficient quality in all material elements of the Group's internal control, including for risk management and compliance. Group Audit is mandated by the Board of Directors of DNB Bank ASA, which also approves the audit's annual plans and budgets. Group Audit is to ensure that adequate and effective internal control and risk management have been established and implemented. Group Audit must also assess whether management processes and control measures are effective and contribute to the Group's goal attainment.

ROLES AND RESPONSIBILITIES

Group risk management

Group Risk Management (GRM) is headed by a Group Executive Vice President, who is also Chief Risk Officer (CRO). The CRO reports directly to the CEO and can, if necessary, report directly to the Board. The CRO defines principles and frameworks for risk-taking and internal control in DNB. The CRO also makes independent assessments of the risk level and reports the Group's risk situation.

Specialist units have been established to be responsible for frameworks and risk control within the various forms of risk. This applies to credit risk, market risk, liquidity risk, model risk and operational risk. In addition, independent entities have been established with responsibility for model development, risk data, risk analysis, stress testing and risk reporting.

GRM defines the framework for operational risk management and is an advisor for the first line, in addition to controlling, monitoring, and reporting the status of operational risk.

The CRO is responsible for the annual validation of the most important models used in financial and capital adequacy reporting. The validation is carried out by a separate entity that is independent of the first line and model development. The Board sets requirements for the content of the validation work. The results of the validation of the IRB model are described in the chapter on credit risk.

The CRO is responsible for performing the regulatory stress tests, and for conducting stress tests and scenario analyses at Group level that capture the biggest risk factors at any given time. The stress tests are presented for comments in the Group Credit Committee (GCC), the Financial Market Risk Committee (FMRC) or the Asset and Liability Committee (ALCO) and must be approved by the CRO. CRO is responsible for recommending measures based on the stress tests' conclusions. The stress tests are described in more detail in this chapter, and in other chapters where relevant.

Group Risk Management is responsible for conducting the Credit Risk Review and the Model Input Review. The Credit Risk Review assesses compliance with the Group's internal requirements for credit risk management and reports the results to the Board of Directors. The Model Input Review should ensure correct and consistent use of IRB models.

The purpose of internal control is to ensure the organisation's goals in areas such as operational efficiency and effectiveness, reliable reporting and compliance with laws, regulations and guidelines. The Group Instructions for Internal Control in DNB provide a common conceptual framework and understanding of internal control and form the basis for a framework for structured internal control work. An important element is the annual attestation of internal control, where the executive managers of all significant organisational units in the Group make a summary assessment of internal control in their area.

GRM has established Operational Risk Officers (ORO), who work dedicatedly with all significant business areas in DNB. Operational Risk Officers challenges and controls risk reporting from the various units and follows up the registration of operational incidents, including the establishment of risk-mitigating measures.

For more on management and control see also the descriptions in separate chapters on management and control of operational risk, market risk, climate risk, counterparty risk, credit risk and liquidity risk.

The compliance function

The Group Chief Compliance Officer (GCCO) leads the compliance function. The GCCO reports directly to the CEO and can, if necessary, report directly to the Board. The GCCO establishes a framework for the compliance functions in all business areas and support units, affiliates or companies in the DNB Group licensed under financial market regulations, and other companies by decision of the GCCO, must have a compliance function that is part of the overall compliance function.

DNB's compliance function is an independent control function in the second line of defence that assists the Board, the CEO and other first line executives in their efforts to ensure that DNB conducts its activities in accordance with relevant regulations. The compliance function comes in addition to the first line's independent responsibility for internal control and for compliance with regulations of importance to the area or unit concerned.

The compliance function assists with compliance advice and guidance, monitors and controls compliance and compliance risk, and reports and provides information on the status of compliance and compliance risks. The compliance function takes a risk-based approach to its work, mainly based on regulations that set conditions and requirements for DNB's licensed activities. This applies to financial regulatory regulations, competition regulations, privacy regulations and regulations intended to counteract money laundering, corruption, and violations of sanctions.

The monitoring and control carried out by the compliance function include an assessment of whether sufficiently effective policies and procedures have been developed to detect compliance risks. This work also includes an assessment of preventive measures and procedures. The compliance functions must be involved in and contribute to assessing the risk associated with the introduction of new strategies, organisational changes and other changes in business operations.

Group Audit

DNB's internal audit, Group Audit assists the Board in ensuring that there is quality in all significant aspects of the Group's risk management.

Group Audit has its instructions from the Board of Directors, which also approves the audit's annual plans and budgets. For a more detailed description, see the annual report and corporate governance report at ir.dnb.no.

Group Committees

Committees have been established to assist Group Executive Vice Presidents with decision-making, monitoring and control in various specialist areas:

- **The Asset and Liability Committee (ALCO)** is an advisory body to the Chief Financial Officer (CFO) on the management of capital expenditure and asset allocation, as well as market and liquidity risk. Within risk management, the committee is a meeting place for information sharing and coordination between entities that operationally manage market and financial risk and Group risk management as risk control function.
- **The Group Credit Committee (GCC)** is chaired by the Chief Risk Officer (CRO). The GCC handles large or complex credit cases and credit cases with a particularly high risk of money laundering. The committee also considers administrative matters, including industry reports, credit regulations, risk reports, stress testing, model changes and credit strategies. The GCC handles and endorses credit cases based on personal authorisations. The Group Executive Vice President for the business area that has the case is the extender and CRO is the endorser. The Group Chief Compliance Officer is a permanent member of the committee.
- **The Financial Markets Risk Committee (FMRC)** is chaired by the Group Executive Vice President for Market and Liquidity Risk Management. The FMRC is responsible for approving and supervising principles and processes for activities involving market risk in DNB. This includes recommending market risk limits and approving and following up guidelines, methodology and control for market risk and counterparty risk.
- **The Non-Financial Risk Committee (NFRC)** is chaired by the Chief Risk Officer (CRO) and contributes to developing DNB's management of non-financial risk. The NFRC contributes to a consistent approach and joint coordination of first-line responsibility for managing operational risk, compliance, and security. The committee exchanges information, coordinates activities and advises on complex individual cases. Subject matter groups reporting to the NFRC follow up progress in areas such as money laundering, IT risk, third-party risk, and data protection. The Group Chief Compliance Officer is a permanent member of the committee.
- **The Group Sustainability Committee (GSC)** is chaired by the Group Executive Vice President for Communications & Sustainability. The GSC is an advisory body that defines, coordinates and priorities initiatives that affect multiple business areas and support functions in the Group. The committee ensures the necessary progress in DNB's efforts to achieve the Group's sustainability goals and evaluates the sustainable strategy and long-term competitiveness considering market developments. The committee also follows up the Group's implementation of new regulations and reporting requirements within sustainability activities.

Chief Executive Officer (CEO) and Group Management meeting

The CEO is responsible for implementing risk management that contributes to meeting the targets set by the Board for the business, including effective management systems and internal control. The Group Management Meeting is the CEO's collegium for senior management. All significant decisions relating to risk and capital management are generally made in consultation with the Group Management Team. The Group Executive Vice Presidents of the business areas and support units participate in the Group Management Meeting.

Board of Directors and Board Committees

The Board of Directors of DNB Bank ASA is the supreme governing body for business operations, and ensures that business activities, including financial reporting and asset management, are subject to adequate control. The Board determines and monitors DNB's long-term risk profile through the risk appetite framework.

The Board is responsible for ensuring that the Group is adequately capitalised relative to the risk and scope of the business, in addition to ensuring compliance with capital requirements. The Board carries out an ongoing assessment of the capital situation; see further discussion in the chapter on capital management and ICAAP (Internal Capital Adequacy Assessment Process).

Each year, the Board of Directors reviews the CEO's report on the status of internal control. The report also includes an assessment of the principal risk areas in the Group. The review documents the quality of the work on internal control and risk management, and it is intended to identify any weaknesses and needs for improvement.

Risk Management Committee

The Risk Management Committee monitors the systems for internal control, risk management and internal auditing, and ensures that they function effectively. The committee considers changes to systems and procedures that are submitted to the Board for approval. In addition, the committee advises the Board on risk profile, including risk appetite, and the committee prepares the Board's follow-up of risk development and risk management. Advice to the Board also includes strategies for capital and liquidity management, credit risk, market risk, operational risk, compliance, reputation, and other risks. The committee consists of up to four board members who are elected for two years at a time. It is also a requirement that at least one of the committee's members has extensive experience in identifying, assessing, and managing risk in large and complex companies. The organisation of DNB's Committee for Risk Management, and the quarterly reporting of risk management to the Board of Directors, is considered to cover the requirements related to this in the countries in which DNB operates, including the US CFR §252.144[1].

Audit Committee

The Audit Committee supervises the process of financial reporting and assesses whether DNB's internal control, including internal auditing and risk management systems, is functioning effectively. The committee also ensures that DNB has independent and effective external audit procedures. The Audit Committee reviews DNB's financial reporting on a quarterly basis. The Committee undertakes a thorough review of discretionary assessments and estimates in addition to any changes in accounting practices. The Audit Committee considers quarterly financial statements and proposed annual financial statements for DNB Bank ASA and the DNB Group.

Compensation and Organisation Committee

The Board elects up to four members to a Compensation and Organisation Committee. The committee normally meets six to seven times a year. One of the members is an employee-elected board member. The committee is responsible for drawing up guidelines, frameworks and matters relating to remuneration that require Board approval, including variable remuneration of employees in all or parts of the Group and other important personnel-related matters relating to senior executives. The committee is also the Board's preparatory body for selected matters relating to culture, management, and succession planning.

1) CFR § 252.144 – Risk management and committee requirements for foreign banking organizations with $100 billion or more in total consolidated assets but less than $100 billion in total U.S. assets

AUTHORISATIONS

There must be authorisations for all credit approvals and position and trading limits in all significant financial areas. Authorisations and overall limits are decided by the Board and delegated further in the organisation. Any delegation must be approved and followed up by the immediate superior. All authorisations in DNB are personal. Authorisations are based on an assessment of the relevant individual's competence and experience, as well as the business need. When granted, information is provided about the conditions and restrictions in the authorisation. All authorisations granted in DNB are documented and monitored. For more information on authorisations for credit, liquidity and market risk, see the chapters for the respective forms of risk.

MONITORING AND REPORTING

DNB's risk situation is reported at least monthly to Group Management and at least quarterly to the Board of Directors. Examining targets, frameworks and strategies is included in this internal risk reporting. Group Risk Management has the primary responsibility for risk reporting in DNB. This applies to both internal risk monitoring and risk reporting to the authorities. All levels of the organisation must have access to relevant and necessary risk information to follow up their own risk.

The purpose of internal control is to ensure that the organisation meets its objectives for operational efficiency and effectiveness, reliable reporting and compliance with laws, regulations, and guidelines. DNB has a common framework for internal control. An important element is the annual attestation of internal control, where all areas of the Group make a summarised assessment of internal control in their unit.

In accordance with requirements set by the Board of Directors, the compliance function and the GCCO regularly report on the compliance situation to the CEO and to the Board. Local compliance functions regularly report on the compliance situation to the GCCO as well as to the manager of the relevant unit.

All DNB employees are responsible for reporting and handling significant incidents or deviations. Operational incidents and compliance breaches must be recorded in a loss and incident database. Actions taken must be registered for all serious incidents and compliance breaches, and the status reported to Group Management and the Board of Directors.

STRESS TESTING

Stress testing is a key element in the assessment of the DNB Group's risk and capital management. Stress tests are used to estimate how changes in the macroeconomic situation could affect the need for capital. The stress tests shall be forward-looking and cover all relevant risks. They must include assessments of the significance for the Group's solvency and other financial targets and shall be used in the work with risk appetite. The stress testing shall cover a variety of scenarios with different degrees of severity including scenarios that reflect severe recessions. Group management is involved in the determination of scenarios and assumptions used in stress tests and uses the results as a basis for strategy and action plans.

Important stress tests that are carried out at least annually in DNB:

- Extensive stress testing of DNB and its subsidiary DNB Boligkreditt AS is carried out as part of the annual ICAAP reporting, see the chapter on capital management.
- Crisis scenarios are developed and tested as part of the DNB Group's recovery plan.
- Stress tests of specific credit portfolios are carried out on an ongoing basis.
- The Bank regularly performs stress tests of liquidity risk to ensure that there are sufficient liquid assets to adequately address difficult situations. In addition, DNB Boligkreditt AS' own stress tests of resilience to a fall in housing prices are carried out.
- A special stress testing programme has been established for counterparty risk, which is intended to reveal undesirable outcomes of the overall counterparty risk exposure, both in isolation and in the context of the bank's credit risk exposure.
- The bank regularly performs stress tests for market risk to measure potential losses on the Group's holdings and positions based on predefined scenarios and stress factors from changes in market prices.

Risk reporting from second line of defence to the Board of Directors

The table shows the regular reports of risk and compliance to the Board. In addition, the Board is informed at the first meeting if there is a breach of risk appetite limits, breaches of threshold values in the recovery plan or other significant events or changes in the risk situation.

Frequency	Reporting
Quarterly	**The Risk Report** The risk report provides a broad review of the risk situation, with analyses and comments. The report is a second-line assessment of the status and development in the Group's risk. Important elements are reporting of key risk metrics according to the risk appetite framework, the status of the indicators set out in the recovery plan, and the results of stress testing and scenario analyses. **GCCO Compliance Report** Group Compliance prepares a report of the status and development of the compliance situation. The report is the GCCO's independent assessment and is intended to provide a clear overall picture of compliance risk in the Group and form the basis for any action taken.
Annually	**ICAAP report (Internal Capital Adequacy Assessment Process)** The ICAAP report contains a detailed description of the Group's process for self-evaluation of risk and capital situation, as well as analyses and an assessment of status at year-end. Separate assessments and ICAAP reports for major subsidiaries are included in the Group's report. The DNB Group's process for self-evaluation of the liquidity situation ILAAP (Internal Liquidity Adequacy Assessment Process) describes and assesses the liquidity situation for the entire DNB Group and is also included in the ICAAP report. **Recovery plan** The recovery plan, which is part of the Bank Recovery and Resolution Directive, is an integral part of DNB risk and capital management. An important part of the recovery plan is a description of various identified measures that can improve DNB's capital adequacy and liquidity situation in a crisis. The plan is revised annually. The status of defined recovery indicators is reported to the Board of Directors on a quarterly basis. **Validation report** The accuracy of the bank's IRB and IMM models, which are used for capital requirement calculation, are assessed annually by the bank's independent validation unit. This takes place in two different validation processes, and the results are presented to the Board of Directors. Internal Audit prepares compliance reports that assess compliance with the respective requirements for IRB and IMM models. These reports are considered by the Board at the same Board meeting as the validation results.

RISK APPETITE

The risk appetite framework is part of the strategic management of the Group and consists of limits and assessment principles for DNB's most significant types of risk. Principles for risk appetite are included as part of the governance principles at the highest level in DNB's hierarchy of governing documents.

The risk appetite framework is implemented throughout the organisation. Risk indicators at lower organisational levels support the risk appetite framework.

Risk indicators can be expressed as limits for quantifiable risk, or as qualitative assessments of risk level. They do not have to be expressed through the same measurement parameters used at Group level, but it must be possible to link them to the same types of risk and measure the same development. Monitoring of the risk indicators is adapted to the individual business areas and must ensure that the risk is kept within the established level in the risk appetite framework.

The risk level is measured against the risk appetite limits each month and provides an overall summary of the risk situation in the DNB Group. The risk appetite framework includes 16 dimensions of risk, across risk types and business areas. The table shows an overview of the framework and associated dimensions that were applicable at the end of 2022.

Measurement and monitoring

Through continuous follow-up of risk appetite, it is ensured that the risks identified as the most significant at an overarching level are subject to follow-up and discussion in the organisation's operational units.

The Group's status is assessed against the limits in risk appetite, and is presented in the form of a green, yellow, orange, or red status light. Each status has a clearly defined meaning, and in case of a breach of limit values, DNB has the following defined action rules:

- Breach of the yellow limit can be dealt with by the Group Management Team.
- Breach of the orange limit can be dealt with by the Group Management Team, but the Board must be informed.
- Breach of the red limit must be reported to the Board as part of the agenda at the next Board meeting. Specific proposals for possible countermeasures and/or proposals for extending the limits for risk appetite must be submitted.

Risk types and associated dimensions in the risk appetite framework

Risk type	Dimensions
Profability and loss- absorbing ability	→ Risk-adjusted profit
Capital adequacy	→ Common Equity Tier 1 (CET1) ratio → Solvency Capital Requirement, DNB Livsforsikring AS, without transitional rules
Market risk	→ Market risk as a percentage of economic capital
Credit risk	→ Concentration risk towards industries and counterparties → Credit quality (expected credit loss), total and per customer segment → Credit growth, total credit portfolio and per customer segment
Liquidity risk	→ Liquidity Coverage Ratio (LCR) → Net Stable Funding Ratio (NSFR) → Deposit to loans → Minimum Requirements for own funds and Eligible Liabilities (MREL)
Operational risk	→ IT Risk - operational performance (forward looking assesment) → IT Risk - operational performance (backward looking assesment) → Past loss events → Cyber security risk
Reputational risk	→ Overall risk assessment and reputation score

Governance principles for risk appetite

As part of the risk appetite framework, DNB has identified four governance principles that describe procedures and responsibilities for the entire Group.

- **Ownership:** The risk appetite framework is owned by the Board of Directors. All changes to the framework and governance principles must therefore be approved by the Board.
- **Responsibility:** Each risk appetite statement has a coordinator in Group Risk Management who is responsible for following up and preparing any action plans if the risk levels are exceeded. The coordinator is also responsible for assessing whether the measurement captures risk trends satisfactorily.
- **Review:** The risk appetite framework must be reviewed at least once a year, independently of the strategic and financial planning process.
- **Reporting:** Group Management receives monthly reporting of risk levels in the Group in the form of a status report. The Board receives a status report with comments and analyses every quarter.

RECOVERY PLAN AND PUBLIC CRISIS MANAGEMENT

DNB has prepared a recovery plan in accordance with the EU's Bank Recovery and Resolution Directive (BRRD). The recovery plan is drawn up as an integral part of the Group's risk and capital management framework and takes effect in the event of a breach of predefined indicators. Breach of the indicators triggers a thorough assessment of the situation and whether measures should be implemented.

The recovery plan is designed to ensure that the Group can recover from a very serious stress situation, without involvement or support from authorities.

DNB has submitted a liquidation plan, called a Living Will, to the US authorities regarding operations in the US.

A contingency plan for liquidity has also been drawn up, which describes, among other things, how the bank should handle a liquidity crisis that applies either only to the bank or to the industry as a whole. Depending on the type of crisis affecting the bank's liquidity situation, and the assessments made by the ALCO and the Group Management Team, Group Treasury sets up an action plan for remedying liquidity shortfall. The plan contains trigger points and timeframes within each measure to be implemented, as well as priority of funding sources and costs for alternative solutions, as well as any impact on the bank's capital adequacy. Possible measures could be the issuance of covered bonds using available reserves in the collateral pool in DNB Boligkreditt AS, change of terms on deposits and limitation of lending, as well as exploiting the market for repurchase agreements (the repo market) and central bank facilities through pledging of securities holdings.

DNB has a hierarchy of contingency measures, illustrated in the figure. The risk appetite framework should function as an early warning system, and there are therefore several overlaps between the indicators in risk appetite and the recovery plan. For common indicators, a red light in risk appetite will usually coincide with threshold values (recovery threshold) in the recovery plan.

The recovery plan includes:

- strategic analysis of the DNB Group and socially critical functions performed by DNB
- operational and legal dependencies, externally and internally within the Group
- governance processes in recovery planning and in implementing the plan
- crisis scenarios that can trigger a recovery situation
- recovery measures that can improve the Group's capital adequacy and liquidity situation
- preparatory measures to ensure the implementation of the recovery measures
- communication plan in a crisis.

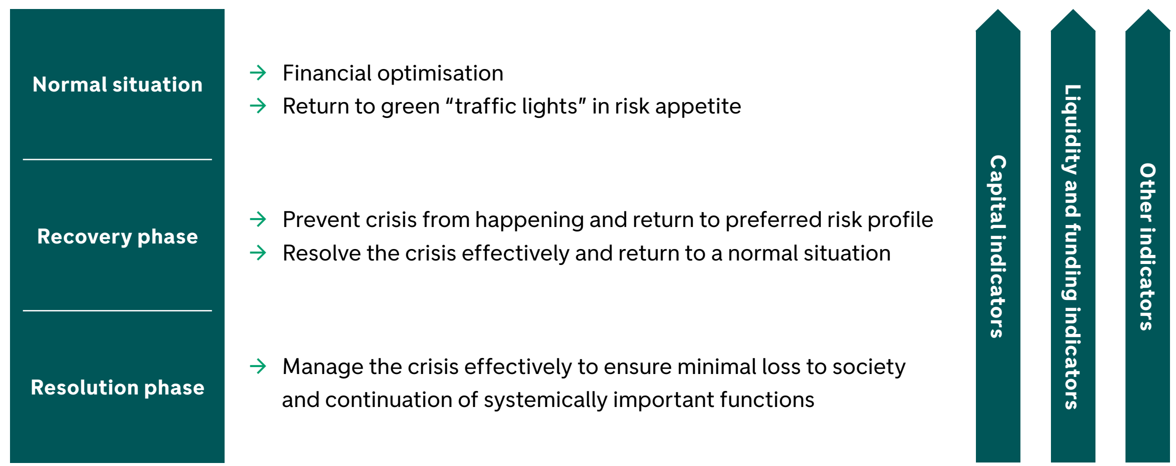
The recovery plan is updated annually and then assessed by Finanstilsynet (the Financial Supervisory Authority of Norway, FSA) and the collegiate body/ DNB College[2)]. The supervisory authorities may propose improvements but may also issue direct orders for changes. The indicators in the recovery plan are followed up monthly in the risk reporting to ALCO and quarterly to the Board of Directors.

2) The DNB College is composed of the supervisory authorities for the countries in the EU/EEA area where DNB has subsidiaries.

The pandemic was a full-scale test of the recovery plan and risk management framework, and DNB's risk management framework functioned well during the crisis. Group Management received updated and relevant analyses of DNB's risk profile throughout the coronavirus pandemic.

If the bank's recovery were to be unsuccessful, crisis management would be carried out under the auspices of public authorities. FSA would then be responsible for developing a resolution plan for this.

Connection between risk appetite, different preparedness measures within the Group and the recovery plan



2
Capital management

Annual updating of risk appetite limits, financial targets and strategies are important elements of capital management.

Content

CET1 capital ratio

Per cent

18.3 (19.4)

Capital ratio

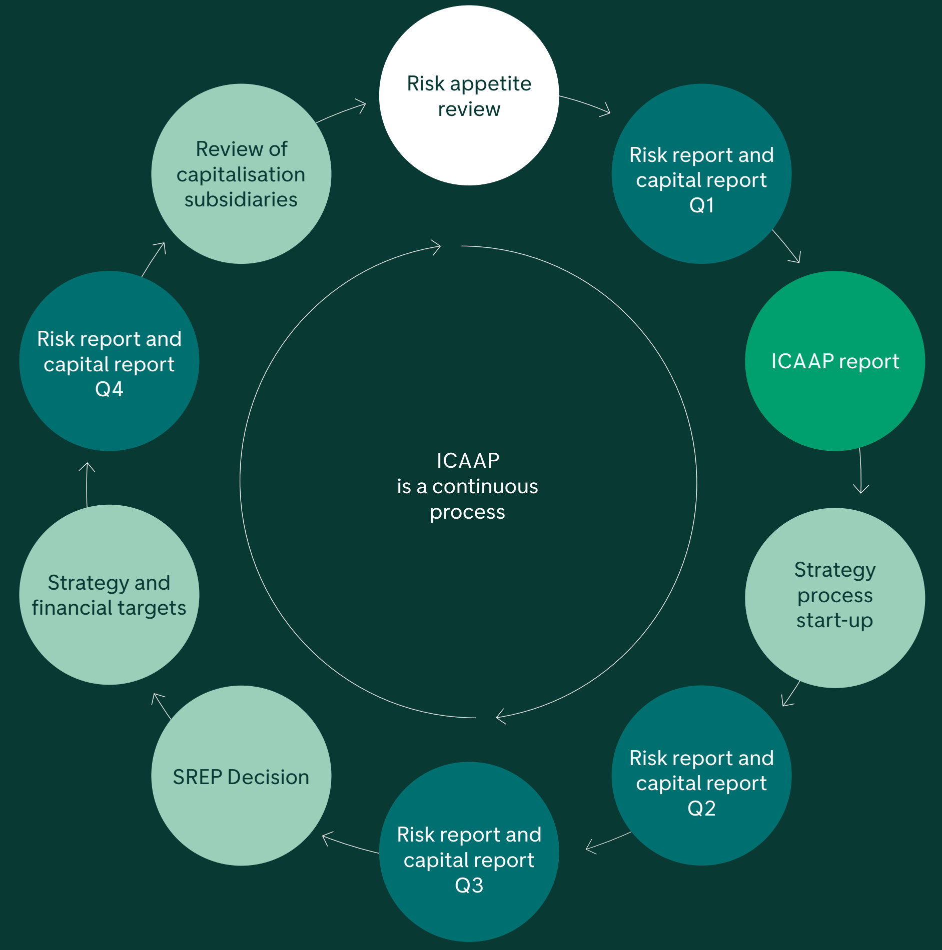
Per cent

21.8 (24.0)

(2021 figures)

ICAAP activities in DNB through the year

- Ongoing risk monitoring, measurement and assessment
- Strategy and financial targets
- Risk appetite review
- The ICAAP report



CAPITAL ADEQUACY AND REGULATORY REQUIREMENTS

At the end of 2022, Common equity Tier 1 (CET1) capital ratio for the DNB Group was 18.3 per cent, which was 1.75 percentage points above the supervisory authority's expectation, including the Pillar 2 Guidance.

Capital adequacy

Capital adequacy is measured in accordance with the EU capital requirements regulations for banks and investment firms (CRR II/CRD V), which were implemented in Norway on 1 June 2022.

The table to the right shows the various elements that comprise the capital adequacy requirements for DNB. In addition to the regulatory capital requirement, Finanstilsynet's (the Financial Supervisory Authority of Norway) view is that DNB should maintain a margin in the form of CET1 capital that is 1.5 percentage points above the overall capital requirement (Pillar 2 Guidance). At year-end 2022, the CET1 capital requirement was 15.0 per cent, while the expectation from the supervisory authorities including the Pillar 2 Guidance was 16.5 per cent. The requirement will vary due to the countercyclical buffer and systemic risk buffer, which are determined based on the total exposure in each country.

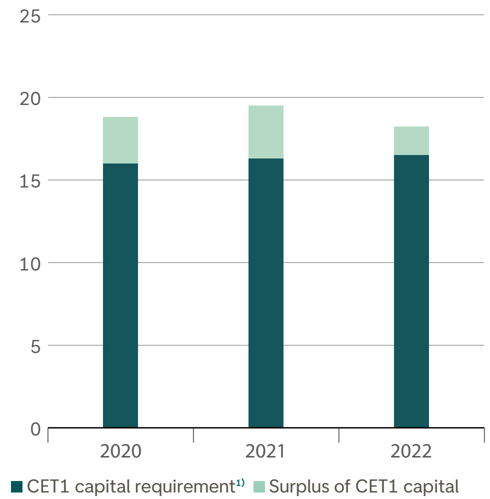
The CET1 capital ratio for the Group was 18.3 per cent and the total capital adequacy ratio was 21.8 per cent at year-end 2022, compared with 19.4 and 24.0 per cent, respectively a year earlier. CET1 capital increased by NOK 4.8 billion to NOK 194.1 billion at year-end 2022. REA increased by NOK 88.6 billion in 2022 and is discussed later in the chapter.

Please see chapter liquidity risk and asset and liability management for information about MREL.

