Financial Management model – Group policy

Contents

1 Purpose

The purpose of the Financial Management model is to ensure long-term value creation for shareholders and contribute to realising the Group's strategy, while ensuring compliance with governing requirements. The operationalisation of the model is to be based on optimal interaction between the Group's governance principles, tools, processes and organisation.

2 Scope

This document applies to all permanent and temporary employees in the Group.

This document applies to all companies in the DNB Group, including the Group's international operations.

This governing document does not apply to:

1. Companies in which DNB has no controlling interest as defined by the Norwegian Limited Liability Companies Act, or companies which DNB owns jointly with other financial institutions. In such companies, DNB should use its owner influence in the governing bodies to work towards ensuring that the companies have governance principles relating to corporate responsibility and ethics that are in line with DNB's own governance principles.
2. Companies which DNB has taken over or acquired for temporary ownership. Such companies must implement and comply with principles for ethics and corporate responsibility that are in line with DNB's own governance principles.

In the event of any inconsistencies, laws and other binding external rules will take precedence over this document. The person responsible for the implementation must notify the document owner of any such inconsistencies.

3 Roles and responsibilities

The Chief Financial Officer (CFO) is the document owner and is in charge of the financial management process.

All Group Executive Vice Presidents have executive responsibility, including for ensuring compliance in their respective areas.

Compliance must be monitored in accordance with the three lines of defence.

All managers are responsible for reporting non-compliance with the principles set out in this policy.

4 Elaboration of requirements

4.1 Efficient adaptation to governing requirements

DNB must drive continuous improvement to ensure the efficient adaptation of governing requirements and competitive processes that safeguard the customer's needs. Processes should be characterised by a balance between high quality, efficient delivery and an acceptable risk level.

Group functions must ensure Group-wide governance of business operations within their fields. The governance role of Group functions is aimed at ensuring consistent treatment and predictable processes and activities across the Group. Group functions and expert teams should be coordinated, and deliveries should, as far as possible, be standardised so as to fully exploit resources and solutions across the Group.

Effective Group functions are important for ensuring compliance, cost control and balanced delivery capacity. The scope of internal services should be demand-driven, and services should be invoiced according to use.

4.2 Comparability between units

Comparability between units and an accurate picture of profitability form the basis for financial planning and the prioritisation and allocation of resources. Consistent principles for reporting (described in the DNB accounting manual) and common definitions of financial and non-financial terms must be used in all units.

Some of the cost elements that are to be consistently allocated to the units are listed below (this list is not exhaustive):

i. Capital for defined portfolios must reflect the external capital requirement for the Group resulting from these operations. Allocation of capital between exposures in the defined portfolios should be based on DNB's assessment of the relative risk in the underlying operations.

ii. The Group's tax expense must be allocated to the business areas, and the expected tax rate must be used as a basis for following up and planning business operations. The tax rates must be differentiated to reflect the best estimate of the Group's taxes.

iii. Settlement of internal services is necessary in order to gain an accurate picture of profitability and resource utilisation. The pricing of internal services should follow transfer pricing (TP) principles, also when rendered between business and/or support units within the same legal entity. Internal services that are subject to the TP rules (i.e. services rendered between legal entities and/or international branch offices) must meet the requirements of Norwegian and local authorities, including documentation requirements.

4.3 Customer segments are the key dimension when prioritising scarce resources

The quarterly external reporting shows the performance of the key customer segments, and includes financial and non-financial achievements across organisational units, including profit trends. Priority is given to the segments that show sound long-term profitability.

All customers must be clearly defined to a customer segment.

4.4 Sizeable investments

Assessments and decisions concerning sizeable investments must be founded on a consistent decision-making basis, including a business case showing the expected effects of the investment.

4.5 The process

4.5.1 Set direction – Return on Equity (ROE) ambition

The Group's strategy is evaluated and updated annually. The expected effects of strategic choices are quantified in a Planning Process (three-year financial plan). This includes a reassessment of the ambition level for ROE. The Planning Process is an interaction between the Group's strategy, key internal frameworks such as those for risk appetite and IT investment resources, and financial developments and non-financial risk plan indicators.

Financial plans for all units must be based on common macroeconomic assumptions determined at Group level.

4.5.2 Implement

All units are responsible for implementing adopted strategies and plans. The strategies are to be operationalised in accordance with the Group's management model and governing documents.

Dynamic management is necessary to ensure optimal adaptation to changes in the regulatory framework and competitive conditions. Rolling forecasts for the next five quarters must be delivered to the Group, in order to identify any developments that deviate from the plan. This can result in correction of measures and direction.

4.5.3 Measure and evaluate

Developments in the various units are followed up in Business Reviews and Area Reviews, through a combination of KPIs and additional requirements to ensure that the developments are in line with the ambitions.

The Business Reviews and Area Reviews are the main meeting places between the CEO, CFO, CRO and the other Group Executive Vice Presidents. Strategic challenges and necessary corrective measures in response to the developments are discussed.