1) Pillar 2 Guidance of approximately 1.0 per cent in 2020 and 1.5 per cent in 2021 and 2022

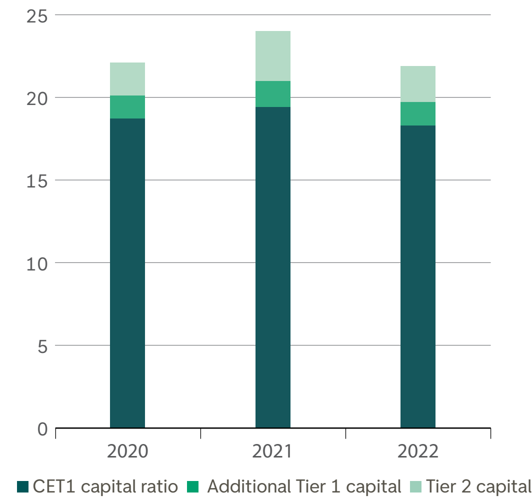
CET1 capital ratio

Per cent



Capital ratio

Per cent



Composition of different capital adequacy requirements

Per cent	Dec. 2022	Dec. 2021	Dec. 2020
Minimum Common equity Tier 1 capital requirement	4.5	4.5	4.5
Systemic risk buffer	3.2	3.1	3.2
Buffer for other systemically important institutions (O-SII)	2.0	2.0	2.0
Countercyclical buffer	1.7	0.8	0.8
Capital conservation buffer	2.5	2.5	2.5
Pillar 2 capital requirement that can be made up of CET1 capital	1.2	1.9	2.0
Common equity Tier 1 (CET1) capital requirement[1)]	**15.0**	**14.8**	**15.0**
Minimum capital requirement that can be made up of Additional Tier 1 capital	1.5	1.5	1.5
Pillar 2 capital requirement that can be made up of Additional Tier 1 capital	0.4		
Tier 1 capital requirement[1)]	**16.9**	**16.3**	**16.5**
Minimum capital requirement that can be made up of Tier 2 capital	2.0	2.0	2.0
Pillar 2 capital requirement that can be made up of Tier 2 capital	0.5		
Own funds requirement[1)]	**19.4**	**18.3**	**18.5**

Risk exposure amount
Risk Exposure Amount (REA) in relation to the capital base determines banks' regulatory capital adequacy. The minimum requirement for total own funds is 8 per cent of REA for credit risk, market risk and operational risk. REA is also used for the calculation of the capital conservation buffer, systemic risk buffer, buffer for systemically important institutions (O-SII) and countercyclical capital buffer.

REA increased by NOK 88.6 billion during the year and amounted to NOK 1 062 billion at the end of 2022. REA for credit risk increased by NOK 82.7 billion. REA for market risk was at the same level, while operational risk increased by NOK 7 billion.

Capital requirements
According to the capital adequacy regulations, DNB must meet minimum requirements and combined buffer requirements under Pillar 1 and the requirements under Pillar 2.

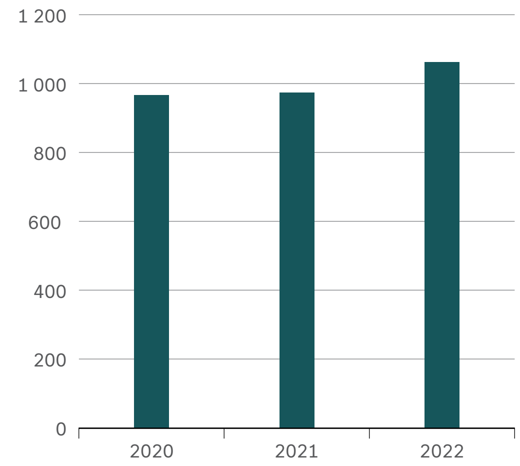
Minimum requirements under Pillar 1
The minimum requirement for capital adequacy under Pillar 1 is that own funds must constitute at least 8 per cent of the bank's REA. The requirement must be fulfilled by at least 4.5 per cent Common Equity Tier 1 (CET1) capital and at least 6 per cent by Tier 1 capital, including Additional Tier 1 capital (AT1 capital). The remaining can be fulfilled by Tier 2 capital.

SREP and Pillar 2 requirements
Finanstilsynet conducts assessments to determine whether individual institutions have a need for additional capital to cover risk elements that are not adequately covered by the capital requirements under Pillar 1. These are referred to as Pillar 2 requirements. The Pillar 2 requirements are determined on an annual basis by Finanstilsynet, based on an overall assessment of the risk and capital situation through the Supervisory Review and Evaluation Process (SREP). The main conclusion of Finanstilsynet's assessment in the 2022 SREP process was that, based on the prevailing risk level and external factors, the DNB Group was adequately capitalised as of 31 December 2021. The Pillar 2 requirement for the DNB Group is 2.1 per cent of REA and must be met with a minimum of 56.25 percent CET1 capital and a minimum of 75 percent Tier 1 capital.

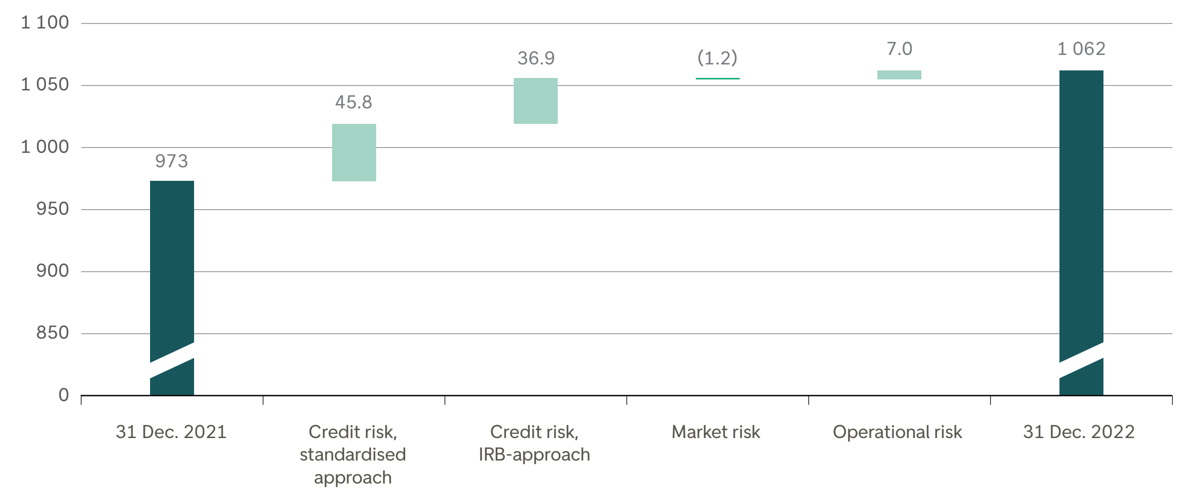
Buffer requirements under Pillar 1
The combined buffer requirement is the sum of the capital conservation buffer, the systemic risk buffer, the buffer for systemically important institutions (Other Systemically Important Institutions, O-SII) and the countercyclical buffer. These buffer requirements must all be met by CET1 capital.

The institution-specific countercyclical buffer requirement amounted to 1.68 per cent by year-end 2022. This requirement is set as a weighted average of the prevailing countercyclical buffer requirements in the countries in which the bank has exposures. The countercyclical buffer requirement in Norway was 2.0 per cent at year-end 2022, and Norges Bank has decided that it will increase to 2.5 per cent effective from 31 March 2023.

Risk exposure amount
NOK billion



Development in risk exposure amount
NOK billion



The effective systemic risk buffer for the DNB Group was 3.17 per cent at year-end 2022 and is a weighted average of the systemic buffer rates applicable for the bank's exposures. From the end of 2020, the systemic risk buffer has been 4.5 per cent for Norwegian exposures for DNB.

The Norwegian capital buffer requirement for systemically important banks is 1.0 per cent or 2.0 per cent, depending on the size of the bank, and applies to the entire REA. For DNB, the requirement is 2.0 per cent.

The total combined buffer requirement for DNB was 9.3 per cent at the end of 2022, and the supervisory expectation for the CET1 ratio was 16.5 per cent[2]. In capital planning, DNB assumes an increase in the Norwegian countercyclical buffer to 2.5 per cent from the first quarter 2023 and an increase to 2.0 per cent in the Swedish countercyclical buffer in the second quarter 2023, and targets a CET1 capital ratio above 17.0 per cent.

The table shows the compliance with the minimum and buffer requirements under Pillar 1 and the Pillar 2 requirements at year-end 2022. CET1 capital exceeded the corresponding requirement by NOK 34.5 billion.

Leverage ratio

Following the global financial crisis, the leverage ratio was introduced as a supplement to the risk-weighted capital requirements. When CRR II/CRD V was implemented in Norway in June 2022, the Norwegian buffer requirements for leverage ratio were removed.

The capital base for the leverage ratio is Tier 1 capital, which comprises AT1 capital in addition to CET1 capital. The exposure amount consists of both balance sheet items and off-balance sheet items and is calculated with the conversion factors from the standardised approach for the capital adequacy calculation. In addition, some adjustments are made for derivatives and repo transactions. The definitions of the leverage ratio and calculation methodology are in accordance with CRR II.

Through CRR II/CRD V, the EU adopted a minimum requirement for the leverage ratio of 3 per cent, where only globally systemically important banks are subject to a buffer requirement on top of the minimum requirement. Any institution-specific risk of "excessive leverage" must be addressed by Pillar 2 requirements. As a consequence of this, the Norwegian buffer requirements for the leverage ratio was discontinued when CRR II/CRD V was implemented on 1 June 2022. DNB's leverage ratio requirement as of 31 December 2022 was 3.0 per cent.

At year-end 2022, DNB's leverage ratio was 6.8 per cent, compared to 7.3 per cent a year earlier. The leverage ratio is significantly influenced by the level of central bank deposits on the balance sheet. DNB's leverage ratio, excluding all claims on central banks, was 7.6 percent at year-end 2022. At year-end, central bank deposits were NOK 304 billion.

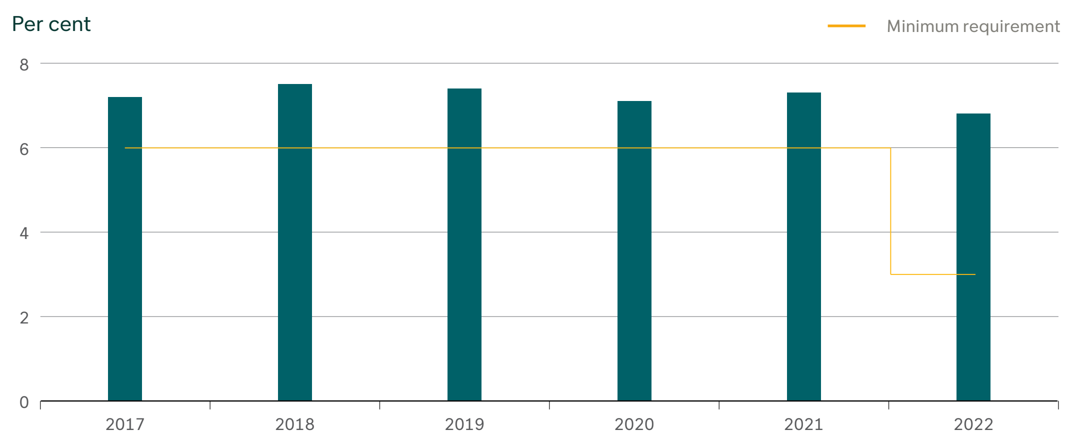
2) Including Finanstilsynet's expectation of a margin of 1.5 per cent to the requirements (Pillar 2 Guidance)

Total capital requirements, 31 December 2022

NOK million	Rate	DNB Group
Risk exposure amount (REA)		1 061 993
Minimum Common equity Tier 1 capital requirements	4.5 %	47 790
Minimum Tier 1 capital requirement	6.0 %	63 720
Minimum Total own funds requirement	8.0 %	84 959
Pillar 2 capital requirement	2.1 %	22 302
of which to be made up of Tier 1 capital	1.6 %	16 726
of which to be made up of Common equity Tier 1 Capital	1.2 %	12 545
Common equity Tier 1 buffer requirements		
Capital conservation buffer	2.5 %	26 550
Systemic risk buffer	3.2 %	33 630
Buffer for other systemically important institutions (O-SII)	2.0 %	21 240
Counter-cyclical buffer	1.7 %	17 855
Combined buffer requirement	9.3 %	99 275
Allocation of capital to cover capital requirements		
Total capital		231 463
Total capital requirement		206 536
Surplus of Total capital		24 927
Tier 1 capital		208 445
Tier 1 capital requirement		179 721
Surplus of Tier 1 capital		28 724
Common equity Tier 1 capital		194 088
Common equity Tier 1 capital requirement		159 609
Surplus of Common equity Tier 1 capital		34 478

Leverage ratio

Per cent



CAPITAL MANAGEMENT AND ICAAP

Targets and principles for capital management

The Chief Financial Officer (CFO) is responsible for capital management, and the principles for capital management are laid down in Group instructions. Capital management balances several considerations, and DNB has a process for assessing capital adequacy that entails that the Group:

- meets regulatory requirements with a margin that corresponds to the Group's risk profile and risk tolerance
- achieves competitive terms in funding markets
- achieves a competitive return on equity
- can fulfil the Group's dividend policy
- has flexibility to take advantage of growth opportunities in the market.

Capital assessment process

The process for assessing capital adequacy (Internal Capital Adequacy Process, ICAAP) must ensure that DNB's capitalisation is adapted to the risk level. The process must be in line with Finanstilsynet's requirements for the ICAAP and is based on the following:

- Assessments of risk, including climate and ESG risks, regulatory requirements and capital needs are forward-looking and are based on DNB's business strategies and financial plans. DNB's capitalisation, liquidity and funding are subject to stress tests. The capital assessment process includes risks that are not covered by the requirements under Pillar 1. Risk is quantified and assessed based on calculations of economic capital and stress tests, in addition to the regulatory risk exposure amount.
- Risks and capital are assessed on an ongoing basis, and this forms an integral part of DNB's framework for risk and financial management. Financials and risk assessments are reported monthly (see also discussion in the chapter on risk management and control). Assessments of risk and capital needs are submitted to the Board of Directors on a quarterly basis. Financial plans for the coming years, prepared in the Group's annual Target Process, are an integral part of the ICAAP and the ICAAP stress test (see the section on stress testing of capital).
- Capital requirements are fully allocated to the business areas. In the financial strategy process, the target for the Group's return on equity is converted to a required return on allocated capital. A key principle of DNB's governance model is that the Group's capital requirements are to be fully allocated to the business areas. Economic capital, i.e. capital needs calculated by internal risk models, is one of the bases for capital allocation.
- The capital assessment process is documented at least annually through a separate ICAAP report for the Group and its most important subsidiaries and is approved by the Boards. The Group's self-assessment of funding and liquidity needs (ILAAP) is included in the report. Several of DNB's subsidiaries prepare their own ICAAP documentation, which is included in the Group's ICAAP. The supervisory authorities perform annual assessments of the ICAAP and ILAAP processes as part of the Supervisory Review and Evaluation Process (SREP).
- The composition of own funds, terms applying to the different capital instruments included in own funds, and regulatory deductions from own funds are presented in DNB's quarterly and annual reports. To facilitate efficient capital allocation and risk management in the Group, own funds may be reallocated to various legal entities within the Group. DNB is able to reallocate own funds within the Group to the extent permitted by relevant laws and regulations where DNB's legal entities are domiciled. DNB sees no other material obstacles to transfers of own funds within the Group.

Internal assessments of capital adequacy

Margin to regulatory capital requirements

DNB will in normal situations operate with a headroom in form of CET1 capital above the supervisory authority's expectation (Pillar 2 Guidance). This headroom is intended to cover unexpected volatility in REA and in the capital base, underpin strategic flexibility and provide confidence in DNB's ability to pay dividends according to dividend policy and coupons on Additional Tier 1 capital. DNB's long-term dividend policy is to have a pay-out ratio of more than 50 per cent of profits as cash dividends, provided that the capital adequacy is at a satisfactory level. DNB will use other regulatory capital instruments than CET1 capital to ensure that capital requirements are fulfilled cost effectively. The leverage ratio will under normal market conditions meet regulatory requirements by a reasonable margin. DNB is one of the best capitalised financial services groups in the Nordic region.

Capitalisation of subsidiaries must be in compliance with relevant Norwegian, other national and international rules on transfer pricing. The capitalisation of subsidiaries must otherwise reflect that capital resources are kept as high in the corporate structure as possible. Profits in subsidiaries are channelled to DNB Bank ASA through dividends and Group contributions. DNB Boligkreditt AS must operate with a headroom to regulatory requirements to cover for volatility in earnings and capital caused by the mark-to-market valuation of basis swap contracts related to funding. DNB Livsforsikring AS must fulfil the solvency requirements with a reasonable margin, see the "Solvency and Financial Condition Report", to be published on 5 April 2023.

Capitalisation of international subsidiaries is based on fulfilment of applicable local regulatory requirements with a reasonable margin and a specific and comprehensive assessment of borrowing capacity, reflecting the risk profile and creditworthiness of the entity, local peer group references and the size and tenor of funding from the parent bank.

Comparison of economic capital and regulatory minimum requirements

DNB calculates economic capital for the main risk categories. Economic capital should cover 99.9 per cent of unexpected losses within a horizon of one year, in other words economic capital should cover a "one-in-a-thousand-year loss". DNB employs a simulation model that calculates unexpected losses for the different types of risks and for the Group as a whole. The quantification is based on historical data. A diversification effect arises when risks are assessed together, as it is unlikely that all loss events occur at the same time. Due to the diversification effects between different risk categories and business areas, the Group's economic capital needs are lower than they would have been if all the business areas had been independent companies.

The figure shows a comparison of economic capital and the regulatory minimum capital requirements in Pillar 1, that is 8 per cent of risk exposure amount (REA). Economic capital and the regulatory minimum requirements are based on the same level of confidence: 99.9 per cent.

At the end of 2022, economic capital needs were lower than the regulatory minimum requirement. The difference is primarily attributable to the measurement of credit risk. The main reason being that a portion of the credit portfolio is measured according to the standardised approach in the regulatory capital adequacy requirement. At the end of 2022, 33 per cent of the risk exposure amount for credit was measured according to the standardised approach, which assigns higher risk weights than the IRB method. Internal classification models are used for calculating economic capital for all portfolios, regardless of whether the models have formal IRB approval. The credit portfolio is considered well diversified with respect to industries and therefore there is no calculated addition in economic capital for sector concentration risks. There is, however, a small addition for concentration risk for individual customers.

Economic capital for market risk is higher than the regulatory minimum capital adequacy requirement under Pillar 1. The main difference is that equity investments in the banking book are treated as credit risk in the capital adequacy calculations under Pillar 1, with a risk weighting of 100 per cent, and corresponding minimum capital adequacy requirement of 8 per cent. Economic capital for the same investments is approximately 40 per cent of the exposure. The internal market risk measurement also includes elements that are not covered by the regulatory Pillar 1 requirements. These are risk aspects that are covered by Pillar 2 requirements in the regulatory capital requirement.

The methodology for calculating economic capital for insurance risk is based on DNB Livsforsikring's capital requirements under the Solvency II regulations, adjusted to a 99.9 per cent confidence level. In the regulatory Pillar 1 capital requirements, significant investments in insurance companies above a threshold allowance are deducted from regulatory capital.

Business risk is not covered by the Pillar 1 requirements. In the calculation of economic capital, business risk is treated as a residual risk, and reflects the risk of losses that cannot be linked to the other quantified risk categories.

STRESS TESTING OF CAPITAL

ICAAP stress test

At least once a year, a comprehensive stress test (the ICAAP stress test) is presented to the Board as a basis for evaluating the robustness of the Group's capitalisation. This is normally done in connection with the approval of the financial plan (Target Process). The Target Process and the ICAAP stress test are important parts of DNB's ICAAP.

The ICAAP stress test assumes a severe deterioration in macroeconomic conditions and shows how this could affect the Group's risks, profits and capitalisation. The macroeconomic scenario for the stress test is reviewed by the bank's ALCO committee and approved by the Chief Financial Officer. In the stress test, loan losses are estimated by the model for calculating expected credit losses in the credit

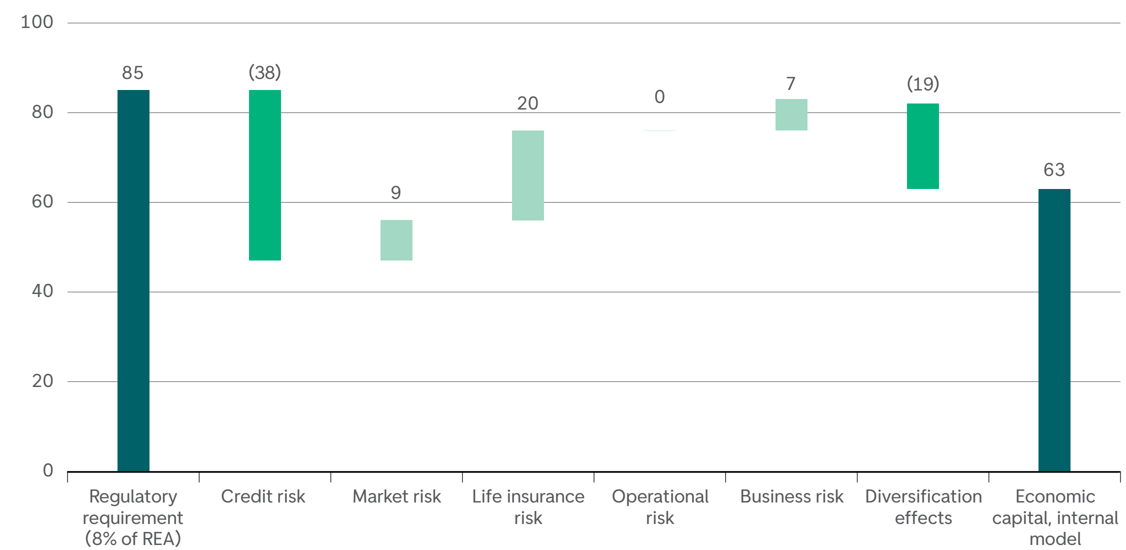
Economic capital

NOK million	31 Dec. 2022	31 Dec. 2021
Credit risk	37 354	34 791
Market risk	10 090	10 359
Life insurance risk [3]	19 963	21 626
Operational risk	8 496	7 835
Business risk	6 829	6 516
Gross economic capital	**82 732**	**81 127**
Diversification effect	(19 291)	(18 271)
Net economic capital	**63 441**	**62 856**
Diversification effect in per cent of gross economic capital	23	23

3) Economic capital related to DNB Livsforsikring AS is included in the table, even though it is outside the regulatory scope (CRD IV-group), because it has a significant impact on the Group's total economic capital.

Comparison of capital requirements and economic capital

NOK billion



portfolio with supplementary analyses of individual portfolios. The Group's model for calculating economic capital is used to estimate losses related to market risk, operational risk and business risk.

Some key features of the macroeconomic scenario used in the ICAAP stress test:

- The key policy rate is assumed to be around 4 per cent in 2023–2025 in response to expectations of sustained high inflation, before the rate is reduced to 3.1 per cent in 2026. Higher money market premiums, especially at the beginning of the scenario, will keep the 3-month NIBOR between 5.1 and 3.4 per cent throughout the stress test period.
- Norwegian mainland GDP falls by 2.5 and 2.0 per cent in 2023 and 2024, respectively.
- The registered unemployment rate rises to 6.5 per cent, somewhat above the level from the Norwegian banking crisis in the early 1990s.
- House prices drop around 50 per cent. Households respond to falling house prices, declining real wage growth and an uncertain labour market by reducing their spending.
- Global GDP growth will fall 2.0 per cent in 2023. Norwegian exports of traditional goods and services are weakened substantially despite a weaker NOK.

The results of the stress test showed a net loss in the first of the four years. The net loss was due to loan losses and losses related to operational risk, business risk and market risk. The CET1 capital ratio drops from 18.3 in 2022 to 16.8 per cent in 2023, until positive results restore it to 17.8 per cent in 2026. The ICAAP stress test is set up according to Finanstilsynet's requirement of a net loss in at least one of the years included in the stress test (Finanstilsynet's Circular 12/2016).

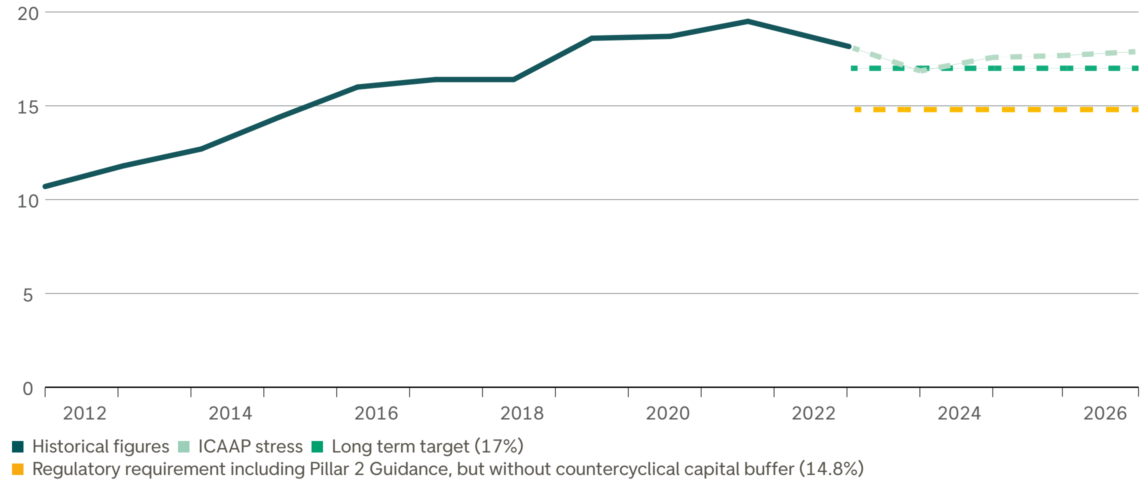
In addition to DNB's own stress testing, Finanstilsynet carries out an annual stress test of DNB. US regulatory requirements for stress testing are fulfilled according to CFR § 252.146[4].

EFFECTS OF EU IMPLEMENTATION OF THE FINALISATION OF BASEL III REFORMS

The European Commission (EC) published its draft legislative package implementing the finalisation of the Basel III reforms commonly referred to as CRR III and CRD VI in October 2021. The Council adopted its General Approach on CRR III and CRD VI in November 2022, while the European Parliament agreed on its negotiating position in February 2023. The EC proposes that the regulation should apply from 1 January 2025, with transitional arrangements applying over an additional five-year period. Based on the EC's draft legislative package, the impact on DNB is assessed to be limited, but there is uncertainty regarding both the possible effects of the draft legislation and possible amendments to the draft through the EU's legislative process.

4) CFR § 252.146 – Capital stress testing requirements for foreign banking organizations with total consolidated assets of $100 billion or more and combined U.S. assets of less than $100 billion.

CET1 capital ratio according to the ICAAP stress test



3
Liquidity risk and asset and liability management

DNB aims to maintain well-diversified funding, which includes a broad deposit base from both personal and corporate customers, in addition to market funding. However, the limited Norwegian bond market is insufficient to fund all the bank's lending in Norwegian kroner (NOK), and DNB relies on international funding. In 2022, DNB had ample access to market funding in foreign currencies. Customer deposits continued to increase throughout the year. The ratio of deposits to net loans remained at a high level and the liquidity situation was satisfactory.

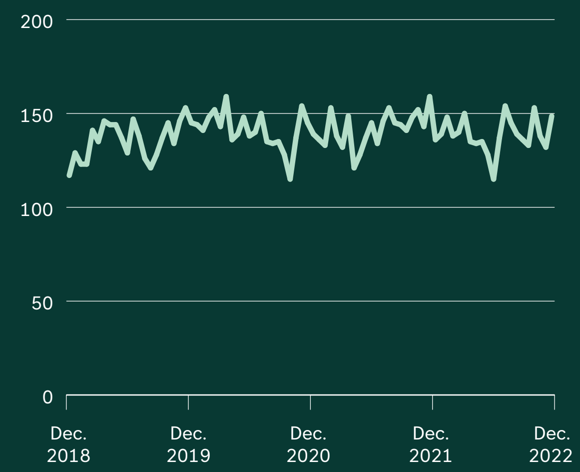
Content

Definiton

Liquidity risk is the risk that DNB will be unable to meet its obligations as they fall due or will be unable to meet its liquidity obligations without a substantial rise in associated costs. Liquidity is vital for financial operations, but as a rule this risk does not materialise until other events give rise to concern about DNB's ability to meet its financial obligations.

Development in total LCR

Per cent



Liquid assets

NOK billion

683 (576)

Long-term debt securities

NOK billion

514 (560)

Average LCR in 2022

Per cent

138 (143)

Average NSFR in 2022

Per cent

118 (113)

(2021 figures)

DEVELOPMENTS IN LIQUIDITY RISK IN 2022

DNB had ample access to both long- and short-term market funding throughout the year, as well as a satisfactory liquidity situation at year-end. The ratio of deposits to net loans remained at high levels throughout the year. DNB has raised significant volumes of subordinated funding as part of the adaptation to the minimum requirements for own funds and eligible liabilities (MREL) and subordination requirements.

The jump of policy interest rates during 2022 has turned financial markets more volatile and reduced valuation of all asset classes based on the expectations of reduced discounted cash flows. 2022 has seen increased market volatility and risk spreads for all maturities and issuer products. Especially longer tenors have been hit hard as the outlook of an inflation rate remaining above target and continued increased interest rates emerged during the year. All financial instruments have been affected by the increase in interest rate and spreads, also the covered bonds market. Thus the refinancing cost of banks in new bond issues increased in 2022.

The short-term liquidity risk target (Liquidity Coverage Ratio, LCR) stayed well above the minimum total LCR requirement of 100 per cent required in the EU Capital Requirements Regulation (CRR) and reached 148.6 per cent at the end of December, compared to 135.2 per cent the previous year. In addition, there is a minimum requirement for LCR of 50 per cent in NOK and 100 per cent in other significant currencies. The LCR level depends on the outflow and inflow volumes as defined by stress factors over a period of 30 days.

The long-term structural liquidity risk target (Net Stable Funding Ratio, NSFR), defines illiquid assets, including lending to customers, which must be funded by stable sources. Customer deposits, equity and borrowing with more than 12 months of residual maturity are considered to be stable sources of funding. NSFR is required to be at least 100 per cent at all times. NSFR for the Group was 114 per cent at the end of 2022, compared to 112 per cent in December 2021. As part of the amended EU Capital Requirements Regulation (CRR II), the new reporting template for NSFR was implemented from June 2022. For DNB, the new NSFR definition resulted in a general increase in the reported risk measure.

The tables show the LCR and NSFR in the main currencies and in total at year-end 2021 and 2022.

FUNDING

DNB is funded mainly through customer deposits, bonds, secured and unsecured short-term funding.

The net value of long-term debt securities issued by the Group was NOK 514 billion at year-end 2022, compared with NOK 560 billion the previous year. Ordinary senior bond funding is mainly issued through the European Medium-Term Note (EMTN) programme. DNB has also established senior bond programmes in USD and JPY, in addition to covered bond programmes in Europe and the US.

The Norwegian covered bond market is bigger than the Norwegian government bond market and is as liquid as the government bond market. Covered bonds are an important instrument for long-term funding in DNB and are issued by the subsidiary, DNB Boligkreditt AS. Investors are provided with security in the company's portfolios of mortgage loans, which are of the highest quality. In turbulent times, covered bonds have proved to be a more robust and lower priced funding instrument than ordinary senior bonds. DNB's covered bond programme is approved as a European Covered Bond (Premium) Programme in accordance with the Covered Bond Directive[1].

It is a regulatory requirement that European banks must meet minimum requirements of own funds and eligible liabilities (MREL) that can be written down or converted into equity (bail-in) when a bank is potentially facing a situation close to liquidation. Part of the MREL requirement must be met with senior non-preferred (SNP) bonds. Senior debt that has a minimum of one year left until maturity is considered qualifying debt until the end of 2023. From 1 January 2024, after a phase-in period of three years, the eligible liabilities to meet the subordination requirement must be subordinated to senior preferred debt. A new debt class between senior debt and Tier 2 capital, consisting of SNP bonds, will be used to meet the requirement for subordination. The subordination requirement is capped to a maximum of two times the capital requirements in Pillar 1 and Pillar 2 plus the combined buffer requirements. DNB issued SNP bonds for the first time in September 2020 and more than NOK 63 billion in SNP funding has been raised since then. Thus, DNB fulfils the subordination requirement as well as the effective MREL requirement by a good margin, which the resolution authorities

1) Directive (EU) 2019/2162

LCR development, significant currencies

Per cent	EUR	USD	NOK	Total
31 December 2022	181	170	80	149
31 December 2021	169	251	67	135

NSFR development, significant currencies

Per cent	EUR	USD	NOK	Total
31 December 2022	464	171	88	114
31 December 2021	529	158	82	112

Issued senior debt and covered bonds

	Senior debt		Covered bonds	
NOK billion	NOK	Currencies	NOK	Currencies
31 December 2022	6.6	212.7	22.0	272.3
31 December 2021	11.2	174.7	45.0	328.9

have set from 1 January 2023 at 25.72 per cent and 37.08 per cent, respectively, of risk exposure amount. The MREL requirement will vary over time based on changes in REA and capital requirements. This can also influence the split of funding between SNP and senior bonds.

DNB's framework for issuing green bonds enables DNB to issue green bonds in the format of senior preferred bonds, subordinated MREL-eligible senior non-preferred bonds as well as covered bonds. The funds raised from green senior bonds will be used to finance and refinance the bank's loans within renewable energy, clean transportation, and green residential buildings, based on pre-defined criteria for sustainable financing. Read more about the green finance framework and our sustainability strategy at https://www.ir.dnb.no/funding-and-rating.

The figure to the top shows the development in average term to maturity for DNB's long-term funding at year-end 2022, divided between senior unsecured bonds, senior non-preferred bonds and covered bonds. The maturity profile is almost the same as last year. The figure also shows senior non-preferred debt that reaches maturity from 2025.

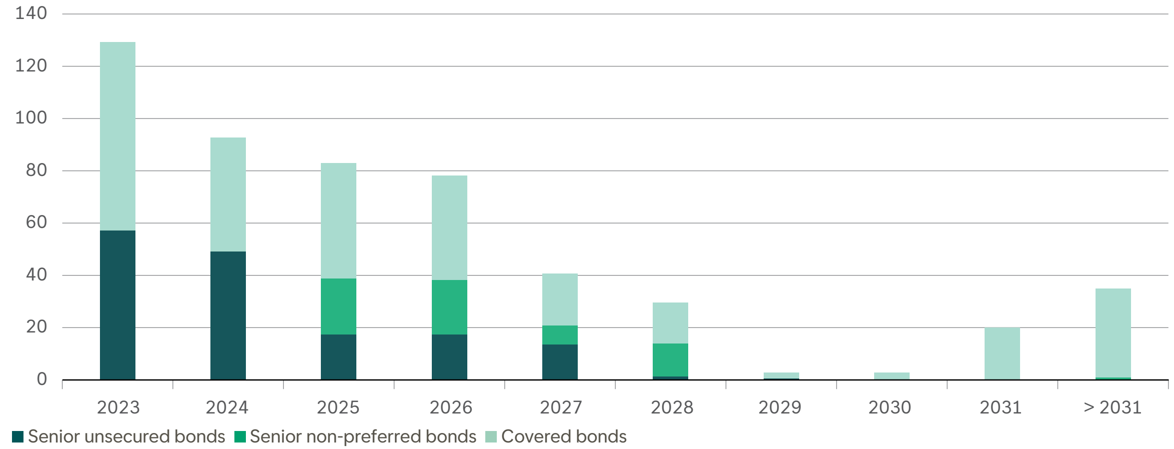
At the end of 2022, the average residual maturity for debt securities issued was 3.5 years, unchanged from 2021. A large amount of senior debt was issued in 2019. This debt is qualified in accordance with the MREL requirement until 2023 and is being refinanced with senior non-preferred debt. Since the financial crisis, the average term to maturity has been about four years for outstanding long-term funding. The figure at the bottom shows the development in average term to maturity for long-term funding, which is composed of senior unsecured bonds, senior non-preferred bonds, and covered bonds.

The ratio of deposits to net loans is measured as customer deposits in per cent of net lending to customers, adjusted for short-term money market positions. Customer deposits continued to improve throughout the year and the ratio of deposits to net loans remained relatively stable and reached 72.6 per cent at the end of 2022, compared to 73.3 per cent the previous year. Customer deposits were up NOK 150 billion, corresponding to 12 per cent in 2022.

DNB uses a number of short-term commercial paper programmes for short-term funding. These programmes provide ample access to short-term funding. Using several funding channels contributes to great flexibility to meet investors' interests and diversify the funding sources. DNB is a bank with a good credit rating in a strong economy, and attracts substantial funds from other banks, central banks and money market funds. The funds include business deposits and excess liquidity from national and international banks, which, together with commercial-paper funding, serve as a short-term liquidity buffer.

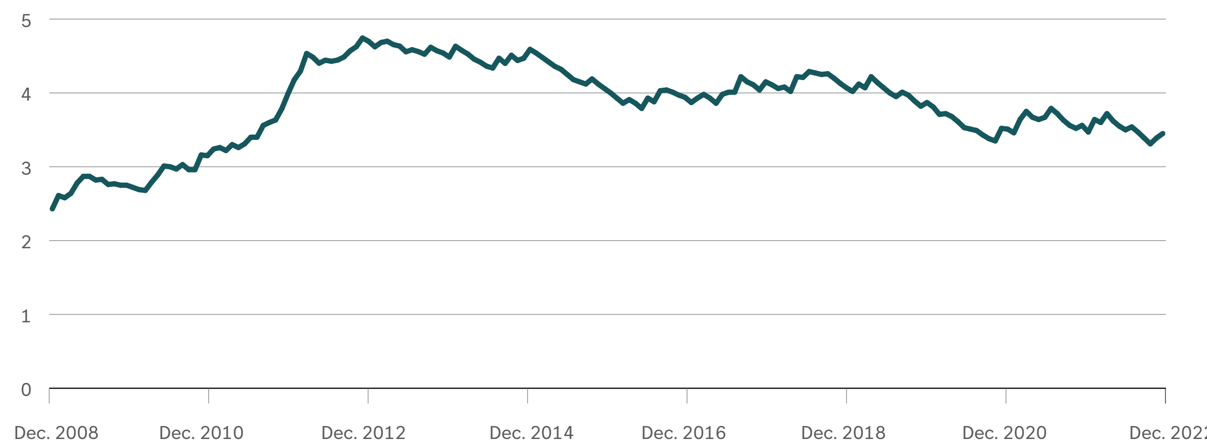
Long-term funding, maturity profile

NOK billion



Average term to maturity for long-term funding, senior unsecured bonds, senior non-preferred bonds and covered bonds

Year



Pledged assets

The use of covered bonds has contributed to more awareness of asset encumbrance. A high proportion of Norwegian loans are secured by pledged assets. This is because almost all lending is kept on the banks' balance sheets as the market for securitisation in Europe is still less developed. In addition, the home ownership rate in Norway is high and the vast majority of residential estates are financed by mortgage loans. The current level of pledged assets in DNB is comfortable considering the Group's diversification, capitalisation and liquidity.

At year-end 2022, pledged assets accounted for NOK 508 billion, which is about 17 per cent of the balance sheet, compared with NOK 483 billion and 19 per cent, respectively, the previous year.

For more information on pledged assets, see the appendix to the report.

LIQUIDITY PORTFOLIOS

To support its ongoing liquidity management, DNB has a holding of securities in the form of bonds, in addition to other liquid assets such as deposits in other banks and central banks. Among other things, DNB uses these securities as collateral for short-term loans from central banks, and they are an element of the liquidity buffers for ensuring fulfilment of regulatory liquidity requirements. Total liquid assets at the end of 2022 amounted to NOK 683 billion, compared with NOK 576 billion in 2021.

The bond portfolio

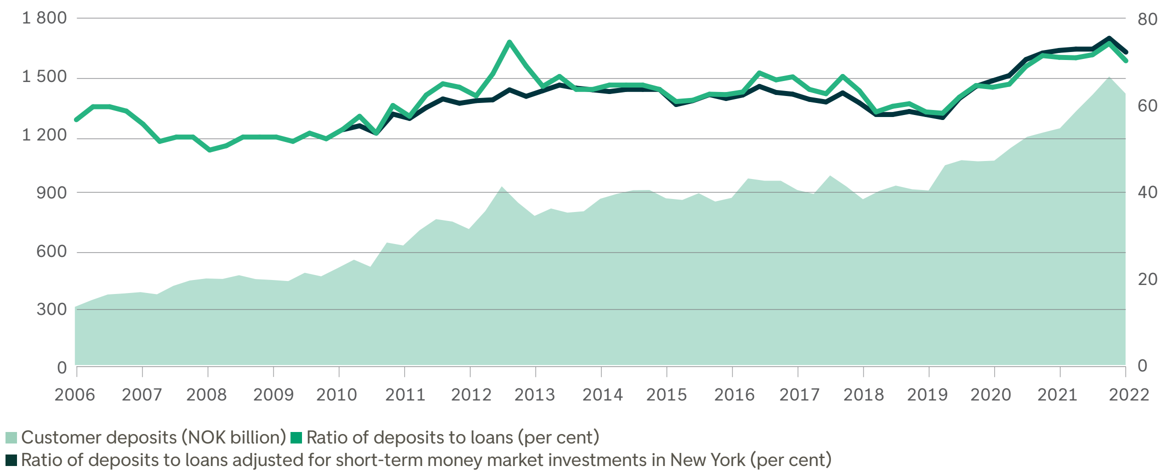
The bank's bond portfolio consists of a domestic NOK portfolio and an international portfolio in foreign currencies. At year-end 2022, the total bond portfolio amounted to NOK 199 billion, of which the NOK portfolio totalled NOK 99 billion and the international portfolio in foreign currencies totalled NOK 100 billion.

The high credit quality of the bond portfolio is reflecting its purpose as a liquidity reserve for the bank. At the end of 2022, 99.9 per cent of the portfolio had a credit rating category of AA or better, and no bonds in the portfolio are rated lower than category A+. The weighted average time to maturity was 2.8 years and the change in value resulting from a one basis point change in spreads was 54.7 million at year-end 2022. With reference to the categorisation of liquid assets within the LCR framework, the total bond portfolio at year-end 2022 consisted of level 1 and level 2A assets, where level 1 represents the most liquid asset class. Level 1 assets accounted for NOK 198 billion, while the remaining balance of NOK 1 billion consisted of level 2A assets.

In 2020, a new sub-portfolio in NOK was established, where market value changes are recognised as Other Comprehensive Income (OCI)[2]. At year-end 2022, this portfolio amounted to NOK 41 billion. The remaining NOK bonds are measured at fair value and changes in value are recognised in the income statement.

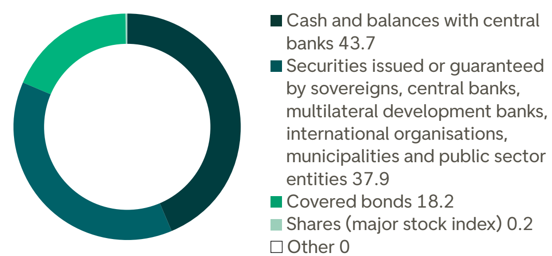
2) Other comprehensive income, or OCI, consists of items where changes in value affect the balance amounts, but the effect is not reported in the income statement.

Customer deposits and ratio of deposits to loans



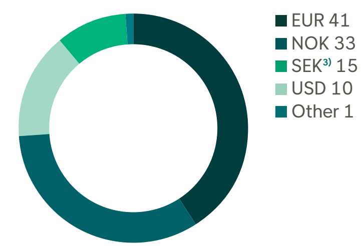
Liquid assets, 31 December 2022

Per cent



Liquid assets by currency, 31 December 2022

Per cent



3) Not a significant currency

Similarly, in 2019, a new sub-portfolio in currencies was established where market value changes are recognised as OCI. At year-end 2022 this portfolio amounted to NOK 94 billion. The remaining bonds in foreign currencies are measured at fair value and changes in value are recognised in the income statement.

LIQUIDITY RISK MANAGEMENT AND CONTROL

The Group's risk appetite framework defines the limits for liquidity management in DNB. Over the past decade, DNB has issued internal risk appetite statements for LCR, NSFR and the Group's ratio of deposits to net loans. From 2022, a new risk appetite statement on MREL was introduced as well. Risk appetite is operationalised through DNB's liquidity strategy and risk limits framework are reviewed at least annually by the Board.

The principles for Group liquidity risk management and control are set in a Group risk policy and further elaborated in the Group Instructions for Managing Liquidity Risk, which set out detailed requirements for governance, accountability and responsibilities related to monitoring, measurement, controls and reporting of liquidity risk. Group Treasury manages the liquidity risk on a daily basis, while Group Risk Management represents the independent second line risk management function.

In line with the bank's risk policy and risk appetite, liquidity risk should be low and support the bank's financial strength. This implies that the bank should seek to have a balance sheet structure which reflects the liquidity risk profile of an international bank with AA level long-term credit ratings issued by recognised rating agencies. Maintaining a low risk profile calls for adequate diversification of funding sources with respect to both contractual counterparties, tenors and financial instruments.

The Group's liquidity risk management is centralised in Group Treasury. The liquidity risk in branch offices and subsidiaries is consolidated in the balance sheet and included in the basis for the Group's liquidity management. Liquidity risk is managed on both consolidated and individual entity levels. The subsidiaries Sbanken, DNB Livsforsikring AS and DNB Asset Management AS, manage and administer their own customer assets. This management is covered by internal liquidity guidelines in the respective entities.

Group Treasury is responsible for providing funding to subsidiaries and branch offices outside Norway. DNB Bank ASA and DNB Boligkreditt AS have entered into a bilateral agreement that regulates the coordination of funding and liquidity between these two entities. Group Treasury is responsible for ensuring that the Group always stays within the liquidity limits and for managing the assets in the liquidity portfolio.

Sbanken will be incorporated into the consolidated liquidity management and funding programme when the merger takes place in 2023.

The governance of liquidity management in DNB is based on a clear separation of duties and reporting structure and is in conformance with regulatory requirements. The Board of DNB Bank ASA sets the risk appetite statements, overall risk limits and risk strategy and monitors the bank's liquidity risk. Liquidity risk appetite and risk limits are reviewed and reset at least annually.

The limit structure for liquidity risk conforms with the structure in the EU Capital Requirements Regulation. Liquidity risk is measured and controlled primarily through the short-term liquidity risk requirement, LCR, as well as the long-term structural liquidity risk requirement, NSFR. In addition, the Group has limits for internal liquidity indicators that supplement LCR in the shorter and longer term. The objective of the liquidity risk limits is to reduce the bank's dependency on short-term funding from domestic and international capital markets, as funding from such sources tends to be more credit- and market-sensitive than ordinary customer deposits. Hence, there are also internal targets and ambitions for the bank's funding materialised from customer deposits.

The liquidity risk and the utilisation of liquidity risk limits are monitored on an intra-daily basis, and positions on LCR and other liquidity indicators are reported daily for each significant currency to Group Treasury and Group Risk Management. NSFR and its limits are also monitored closely and are measured and reported to the Asset and Liability Committee (ALCO) and Group Management monthly.

Should a breach of any liquidity risk limit occur, established escalation procedures will be followed. Deviations to the limits for LCR and NSFR are immediately reported to Group Treasury, Group Risk Management and the Chief Financial Officer (CFO). The CFO will inform Group Management and the CEO, who then reports to the Board about implementing any action that is considered necessary to adjust positions back to an accepted risk level. The Board also receives reports on risk limit utilisation at least quarterly, as part of the Group's risk report.

The credit ratings of the underlying securities in the bond portfolio are continuously monitored and reported. The chapter on market risk contains a description of how market risk in the liquidity portfolio is monitored.

Chapter on risk management and control includes a brief description of DNB's contingency plan for liquidity.

STRESS TESTING

DNB conducts regular stress testing to ensure that it has sufficient liquid assets to cope with difficult situations in a satisfactory manner. The underlying assumptions of risk factors on which liquidity risk stress scenarios are based are reviewed periodically and, at a minimum, as part of the preparations for the annual renewal of strategy and risk limits. Among other things, this includes a reassessment of the bank's assets that can be classified as liquid and can be used as collateral in Norges Bank or other central banks. The degree to which assets defined as stable also meet the requirements for stability in a stress situation is also assessed. Stable liabilities are the portion of the Group's funding that is not deemed likely to fluctuate substantially in the short term. Examples include deposits from customers, long-term covered bonds and equity capital. DNB simulates the liquidity effect of a downgrading of the bank's credit rating due to one or more negative events. The bank's contingency plan for liquidity management during a financial crisis includes the results of the stress tests, which test the effects that a financial crisis lasting for up to 12 months could have on liquidity. The stress tests differentiate between a financial crisis which only affects DNB, a so-called bank-specific crisis, and a crisis which affects the banking industry in general, a so-called systemic crisis, and a combination of the two. The bank continuously assesses the stress factors used in each of the scenarios. In addition, a stress scenario based on the LCR methodology is also included. This stress test is almost identical to the regulatory LCR reporting, but the period is extended beyond the thirty days for which the LCR is normally estimated and reported. This is a very conservative stress test whose main purpose is to estimate how many days it would take before DNB breaches the regulatory LCR requirement.

Further, the need to strengthen DNB Boligkreditt AS' cover pool in a stress situation is quantified in an extended stress test. This stress test estimates the potential liquidity exposure in the event of a steep drop in housing prices combined with a major change in the market value of the derivative contracts between DNB Boligkreditt and DNB Bank ASA. Weakening of the NOK is the factor that has the largest effect on changes in the value of the derivative contracts. Group Treasury closely monitors and manages weekly reports of this counterparty risk.

In addition, a reverse liquidity stress test is used to identify circumstances that could drain liquidity reserves in the longer term. The combined stress scenario described above is used as the starting point for this exercise. Another assumption is that there will no longer be a market for issuing and refinancing covered bonds and that a large percentage of the large corporate customers withdraw their deposits. Then, DNB calculates the amount of deposit attrition among personal customers and small businesses the bank can withstand in the course of 30 days before its liquidity reserves become negative.

Stress tests are performed quarterly, and the results are reported to ALCO and the Board. The stress tests provide information about potential challenges in the funding situation and form the basis for the Group's contingency plans, including the setting and possible adjustment of liquidity limits.

DNB's liquidity stress tests cover all requirements relating to liquidity risk in all countries in which DNB operates. This includes the principles and requirements of the Basel Committee, European Banking Authority and the US CFR Section 252.145[4].

Ratings

Credit ratings are forward-looking and are meant to reflect how future events could impact the issuer's creditworthiness. The credit rating represents the rating agencies' assessment of the issuer's capacity and willingness to meet financial obligations on time. Strong credit ratings issued by recognised rating agencies are thus important for ensuring predictable, flexible access to funding.

The short-term credit rating is an expression of the probability of an issuer failing to meet its financial obligations in the current year, and of the expected financial loss resulting from non-fulfilment of the obligations. A long-term credit rating is an expression of the same probability but over a period of one year or more.

DNB is one of the few banks with a long-term credit rating of AA from both S&P Global and Moody's, AA- and Aa2, respectively, both with a stable outlook. In addition, DNB has a short-term credit rating of A-1+ from S&P Global and P-1 from Moody's, both of which are the highest rating score. Both S&P Global and Moody's confirmed DNB's ratings in their latest rating reports in July 2022 and October 2022, respectively.

Rating DNB Bank ASA

Rating agency	Rating	Latest rating report	Latest rating action
S&P Global	Longt term: AA- Short term: A-1+ Outlook: Stable Resolution Counterparty Rating: AA- (LT) Senior Non-Preferred: A	S&P rating report – July 2022	22 January 2019
Moody's	Long term: Aa2 Short term: P-1 Outlook: Stable Counterparty Risk Rating: Aa2 (LT) Junior Senior/ Non-Preferred: (P)A3	Moody's rating report – October 2022	7 October 2022
Dominion Bond Rating Service (DBRS)[5]	Long term: AA (low)[5] Short term: R-1 (middle)[5] Outlook: Stable[5]	DBRS rating report – August 2022	29 September 2015

4) CFR § 252.145 – Liquidity risk-management requirements for foreign banking organizations with total consolidated assets of $250 billion or more and combined U.S. assets of less than $100 billion.

5) Unsolicited rating

4
Credit risk

DNB has a robust credit portfolio, with loans to private individuals and small and medium-sized enterprises in Norway accounting for about 63 per cent. Credit quality remained stable throughout 2022, but at the end of the year there was still uncertainty associated with geopolitical tensions, high energy prices, high inflation and further interest rate increases.

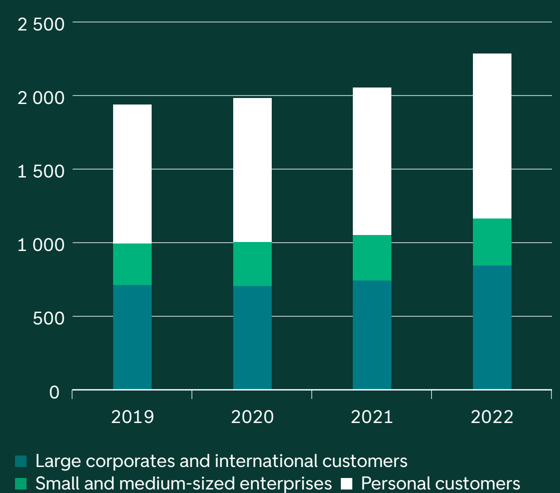
Content

Definiton

Credit risk is the risk of financial losses due to failure by the Group's customers to meet their payment obligations towards DNB. Credit risk refers to all claims against customers, mainly loans, but also commitments in the form of other extended credits, guarantees, interest-bearing securities, unutilised credit lines, derivative trading and interbank deposits. Credit risk also includes concentration risk, which is risk associated with large exposures to a single customer or concentration within geographical areas, within industries or related to homogeneous customer groups.

Development in total credit portfolio[1], EAD

NOK billion



1) Excluding institutions, government, central banks, equity positions and exposure in associated companies. Counterparty credit risk included.

Risk exposure amount

NOK billion

943 (859)

Economic capital

NOK billion

37.4 (34.8)

Net impairments

NOK billion

0.3 (0.9)

(2021 figures)

TERMS USED IN THE DISCUSSION OF CREDIT RISK

Nominal exposure is the aggregate credit exposure prior to impairments, collateral and conversion factors. It is the sum of drawn amount and items off the balance sheet such as unused lines of credit and guarantees. The term “net exposures” reflects the corresponding amount adjusted for impairments.

Exposure at default (EAD) indicates how much of the allocated exposure is expected to be drawn in the event of a future default. EAD is the sum of the amount drawn and off-balance items multiplied by a conversion factor (CCF). The calculation of CCF assumes a downturn in the market and must be equal to or more conservative than the long-term average. EAD is reported as exposure before impairments.

Probability of Default (PD) is the calculated probability that a customer will not be able to service their credit within the next 12 months. PD is calculated using statistical models on the basis of a combination of financial and non-financial factors. The PD forms the basis for DNB’s risk classification of customers. Defaulted exposures are automatically assigned a PD of 100 per cent.

Loss given default (LGD) indicates how much the Group expects to lose if the customer defaults on their obligations, at the same time as there is a major downturn. The LGD calculation used in the IRB reporting must always be more conservative than the long-term average. The models consider the collateral associated with the exposure, future cash flow and other relevant factors.

Expected loss (EL) indicates the average annual expected losses over a business cycle, based on the figures calculated by in the bank’s IRB models. EL is calculated as PD x LGD x EAD. Under normal circumstances, this figure should be higher than the actual losses.

Expected Credit Loss (ECL) is calculated according to the IFRS9 financial reporting standard. ECL is calculated as PD x LGD x EAD, where both PD and LGD should correspond to the actual observed level, and projected values depend on the bank’s view of future macroeconomic development. DNB’s model for calculating expected credit losses is based on the IRB models. Conservative buffers and adjustments for cyclicality are removed so that the estimates are point-in-time.

In DNB’s internal monitoring of credit risk, credit exposures are grouped based on calculated PD. The breakdown is defined as follows:

- Low risk: PD 0.01 – 0.75 per cent.
- Moderate risk: PD 0.75 – 3 per cent.
- High risk: PD over 3 per cent, including defaulted exposures where PD=100 per cent.

DEVELOPMENTS IN CREDIT RISK IN 2022

DNB's portfolio of loans and credit to customers amounted to NOK 2 288 billion, measured in EAD, at the end of 2022, and was almost evenly distributed between loans and credit to corporates and private individuals. Counterparty credit risk has been included in these figures. Credit quality was sound and was somewhat strengthened during the year. Total impairments amounted to NOK 0.3 billion in 2022, while accumulated net impairments in stage 3 (defaulted loans) amounted to NOK 6.7 billion.

International financial markets have been volatile in the past year, and there has been high uncertainty associated with energy prices, food prices and access to input factors. The war in Ukraine has contributed significantly to the uncertainty. The lockdowns in China prolonged the problems in the global value chains, and bottlenecks have led to delayed deliveries and increased prices for key input factors and central banks in a number of countries have raised their key policy rates several times and announced further increases. The interest rate increases are expected to peak during the first half of 2023.

The oil price stabilised at USD 85–95 per barrel, after reaching USD 120 at the beginning of the year. Natural gas prices rose sharply in March as a result of the Russian closure of the Nord-Stream II pipeline in the Baltic Sea. Gas prices in Europe culminated at the end of August with a record-high price equivalent to an oil price of USD 445 per barrel.

Over time, DNB has reduced its exposure to cyclical industries. The credit portfolio is solid and well-diversified and has shown robustness through downturns.

The figure shows developments in the credit portfolio measured in EAD. The bank's credit portfolio increased by NOK 236 billion in 2022. Sbanken's credit portfolio has been included in the figures and amounted to NOK 108 billion at the end of the year. Growth was distributed across all customer segments. Loans to small and medium-sized enterprises increased by 2 per cent, and loans to personal customers (including the acquisition of Sbanken) increased by 12 per cent in 2022. Adjusted for exchange rate effects, large corporates and the international portfolio increased by 11 per cent. The new Capital Requirements Regulation CRR II entered into force on 1 June 2022 and resulted in an increase in the EAD for counterparty credit risk. Adjusted for this, growth in large corporates and international customers was 7 per cent.

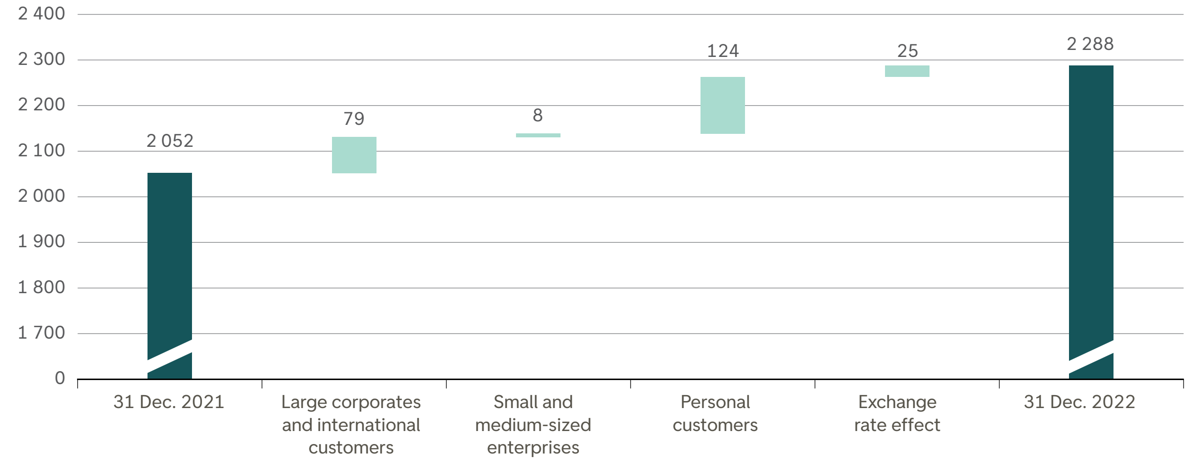
Loans to private individuals

Loans to private individuals consist mainly of mortgages. DNB has low activity in the areas of credit card and consumer finance and places emphasis on responsibility and sustainability in its lending practices. The portfolio of car loans is discussed below under loans to corporates.

DNB's retail mortgage portfolio amounted to NOK 1 183 billion, measured in EAD, at the end of 2022 and mainly includes financing of homes in Norway. 88 per cent of the portfolio is reported using the IRB method. Sbanken's portfolio is reported using the standardised method. The same applies to some smaller mortgage portfolios in Poland and Luxembourg, and the mortgage portfolio in Luminor, which is reported pro rata. The comments below relate to the Norwegian retail mortgage portfolio.

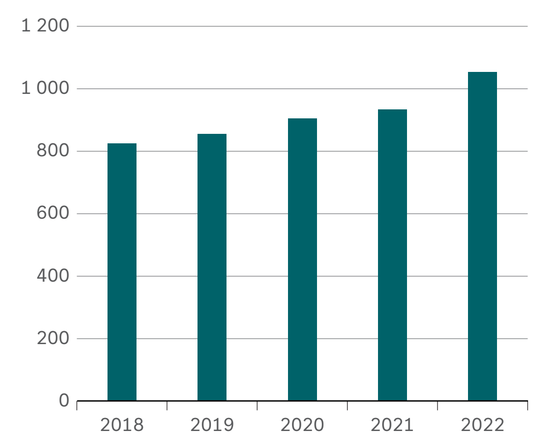
Development in credit portfolio[1], EAD

NOK billion



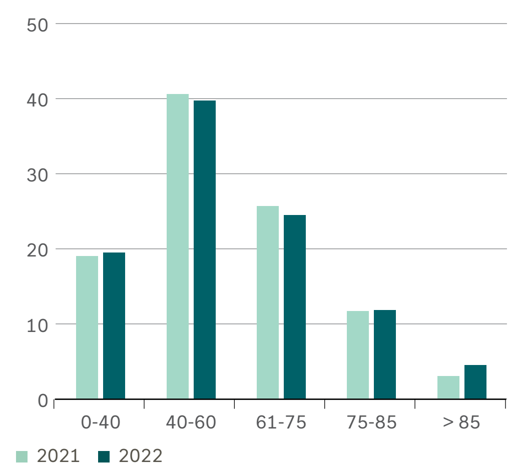
Development in retail mortgages[2], EAD

NOK billion



Loan-to-value retail mortgage loans, granted volume

Per cent



2) Norwegian retail mortgage portfolio

DNB's retail mortgage portfolio is of high quality. The proportion of default mortgages was 0.25 per cent at the end of 2022, and 82 per cent of the loans were classified as low risk based on the bank's own PD calculations. In the reporting of capital adequacy, a conservative addition to the PD calculation is required for the retail mortgage portfolio. Based on external PD values, 72 per cent of the portfolio was classified as low risk.

73 per cent of the bank's retail mortgage portfolio has been transferred to DNB Boligkreditt and forms the basis for issuing covered bonds.

Norway has a very high proportion of privately owned homes. More than 80 per cent of the population owns their own home, and homes are primarily financed by floating-rate mortgages. Norway has experienced a sharp rise in housings prices in recent years. For 2022, housing prices increased by 4.9 per cent nationally. After several interest rate hikes and higher costs for households, housing prices have fallen somewhat in the fourth quarter.

The Norwegian Lending Regulations (Utlånsforskriften), which entered into force on 1 January 2021, apply up to and including 31 December 2024. The Norwegian Ministry of Finance adopted some changes on 9 December 2022. The regulations have been extended to loans secured by collateral other than dwellings, such as loans secured by cars or boats. In addition, the interest rate increase that borrowers are required to be able to withstand was changed from 5 to 3 percentage points, with a minimum interest rate of 7 per cent. Financial institutions may grant loans that do not satisfy all the conditions in the regulations for up to 10 per cent of the value of total loans granted. For loans secured on collateral in dwellings in Oslo, the limit for deviations is set at a maximum of 8 per cent. DNB monitors lending practices closely to ensure compliance with the regulations in all parts of the bank.

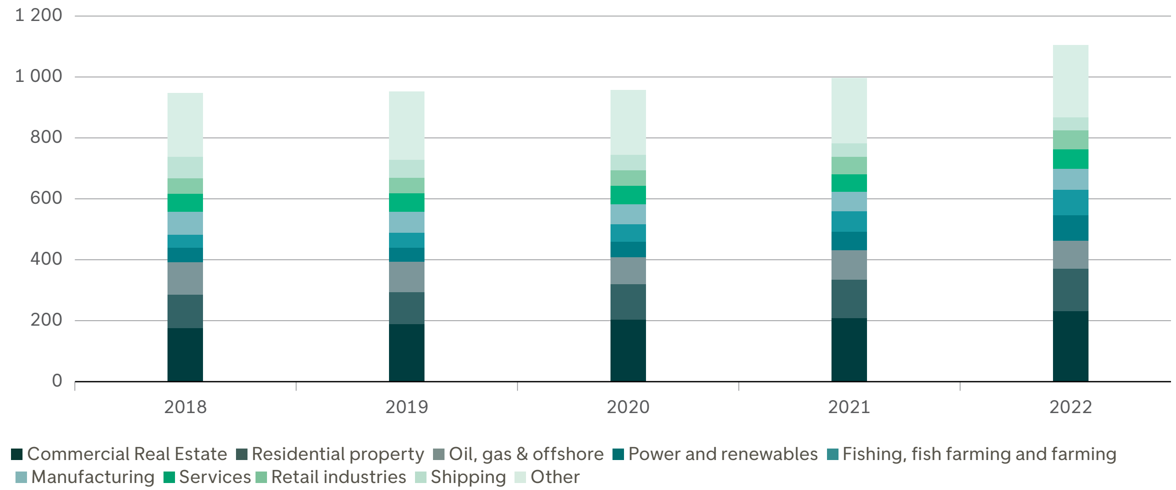
For the retail mortgage portfolio, loan-to-value (LTV) is calculated as the loan's share of the property's market value. Short-term bridging loans are not included in the calculation. The market value of all mortgaged homes is updated every quarter. The average LTV ratio for DNB's Norwegian retail mortgage portfolio (excluding Sbanken) was 56.2 per cent at the end of 2022, compared with 56.0 per cent one year earlier. The figure on the previous page shows an object-oriented LTV distribution of the retail mortgage portfolio.

Loans to corporates in Norway and internationally
DNB's corporate loans amounted to NOK 1 105 billion at the end of the year, measured in EAD and including counterparty credit risk. Of this, loans to Norwegian and Norwegian-owned companies amounted to NOK 678 billion, and NOK 427 billion to international customers.

DNB's portfolio of loans to the real estate sector accounts for about 34 per cent of all corporate credit. Residential property loans are mostly short-term financing of residential development projects, with a high degree of pre-sale. In addition, financing of housing cooperatives is included in this segment. The portfolio of commercial real estate loans (excluding residential property) accounted for 21 per cent of DNB's total corporate credit measured in EAD. 93 per cent of the loans are to Norwegian customers. The price level of

Loans to corporates in Norway and internationally, EAD

NOK billion



Development in loans to commercial real estate, EAD

NOK billion

the most attractive office properties in Oslo and other large Norwegian cities has been high, but in the second half of 2022, prices fell somewhat as a result of higher interest rates. This trend is expected to continue, although low vacancy and low construction activity dampen the effect. So far, reduced demand for office property has not been registered, although the use of hybrid working methods has increased. Tenants are concerned about a good indoor climate and low energy consumption, which may reduce the lifetime of buildings. DNB therefore makes a careful assessment of the expected value of the properties. Credit quality in the portfolio was good throughout the year. Defaulted loans in the office properties segment amounted to 0.7 per cent at the end of 2022. 97 per cent of loans were classified as low or medium risk.

DNB has reduced its exposure to oil-related industries for several years, and its credit portfolio has become less sensitive to fluctuations in oil prices than previously. In 2022, the portfolio related to oil, gas and offshore fell further by NOK 5 billion and accounted for 8 per cent of the total corporate portfolio at the end of the year. Counterparty credit risk in the oil, gas and offshore portfolio varied significantly throughout the year. This was due to a combination of a sharp increase in the price of gas and the fact that some customers had used derivatives to hedge against falling gas prices. Restructuring processes are still ongoing in the offshore sector, but due to increased focus on energy security and increasing earnings through 2022, the picture is more positive than it has been for several years. Credit quality has developed positively because of rising oil and gas prices. 80 per cent of customers were classified as low or medium risk, as measured in EAD, at the end of 2022. For the offshore portfolio, the share of low and medium risk was 48 per cent Restructuring processes are still ongoing in the offshore sector, but due to increased focus on energy security and increasing earnings through 2022, the picture is more positive than it has been for several years.

At year-end, power and renewables accounted for 7.6 per cent of total corporate credit, measured in EAD. The portfolio consists mainly of Nordic power production and distribution grids, as well as renewable power production in North and South America. High gas prices as a result of sanctions against Russia and the decommissioning of nuclear power in Sweden and Germany have led to very high and volatile electricity prices in the Nordic region, and the power industry experienced extremely high profits in 2022. The last quarter of 2022 was marked by uncertainty about how a proposed increase in the resource rent tax, which also includes renewable power production, will affect willingness to invest in the power industry. The credit quality of the portfolio improved in 2022. At the end of the year, 97 per cent of loans to the sector were classified low or medium risk.

The seafood portfolio accounted for 7.4 per cent of total corporate exposure, measured in EAD, at the end of the year. Salmon farming is an important part of the portfolio. The price of salmon was high throughout 2022 as a result of limited supply and increased demand from the restaurant industry. The price of salmon is expected to remain high going forward. This has contributed to solid profitability in the sector, despite higher prices for feed and other input factors. In Norway, the last quarter of 2022 was characterised by uncertainty about how the resource rent tax will affect the industry, particularly regarding new investments. The credit quality of the seafood portfolio strengthened in 2022. At the end of the year, 95 per cent of loans to the sector were classified low or medium risk.

At the end of 2022, DNB's loans to hotels, cruises and tourism accounted for 2 per cent of total corporate exposure, measured in EAD. These sectors were hard hit by the lockdowns during the coronavirus pandemic, and the challenges lasted into the first quarter of 2022. The summer season was almost normal, but problems in the European air traffic gave somewhat weaker results than expected. Throughout the autumn, reservations were approximately at normal seasonal levels. Reduced household disposable income is expected to curb demand for leisure travel. The number of business travellers showed a decline in 2022, partly due to increased use of online meetings. For the hotel sector, this was compensated by increased activity in courses and conferences. The share of low and medium risk in this portfolio was 45 per cent.

The retail industries portfolio accounted for 6 per cent of total corporate exposure, measured in EAD, at the end of the year. Retail industries in Norway had a decrease in turnover in December 2022 compared to December 2021 and continued a trend that affected the last part of 2022. The decline was greatest in the capital goods industries such as electronics, building materials and sports equipment. The quality of DNB's portfolio remained stable throughout the year. The proportion of low and medium risk amounted to 92 per cent.

DNB's financing of passenger vehicles has increased over several years and amounted to NOK 97 billion at the end of 2022. Of this, the bank has 7.5 per cent of the residual value risk, while about 13 per cent is guaranteed by dealers. Shortages of components and challenges in distribution have led to an imbalance between supply and demand for cars that is expected to last through 2023. This imbalance, in addition to higher raw material and energy costs in the automotive industry, has resulted in a sharp rise in prices for both new and used cars. Macro conditions and changes in the subsidy scheme for electric vehicles will affect demand going forward. Electric vehicles have dominated the market for new cars in Norway and have had an increasing share in the other Nordic countries. The credit quality in the portfolio was stable throughout the year and most customers are private individuals. 86 per cent of loans are classified as low or medium risk.

Sustainability in DNB's credit activities
Sustainability assessments are integrated into DNB's credit decisions. DNB's long-term profitability depends on our customers incorporating sustainability into their business models and strategic choices. By setting requirements for accountability on the part of its customers, DNB can have a positive impact on social development, while at the same time reducing customers' and own risk.

The oil and gas industry are a key part of the Norwegian economy, and the expertise and willingness to invest in this industry is important for the transition process in the energy sector in Norway. DNB prioritise customers who work strategically and proactively on this and position their business in line with the Paris Agreement, and who are willing to set emission targets for their own operations. DNB has set an overall target for its upstream oil and gas portfolio to reduce emission intensity by 25 per cent by 2030. Read more in "Financing the climate transition through sustainable activities" in DNB's annual report on ir.dnb.no.

DNB has adopted a model for assessing companies' ESG risk. The model covers four thematic areas: climate, environment, social conditions and corporate governance, and in particular assessments of social conditions were enhanced in 2022. The ESG classification is also a very important part of the decision-making process for the establishment of new business loans and is assessed on an equal footing with other risk factors. In the event of high ESG risk, the credit decision is escalated to the highest decision level below the Board.

For customers with a total credit exposure of more than NOK 8 million, ESG risk is assessed and commented on in the credit cases. For customers with a total credit exposure of more than NOK 50 million, DNB's ESG risk model is used to classify the customer within the categories standard, moderate and high ESG risk. Our own ESG assessments are complemented by third-party ESG analyses. The ESG classification is actively used in dialogue with the customer.

Read more about how DNB integrates sustainability into its credit activities in "ESG assessments in credit analysis and asset management" in DNB's annual report on ir.dnb.no.

CAPITAL REQUIREMENTS FOR CREDIT RISK

The total REA for credit risk, including counterparty credit risk, was NOK 943 billion for the DNB Group at the end of 2022, NOK 82 billion higher than the year before. The table on page 36 shows a specification of REA for credit risk.

The figure shows changes in risk exposure amount REA for the credit portfolio distributed among the most substantial portfolios. The REA for the IRB portfolio increased by NOK 36 billion. This is due to growth in both the corporate portfolio and retail mortgage loans. See analyses of development in the IRB portfolio on page 43.

REA for portfolios reported according to the standardised method increased by NOK 46 billion, of which NOK 37 billion was retail mortgage loans due to the acquisition of Sbanken on 30 March 2022.

Development in risk exposure amount, credit risk

NOK billion

Specification of risk exposure amounts (REA) for credit risk

NOK million	Original exposure	EAD	Average risk weight	Risk exposure amount 2022	Risk exposure amount 2021
IRB-approach					
Specialised Lending (SL)	9 839	8 996	46 %	4 174	3 478
Small and medium enterprises (SME)	223 263	198 608	43 %	86 047	88 212
Other Corporates	916 236	730 558	44 %	317 807	285 654
Retail, secured by real estate property	923 329	923 329	22 %	200 096	193 788
Other retail	87 471	72 215	31 %	22 309	22 382
Total credit risk, IRB approach	**2 160 138**	**1 933 705**	**33 %**	**630 433**	**593 513**
Standardised approach					
Central governments or central banks	418 634	417 912	0 %	1	614
Regional governments or local authorities	45 185	38 892	2 %	757	1 157
Public sector entities	62 226	60 668	0 %	52	357
Multilateral developments banks	41 892	41 812	0 %		
International organisations	455	455	0 %		
Institutions	87 488	61 928	31 %	19 120	21 262
Corporates	191 884	168 652	69 %	116 578	114 282
Retail	143 937	66 130	75 %	49 332	44 086
Secured by mortgages on immovable property	144 923	129 678	40 %	51 465	14 830
Exposures in default	2 900	1 975	134 %	2 643	2 971
Items associated with particularly high risk	906	904	150 %	1 355	987
Covered bonds	43 888	43 888	10 %	4 389	3 347
Claims in the form of CIU	1 089	1 089	21 %	232	221
Equity Exposures	24 573	24 572	222 %	54 602	53 135
Other items	24 949	24 949	46 %	11 581	9 052
Total credit risk, standardised approach	**1 234 931**	**1 083 504**	**29 %**	**312 107**	**266 302**
Total credit risk	**3 395 069**	**3 017 209**	**31 %**	**942 540**	**859 815**

DEFINITION OF DEFAULT

DNB's definition of default is in line with the updated EBA guidelines originally published in 2016. The definition of default under IFRS 9 is fully in line with the regulatory definition of default. The application of the definition of default is different for corporate and personal customers.

Corporate customers

There is qualified payment default if an engagement exceeding NOK 2 000 and more than 1 per cent of the borrower's total exposure with DNB has lapsed by more than 90 days.

Expected default on payment exists if it is unlikely that the borrower will pay what they owe DNB without having to implement measures, such as the realisation of collateral, to finance the payment. Whether there is an expected default in payment depends on an assessment of the probability of future payment default. There is a wide range of circumstances that may be relevant to consider. Expected defaults can be caused by indicators that are absolute, such as:

- bankruptcy proceedings
- sale of loans with a discount of more than 5 per cent related to credit risk
- forced restructuring where debt is expected to be reduced by more than 1 per cent.

Furthermore, several indicators should be considered when determining whether expected defaults have occurred. These indicators are not absolute. Examples of this include:

- expected failure to service all financial obligations, including refinancing risks
- violation of financial clauses
- deterioration in the ratio of loan to income
- sale of collateral that weakens the bank's creditor position.

If a default occurs, all obligations that the customer has in DNB will be deemed to be in default. Contagion can also occur between financially dependent borrowers where financing or payment difficulties on the part of one customer are also likely to lead to payment difficulties for one or more other customers.

If specific criteria are met, a customer can exit default status and return to being a healthy borrower after a 3- or 12-month return-to-non-default period. The 12-month return-to-non-default period is for customers who exit default after forced restructuring.

Personal customers

For personal customers, a qualified payment default exists if a commitment exceeding NOK 1 000 and more than 1 per cent of the defaulted amount under the agreement with DNB is overdue by more than 90 days.

The absolute requirements for expected defaults for personal customers are similar to those for corporate customers. Other indicators of expected default include a reduction in the customer's income, for example due to unemployment, a significant increase in LTV ratios, or a situation where the guarantor or co-borrower is in a bankruptcy or debt settlement process.

For personal customers, defaults at the agreement level apply. Therefore, in principle, there will be no contagion between agreements belonging to the same borrower. An important exception to this rule is contagion between instruments within the same product category, for example between two retail mortgages to the same borrower. If there is also a default related to one or more agreements totalling at least 20 per cent of the customer's total exposure with DNB, all agreements with the bank will be deemed to be in default.

If specific criteria are met, a customer can exit default status and return to being a healthy borrower after a 3- or 12-month return-to-non-default period. The 12-month return-to-non-default period is for customers who exit default after debt settlement has been completed.

DEFINITION OF PAST DUE EXPOSURES

Past due exposures are overdue amounts on loans and overdrafts on credits, assuming a deterioration of customer solvency or unwillingness to pay.

Financial assets qualify as past due when any amount of principal, interest or fee has not been paid at the date it was due. Past due exposures are reported for their entire carrying amount. Past due loans and overdrafts on credit lines are monitored on an ongoing basis.

OVERVIEW OF CREDIT EXPOSURES

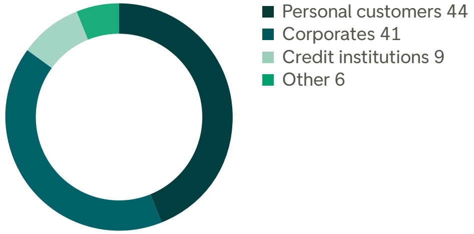
Exposures by customer segment and country

Gross carrying and maximum exposure amounted to NOK 3 068 billion at the end of 2022. The figures show exposure by customer segment and country.

Loans and credit to personal customers accounted for 44 per cent of exposure. Loans to corporate customers accounted for 41 per cent. Exposures with governments and central banks, equity positions and other assets are included in the graph as the "other". The credit portfolio is mainly linked to Norway or Norwegian customers. The Norwegian-related portfolio accounted for 70 per cent at the end of 2022. Additional information can be found in the supplement to this report.

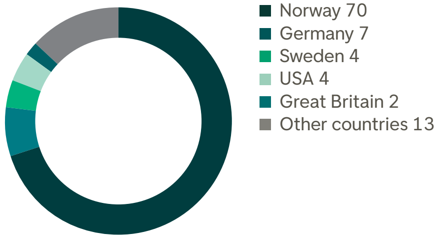
Gross carrying amount, split by customer segments, 31 December 2022

Per cent



Gross carrying amount, split by country, 31 December 2022

Per cent



FORBORNE EXPOSURES

Forborne exposures are defined as credit exposures where the loan terms have been changed as a result of the customer having had financial problems.

Forborne exposures include both defaulted and non-defaulted exposures. The objective of forbearance is to assist the customer through a financially challenging period. It is a prerequisite that customers must be expected to be able to meet their obligations at a later date.

The most common forms of forbearance are:

- changing the term of the loan
- refinancing
- debt remission, including remission of overdue interest payments
- deferment of overdue interest payments.

Forbearance is an element of DNB's strategy for limiting losses. Procedures for handling these exposures have been incorporated in the credit process. DNB has operative guidelines describing how business units should identify, analyse and approve forbearance cases. Developments in the volume of forborne exposures are reported quarterly to the Board.

For more information see Note G5 Credit risk management in DNB's annual report.

IMPAIRMENT AND DEFAULT

When calculating expected credit losses, all credit exposures are divided into three groups:

- **Stage 1:** Includes exposures that have not had a significant increase in credit risk since the agreement was entered into. According to IFRS 9, an expected credit loss must be calculated for the next 12 months.
- **Stage 2:** Includes exposures with significant negative development in lifetime PD compared to PD upon entering into the agreement. In addition, it includes loans with PD between 5 and 40 per cent, exposures with forbearance and personal customers with payments that are between 30–60 days overdue. For these, an expected credit loss is calculated over the entire life of the agreement.
- **Stage 3:** Includes defaulted loans. Like stage 2, stage 3 will calculate the expected credit loss without any time limitation. For customers in default, PD is set at 100 per cent.

For the exposures in stages 1 and 2, expected losses are estimated using DNB's Expected Credit Loss (ECL) model, which is based on the internal models for EAD, PD and LGD and on forecasts for future economic developments.

The stage 3 ECL impairment is calculated as the difference between the carrying value and the present value of estimated future cash flows discounted by the original effective interest rate. The estimated future cash flows are based on developments in the customer's exposure, the value of collateral, experience with the customer, the likely outcome of negotiations and expected macroeconomic developments that will affect the customer's expected cash flow. If the exposure is collateralised, the value of the collateral is included in the estimated future cash flows regardless of whether foreclosure is probable or not.

ECL for stage 3 credit exposures for customers with exposures of more than NOK 50 million is calculated as probability-weighted ECL from considered scenarios. The scenarios should represent the actual opportunities for a customer in financial difficulty.

The rule is that three different scenarios should be considered.

- **Going concern:** What is the probability of a development where all debt is repaid without concessions in the form of debt conversion or write-offs? The ECL in this scenario is zero.
- **Restructuring:** What is the likelihood of a development where the customer must restructure its capital structure to maintain going concern, and what will ECL be for DNB in such a restructuring?
- **Liquidation:** What is the probability of a development where a company is liquidated through bankruptcy, orderly liquidation etc., and what is the ECL for DNB in this scenario?

The ECL for each scenario, and the probability of each scenario occurring, will depend on both market conditions and customer-specific factors. The sum of the scenarios must always be 100 per cent. If a scenario is highly unlikely, the probability can be set to zero.

The ECL in a restructuring scenario will depend on the discounted present value of the customer's expected future cash flows, as well as the expected level of debt that can be agreed with the stakeholders in a restructuring. ECL in a liquidation scenario will depend on the expected realisation value of collateral on the sale of assets – for example, as part of a bankruptcy or managed liquidation process.

As of year-end 2022, ECL in stage 3 is calculated for corporate customers with loans below NOK 50 million using the bank's ECL model, which aims to estimate an expected credit loss without any limitation on the time horizon. The model is based on the probability that a loan will be "recovered", expressed as Cure Rate – (CR) and an estimated loss given that the loan remains in default, expressed as Loss Given Loss – (LGL). Both CR and LGL take into account customer- and agreement-specific information, as well as a forward-looking component similar to the methodology for customers in stages 1 and 2. The change in methodology had no significant effect on the Group's overall ECL.

For private individuals with loans of more than NOK 5 million as defaults, an individual assessment of collateral and debt-servicing capacity is carried out to determine the ECL. For private individuals with loans of less than NOK 5 million, a portfolio approach is used to calculate ECL in stage 3. The estimate is calculated using a discounted expected collateral value that provides expected recovery rates for a representative sample of customers in default. The expected recovery rates are then applied to customers with similar characteristics to the customers in the sample. When a customer is in the 3- or 12-month return-to-non-default period, the customer will continue to be presented in stage 3, but with stage 2 lifetime ECL from the ECL model.

Impairment of loans and financial instruments
Net impairments are the sum of all impairments in the period, minus all reversals made in the same period. The figure shows developments in net impairments in 2022.

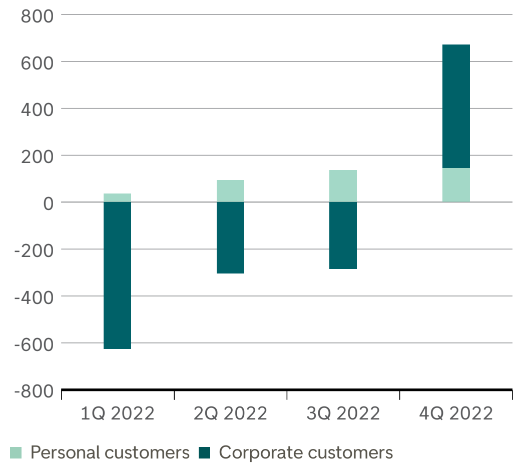
The figure at the bottom right shows the development in accumulated write-downs of loans to customers at amortised costs and financial exposures recorded from the end of 2021 to the end of 2022. Accumulated impairments amounted to NOK 8.8 billion at year-end, a reduction of NOK 2.6 billion from 2021. The change in accumulated impairments includes allowances due to the origination of new financial instruments during the period. The figure also shows 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. Further the table includes write-offs, changes in allowance due to the derecognition of financial instruments during the period and exchange rate effects.

Defaulted exposures
Net defaulted exposures decreased by NOK 2.5 billion in 2022 and amounted to NOK 24.1 billion at year-end. A total of 44 per cent of DNB's defaulted exposures are in the oil, gas and offshore segment and mainly related to challenges within the offshore segment. Defaulted exposures in oil, gas and offshore decreased by NOK 1.2 billion in 2022 and amounted to NOK 10.5 billion at year-end. The positive development is a result of increasing oil and gas prices and finalised restructuring processes.

The figure to the far right shows the distribution of net defaulted exposures by industry. More detailed information can be found in the additional Pillar 3 disclosures.

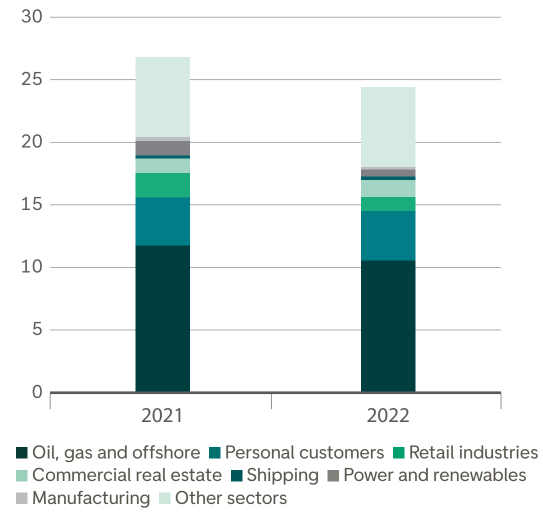
Development in net impairments

NOK million



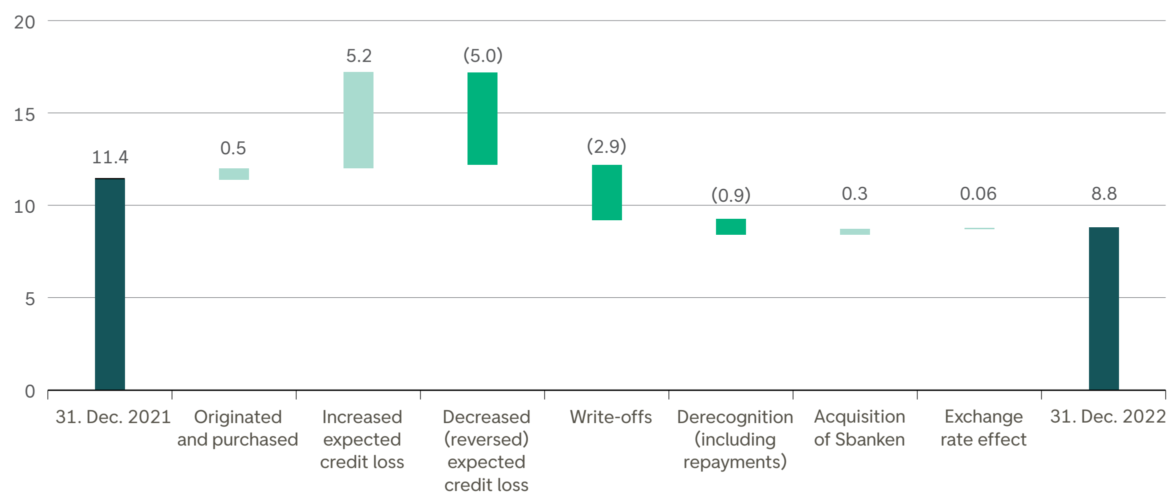
Net defaulted exposures

NOK billion



Development in accumulated impairment of loans and financial commitments

NOK billion

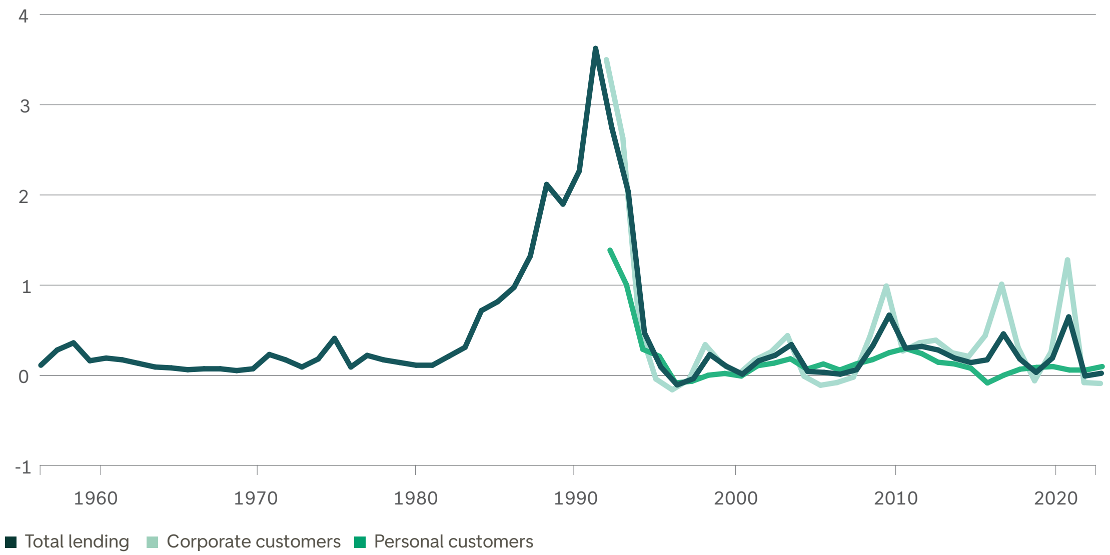


Historical development of impairment of financial instruments

The figure shows the net annual impairments as a proportion of lending for the period 1957–2022. From 1992, net impairments are also broken down between personal and corporate customers, excluding the public sector and credit institutions. The period from 1987 to 1993 is referred to as the Norwegian banking crisis and stands out from other years. Other years that stand out are 2009, when the financial crisis led to increased impairments, inter alia linked to Baltic operations, and 2016 when DNB was compelled to record substantial impairment in the oil-related portfolio. The coronavirus pandemic did not affect the impairments in 2020 to any great extent. The increase in 2020 is due to further impairments in the offshore portfolio, while both 2021 and 2022 were more normal, with low impairments.

Net impairment per year, 1957 - 2022

Per cent



Reporting methods for credit portfolios in DNB

Exposure class	Main reporting methods
Corporate and Specialised Lending (SL)	A-IRB
Retail, mortgage loans	IRB
Retail, other exposures	IRB
Governments and central banks	Standardised approach
Institutions	Standardised approach
Equity positions and other assets	Standardised approach

INTERNAL MEASUREMENT METHODS (IRB)

DNB has used internal credit risk models since 1995. The calculations from models approved for measuring credit risk in the capital adequacy are fully integrated into the Bank's internal management tools.

In the internal monitoring of credit risk, internal models are used to calculate CCF (EAD), PD and LGD for all credit exposures, regardless of whether they are approved for calculating capital requirements. The risk parameters that DNB uses to measure risk in the large corporate portfolio and retail mortgage portfolios are different from those that have been approved for calculating capital adequacy according to the advanced IRB approach. The approved models have mandatory mechanisms that ensure more stable capital adequacy requirements over time and are more conservative in their calibration levels. More risk-sensitive risk models are preferable for internal management purposes.

DNB uses the Advanced IRB (A-IRB) approach for its corporate and personal customer portfolios. Some portfolios in subsidiaries or specific segments are exempted. The Foundation IRB (F-IRB) method is not used. There is no distinction between A-IRB and IRB for loans to personal customers. The table shows the reporting methods used for the different credit portfolios in DNB, distributed among exposure classes.

The purpose of the IRB system is to ensure sound risk management. This calls for high quality and transparency throughout the value chain. The Board of Directors assesses the need for capital on the basis of risk measurements and an overall evaluation of operating parameters and business and strategic targets.

The independent unit responsible for model risk conducts annual validations of the IRB models. Regular controls of model use are carried out through the Credit Risk Review Institute, which looks specifically at the models' data (model input). Furthermore, periodic theme-based self-assessments of the most important parts of the IRB value chain are carried out. Group Audit prepares an annual report with an assessment of whether the IRB system in DNB meets external requirements.

The areas of application for the IRB models are:

- capital adequacy calculations
- decision-support in the credit process
- limits in the risk appetite framework and credit strategies
- risk measurement and ongoing reporting
- pricing of credit risk
- measuring portfolio profitability
- basis for models applied in stress testing and calculation of expected credit loss.

Measured in EAD, 64 per cent of the credit portfolio was reported according to the IRB method at the end of 2022. This is slightly lower than the previous year and can be attributed to the acquisition of Sbanken. The figure shows the IRB portfolio, including counterparty credit risk by exposure category.

Models used in IRB reporting

An overview of the IRB models used, with comments where the models have been adjusted to meet requirements from Finanstilsynet, is shown in the supplement to this report.

In order to comply with the new regulation of the definition of default, effective from 1 January 2021, new calibration levels have been calculated for the IRB models. Calibration levels have been calculated in accordance with new EBA estimation guidelines that were also in effect from 1 January 2021. An application to use the new calibration levels was submitted to Finanstilsynet in March 2021. They will be implemented as soon as approval is granted.

In 2020, DNB applied for approval for a new PD model for retail mortgages. The new model is being run as a complementary model in internal risk management until Finanstilsynet gives its formal approval for use in IRB reporting.

In December 2022, DNB submitted an application for expansion of the application of the retail mortgage models and for permission to report Sbanken's retail mortgage portfolio using the advanced IRB method (A-IRB).

In addition to the general recalibration across the model park for IRB and the new model for retail mortgages, DNB is awaiting approval from Finanstilsynet in two more areas in 2023:

- Application for change related to processing of offers and financing certificates.
- Application for change of categorisation of corporates as retail.

Special requirements for DNB's IRB models

Corporates: Finanstilsynet has stipulated that the PD level in the large corporates portfolio should be relatively stable, irrespective of economic conditions, in order to avoid large variation in the capital requirement. In addition, a floor has been set for certain LGD models, which makes the models more conservative than warranted on a statistical basis.

Retail mortgages: Finanstilsynet has set requirements for the PD level in the retail mortgage portfolio by defining rules for weighting of downturns and upturns in the modelling. There is a minimum PD requirement of 0.2 per cent for all credit agreements. Finanstilsynet has also issued requirements for LGD levels. At the portfolio level, LGD should not be lower than 20 per cent. As a result of these requirements, the risk weights for the retail mortgage portfolio are higher than they would have been if they had been based on unbiased estimated PD and LGD.

Risk classification

DNB divides the healthy credit portfolio into ten risk grades based on the exposures' probability of default, PD. See the table on the right. Exposures that are in default are assigned a PD of 100 per cent.

IRB model validation

Independent validation is a key control function of DNB's IRB system. It is carried out by Model Risk Management, an entity that is independent of the entities in charge of model development and the establishment and renewal of loans.

New IRB models are subject to initial validation, while existing IRB models are validated annually. The validation results provide a basis for assessing whether the Group's IRB models, processes and the calculation of all risk parameters are accurate and consistent. Risk mitigation measures are recommended in cases where the validation results indicate a need for

DNB's credit risk classification

Risk grade	From PD	To PD	Moody's	S&P Global
1	0.01	0.10	Aaa - A3	AAA - A÷
2	0.10	0.25	Baa1 - Baa2	BBB+ - BBB
3	0.25	0.50	Baa3	BBB÷
4	0.50	0.75	Ba1	BB+
5	0.75	1.25	Ba2	BB
6	1.25	2.00		
7	2.00	3.00	Ba3	BB÷
8	3.00	5.00	B1	B+
9	5.00	8.00	B2	B
10	8.00	Defaulted[3)]	B3 - Caa/C	B÷ - CCC/C

3) PD in risk grade 10 goes to maximum 40 per cent

improvement. The CRO decides on the measures to be implemented. The results of this work are presented at least annually to DNB's Board of Directors.

Validation is based on a validation scorecard with six elements: design and development, input data, implementation, model usage, performance and governance. Each element is assessed for each model, with the exception of governance, which is assessed collectively across all IRB models. The six elements included in the validation are assessed using qualitative and quantitative methods. Validation of governance is a qualitative analysis that provides an assessment of whether the management of the models is consistent and good throughout the model life cycle.

The assessment of the model's performance consists largely of quantitative analyses, with a particular focus on the ranking of borrowers' creditworthiness (discriminatory power) and estimation of the level of risk parameters (calibration). A PD model with good rating capability can largely distinguish between customers who will default on their loan obligations and those who will not. An LGD model should be able to predict which defaulted credit exposures will result in relatively large and small losses. Validation of the calibration level should provide an assessment of whether the risk parameters have been established at the appropriate level. Discrepancies between predicted and observed levels are expected. Whether the deviations are acceptable depends on the risk parameter and the part of the business cycle in which the deviations occur. Since the LGD level should correspond to the loss severity during an economic downturn, the loss level observed during a normal period should be lower than the LGD estimate. The same applies to EAD.

EXPOSURES IN THE IRB PORTFOLIOS

The proportion of DNB's credit portfolio reported under the IRB method amounted to NOK 1 933 billion, measured in EAD, at the end of 2022. The credit quality improved slightly in the large corporate portfolio, and was in general strong throughout the year. There was growth in the IRB portfolios, particularly in the large corporate portfolio. Counterparty credit risk accounts for 2 per cent of the IRB portfolio's EAD and REA. The IRB portfolio's EAD and REA have increased by 2 per cent as a result of exchange rate fluctuations, mainly related to NOK versus USD and EUR.

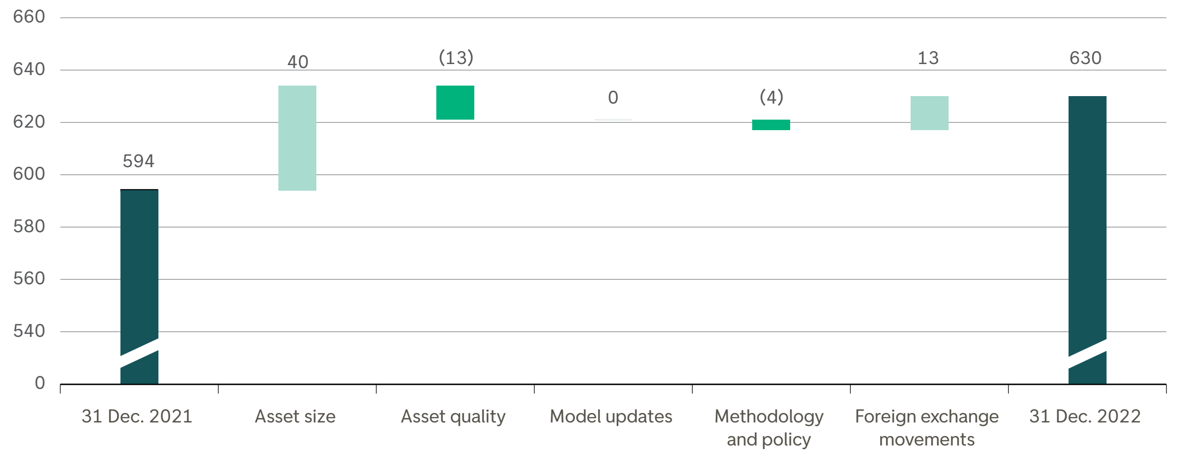
The introduction of CRR II led to several changes that affected the REA development throughout the year. Within counterparty credit risk, the calculation method for EAD has been changed from Current Exposure Method (CEM) to Standardised Approach Counterparty Credit Risk (SACCR). At the same time, DNB adopted the Internal Model Method (IMM) for interest rate and currency derivatives. The introduction of SACCR and IMM led in isolation to an increase in REA of NOK 4.8 billion. Furthermore, CRR II introduced an extended SME rebate, replacing the upper limit of EUR 1.5 million in recognised exposure by a gradual tapering of the percentage discount from EUR 2.5 million in recognised exposure. The discount is now given in the interval between 15–24 per cent reduction in REA. This change led to a decrease in REA of NOK 9 billion in the IRB portfolio. Overall, the introduction of CRR II led to a decrease of NOK 4.2 billion, which is illustrated in the figure as Methodology and policy.

Exposure classes in the IRB portfolio, EAD, 31 December 2022

Per cent

Development in Risk Exposure Amount for the IRB portfolio

NOK billion



CREDIT RISK EXPOSURES UNDER THE STANDARDISED APPROACH

About 36 per cent of the Group's credit portfolio measured by EAD was reported according to the standardised approach at the end of 2022, compared to 32 per cent in 2021. The increase is due to the acquisition of Sbanken in 2022. Key figures for the portfolios reported according to the standardised approach are presented in the section on capital requirements for credit risk.

DNB has been granted permission from Finanstilsynet to use the standardised approach to calculate risk exposure amounts (REA) to governments and central banks and for equity positions. Sbanken, the subsidiaries in Poland and Luxembourg and the associated companies calculate REA according to the standardised approach. Other portfolios that are reported according to the standardised approach are exposures to institutions, factoring and housing cooperatives in Norway. In addition, the approach is used when DNB does not have sufficient data to calculate REA according to the IRB approach.

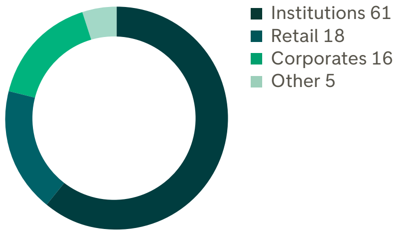
DNB's exposures calculated according to the standardised approach are allocated to 15 different exposure classes.

- central governments or central banks
- regional governments or local authorities
- public sector entities
- multilateral development banks
- international organisations
- institutions (banks, credit institutions, investment firms)
- corporations (non-financial companies, insurance companies, housing cooperatives)
- retail (private individuals)
- secured by mortgages on immovable property
- exposures in default (exposures overdue for 90 days)
- items associated with particular high risk
- covered bonds
- collective investment undertakings (exposures in the form of units or shares in CIUs)
- equity exposures (holdings of shares and other equity instruments not in the trading book)
- other exposures (prepaid expenses, cash in hand, deferred tax assets etc.)

According to the regulation, either the rating from an export credit agency or, where not available, the country rating from eligible credit assessment agencies such as Moody's, S&P Global and Fitch can be used to determine the risk weight for exposures to central governments, central banks and institutions.

Exposure classes in the standardised portfolio, EAD, 31 December 2022

Per cent



MANAGEMENT AND CONTROL OF CREDIT RISK

The risk appetite framework defines maximum limits for credit exposure. Limits have been set for annual growth, risk concentrations and credit quality. There is an upper limit for growth, measured in terms of EAD, for each customer segment. To limit concentration risk, there are limits for risk exposure related to individual customers and industry segments. The limits for credit quality are designed as limits for Expected Credit Loss (ECL) and apply to all types of credit risk. Expected Credit Losses are measured using internal credit risk models, and forward-looking macroeconomic assumptions.

In addition to the risk appetite framework there are credit strategies for the individual customer segments. Furthermore, there are established risk indicators, which are used for monitoring managers on all levels. To read more about risk appetite, please see the chapter on risk management and control in DNB.

Decision-making processes and authorisations

Group Risk Management is responsible for checking and monitoring the quality of credit portfolios and the effectiveness of the credit process. Group Credit Management is part of Group Risk Management and is responsible for establishing the framework for the credit process and for credit management in all business areas.

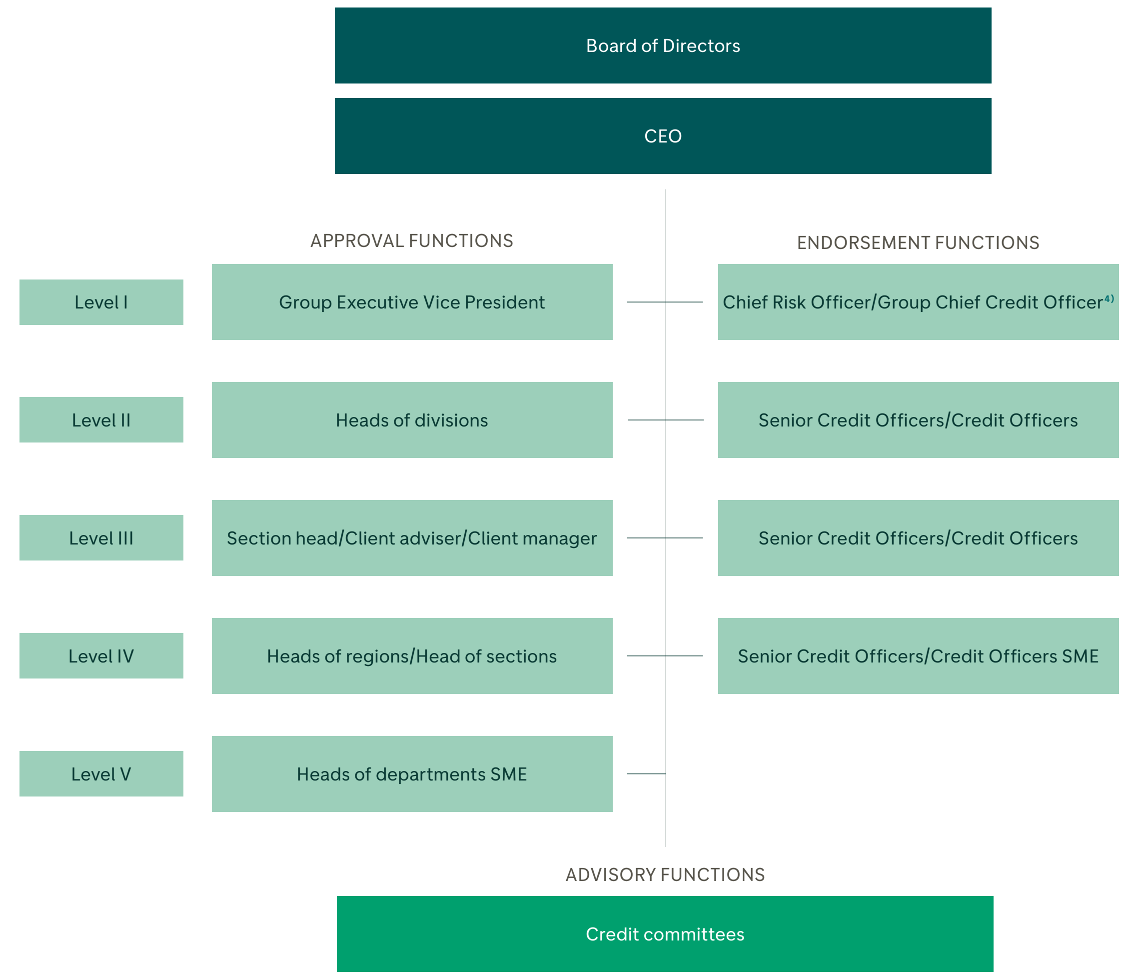
Each business area is responsible for managing its own credit activities and portfolios within the confines of the risk appetite limits and credit strategies. To ensure effective, high-quality decisions, DNB has established multiple levels of credit approval authorisations, see figure. The levels are based on the size, complexity of the credit, the required expertise and the risk involved.

All extension of credit is based on the "four eyes" principle. This means that one person makes a decision based on the recommendation of another person. In cases where the requested credit exceeds a specific level, the decision must be endorsed by a credit officer in Group Credit Management. For the smallest credits in the corporate segment, however, automated risk classification can replace one of the "pairs of eyes".

In the personal banking market, credit applications should, as a rule, be processed using automated measurement and decision-support systems. Applications from low-risk personal customers with good debt-servicing ability and a moderate debt/asset ratio are approved digitally. The process automatically collects data on income, debt, and assets, as well as updated information about the value of the collateral in connection with refinancing existing loans and issuing pre-qualification letters.

If the customer has not proven a satisfactory debt-servicing capacity, credit should normally not be granted even if the collateral is satisfactory. The customer's debt-servicing capacity is determined based on future cash flows. The main sources of these cash flows are income from business operations for corporate customers and wage income for personal customers. In addition, the extent to which realisation of the collateral will cover the bank's exposure in the event of default, and any reductions in future cash flows, are taken into account.

Credit decisions in DNB



4) The Chief Risk Officer (CRO) is the head of the Group Credit Committee (GCC)

All corporate customers with credit exposures must be risk-classified for each approval of significant size, and at least once a year. The risk classification should reflect the long-term risk related to the customer and the exposure.

Management of the risk classification system is organisationally independent of operational activity and is handled by Group Risk Management. The risk classification models are designed to cover portfolios of exposures. If a model is considered to provide a substantially incorrect classification for a single exposure, the model-generated classification may, in exceptional cases, be manually overridden. Overrides must be satisfactorily justified and made only after an assessment by an independent unit. Risk classifications of exposures to personal customers are never overridden. For more information, see the description of the classification system in the section on credit models and risk classification.

Authorisations

All credit approval and endorsement authorisations are personal. The exception is the Board of Directors, which approves credit proposals as a collegiate body. The Board decides on credit applications of an extraordinary nature. These are primarily credit applications corresponding to more than 10 per cent of the bank's own funds.

The Board of Directors has delegated credit-approval authorisation to the Group Chief Executive Officer. The Group Chief Executive Officer has further delegated this authorisation to the business areas and Group Risk Management. These are exercised in a decision-making system where the business area approves the application and Group Credit Management endorses decisions up to the board level on behalf of Group Risk Management.

A credit decision must be brought before a higher decision-making body if the decision-maker is in doubt as to whether the credit is within their own authority. The same applies if the case is unusual or raises ethical or reputational issues.

Collateral and other risk-mitigating measures

Collateral is used to mitigate credit risk. Collateral primarily consists of physical assets such as homes, commercial properties or vessels, or in the form of guarantees, cash deposits, netting agreements or credit insurance. As a rule, physical assets must be insured. In addition, the bank uses negative pledge clauses, which prohibit customers from pledging assets to other lenders. The value of collateral assets is assessed continuously during the term of the credit and haircuts are applied to most collateral categories. For larger/complex pledged objects, expert areas in the bank can be consulted. In the large corporates segment, the bank's relative position as a pledgee must be considered.

Guarantors are largely private individuals, businesses, the government, municipalities, export credit agencies and banks. The value of a guarantee depends on the guarantor's debt-servicing capacity and financial wealth and is assessed individually. In cases where the bank is given a guarantee by a company, its value will fluctuate along with the company's financial performance and financial strength. A guarantee provided by a limited company could be subject to the restrictions on the pledging of collateral by a limited company stipulated in the Norwegian Private Limited Liability Companies Act.

There are credit committees which are advisory committees for employees in the business area who approve credit, and the employees in the independent risk organisation who endorse credit decisions. There is a hierarchy of committees, where the Group Credit Committee (GCC), headed by the Chief Risk Officer (CRO), considers cases that are of interest to more than one business area.

Credit risk review

Through Credit Risk Review (CRR), DNB has an independent second-line function that controls compliance with credit standards, credit strategies and credit regulations. CRR performs controls in all of the bank's credit areas. One of the elements of CRR is a model input review (MIR), which aims to ensure the correct and consistent application of IRB models that include subjective input. CRR findings, including MIR findings, are used to implement improvement measures in daily credit work and for training purposes.

Credit risk reporting

The economic capital required to cover the credit risk is calculated for all credit agreements and forms the basis for evaluating the profitability of the agreements. The calculation is based on the risk parameters in the internal credit models and considers factors like industry concentration, geographic concentration, especially volatile segments and large individual exposures.

Exposure relative to the limits set in the risk appetite framework is reported to Group Management each month. If limits are exceeded, a report is sent to the Board of Directors to inform them of the cause, together with an action plan. The Group's risk report to the Board of Directors provides an extensive description of the risk appetite status and other developments in the credit risk situation. Group Risk Management has established an independent second-line function that conducts reporting and analysis of credit risk, including the follow-up of risk appetite. In the internal monitoring of credit risk, all portfolios are measured and reported using internal models, irrespective of whether or not the internal models have been approved for use in capital adequacy calculations.

WATCH LIST

DNB continually updates lists of exposures that need to be monitored extra carefully. The objective is to identify customers who require close monitoring so as to implement the necessary improvement measures or terminate the customer relationship while the customer still has financial control, in addition to taking the necessary measures to prevent or reduce losses.

An exposure will be put on a watch list for special monitoring in case of breach of financial covenants or when the customer has been granted grace periods on principal payments or other payment relief due to liquidity problems. In addition, exposures with the following characteristics are considered as candidates for the watch list:

- Customers classified as high risk.
- Customers whose financial situation has deteriorated, for instance due to a significant reduction in income, the loss of important business areas, significant changes to operating parameters or the loss of key personnel.

When a customer is placed on a watch list, a new risk assessment is performed, the collateral is reviewed, and an action plan is prepared for the customer relationship. If anticipated default is considered a likely option, an assessment is done to determine whether this calls for impairment of the exposure. Please see the section on impairment and default earlier in this chapter. For more information about exposures with payment relief see forborne exposures on page 38.

STRESS TESTING

DNB's credit portfolios are subjected to a variety of stress tests, both at an overall level and for specific portfolios. The stress tests are used to gauge vulnerability to losses resulting from either loss of income or customer defaults within a business area or a specific portfolio. Stress tests are used to identify critical drivers for credit risk. Stress testing of the total credit portfolio is done at least twice a year in connection with the Internal Capital Adequacy Assessment Process (ICAAP) and recovery plan review.

Several methods are used to estimate credit losses in stress testing. Group-wide stress tests use the model for calculating expected credit loss (ECL) according to IFRS 9. Starting with a stressed macroeconomic scenario like the one described in the chapter on capital management, the PD, LGD and EAD for each individual borrower are calculated forward in time using the stressed scenario as input to the models. The new PD, LGD and EAD values are then applied in new estimates of expected credit loss.

DNB uses a bottom-up methodology and specially developed scenarios for stress testing of subsidiaries, business areas and specific portfolios. These may consist of fewer macroeconomic variables or involve more direct changes to risk parameters in the models.

Stress testing of credit portfolios is an important tool that is actively used in the management of credit risk. Results from the stress tests are included in the quarterly reporting to the board.

5
Counterparty credit risk

Counterparty credit risk is sensitive to market changes in, for instance, interest rates and exchange rates. The counterparty credit risk in DNB, measured as EAD, varied throughout the year and, at the end of 2022, was about 13 per cent higher than the previous year. Changes in the methods of calculating EAD for counterparty credit risk explain part of this development. DNB enters derivative contracts on the basis of customer demand for hedging instruments and to hedge its own market positions resulting from customer activity. In addition, derivatives are used to hedge positions in the trading portfolio, for general positiontaking and to hedge foreign exchange and interest rate risks that arise in connection with funding and lending.

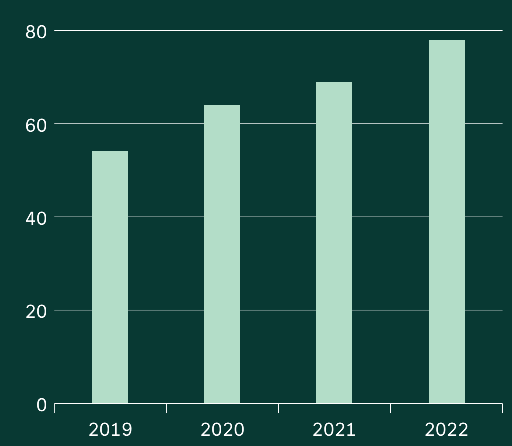
Content

Definition

Counterparty credit risk is a form of credit risk that arises in connection with trades in financial instruments such as derivatives, securities financing transactions or repurchase agreements ("repos"). Derivatives are most often traded Over-the-Counter (OTC), i.e. through individual contracts between two counterparties. Counterparty credit risk is the risk that the counterparty will fail to perform its contractual obligations in a transaction, and it differs from other credit risks in that the exposure usually depends on market risk factors such as interest rates, exchange rates, commodity prices or share prices.

Counterparty credit risk, EAD

NOK billion



Risk exposure amount for counterparty credit risk

NOK billion

25.2 (24.7)

(2021 figures)

DEVELOPMENTS IN COUNTERPARTY CREDIT RISK IN 2022

During 2022, counterparty credit risk in DNB increased by 13 per cent to NOK 78.2 billion year-end 2022, measured as expected exposure at default (EAD). 87 per cent of EAD arises from derivatives and the remainder from securities financing transactions and repurchase agreements.

There was great volatility in the energy markets towards the end of 2021, and with the war in Ukraine. Commodity markets remained extremely volatile through 2022, which had a particularly strong impact on gas prices. This led to fluctuations in the bank's derivative exposure throughout the year. As clients who are involved in energy production hedge parts of their production against falling prices, their hedge contracts increase in value from DNB's point of view when the price increases, thus increasing the EAD.

CAPITAL REQUIREMENTS FOR COUNTERPARTY CREDIT RISK

The Risk Exposure Amount (REA) for counterparty credit risk in DNB came to NOK 25.2 billion at year-end, up from NOK 24.7 billion at year-end 2021. REA for counterparty credit risk stands for around 2.4 per cent of DNB's total REA. The capital requirement for counterparty credit risk is calculated in the same manner as for credit risk, except for the calculation of exposure at default (EAD).

The methods for calculating EAD were changed when CRR II was introduced in Norway on 1 June 2022. This meant that the Current Exposure Method (CEM) was replaced by a new standardised approach, SA-CCR. When reporting on compliance with the capital requirements, DNB thus uses a combination of SA-CRR and internal models (Internal Model Method, IMM) from and including the second quarter of 2022. The SA-CCR method is used to calculate the exposure to commodities and equity derivatives. EAD for interest and cross currency derivatives is measured using internal models (IMM). The IMM for calculation of counterparty credit risk better reflects the risk sensitivity and provides the full effect of risk-mitigating agreements. Guidelines for the management of the IMM models are described in the bank's model risk framework. This means that the models are regularly tested and validated by an independent validation function. For more information about the validation principles, which also apply to the IMM models, see the chapter on credit risk. DNB's IMM models are approved to use a regulatory scaling factor (alpha) of 1.4.

REA for counterparty credit risk is calculated by using the credit risk method approved for the counterparty (Internal Ratings-Based Approach (IRB) or standardised method). For more information on calculating capital requirements, see the chapter on credit risk. For information about capital requirements for Credit Value Adjustment (CVA), see the chapter on market risk.

RISK-MITIGATING MEASURES

To minimise counterparty credit risk against individual counterparties, DNB enter into netting agreements. These agreements make it possible to net the positive and negative market values linked to contracts with the same counterparty. For repurchase agreements and securities financing transactions, the counterparty can only borrow against part of the market value of the collateral. The loan-to-value ratio is set conservatively to ensure that the bank's exposure is very limited. The value of the collateral exceeds the bank's exposure.

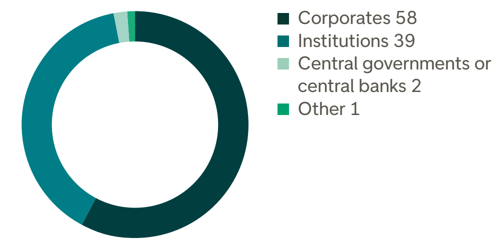
DNB has entered into bilateral margin agreements with all financial derivative counterparties, in addition to an increasing number of non-financial counterparties. These agreements are called Credit Support Annex (CSA) agreements. Under these agreements, the market value of all derivative contracts between DNB and the counterparty is settled daily, which largely eliminates counterparty credit risk. These collateral transactions are mostly settled in cash, though securities are used as well. All new derivative contracts with financial counterparties are now made under CSA agreements that satisfy the European Market Infrastructure Regulation (EMIR).

The agreements are not normally dependent on the credit quality of the counterparty. A minority of the CSA agreements the bank has entered into, including the agreements with DNB Boligkreditt, state that DNB must provide additional collateral for the counterparties' exposures if DNB's credit rating falls below certain thresholds. The agreements then state that the threshold value for collecting collateral will be lowered, in order to further reduce the credit risk for the other counterparty. The number of notches depends on the rating agency, since DNB has different ratings with different agencies and because their requirements are different. At year-end 2022, a downgrade of three notches would have resulted in NOK 475 million of increased collateral.

In line with market practices and regulations following the financial crisis, an increasing proportion of derivative contracts are being cleared by Central Counterparties (CCPs). In the EU and Norway, EMIR requires mandatory clearing of OTC (Over-the-Counter) derivative contracts between financial counterparties. By clearing of derivatives, counterparty credit risk is moved from

Counterparty credit risk split by sector, EAD, 31 December 2022

Per cent



several single counterparties to one central counterparty with full netting of all agreements. Central counterparties are regulated and have procedures for mitigating risk. Among other things, the financial requirements for the members include both initial margin and variation margin, as well as contributions to the default fund. They also have thorough procedures for dealing with any member default. The central counterparties hold several layers of capital to absorb losses resulting from defaults among the members. The principle is that the defaulting party must cover losses in the first instance via deposited funds. Then, part of the CCP's own capital will be used before the other members' default funds.

DNB is a member of several central counterparties and clears both interest rate, equity and commodity derivatives, as well as repurchase agreements. The largest exposure is with respect to LCH and stems from interest rate derivatives. As at year-end 2022, approximately 90 per cent of DNB's outstanding volume of standard interest rate derivatives had been cleared through LCH.

Capital requirements are calculated for exposure to central counterparties in accordance with CRR/CRD. At year-end 2022, REA related to exposure to central counterparties amounted to NOK 375 million. Counterparty credit risk in equity derivatives, securities financing transactions and currency trading for private customers is reduced by the fact that increases and decreases in market value are settled daily.

SETTLEMENT RISK

Settlement risk is linked to the settlement of transactions where the bank has met its obligation to deliver the agreed security or sum without knowing whether the counterparty has met its obligation to deliver the agreed security or sum to the bank. One example is a currency exchange where the bank sends the agreed amount in one currency before receiving the agreed amount in the other currency. DNB has established various measures for mitigating and controlling settlement risk. One important measure is the balance check on the account. This means that the bank does not make payment to the counterparty until coverage is established for the obligation on the counterparty's account. Moreover, in connection with settlements of securities transactions, one of the conditions attached to the securities account is that securities cannot be delivered before the bank has received payment. The normal procedure in the banking market is that the main currencies are settled through Continuous Linked Settlement (CLS). CLS ensures payment versus payment, which means that the final transfer of the bank's payment is not executed until the counterparty's payment takes place. In addition, settlement risk limits have been established which entail a ceiling for a single counterparty's total settlement amounts that fall due on the same day.

GOVERNANCE AND MANAGEMENT OF COUNTERPARTY CREDIT RISK

Management of counterparty credit risk in DNB is covered by both the Group Instructions for Market Risk and the Group Instructions for Credit Activity. The Group Instructions for Credit Activity are described in detail and operationalised in the credit manual, which describes the credit process, frameworks, and credit management. Counterparty credit risk is included in the risk appetite for credit risk and limits are delegated to the different authorisation levels specified in the credit guidelines, which are described in more detail in the chapter on credit risk.

The Financial Markets Risk Committee (FMRC) is headed by the Chief Market Risk Officer (CMRO) and is responsible for approving and following up principles and procedures for market and counterparty credit risk. FMRC has a special responsibility for assessing and approving measurement methods related to internal models. The decision maker for changes to the internal models is the Chief Risk Officer.

A combination of historic time series and the current market prices for various risk factors are used to calibrate the simulation models. The simulation models are continuously monitored and upgraded so DNB can ensure that they are always suitable for the area of application. Among other things, the models' predictive power is tested quarterly through automated backtesting.

The internal models that are used to calculate counterparty credit risk exposures are validated annually by the independent validation unit in Group Risk Management. In addition, Group Audit conducts an annual review of the system's compliance with CRR requirements. Both validation and audit reports are processed in FMRC and by Group Management and are presented to the Board.

STRESS TESTING AND WRONG WAY RISK

DNB has established a special programme for stress testing counterparty credit risk. The stress testing programme is designed to identify undesired future outcomes of the total counterparty credit risk exposure both in isolation and together with the bank's total credit risk exposure. Central to stress tests is the design of various scenarios. In addition to identifying potential losses related to counterparty credit risk exposure, stress tests also identify specific and general correlation risk between credit risk and market risk factors, so-called Wrong Way Risk (WWR). WWR is an additional risk that may arise through an adverse correlation between counterparty exposures and the credit quality of the counterparties.

To define and manage WWR, DNB has drawn up specific governance documents, which describe how the risk is to be identified in individual cases and at portfolio level. WWR is reported to the management of DNB Markets and Group Risk Management, among others. Particularly significant instances of WWR are followed up by FMRC.

6
Market risk

Market risk in DNB, measured as economic capital remained stable at a low level in 2022. There are significant diversification effects within marked risk in DNB. Market risk arises primarily from the bank's asset and liability management, customer activities in DNB Markets AS and equity investments. Among the most significant risk factors are interest rates, currencies and credit spreads.

Content

Definiton

Market risk is the risk of losses due to unhedged positions in the foreign exchange, interest rate, commodity and equity markets. The risk reflects potential fluctuations in profits due to volatility in market prices or exchange rates. Market risk occurs in several segments of DNB and includes both risk which arises through ordinary trading activities and risks that arise as parts of banking activities and other business operations.

Market risk as a share of economic capital

Per cent

Risk exposure amount for market risk

NOK billion

14.0 (15.2)

Market value of equity and real estate investments in the banking portfolio

NOK billion

23.0 (18.4)

(2021 figures)

MARKET RISK DEVELOPMENTS IN 2022

The inflation both in Norway and internationally has risen in 2022 and the central banks worldwide has answered by increasing the policy rates. The stock market has fallen due to increased interest rates, and the NOK weakened considerably throughout 2022, even though it appreciated somewhat at the end of 2022.

The value of basis swaps between NOK and USD usually fluctuates opposite of bonds in the liquidity portfolio. The diversification contributes to the fairly stable level of market risk in DNB, even in times of market turmoil. This is important to DNB since the bank to a large extent funds itself in foreign currencies.

At the end of 2022, the economic capital was NOK 10 billion, slightly lower compared to the end of 2021. DNB uses an internally developed simulation model to calculate the economic capital. The model estimates the economic capital on the 99.9 per cent quantile and covers all significant risks in DNB.

Utilisation of risk limits set by the Board has been moderate, with only small adjustments to the limits in 2022. The limits for market risk are discussed later in this chapter.

The trading portfolio

The trading portfolio consists of positions in securities and derivatives held for the purpose of resale or to take advantage of price or interest rate fluctuations in the short term, as well as hedging such positions. For example, the instruments in the trading portfolio are related to customer transactions through DNB Markets and include "market making" and facilitating company financing. The definition of the trading portfolio is given in the CRR/CRD regulations and DNB has implemented an internal guideline that describes the boundary of the trading portfolio.

The banking portfolio

Market risk that is related to positions and activities that are not included in the trading portfolio is referred to as the banking portfolio in DNB. The banking portfolio is composed of financial instruments that, among other things, come from the Group's financing activities and equity capital investments. There is also market risk in the banking portfolio due to different fixed-rate periods for debt and assets.

CAPITAL REQUIREMENTS FOR MARKET RISK

Capital requirements are calculated according to the CRR/CRD regulations, and DNB reports market risk according to the standardised approach. According to CRR/CRD, capital requirements for interest and share price risks associated with the trading portfolio are calculated under Pillar 1. Capital requirements are calculated for currency and commodity risk for overall operations under Pillar 1. The capital requirement for market risk in Pillar 1 was slightly reduced. The change is attributed to a increase in risk connected to debt instruments, which is partly offset by an decrease in CVA risk.

The market value of derivative contracts depends on the counterparty's creditworthiness and other market risk factors. Credit Value Adjustment (CVA) is an adjustment of the market value of Over-the- counter (OTC) derivatives in order to account for impaired creditworthiness of the counterparty. Provisions are calculated for CVA and recognised in the income statement. The capital requirement for CVA should cover the risk associated with the volatility of CVA provisions. DNB calculates capital adequacy requirements under Pillar 1 for CVA risk according to the standardised approach in CRR/CRD. The development in the risk exposure amount (REA) for CVA risk in the DNB Group is shown in the figure. In addition, there are capital requirements under Pillar 2 for market risk in the banking portfolio and other risk not covered by Pillar 1.

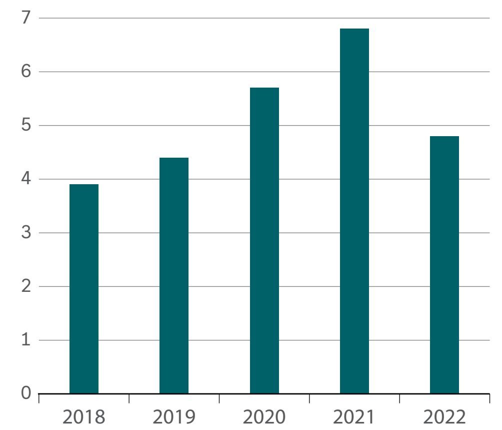
Risk exposure amount (REA) for market risk

NOK million	31 Dec. 2022	31 Dec. 2021
Position and general risk, debt instruments	8 590	7 767
Position and general risk, equity instruments	509	661
Currency risk	151	31
Commodity risk	3	0
Credit value adjustment risk (CVA)[1]	4 782	6 777
Total market risk	**14 035**	**15 236**

1) In the in CRD IV reporting (Corep) the CVA risk is not included in market risk

Development in REA for CVA risk

NOK billion



MARKET RISK EXPOSURE

Market risk limits

Overall risk limits are established for market risk in the risk appetite framework, expressed as the maximum share of economic capital.

The risk appetite framework for market risk is operationalised in the form of limits for each type of risk. The limits for significant market risk exposures are determined by the Board of Directors. Limits are set at least annually and will automatically expire if not renewed. The limits are delegated by the Board of Directors to the Chief Executive Officer (CEO), who delegates them further to risk-taking entities that make investment or trading decisions. If limits are breached, this must be reported immediately both to whomever delegated the limits and to Group Risk Management (GRM).

Administrative limits and escalation levels are set for exposures that are defined as less significant. Such limits are used when there is a need for operational scope of action. Administrative limits are determined by the Group Executive Vice Presidents. Any changes to administrative limits must be reported to GRM and the Chief Risk Officer (CRO). The table gives an overview of the most important administrative limits and limits set by the Board that applied at the end of 2022. In addition to these, smaller limits are set for options.

Market risk limits, 31 December 2022

NOK million		Limit, trading portfolio	Limit, banking portfolio	Total	Description
Limits set by the Board	Interest rate risk[2]	4	7	11	Sensitivity limit
	Currency risk	2 500		2 500	Market value limit
	Equity risk	2 200	750	2 950	Market value limit
	Commodities risk	300		300	Market value limit
	Basis swap risk[2]	15/(30)		15/(30)	Sensitivity limit
Administrative limits	Commercial real estate risk		1 025	1 025	Market value limit
	Physical asset risk[3]		9 250	9 250	Market value limit
	Strategic investments[4]		23 000	23 000	Market value limit
	Basis curve risk[2]	62		62	Sensitivity limit
	Credit spread risk Markets	6		6	Sensitivity limit
	Credit spread risk Treasury[5]	70		70	Sensitivity limit

2) Basis point value 3) Includes residual value of vehicles associated with leasing operations 4) Includes investments in Luminor Group AB and Vipps
5) The liquidity portfolio's mandate specifies the allocation between the trading and the banking portfolio

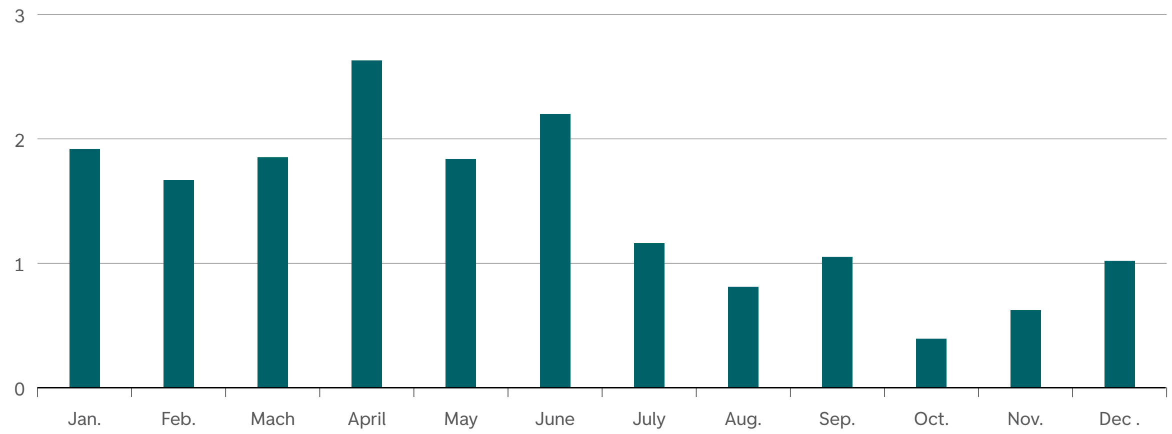
Interest rate risk

Interest rate risk occurs when financial instruments change value because of interest rate fluctuations and occurs both in the banking and the trading portfolios. Interest rate risk is expressed as NOK per basis point value (BPV), which represents how much the present value of the positions will change if the underlying interest rate changes by one basis point. BPV is thus a measure of how sensitive the value of the bank's portfolios is to changes in interest rate levels. The figures show the interest rate risk in the trading and banking portfolios, respectively. The average exposure to interest rate risk over the whole year was NOK 1.4 million per BPV for the trading portfolio and NOK 3 million per BPV for the banking portfolio.

DNB's total interest rate risk limit at the end of 2022 amounted to NOK 11 million per basis point change, distributed between NOK 4 million in the trading portfolio and NOK 7 million for other exposures. Separate limits are set for each currency and the different intervals on the yield curve. Interest rate risk is measured and reported daily in DNB Markets and Group Treasury. The limits were not breached in 2022.

Interest rate exposure in the trading activities, BPV, 2022

NOK million



Interest rate exposure in the banking activities, BPV, 2022

NOK million

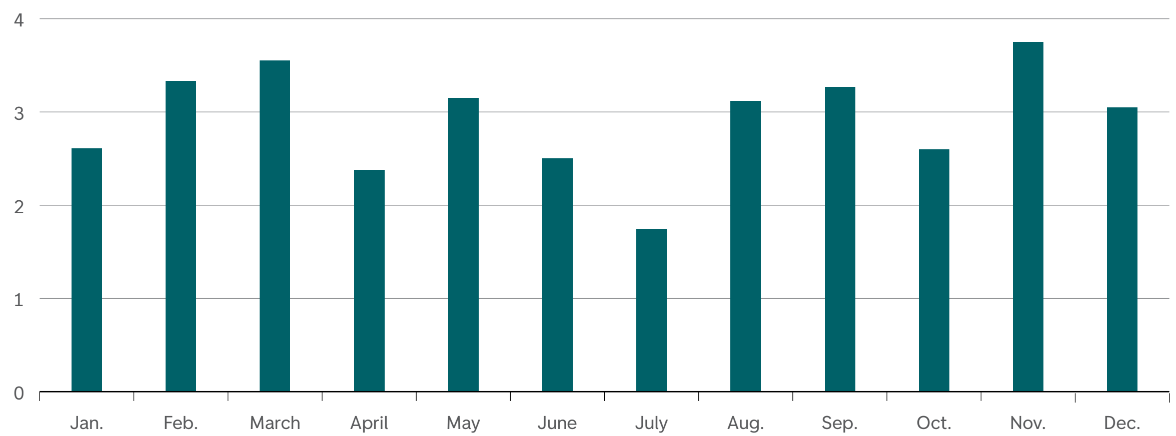


Table EU IRRBBA - Qualitative information on interest rate risks of non-trading book activities

a)	IRRBB is defined as the current or future risk to the bank arising from adverse interest rate movements that affect the banking portfolios, both through a change in the present value and future cash flows of financial instruments that are sensitive to interest rate risk.
b)	Market risk constitutes a small part of the overall risk in DNB. Group Treasury is the entity responsible for managing, among other things, the Group liquidity and market risks arising in the banking portfolio. The interest rate risk strategy is conservative and based on the bank's size and risk capacity.
c)	DNB measures and reports to management interest rate risk exposures and related limits usage daily. Group Risk management monitors and executes dedicated daily second line controls.
	In addition to the minimum requirement stated in the EBA guidelines, delta NII (net interest income), delta EVE (economic value of equity) and other key figures are calculated and reported at least monthly, and more frequently, if necessary, to other relevant recipients, including the management of Group Treasury and the Asset Liability Committee (ALCO). Group Risk Management is responsible for developing and distributing internal and external reports.
	Basis point value (BPV) is the central risk measure for interest rate, credit and basis risk. To quantify the interest rate risk in the banking portfolio, changes in expected future profitability (delta net interest income, delta NII) and the change in the net present value of different interest-rate-sensitive assets and liabilities over their remaining life as a result of an interest rate shock (delta economic value of equity, delta EVE) are calculated. The bank's interest rate risk measures include both gap, basis and option risk elements.
d)	Changes in expected net interest income for the banking portfolio are calculated according to the EBA guidelines on the management of interest rate risk from non-trading book activities (IRRBB, EBA/GL/2022/14). The scenarios considered are an instantaneous upwards and downwards parallel shift in the yield curves of 200 basis points. In addition, methods and assessments that are appropriate for the bank's characteristics and business activities are internally developed, which include a rate fall scenario of 100 bps to account for the level of rates in the individual currencies in scope and non-parallel shocks to consider basis and credit risk. The effect on the economic value of the interest-rate-sensitive instruments is calculated according to the scenarios of the Supervisory Outlier Test required by the EBA regulation (EBA/GL/2022/14): parallel shift based on calibrations up and down; short interest rates down, long interest rates up; short rates up, long rates down; short rates up and down. Additional scenarios are also in use to reflect the bank's characteristics.
e)	The key modelling and parametric assumptions used by the bank for IRRBB measurement are the same as those used to produce the figures included in the template EU IRRBB1.
f)	The Bank prioritises the IRRBB management approach based on economic risks, but also ensures understanding of the accounting policies and their effects. The effects of the various accounting policies on IRRBB are predominantly a consequence of the business model and measurement method applied to the various instruments and portfolios in scope. The Bank's principles are disclosed in several Notes to the balance sheet, including Note 1 on accounting principles in the sections covering Financial Instruments and Derivatives, the Note on Financial Derivatives and Hedge Accounting, the Note on Net Interest Income, the Note on Net Gains on Financial Instruments at Fair Value and the Note on Classification of Financial Instruments. The Bank performs IRRBB calculations based on a constant balance sheet for dNII and run-off balance sheet for dEVE. Accounting equity is excluded from the EVE IRRBB measurement but included in the NII IRRBB measurement. The bank's equity is not considered to have any long-term interest rate exposure, but rather to have an interest rate binding corresponding to the notice period for changes of loan terms (i.e. interest rate). For non-maturing assets and liabilities, except from regulations-based notice periods, the repricing frequency of both non-maturing assets and liabilities is set to one day. Commercial margin considerations are included for dNII purposes but excluded from dEVE calculations. or EVE prposes, positive changes in the value due to interest rate changes are weighted by 50 per cent. For NII purposes, no offsetting rules are applied. Zero interest rate floor and negative interest rate effects are included in the bank's estimations.
g)	From a dEVE perspective, based on position as of 31 December 2022, the Supervisory Outlier Test scenario producing the worst case result is "short rates down", with a negative effect equal to NOK 218 million. From a dNII perspective, based on positions as of 31 December 2022, the scenario producing the worst-case result is the a parallel shift down by 200 BPV, with a negative effect equal to NOK 3 915 million.
h)	Traditional banking, for example issuing loans and accepting deposits, have an intrinsic sensitivity towards changes in interest rates. Since the majority of loans and deposits in Norway have a floating interest rate, interest rate risk in the banking book constitutes a smaller risk in Norwegian banks, DNB included, than banks in most other countries. For a large majority of floating interest rate products, so called p.t. (pro tempore) based, it is the bank's own discretionary decision to set the price (interest rate) of loans and deposits. Such products have no interest rate risk or duration beyond the notice period set by law. Fixed-rate loans constitute a very limited part of the loan portfolio, and the bank has the possibility to pass on to the customer any reduced premia related to early payments. The volume of deposits without contractual maturity (NMD), which are both stable and interest-independent, is negligible. This insight forms the basis for the bank's assumption of not attributing any interest rate risk to NMD and not modelling any duration beyond what follows from the notice period set by law.
i) and k)	The average and longest repricing maturity assigned to non-maturity deposits is approximately eight weeks.

Equity investments
Equity investments in the banking portfolio are grouped into direct investments, venture investments, the credit portfolio, strategic financial investments, strategic subsidiaries, real estate investments and investments in Private Equity funds (PE funds). As a shareholder, DNB actively exercises ownership in selected companies through their Boards of Directors. Exposure relative to market risk limits is measured based on the investments' market value, including any future commitments in PE funds. The fair value of the investments is NOK 23.0 billion, slightly up from 18.4 last year, mainly due to positive value development of the portfolio.

- Direct investment is an investment portfolio of unlisted companies.
- Venture investments, through DNB Venture's mandate, comprise an investment portfolio of Nordic start-ups with considerable innovation capabilities. The target companies may have synergy effects for the DNB Group.
- The purpose of the credit portfolio is to secure or recover the value of credit exposures through ownership and subsequent realisation. Based on business-related and long-term assessments, the bank may decide to sell equities pledged as collateral or convert defaulted debt into equity and ownership.
- Strategic financial investments are investments in the financial sector with a strategic perspective. Ownership of Fremtind Forsikring AS, Luminor Group AB and Vipps AS are among the largest investments.
- Real estate exposures are either strategic real estate investments or properties repossessed as a result of credit default. Real estate exposure is measured as the market value of the underlying properties, regardless of the financing structure.
- The PE (private equity) portfolio consists of shares in unlisted PE funds. The portfolio consists mainly of acquisition funds that invest in mature enterprises and a smaller proportion in venture funds investing in companies in the start-up phase.

For ordinary shareholdings, the difference between the book value and the fair value is used for value adjustments of the shareholding. For subsidiaries and associated companies, the book value is equal to the market value. For real estate, the book value is the carrying amount of the properties in the company accounts, while the market value is the last valuation of the property.

Fair value is defined as: "the price that would have been obtained from the sale of an asset or paid to transfer liability in an orderly transaction between market participants at the valuation date". DNB determines the fair value of financial instruments either by using prices obtained directly from external data or by using valuation methods. The valuation uses the most relevant, observable input data and the least possible non-observable input data. Valuation methods can be categorised as "market approach", "revenue approach" and "cost approach". Assets and liabilities measured or stated at fair value are categorised into the following three levels:

Equity and real estate investments in the banking portfolio, 31 December 2022

NOK million	Book value	Fair value	Realised gains/losses	Total unrealized gains/losses
Direct investments	85	214	(20)	75
Venture investments	70	90	-	-
Credit portfolio	2 429	3 419	524	460
Short strategic financial investments	4 093	6 020	208	34
Long strategic financial investments	9 893	12 585	-	(107)
PE funds including loan portfolio	101	153	4	(16)
Total Equity Investments	16 670	22 482	716	446
Real estate portfolio Investments, M&A	307	507	11	(18)
Real estate portfolio Poland	-	-	-	-
Total Real Estate Investments	**307**	**507**	**11**	**(18)**
Total Equity and Real Estate Investments	**16 977**	**22 989**	**727**	**429**

Level 1: Listed prices (not adjusted) in active markets for identical assets or liabilities to which the company has access at the valuation date.
Level 2: Input data other than listed prices, which can be directly or indirectly observed for the asset or liability.
Level 3: Non-observable input data for the asset or liability.

Other exposures
Basis swap spread risk arises because a substantial portion of DNB's assets in NOK is funded with foreign currency through covered bonds issued by DNB Boligkreditt AS or through other debt instruments. The currency is swapped to NOK through basis swaps with the same or shorter term. A basis swap is a combined interest rate and currency swap where the parties exchange future cash flows and agree to pay and receive interest. Basis swaps are normally held to maturity and value is assessed daily. This entails that the recognised value of a swap fluctuates during the term of the swap. There are no limits on basis swaps that are used in connection with funding.

Currency risk in the Group is hedged against DNB Markets, which is thus the only entity that is directly exposed to traditional currency risk. The exposure is low and is predominantly linked to business operations and, to some extent, to supporting customer trades.

Asset risk (other physical assets) is exposure to direct ownership of physical assets that are not standardised. Examples of such assets are industrial equipment and construction machinery. The majority of the limit for this risk covers exposure to the residual value of vehicles associated with leasing operations.

Credit spread risk mostly arises as a result of the bank's liquidity risk management through the management of bonds in the liquidity portfolio. In addition, there is some credit spread risk in the trading portfolio as a result of secondary market trading and investments in the primary market. Secondary market trading takes place mainly through market-making of Norwegian bonds and commercial papers. The credit spread is the add-on to the reference interest rate in a bond coupon. Credit spread risk is the risk of changes in market assessments of the credit spread.

Equity-related risk in the trading portfolio arises mainly because of DNB Markets performing market-making in shares and equity derivatives on electronic marketplaces and to customer brokers. In addition, DNB Markets sets prices for convertible bonds. Market risk as a result of all these activities is managed on an ongoing basis within the relatively moderate equity limits allocated to the trading portfolio.

In addition, there are limits for commodities risk and basis curve risk. Commodity exposure is moderate, and the risk associated with the exposure is marginal. Basis curve risk occurs when interest rate instruments denominated in the same currency are not valued with the same yield curve.

MANAGEMENT AND CONTROL OF MARKET RISK

The Group Policy for Risk Management covers all risks in DNB. For market risk, the policy is elaborated and specified in the framework for market risk that establishes definitions, principles for delegation of limits and requirements for the management of market risks, including IRRBB. The framework for market risk is reviewed and updated at least annually. Local instructions for business areas with significant market risk exposure have been implemented. The local instructions operationalise the framework in the individual business area.

DNB uses various risk measures in the management and control of market risk:
- Economic capital is used to measure the overall market risk and in the internal risk and capitalisation assessments.
- Value at Risk (VaR) is used to measure aggregated risk across exposure classes and is a supplementary risk measure. VaR is calculated for interest rate, equity and currency risk. Limits are not set for VaR.
- Sensitivity measures are used to report and follow up exposures against specific limits, e.g. yield curve intervals. Sensitivity measures in the market risk measurement reflect how much the bank risks losing at a given change in the underlying risk type. The sensitivity measures are important for the qualitative risk assessment and are also used as a basis for quantitative risk modelling.
- Stress tests of EVE and NII are used to measure interest rate risk outside the trading portfolio (IRRBB).

In addition to the risk measures that are included in the follow-up of market risk, stress testing is used to identify exposures and losses that could arise under extreme but, at the same time, plausible market conditions.

The Financial Markets Risk Committee (FMRC) is headed by the Chief Market Risk Officer (CMRO). The committee follows up the framework for managing market risk related to the bank's activity in financial markets, including methodology and control procedures. The FMRC has members from Group Risk Management, DNB Markets and Group Treasury.

Market risk exposure, risk appetite and limit utilisation are reported monthly to Group Management and the ALCO, and quarterly to the Board of Directors.

7 Operational risk

DNB's operations have been stable throughout 2022. Operational losses have mostly been internal matters with little impact on customers. High market volatility and increased geopolitical tension have been the biggest risk drivers this year.

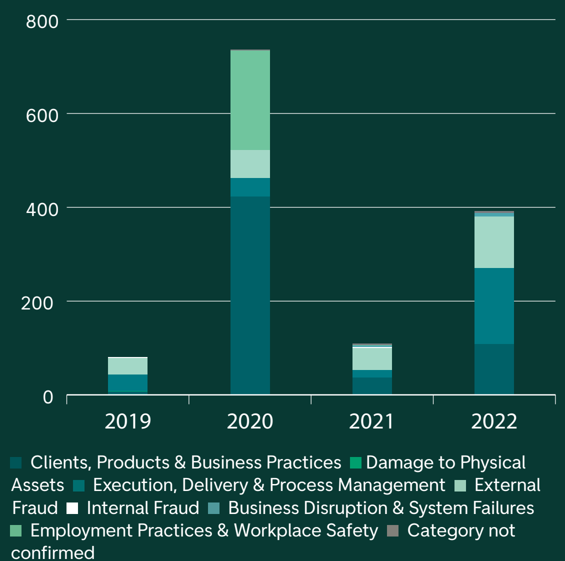
Content

Definiton

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems or from external events. Reputational risk is not covered by this definition but is a separate type of risk that is discussed at the end of this chapter.

Operational losses

NOK million



Risk exposure amount for operational risk

NOK billion

105.4 (98.4)

Operational events

Number

4 581 (4 007)

(2021 figures)

DEVELOPMENTS IN OPERATIONAL RISK IN 2022

The war in Ukraine

The war in Ukraine in February had several effects on operational risk. The most obvious was the danger that the war could spread to other parts of Europe, possibly as cyberattacks or other forms of hybrid warfare. Espionage and intelligence operations are also more likely than before. The amount of such attacks has nevertheless been limited and none appear to have been aimed specifically at DNB. Cybersecurity measures have been strengthened to counter the increased threat, but DNB has not been subject to major attacks related to the war.

Western countries have introduced sanctions against a number of Russian enterprises and individuals. Financial services companies play an important role in implementing the sanctions and the extent of this work has at times been demanding. Preparations were made to onboard large numbers of Ukrainian refugees in need of Norwegian bank accounts, and this was handled without significant problems. DNB's operations in Latvia and Poland were also subject to special attention due to these countries' historical ties with Russia and Ukraine, and their proximity to the conflict. DNB has not had significant operational losses related to the war.

Sbanken

DNB acquired Sbanken in 2022 and the merger will be completed in 2023. Certain operational aspects such as moving and integrating IT services with DNBs systems platform, will continue into 2024. Risks are managed closely in the project to ensure appropriate measures through the various phases and work streams.

IT and security

DNB is continuously modernising its IT services and the way they are managed. Long-term projects to replace legacy core and payments systems are underway and the all-digital Sbanken will be integrated into DNBs IT portfolio in 2024. Such projects are important to ensure stable and secure operations for the future.

The primary indicator for IT operations in DNB is "green days". A green day is a day when IT services run smoothly, without negative impact for customers. Operational stability has been improved significantly over the past few years, and in 2022, we had around 95 per cent green days. The incidents that caused "red" and "yellow days" were spread throughout the year and different services. DNB publishes the current status on such incidents at https://www.dnbstatus.no/.

IT competence is in demand all over the world and DNB works actively to attract the best talents. A project has been set up to ensure sufficient competence and skills through recruitment and development of personnel in the coming years.

A cyber security roadmap governs progress and priorities for improving DNB's cyber defence. The aim is to increase maturity through standardising controls and improving culture and competence.

Incidents

DNB has received daily fines of NOK 50 000 per business day since 1 September for failing to fulfil an order to re-verify the identity of all customers. This came after an extensive project in which around one million customers provided updated proof of identity. Although this project had high priority and digital ID

check resolved the issue for most people, many cases have been difficult to resolve in an acceptable manner. The remaining customers are being managed through targeted measures.

Operational losses in 2022 amounted to NOK 392 million, which is somewhat higher than the average for the past ten years. Most of these events were due to internal failures that caused increased cost and loss of income for DNB, but no significant impact on our customers.

CAPITAL REQUIREMENTS FOR OPERATIONAL RISK

DNB uses the standardised approach to calculate capital requirements for operational risk. The risk exposure amount for operational risk (Pillar 1) was NOK 105 418 million at year-end 2022, an increase of NOK 7 037 million from the previous year. This is due to an increase in the Group's revenues, an average of the last three years, which is the basis for the calculation.

MANAGEMENT AND CONTROL OF OPERATIONAL RISK

Operational Risk Management contributes to efficient business operations and reduces losses. Good risk management includes establishing a healthy risk culture, as well as clear roles and responsibilities for working with operational risk. All managers in DNB must be aware of and manage operational risk in their own processes, systems, products and services. All business areas have their own risk departments.

The Group Operational Risk division in Group Risk Management is DNB's central specialist unit for operational risk management and constitutes the Group's second line defence for such risk. This is an independent control function responsible for the framework for operational risk management, Group reporting and risk mitigation through insurance. The unit is also responsible for the maintenance and development of the Group's risk management tools that facilitate management and measurement of risk and compliance. The units dedicated Operational Risk Officers monitor operational risk in all business areas and support units, in significant subsidiaries and at international offices.

The figure shows the most important elements of DNB's operational risk management. A healthy risk culture includes awareness of risk assessment, establishing, implementing and evaluation of risk management measures, as well as ensuring reporting to relevant stakeholders. All identified losses and incidents must be recorded in a loss and incident database.

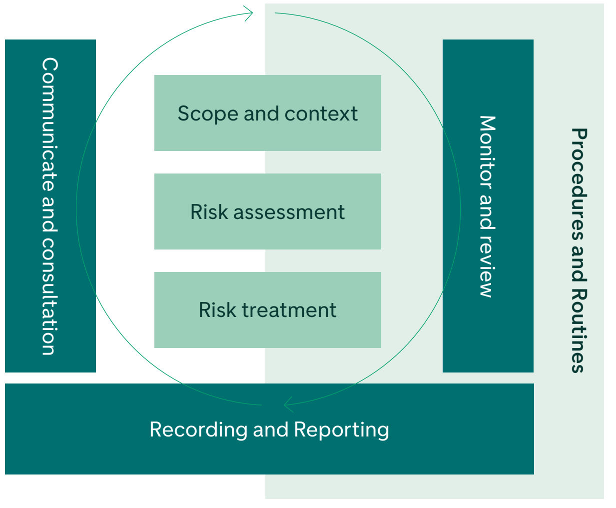
The Group's governing documents, together with laws and regulations, set the premises for managing operational risk in DNB. The principles for internal control, risk management and compliance contain overarching principles, which are elaborated in policies, instructions and processes for operational risk. External requirements are found in e.g., Finanstilsynet's Module for Operational Risk and the Basel Committee on Banking Supervision's revised Principles for the Sound Management of Operational Risk.

The Group's risk appetite sets the limits for how much operational risk DNB is willing to accept. Risk identification and assessment, together with registration and follow-up of operational events, should provide an overall picture of the operational risk and contribute to reliable measurement of risk.

Capital requirements for operational risk

NOK million	Factors	31 Dec. 2022	31 Dec. 2021
Corporate finance	18 %	4 535	4 141
Trading and sales	18 %	10 073	9 553
Retail brokerage	12 %	44	105
Commercial banking	15 %	59 362	53 811
Retail banking	12 %	21 954	22 000
Payment end settlements	18 %	6 050	5 861
Agency services	15 %	562	132
Asset management	12 %	2 838	2 777
Total capital requirements		**105 418**	**98 381**

Operational risk management in DNB



The Group's business areas and support units report their most significant risks to their respective Group Executive Vice President quarterly. Group Risk Management reports developments in risks that are considered material to the Group, such as cyber risk, to the Board of Directors through the quarterly risk report.

The Group's insurance programme is intended to contribute to limiting the financial consequences of undesirable events that may occur despite established security procedures and other risk-mitigating measures. The insurance policies cover fire and other disasters, criminal activities, embezzlement, cost and loss of profit after a cyber-attack, professional liability and directors' and officers' liability in the Group's operations worldwide. This year's renewal of DNB's insurances has been close to normal, after a few years of significantly increasing cost.

The Group instructions for approval of products and services are an important part of the Group's operational risk framework. The purpose of these instructions is to ensure high quality in DNB's portfolio of products and services, thus ensuring competitiveness, customer satisfaction and compliance. The instructions ensure that the risk is assessed before a product, or a service is approved. In addition, each description must explain what the product or service means to the customer, who the target group is, and who in DNB is responsible for the product.

Common principles provide DNB with a conceptual framework and overall understanding of internal control and form the basis of a framework for structured internal control work. An important element is the annual internal control assessment, where the executive managers of all significant organisational units in the Group make a summary assessment of the internal control in their area. The self-assessment is reported to the Group Management Team and the Board of Directors.

The Non-Financial Risk Committee (NFRC) plays a key role in coordinating the management of operational risk across DNB. Ten Subject Matter Groups work on topics such as anti-money laundering, fraud, IT risk, privacy, third-party risk and conduct risk. Each group reports to the committee. Read more about the NFRC, in the chapter on risk management and control.

DNBs approach to sustainability (ESG) and its associated risks is developing quickly. Some ESG risks are operational, such as greenwashing, unreasonable treatment of customers and employees, and extreme weather events. However, the possibility of failing to properly manage ESG is also an operational risk. ESG is increasingly highlighted in risk assessments and product approvals. Strengthening the integration of ESG into operational risk management and internal control will be a priority over the next few years. See the chapter on Risk management and control for more on ESG in DNB.

REPUTATIONAL RISK

Good reputation is a crucial factor in ensuring sustainable operations over the long term. We aim to achieve a good reputation by being a driving force for sustainable transition, engaging in good dialogue with our stakeholders, through effective compliance work and through our Code of Conduct, which describes DNB's ethical rules for employees. DNB manages reputational risk through corporate governance and business activities. In accordance with the product approval process, reputational risk must be assessed for all products and services, and the Group-level function responsible for Communication and Sustainability is involved in these assessments. DNB monitors reputational risk in close connection with operational risk.

The risk appetite framework states that DNB aims to have a good reputation and deliver on expectations from society and stakeholders. Reputational risk is monitored through analyses of media coverage and customer satisfaction.

Measuring reputational risk

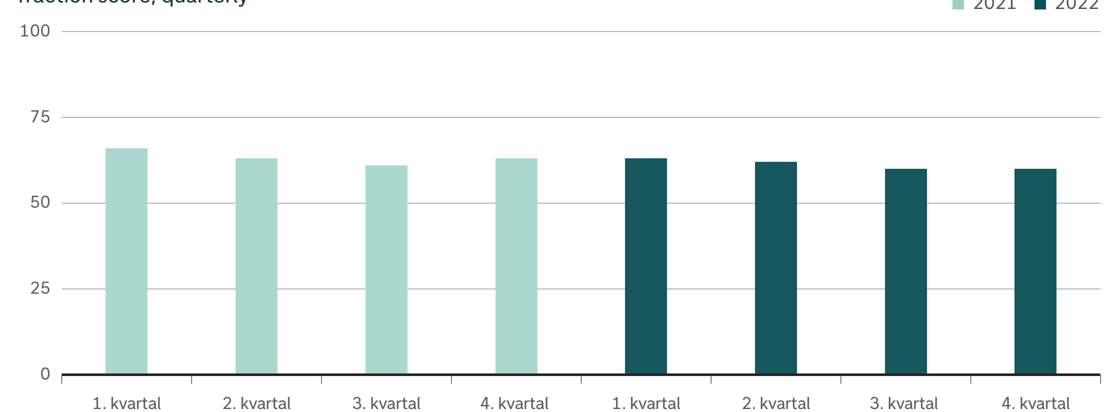
Measuring reputational risk independently of other risk categories is challenging, as reputational risk is often a direct consequence of types of risk. Changes in reputational risk mainly come from two sources: within the company (changes in business practices, new or revised products, marketing campaigns, infrastructure downtime or other technical issues) or external (changes in the business environment, market trends, expectations from stakeholders, changes in public opinion).

DNB measures the brand's reputation with Traction, a Norwegian-developed market analysis launched in 2021. This indicator enables DNB to assess its reputation against competitors and comparable companies in other sectors. A lower limit has been set for what is an acceptable score in the reputation measurement, and DNB carries out forward-looking assessments of which relevant cases may damage DNB's reputation.

In Traction, a company receives a score between 0 and 100, where a score between 50 and 64 is considered average and 65 or higher is considered good. DNB scored 60 at the end of 2022, which is below our target. DNB has had a long-term positive trend and scored "good" in 2018–2021 with RepTrak, the analysis we previously used. The reduced score in 2022 may to some extent be explained by the change of analysis method, but DNB has also been criticised for increased mortgage rates, the acquisition of Sbanken and, most importantly, the challenges with updating customers' proof of identity.

Development in reputation score

Traction score, quarterly



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Climate risk

A key strategic objective for DNB is to be a driving force for sustainable transition and ensure long-term value creation through sustainable business practice and sound risk management. This is a vital part of our responsibility not only to investors and other stakeholders, but also to Norwegian society. Our overarching ambition is to reach net-zero emissions by 2050, a necessary milestone in order to mitigate long-term physical climate risk, even if this increases the transition risk in the short and medium term. DNB works continuously to develop and improve the identification, management and control of climate risk.

Content

Definiton

Climate risk is defined as the effect that climate change and society's response to it may have on a company's long-term results and financial stability. The opposite relation, how a company affects climate change and society, is defined as climate impact.

Climate risk is usually divided into two categories:

- **Physical risk** is associated with potential harmful effects from climate change such as extreme weather, floods, droughts and rising sea levels. Physical risk can be separated into chronic and acute risk, where chronic risks refer to longer-term shifts in climate patterns (e.g. higher sea levels) while acute risks refer to more sudden, event-driven risks (e.g. more severe floods and hurricanes).
- **Transition risk** arises from tightening climate policies, rules and legislation aimed at moving economic activity away from emissions-intensive industries and activities, disruptive climate-driven innovation that reduces the profitability of existing business models and climate-related changes in customer behaviour.

DEVELOPMENTS IN CLIMATE RISK IN 2022

Global developments

Climate change is recognised as one of the greatest challenges of our lifetime, and how to mitigate and control its effects was a dominating factor on the global agenda in 2022. Extreme weather events of increasing intensity and frequency continued to wreak havoc on local communities and disrupted value chains across the globe – a clear reminder of the challenges facing the world in the coming decades and the economic and humanitarian devastation of such events. At the same time, global politics and economics were encumbered by a macroeconomic backdrop of uncertainty and high inflation, and for many the long-term climate agenda had to yield some priority to more pressing short-term concerns. In such an environment, it becomes more important for the finance industry to ensure that sufficient capital is directed into the climate transition to ensure that needed speed is maintained.

The EU continued its work with its ambitious Green Deal and Sustainable Finance Action Plan in 2022, including publishing the final drafts for the general reporting standards under the Corporate Sustainability Reporting Directive (CSRD). At the same time, Europe is facing an energy crisis and a war in Ukraine. This highlights the importance of achieving the climate and energy transition in a way that preserves human needs and social sustainability along the way, and the balance between transition and physical climate risk. Too strict climate regulations risk causing unnecessary human suffering in the short term and losing necessary support from the population to make the needed change, while too weak regulations will fail to achieve the needed speed to avoid large climate-related problems in the future.

EU supervisory bodies also continued to stress the importance of sound climate risk management, with the European Banking Authority (EBA) publishing new ESG templates for Pillar 3 reporting[1)] and the European Central Bank (ECB) introducing stricter requirements and deadlines for climate risk management for the banks under its direct supervision.

Through the EEA agreement, the regulatory frameworks of the EUs Green Deal are adopted largely unchanged in Norway. The Norwegian authorities shares the EUs high level of ambition for climate action, and strives the keep the lag of the regulatory implementation to a practical minimum.

Developments in DNB's risk management

DNB works continuously to develop and improve the identification, management and control of climate risks. In 2022, DNB took the following key actions to address and mitigate ESG risks:

- Accelerated development on a Group-wide ESG Data Hub, that will serve as a cloud-based central data hub to facilitate all needs relating to sustainability data across the Group. The hub will integrate and process sustainability data from internal and external sources, ensure master data control and data quality management, and make the data available through tailored products for risk management, reporting, equity analysis and other purposes. Among the most important data products developed during the year is a detailed map of physical climate risk exposure in Norway, which will allow DNB to better risk assess collaterals located in Norway.
- In the process of including transitional and physical climate risk in our risk appetite framework, serving as an important foundation to improve climate risk management within all risk categories.
- Continued to work on the transition plan to reach our 2050 net zero target, and how we best can fulfil our role as a driving force for the sustainable transition and help our customers align with the needed climate pathways for their industries. This work will include adapting our targets to ensure that they are science-based and in line with the Paris Agreement. Read more about DNB's updated strategy, including current progress towards our targets, in our annual report on ir.dnb.no.
- Prepared for reporting on the new ESG-related Pillar 3 templates from the EBA, including a detailed assessment of the transitional and physical climate risk exposure of DNB. Starting in 2024, we will report based on the Pillar 3 template from the EBA.

1) Which were implemented in the CRR/CRD IV in December 2022 but have yet to be included in the EEA.

MANAGEMENT AND CONTROL OF CLIMATE RISK

The Group has established overarching governance principles for sustainability, which form the basis for strategic ambitions, processes and obligations, including climate-related efforts. Climate risk can have significant financial consequences, which can affect financial institutions through for instance loan defaults, stranded assets, investment losses and higher insurance settlements. In the short to medium term, transition risk is assessed to be more significant than physical risk for DNB[2)]. Building a system to monitor DNB's climate risks and impacts to ensure strategic target attainment and meet reporting requirements is important to DNB's risk management. The progress of this work is regularly reported to and endorsed by Group Management and the Board of Directors.

Integrating climate risk into DNB's risk management framework is a high priority:

- Developments in DNB's ESG risk exposure per industry is reported quarterly to the Board and Group Management.
- A Group-wide sustainability committee is informed bi-monthly about relevant sustainability developments and progress on sustainability ambitions and goals within the Group, based on which it makes strategic recommendations to Group Management and the Board.
- Transition and physical climate risk is in the process of being integrated into DNB's risk appetite framework. The transition risk exposure is quantified by combining exposure data with UNEP FI's transition heatmap, while for physical risk the exposure data is combined with Norwegian geospatial climate data from Eiendomsverdi.
- Climate scenario analysis is continuously being developed, and DNB has been an active participant in pilots for best market practise. This includes several TCFD pilots under the auspices of UNEP FI since 2017, most notably testing their Transition Check tool in 2021, and the recent PACTA pilot initiated by the Norwegian Ministry of Finance.
- When conducting stress tests of credit portfolios, climate risk is assessed as part of the development of stressed scenarios.
- ESG risk assessments include a climate risk assessment and are an integrated part of DNB's credit decision process for corporate customers, and ESG risk is assessed on equal footing with other risk factors. Read more about this this in chapter on credit risk.
- An important part of DNB's ambition to be a driving force for sustainable transition is to help our customers through their transition and promote global initiatives for best practice. As a leading shipping bank, DNB has worked with other banks, as well as climate and industry experts, to develop the Poseidon Principles. This global framework for responsible financing of ships encourages the industry to reduce climate risk and carbon intensity.
- Emissions from our own operations are continuously reduced through targeted efforts. An overview of DNB's scope 1, scope 2 and selected categories of scope 3 emissions are reported annually at dnb.no/sustainability-reports.

2) Based on assessments of climate risks for DNB's credit portfolios carried out in 2019–2020.

> "It starts with joining forces with our customers so that we can make a difference together",

says CEO Kjerstin Braathen in DNB's annual report 2022.

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Appendix

Content

Reference table for CRR pursuant to EBA/GL/2016/11

This report, Risk and capital management - Disclosure according to Pillar 3 2022, together with the additional Excel disclosures and DNB's Annual report, provides information as stipulated in the disclosure requirements regarding risk and capital management in Part Eight of Regulation (EU) No 575/2013 (CRR) and all its revisions and adjustments that were implemented through the EU Banking Package. For each article, the reference table below states in which of the publications the information can be found.

Requirements on disclosures regarding banks' risk and capital management are stipulated in the accounting and capital requirement regulations. As of 2022, the risk and capital information that is applicable in order to fulfil both sets of regulations is presented in DNB's Annual report for 2022. The disclosures that are specific to CRR can be found in this report in the form of quantitative information to be provided as stipulated in EBA/GL/2016/11 and in explanatory texts to the tables.

More information about DNB's risk management can be found in the Annual report.

Information to be provided quarterly as stipulated in EBA/GL/2016/11 is published on DNB's website. For each article in Part Eight of Regulation (EU) No 575/2013 (CRR), the reference table below states in which of the publications the information can be found. This mapping is followed by a separate reference table for the additional Excel disclosures to the Pillar 3 report.

Article in CRR	Description	Reference in Risk and capital management - Disclosure according to Pillar 3 2022	Reference in Pillar 3 additional Excel disclosures (table)	Reference in DNB's annual report and interim report or on the DNB website
Title I	**General principles**			
Article 431	**Scope of disclosure requirements**			
1-2	*General disclosure requirements*	*This report, Risk and capital management-Disclosure according to Pillar 3 2022*		*Corporate Governance, description of Risk management and internal control, Financial reports on ir.dnb.no*
3	*Requirement to have a formal policy and internal processes, systems and controls to comply with the disclosure requirements*	*Ch. 0: Risk Statement*		
4	*All quantitative disclosures shall be accompanied by a qualitative narrative and any other supplementary information that may be necessary in order for the users of that information to understand the quantitative disclosures,*			
5	*Upon request, explanations of rating decisions to SMEs or other corporate applicants for loans*	*Can be provided upon request*		

Article in CRR	Description	Reference in Risk and capital management - Disclosure according to Pillar 3 2022	Reference in Pillar 3 additional Excel disclosures (table)	Reference in DNB's annual report and interim report or on the DNB website
Article 432	**Non-material, proprietary or confidential information**			
1-3	*Institutions may exclude non-material, proprietary or confidential information under certain conditions*	*Information items not disclosed under EBA/GL/2016/11*	*EU templates not applicable for DNB are documented*	
Article 433	**Frequency and scope of disclosures**	*Ch. 0: Introduction*		*Financial Calendar in Annual report and on ir.dnb.no*
	General information about disclosures			
Article 433a	**Disclosures by large institutions**	*Ch. 0: Introduction*		*Financial Calendar in Annual report and on ir.dnb.no*
	Frequency requirements for publishing disclosures of Pillar 3 information for large institutions		*Contents page*	
Article 433b	*Disclosures by small and non-complex institutions*	*Not applicable*		
Article 433c	*Disclosures by other institutions*	*Not applicable*		
Article 434	**Means of disclosures**			*Financial Reports on ir.dnb.no*
1	*Information medium for Pillar 3 disclosures and references to equivalent and additional data in other media*			
2	*Reference to the locations where Pillar 3 and additional disclosures are published*			
Title II	**Technical criteria on transparency and disclosure**			
Article 435	**Disclosure of risk management objectives and policies**			
1	*Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to under this Title. These disclosures shall include:*			*Annual report, chapter on Corporate Governance*
1a	*Strategies and processes to manage the risks*	*Ch. 2: Capital management; Ch. 3: Liquidity risk and asset and liability management; Ch. 4: Credit risk; Ch. 5: Counterparty credit risk; Ch. 6: Market risk; Ch. 7: Operational risk; Ch.8 Climate risk*		*Annual report, chapter on Corporate Governance, and Corporate Governance on ir.dnb.no*
1b	*"Structure and organisation of the risk management organisation including its authority and statutes"*	*Ch. 2: Capital management; Ch. 3: Liquidity risk and asset and liability management; Ch. 4: Credit risk; Ch. 5: Counterparty credit risk; Ch. 6: Market risk; Ch. 7: Operational risk; Ch. 8: Climate risk*		*Annual report, chapter on Corporate Governance regarding risk and capital management and Corporate Governance on ir.dnb.no*
1c	*Scope and nature of risk reporting and measurement systems*	*Ch. 2: Capital management; Ch. 3: Liquidity risk and asset and liability management; Ch. 4: Credit risk; Ch. 5: Counterparty credit risk; Ch. 6: Market risk; Ch. 7: Operational risk; Ch.8 Climate risk*		*Annual report, chapter on Corporate Governance regarding risk and capital management and Corporate Governance on ir.dnb.no*
1d	*Policies for hedging and mitigating risk*	*Ch. 2: Capital management; Ch. 4: Credit risk; Ch. 5: Counterparty credit risk; Ch. 6: Market risk; Ch. 7 Operational risk*		*Annual report, chapter on Corporate Governance regarding risk and capital management and Corporate Governance on ir.dnb.no*

Article in CRR	Description	Reference in Risk and capital management - Disclosure according to Pillar 3 2022	Reference in Pillar 3 additional Excel disclosures (table)	Reference in DNB's annual report and interim report or on the DNB website
1e	*Declaration of conformity that the risk management system is fit-for-purpose in relation to the institution's profile and strategy*	*Ch.0: Risk Statement; Ch. 7: Operational Risk*		*Annual report, chapter on Corporate Governance regarding risk and capital management and Corporate Governance on ir.dnb.no*
1f	*Risk statement with overall risk profile*	*Ch.0: Risk statement; Ch. 1: Risk management and control*		
2	*Institutions shall disclose the following information, including regular, at least annual updates, regarding governance arrangements:*			
2a- c	*Corporate governance disclosures*	*Ch. 1: Risk management and control*		*Annual report, chapter on Corporate governance, Board of Directors (material/ relevant directorships)*
2d	*Whether or not the institution has set up a separate risk committee*	*Ch. 1: Risk management and control*		*Corporate Governance on ir.dnb.no*
2e	*Description of the information flow on risk to the management body*	*Ch. 1: Risk management and control*		*Annual report, chapter on Corporate Governance regarding risk and capital management and Corporate Governance on ir.dnb.no*
Article 436	**Disclosure of the scope of application**			
a	*Name of the institution to which the requirements in CRR apply*	*Front page and Ch. 0: About this report*		
b	*Reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation*	*Ch. 0: About this report*	*LI1; LI2; LI3*	
c	*a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One, broken down by type of risks*		*LI1; CC2*	
d	*a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes*		*LI2*	
e	*for exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book position*		*PV1*	
f	*any current or expected material practical or legal impediment to the prompt transfer of own funds or to the repayment of liabilities between the parent undertaking and its subsidiaries*	*Ch. 2: Capital Management*		
g	*the aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the name or names of those subsidiaries;*		*LI3*	
h	*where applicable, the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9.*		*LI3*	

Article in CRR	Description	Reference in Risk and capital management - Disclosure according to Pillar 3 2022	Reference in Pillar 3 additional Excel disclosures (table)	Reference in DNB's annual report and interim report or on the DNB website
Article 437	**Disclosure of own funds**	*Ch. 2: Capital management*		*Annual report note G4 and interim report note G3 on Capitalisaton and capital adequacy.*
	Institutions shall disclose the following information regarding their own funds:		*A01, A03*	
a	*General disclosure requirements regarding own funds*		*CC1, CC2*	
b	*Description of the main features of capital instruments*		*CCA*	
c	*Full terms and conditions of capital instruments*		*CCA*	
d i-iii	*Separate disclosures on the nature of prudential filters, deductions, and items not deducted*		*CC1*	
e	*Description of restrictions applied to the calculation of own funds*		*CC1*	
f	*Explanation of the basis on which capital ratios have been calculated if other than the basis specified in CRR*	*Not applicable*	*CC1*	
Article 438	**Disclosure of own funds requirements and risk-weighted exposure amounts**	*Ch. 2: Capital management*		*Annual report note G4 and interim report note G3 on Capitalisaton and capital adequacy.*
	Institutions shall disclose the following information regarding the compliance by the institution with the requirements laid down in Article 92 of this Regulation and in Article 73 of Directive 2013/36/EU:		*A02, A03, A04*	
a	*Institution's approach to assessing the adequacy of its internal capital*			
b	*the amount of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU and its composition in terms of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments;*		*KM1*	
c	*upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process;*	*Provided upon request; DNB's ICAAP-report*		
d	*the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own fund*	*Ch. 4: Credit risk*	*OV1*	
e	*the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2);*		*CR10*	
f	*the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis*		*OV1, INS1*	
g	*the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied;*		*INS2*	

Article in CRR	Description	Reference in Risk and capital management - Disclosure according to Pillar 3 2022	Reference in Pillar 3 additional Excel disclosures (table)	Reference in DNB's annual report and interim report or on the DNB website
h	*the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations*		*CR8; CCR7*	
Article 439	**Disclosure of exposures to counterparty credit risk**	*Ch 5: Counterparty credit risk*		
a	*Methodology to assign internal capital and credit limits for counterparty credit exposures*			
b	*Policies for securing collateral and establishing credit reserves*			
c	*Policies with respect to wrong-way risk exposures*			
d	*Impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating*			
e	*the amount of segregated and unsegregated collateral received and posted per type of collateral, further broken down between collateral used for derivatives and securities financing transactions*		*CCR5*	
f	*for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three*		*CCR1*	
g	*for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three,*		*CCR1*	
h	*the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three*		*CCR2*	
i	*The exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures;*		*CCR8*	
j	*the notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold*	*Not applicable*	*CCR6*	
k	*the estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9)*	*Not applicable*	*CCR1*	
l	*separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452*		*CCR3; CCR4*	
m	*for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable.*		*CCR1*	
Article 440	**Disclosure of countercyclical capital buffers**	*Ch. 2: Capital Management*		
a	*Geographic distribution of credit exposures for calculating the countercyclical capital buffer*		*CCyB1*	
b	*Amount of the countercyclical capital buffer*		*CCyB2*	

Article in CRR	Description	Reference in Risk and capital management - Disclosure according to Pillar 3 2022	Reference in Pillar 3 additional Excel disclosures (table)	Reference in DNB's annual report and interim report or on the DNB website
Article 441	**Disclosure of indicators of global systemic importance**	*Not applicable*		
	Indicators used for determining the score of the institution in accordance with the identification methodology			
Article 442	**Disclosure of exposures to credit and dilution risk**	*Ch. 4: Credit risk*		
a	*the scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes;*			*Annual report note G1 Accounting principles and note G5 Credit risk management*
b	*Methods for determining specific and general credit risk adjustments*			*Annual report note G5 Credit risk management*
c	*Information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received;*		*CQ1; CQ3; CQ4; CQ5; CQ7;CR1*	
d	*an ageing analysis of accounting past due exposures;*		*CQ3*	
e	*The gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet exposures;*		*CQ4; CQ5*	*Annual report note G12 and interim report note G8; Loans and financial commitments to customers by industry segment.*
f	*Any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off;*		*CR1*	
g	*the breakdown of loans and debt securities by residual maturity.*		*CR1-A*	
Article 443	**Disclosure of encumbered and unencumbered assets**	*Ch. 3: Liquidity management and asset and liability management*		
	Institutions shall disclose information concerning their encumbered and unencumbered assets. For those purposes, institutions shall use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered. Disclosure of information on encumbered and unencumbered assets shall not reveal emergency liquidity assistance provided by central banks.		*AE1; AE2; AE3*	
Article 444	**Disclosure of the use of the Standardised Approach**	*Ch. 4: Credit risk*		
	Institutions calculating their risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three shall disclose the following information for each of the exposure classes set out in Article 112:			
a	*Names of the nominated ECAIs and ECAs and the reasons for any changes in those nominations over the disclosure period;*		*CR5*	
b	*Exposure classes for which each ECAI or ECA is used*		*CR5*	
c	*Description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book*	Not applicable		

Article in CRR	Description	Reference in Risk and capital management - Disclosure according to Pillar 3 2022	Reference in Pillar 3 additional Excel disclosures (table)	Reference in DNB's annual report and interim report or on the DNB website
d	*Association of the external rating of each nominated ECAI or ECA with the institution's scale of credit quality steps*	*Not applicable*		
e	*Exposure values before and after credit risk mitigation associated with each credit quality step*		*CR4; CR5; CCR3*	
Article 445	**Exposure to market risk**	*Ch. 6: Market risk*		
	Capital requirements for market risk		*MR1*	*Annual report note G4 and interim report note G3 on Capitalisaton and capital adequacy.*
Article 446	**Disclosure of operational risk management**	*Ch. 2: Capital management; Ch. 7: Operational risk*		
	Institutions shall disclose the following information about their operational risk management:			
a	*Approaches for the assessment of own funds requirements for operation risk that the institution qualifies for;*			
b	*where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of the relevant internal and external factors being considered in the institution's advanced measurement approach;*	*Not applicable*		
c	*in the case of partial use, the scope and coverage of the different methodologies used.*	*Not applicable*	*OR1*	
Article 447	**Disclosure of key metrics**			
a	*Composition of own funds and own funds requirements*		*KM1*	
b	*Total risk exposure amount*		*KM1*	
c	*Amount and composition of additional own funds which the institutions are required to hold*		*KM1*	
d	*Combined buffer requirement which the institutions are required to hold*		*KM1*	
e	*Leverage ratio and the total exposure measure as calculated in accordance with Article 429*		*KM1*	
f (i-iii)	*Information in relation to liquidity coverage ratio as calculated*		*KM1*	
g (i-iii)	*Information in relation to net stable funding requirement as calculated*		*KM1*	
h	*Own funds and eligible liabilities ratios and their components, numerator and denominator*		*KM2; TLAC1*	
Article 448	**Disclosure of exposures to interest rate risk on positions not included in the trading book**	*Ch.6: Market risk table IRRBBA*		
	Institutions shall disclose the following information on their exposure to interest rate risk on positions not included in the trading book:		*IRRBB1*	
1a	*the changes in the economic value of equity calculated under the six supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;*			
1b	*the changes in the net interest income calculated under the two supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;*			
1c	*a description of key modelling and parametric assumptions, other than those referred to in points (b) and (c) of Article 98(5a) of Directive 2013/36/EU used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph;*			

Article in CRR	Description	Reference in Risk and capital management - Disclosure according to Pillar 3 2022	Reference in Pillar 3 additional Excel disclosures (table)	Reference in DNB's annual report and interim report or on the DNB website
1d	*an explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;*			
1e	*the description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities for the purposes of the competent authorities' review in accordance with Article 84 of Directive 2013/36/EU, including:*			
(i)	*a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income;*			
(ii)	*a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems that would differ from the common modelling and parametric assumptions referred to in Article 98(5a) of Directive 2013/36/EU for the purpose of calculating changes to the economic value of equity and to the net interest income, including the rationale for those differences;*			
(iii)	*a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk;*			
(iv)	*an outline of how often the evaluation of the interest rate risk occurs;*			
1f	*the description of the overall risk management and mitigation strategies for those risks;*			
1g	*average and longest repricing maturity assigned to non-maturity deposits.*			
2	*Nature of the interest rate risk and key assumptions and frequency of measurement of interest rate risk*			
	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 of this Article shall not apply to institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 84(1) of Directive 2013/36/EU. interest rate risk, broken down by currency			
Article 449	**Disclosure of exposures to securitsation positions**	*Not applicable*		
Article 449a	**Disclosure of environmental, social and governance risks (ESG risks)**	*Not applicable (see Ch. 8: Climate risk)*		
Article 450	**Disclosure of remuneration policy**			*Annual Report note G48 Remunerations etc. and Remuneration report on dnb.no. Chapter on Corporate Governance on ir.dnb.no*
1	*Remuneration policy and practices:*			
1-a	*Decision-making process used for determining remuneration policy, and number of meetings held by main body overseeing remuneration during the financial year*		*EU REMA*	
1-b	*link between pay and performance*		*EU REMA*	
1 c-f	*Criteria for performance measurement, parameters and rationale for any variable component scheme*		*EU REMA*	
1 g-j	*Aggregate quantitative information on remuneration, including breakdowns*		*EU REM1*	
2	*Quantitative information about remuneration to members of the institution's management body for significant institutions*		*EU REM1; EU REM5*	

Article in CRR	Description	Reference in Risk and capital management - Disclosure according to Pillar 3 2022	Reference in Pillar 3 additional Excel disclosures (table)	Reference in DNB's annual report and interim report or on the DNB website
Article 451	**Disclosure of leverage ratio**	*Ch. 2: Capital management*		
1-a	*Leverage ratio*		*LR1; LR2*	
1-b	*a breakdown of the total exposure measure as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;*		*LR1; LR2; LR3*	
1-c	*The amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7);*		*LR2*	
1-d	*Description of the processes used to manage the risk of excessive leverage*			
1-e	*Description of factors that had an impact on the leverage ratio during the period*		*LR1*	
2	*Disclosures for public development institutions*			
3	*Large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages*		*LR2*	
Article 451a	**Dislosure of liquidity requirements**	*Ch. 3: Liquidity risk and asset and liability management*		
1	*General requirement*			
2	*Disclosure of information in relation to liquidity coverage ratio (LCR)*		*LIQ1*	
a-c	*Disclosure of averages based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period*		*LIQ1*	
3	*Disclosure of information in relation to net stable funding ratio (NSFR)*		*LIQ2*	
a-c	*Quarter-end figures of available and required stable funding*		*LIQ2*	
4	*Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk*			
Title III	**Qualifying requirements for the use of particular instruments or methodologies**			
Article 452	**Disclosure of the use of the IRB approach to credit risk**	*Ch. 4: Credit risk*		
a	*Competent authority's permission of the approach or approved transition*			
b	*for each exposure class referred to in Article 147, the percentage of the total exposure value of each exposure class subject to the Standardised Approach or to the IRB Approach, as well as the part of each exposure class subject to a roll-out plan*		*CR6-A*	
c	*the control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on:*			
(i)	*the relationship between the risk management function and the internal audit function;*			
(ii)	*the rating system review;*			
(iii)	*the procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models;*			

Article in CRR	Description	Reference in Risk and capital management - Disclosure according to Pillar 3 2022	Reference in Pillar 3 additional Excel disclosures (table)	Reference in DNB's annual report and interim report or on the DNB website
(iv)	*the procedure to ensure the accountability of the functions in charge of developing and reviewing the models;*			
d	*the role of the functions involved in the development, approval and subsequent changes of the credit risk models; separately for each IRB exposure class*			
e	*the scope and main content of the reporting related to credit risk models;*			
f	*description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering:*			
(i)	*definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods;*			
(ii)	*where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure;*			
(iii)	*where applicable, the definitions, methods and data for estimation and validation of conversion factors, including assumptions employed in the derivation of those variables;*			
g	*as applicable, the following information in relation to each exposure class referred to in Article 147:*		*CR6, CCR4*	
(i)	*gross on-balance-sheet exposure*		*CR6*	
(ii)	*off-balance-sheet exposure values prior to the relevant conversion factor*		*CR6*	
(iii)	*exposure after applying the relevant conversion factor and credit risk mitigation;*		*CR6*	
(iv)	*any model, parameter or input relevant for the understanding of the risk weighting and the resulting risk exposure amounts disclosed across a sufficient number of obligor grades (including default) to allow for a meaningful differentiation of credit risk*		*CR6*	
(v)	*separately for those exposure classes in relation to which institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, and for exposures for which the institutions do not use such estimates, the values referred to in points (i) to (iv) subject to that permission*		*CR6*	
h	*institutions' estimates of PDs against the actual default rate for each exposure class over a longer period, with separate disclosure of the PD range, the external rating equivalent, the weighted average and arithmetic average PD, the number of obligors at the end of the previous year and of the year under review, the number of defaulted obligors, including the new defaulted obligors, and the annual average historical default rate.*		*CR9*	

Article in CRR	Description	Reference in Risk and capital management - Disclosure according to Pillar 3 2022	Reference in Pillar 3 additional Excel disclosures (table)	Reference in DNB's annual report and interim report or on the DNB website
Article 453	**Disclosure of the use of credit risk mitigation techniques**	*Ch. 4: Credit risk*		*Annual report note G5 Credit risk management and note G7 Credit risk exposure*
a	*Policies and processes for on- and off-balance-sheet netting*			
b	*Policies and processes for collateral valuation and management*			
c	*Main types of collateral taken by the institution*			
d	*Main types of guarantor and credit derivative counterparty and their creditworthiness*			
e	*Information about market or credit risk concentrations within the credit mitigation taken*	*Not applicable*		
f	*Exposure value covered by eligible financial and other collateral for exposures under the standardised approach or the IRB approach without own estimates of LGD and CCF*		*CR3*	
g	*Conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect*			
h	*For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation*		*CR4*	
i	*For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class;*		*CR4*	
j	*Credit risk mitigation impact of credit derivatives*			
Article 454	**Use of the Advanced Measurement Approaches to operational risk**	*Not applicable*		
	Description of the use of insurance and other risk transfer mechanisms to mitigate operational risk			
Article 455	**Use of Internal Market Risk Models**	*Not applicable*		
a-g	*Institutions calculating their capital requirements in accordance with Article 363 shall disclose the following information:*			

Pillar 3 additional disclosures

Excel disclosure “Risk and capital management - Pillar 3 attachment (Excel)”, published on ir.dnb.no.

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Unless otherwise stated, figures in the templates are figures for DNB Group - regulatory consolidation		Annex	Article in CRR II	Updated
Own funds				
CC1	Composition of regulatory own funds	Annex VII	Points (a), (d), (e) and (f) of Article 437	Semi-Annually
CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Annex VII	Point (a) of Article 437	Semi-Annually
A01	Own funds and capital ratios, DNB Bank ASA and DNB Group		Article 437	Quarterly
A03	Own funds and capital ratios Sbanken		Article 437	Quarterly
Key metrics and overview of risk exposure amounts				
OV1	Overview of total risk exposure amounts	Annex I	Point (d) of Article 438	Quarterly
KM1	Key metrics (at consolidated group level)	Annex I	Points (a) to (g) of Article 447 and point (b) of Article 438	Quarterly
INS1	Insurance participations	Annex I	Point (f) of Article 438	Annually
INS2	Financial conglomerates information on own funds and capital adequacy ratio	Annex I	Points (g) of Article 438	Annually
A02	Specification of risk exposure amounts and capital requirements, DNB Group and DNB Bank ASA		Article 438	Quarterly
A03	Specification of risk exposure amounts and capital requirements Sbanken		Article 438	Quarterly
A04	Specification of risk exposure amounts and capital requirements, associated companies		Article 438	Quarterly
Scope of application				
LI1	Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories	Annex V	Point (c) of Article 436	Annually
LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Annex V	Point (d) of Article 436	Annually
LI3	Outline of the differences in the scopes of consolidation (entity by entity)	Annex V	Point (b) of Article 436	Annually
PV1	Prudent valuation adjustments (PVA)	Annex V	Point (e) of Article 436	Annually

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Unless otherwise stated, figures in the templates are figures for DNB Group - regulatory consolidation		Annex	Article in CRR II	Updated
Credit risk quality				
CQ1	Credit quality of forborne exposures (Template 1)	Annex XV	Point (c) of Article 442	Semi-Annually
CQ3	Credit quality of performing and non-performing exposures by past due days	Annex XV	Points (c) and (d) of Article 442	Annually
CQ4	Quality of non-performing exposures by geography (Template 5)	Annex XV	Points (c) and (e) of Article 442	Semi-Annually
CQ5	Credit quality of loans and advances by industry (Template 6)	Annex XV	Points (c) and (e) of Article 442	Semi-Annually
CQ7	Collateral obtained by taking possession and execution processes (Template 9)	Annex XV	Point (c) of Article 442	Semi-Annually
CR1	Performing and non-performing exposures and related provisions (Template 4)	Annex XV	Points (c) and (f) of Article 442	Semi-Annually
CR1-A	Maturity of exposures	Annex XV	Point (g) of Article 442	Semi-Annually
Credit risk mitigation techniques				
CR3	Disclosure of the use of credit risk mitigation techniques	Annex XVII	Point (f) of Article 453	Semi-Annually
Standardised approach				
CR4	Standardised approach – Credit risk exposure and CRM effects	Annex XIX	Points (g), (h) and (i) of Article 453 CRR and point (e) of Article 444	Semi-Annually
CR5	Standardised approach	Annex XIX	Point (e) of Article 444	Semi-Annually
IRB approach to credit risk				
CR6	IRB approach – Credit risk exposures by exposure class and PD range	Annex XXI	Point (g) of Article 452	Semi-Annually
CR6-A	Scope of the use of IRB and SA approaches	Annex XXI	Point (b) of Article 452	Annually
CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques	Annex XXI	Point (g) of Article 453	Semi-Annually
CR8	REA flow statements of credit risk exposures under the IRB approach	Annex XXI	Point (h) of Article 438	Quarterly
CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)	Annex XXI	Point (h) of Article 452	Annually
Disclosure on specialised lending				
CR10	Specialised lending and equity exposures under the simple riskweighted approach	Annex XXIII	Point (e) of Article 438	Semi-Annually
Exposures to counterparty credit risk				
CCR1	Analysis of CCR exposure by approach	Annex XXV	Points (f), (g), (k) and (m) of Article 439	Semi-Annually
CCR2	Transactions subject to own funds requirements for CVA risk	Annex XXV	Point (h) of Article 439	Semi-Annually
CCR3	Standardised approach – CCR exposures by regulatory exposure class and risk weights	Annex XXV	Point (l) of Article 439 referring to point (e) of Article 444	Semi-Annually
CCR4	IRB approach – CCR exposures by exposure class and PD scale	Annex XXV	Point (l) of Article 439 referring to point (g) of Article 452	Semi-Annually
CCR5	Composition of collateral for CCR exposures	Annex XXV	Point (e) of Article 439	Semi-Annually
CCR7	REA flow statements of CCR exposures under the IMM	Annex XXV	Point (h) of Article 438	Quarterly
CCR8	Exposures to CCPs	Annex XXV	Point (i) of Article 439	Semi-Annually

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Unless otherwise stated, figures in the templates are figures for DNB Group - regulatory consolidation		Annex	Article in CRR II	Updated
Standardised approach and internal model for market risk				
MR1	Market risk under the standardised approach	Annex XXIX	Article 445	Semi-Annually
Key Metrics				
CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	Annex IX	Point (a) of Article 440	Semi-Annually
CCyB2	Amount of institution-specific countercyclical capital buffer	Annex IX	Point (b) of Article 440	Semi-Annually
Leverage ratio				
LR1	Summary reconciliation of accounting assets and leverage ratio exposures	Annex XI	Point (b) of Article 451(1)	Semi-Annually
LR2	Leverage ratio common disclosure	Annex XI	Article 451(3) - Rows 28 to 31a Points (a), (b) and (c) of Article 451(1) and Article 451(2) - Rows up to row 28. Annual (for rows 28 to 31a)	Semi-Annually
LR3	Split up of on balance sheet exposures (excluding deratives, SFTs and exempted exposures)	Annex XI	Point (b) of Article 451(1)	Semi-Annually
Liquidity requirements				
LIQ1	Quantitative information of LCR	Annex XIII	Article 451a(2)	Quarterly
LIQ2	Net Stable Funding Ratio	Annex XIII	Article 451a(3)	Semi-Annually
MREL -minimum requirement eligible liabilities				
KM2	Key metrics - MREL	Annex V	Article 447 (h)	Quarterly
TLAC1	Composition - MREL	Annex V	Article 447 (h)	Semi-Annually
TLAC3b	Creditor ranking - resolution entity	Annex V		Semi-Annually
Encumbered and unencumbered assets				
AE1	Encumbered and unencumbered assets	Annex XXXV	Article 443	Annually
AE2	Collateral received and own debt securities issued	Annex XXXV	Article 443	Annually
AE3	Sources of encumbrance	Annex XXXV	Article 443	Annually
Operational risk				
OR1	Operational risk own funds requirements and risk-weighted exposure amounts	Annex XXXI	Articles 446 and 454	Annually

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Unless otherwise stated, figures in the templates are figures for DNB Group - regulatory consolidation		**Annex**	**Article in CRR II**	**Updated**
Remuneration policy				
REMA	Remuneration policy	Annex XXXIII	Point a-f, j and k of Article 450(1) , 450(2)	Annually
REM1	Remuneration awarded for the financial year	Annex XXXIII	Point (h)(i)-(ii) of Article 450(1)	Annually
REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Annex XXXIII	Point (h)(v) to (vii) of Article 450(1)	Annually
REM3	Deferred remuneration	Annex XXXIII	Point (h)(iii) and (iv) of Article 450(1)	Annually
REM4	Remuneration of 1 million EUR or more per year	Annex XXXIII	Point (i) of Article 450(1)	Annually
REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Annex XXXIII	Point (g) of Article 450(1)	Annually
Interest rate risk in the banking book				
IRRBB1	Interest rate risks of non-trading book activities	Annex XXXVII	Article 448 (1)	Semi-Annually
Additional information				
CCA	Disclosure of main features of regulatory capital instruments as at 30 June 2022	Annex VII	Points (b) and (c) of Article 437	Quarterly
CCA footnotes	Disclosure of main features of regulatory capital instruments - footnotes			Quarterly
Boligkreditt - Key Metrics templates			Article 433a (2)	Quarterly
Boligkreditt - Credit Risk templates			Article 433a (2)	Semi-Annually

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Unless otherwise stated, figures in the templates are figures for DNB Group - regulatory consolidation		**Annex**	**Article in CRR II**	**Updated**
The following EU templates are not applicable for DNB as at 31 December 2022			**Reason**	
CR2	Changes in the stock of non-performing loans and advances	Annex XV	The level of DNB's NPL-ratio is below 5%	Semi-Annually
CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Annex XV	The level of DNB's NPL-ratio is below 5%	Semi-Annually
CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	Annex XXI	DNB has no credit derivatives as at December 31 2022	Semi-Annually
CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	Annex XXI	DNB does not apply article 180(1)	Annually
CQ2	Quality of forbearance	Annex XV	The level of DNB's NPL-ratio is below 5%	Semi-Annually
CQ6	Collateral valuation - loans and advances	Annex XV	The level of DNB's NPL-ratio is below 5%	Semi-Annually
CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	Annex XV	The level of DNB's NPL-ratio is below 5%	Semi-Annually
MR2-A	Market risk under the internal Model Approach (IMA)	Annex XXIX	DNB uses the standardised approach to market risk	Semi-Annually
MR2-B	REA flow statements of market risk exposures under the IMA	Annex XXIX	DNB uses the standardised approach to market risk	Quarterly
MR3	IMA values for trading portfolios	Annex XXIX	DNB uses the standardised approach to market risk	Semi-Annually
MR4	Comparison of VaR estimates with gains/losses	Annex XXIX	DNB uses the standardised approach to market risk	Semi-Annually
CCR6	Credit derivatives exposures	Annex XXV	DNB has no credit derivatives as at December 31 2022	Semi-Annually
SEC1	Securitisation exposures in the non-trading book	Annex XXVII	DNB has no securitisation portfolios as at December 31 2022	Semi-Annually
SEC2	Securitisation exposures in the trading book	Annex XXVII	DNB has no securitisation portfolios as at December 31 2022	Semi-Annually
SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements	Annex XXVII	DNB has no securitisation portfolios as at December 31 2022	Semi-Annually
SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements	Annex XXVII	DNB has no securitisation portfolios as at December 31 2022	Semi-Annually
SEC5	Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Annex XXVII	DNB has no securitisation portfolios as at December 31 2022	Semi-Annually
TLAC2	Creditor ranking - Entity that is not a resolution entity			Quarterly

DNB

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