DNB Tax Footprint

INTRODUCTION

This is our first tax footprint report, which shows DNB's contribution on tax country-by-country, and describes the Group's (general) approach to tax. We believe that transparency is crucial for all of our stakeholders. Open, transparent and consistent communication is the core concept of our tax footprint reporting.

2018 HIGHLIGHTS

DNB contributes to the jurisdictions in which we operate in a number of different ways. This report concentrates on our tax contribution, which is just one element of our overall impact.

NORWAY

For many years, DNB has been one of the largest taxpayers in Norway.

GLOBAL

Total taxes paid by DNB: 7 777 MNOK
Total taxes collected by DNB: 4 030 MNOK
Total tax contribution: 11 807 MNOK
Profits before tax: 28 979 MNOK
Number of countries that DNB operates in: 16
Total number of (full-time) employees globally: 9 225

ABOUT DNB

For almost 200 years, we in DNB have been here for customers, employees and society in general.

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

Our purpose is to make your everyday life easier. As Norway's largest bank and one of the largest financial services groups in the Nordic region, we offer a complete range of financial services through mobile solutions, 24/7 customer service centers, online banking, branch offices, in-store postal outlets, real estate brokers and international offices.

At DNB, we are proud of our strong tax contribution and we are also a major investor, employer and purchaser of goods and service. In addition we facilitate individuals and corporations in making payments and managing their finances. Furthermore, we are also a significant dividend payer. DNB's Board of Directors will propose to the 2019 Annual General Meeting that a dividend of NOK 13 105 million be paid for 2018. The Norwegian government's share of this would be about NOK 4 500 million. Sparebankstiftelsen DNB's share of the proposed dividend would be approx. NOK 1 073 million. Sparebankstiftelsen DNB supports projects that create social involvement, often engaging volunteers, and make a positive contribution to the lives of children and young people. In addition, we pay bank fees in the form of a deposit guarantee fee which contributes to financial stability in society.

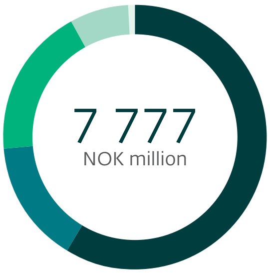
TAX CONTRIBUTION

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

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

In 2018, the total tax contribution amounted to NOK 11 807 million, of which NOK 7 777 million was paid to the authorities and NOK 4 030 million was tax collected on behalf of the authorities.

HOW MUCH TAX DID THE DNB GROUP PAY IN 2018?



- Income tax: 4 576
- Non-deductible VAT: 1 159
- Employer's national insurance contributions: 1 434
- Financial activities tax: 547[1)]
- Other tax: 61

1) Consists of extra income tax amounting to NOK 166 million and additional employer's national insurance contributions of NOK 381 million.

Taxes paid constitute a cost for the Group and include:

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

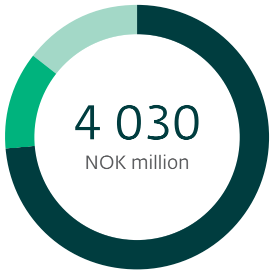
Non-deductible value added tax (VAT)
DNB pays VAT on purchases of goods and services. The Group is only allowed partial deductions for input VAT, which means that a large part of the VAT constitutes a cost for the Group. The amount includes all non-deductible input VAT on the purchase of goods and services.

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

Financial activities tax
The financial activities tax was introduced in 2017 and is an additional tax imposed on companies within the financial services sector. This tax consists of two elements: an increased income tax rate for financial institutions (2 percentage points for 2018 and 3 percentage points for 2019), and an additional tax for employers in the financial services industry, based on the payroll of the companies (5 percentage points).

Other tax
This may be withholding tax on interest and dividends that DNB cannot subtract from other tax.

HOW MUCH TAX DID THE DNB GROUP COLLECT ON BEHALF OF THE AUTHORITIES IN 2018?



- Tax deduction for employees: 2 976
- VAT paid to the authorities: 472
- Other tax: 582

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

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

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

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

DNBS APPROACH TO TAX

We are here. So you can stay ahead. This is our purpose and the answer to why DNB is here for customers, society and employees. The purpose sets the direction for our choices and priorities. It inspires innovation and drives change.

The Code of Conduct is our backbone, and defines the guiding principles for how we would like DNB's employees to behave, and what each and every one of us should think about in our daily work. We are curious, bold and responsible. Everything we do should be in line with these values. Our values describe how we will deliver our purpose both as an organisation and as colleagues. Our values describe what we expect from each other and what our customers can expect from us. Being responsible means that we create values in a sustainable way. We are transparent and contribute positively to society. We listen to those who have opinions and insight about what society expects of us. We make good assessments and take the right decisions.

Our approach to tax is rooted in our overall purpose and values. In summary, this means that DNB has a responsible approach to tax. DNB shall follow tax rules and international conventions in all countries where DNB has operations, and we shall not facilitate, advise, or otherwise help customers evade taxes or duties. As a general rule, everything we do must stand the light of day. It is important that we can account for what we have done, what the underlying considerations are and which decisions we have made.

We understand the importance of the taxes we pay in supporting the development and growth of the communities in which we operate, and we take a responsible approach, respecting our tax obligations. We support a stable and transparent fiscal environment that is based on universal tax principles, levying tax based on predictable legislation applied by objective authority. We support initiatives to improve international transparency in taxation matters, such as automatic exchange of information, including OECD measures on base erosion and profit shifting (BEPS), for example through country-by-country reporting.

(In the UK,) we have a designated UK tax strategy that has been approved by the board, and we are currently working on a global tax strategy that will be presented for board approval. Below is an overview of our approach to tax.

TAX RISK MANAGEMENT

Our approach to tax shall contribute to safeguarding DNB's corporate responsibility and hereby balance sustainable development for all stakeholders such as customers, shareholders, employees and society as a whole. Tax risk arises from the complexity of DNB's business operations and by being a multinational entity. These risks are managed within the risk management framework.

Risk management in DNB is handled according to the three lines of defense. The first line includes the business areas and support units, which have a local tax function and are supported by the Group tax function. The second line is the compliance and operational risk officers within the business areas and support units supported by the risk function on Group level. The third line of defense is the internal audit.

GOVERNANCE

We are aware that tax is a complex subject area, and we understand the importance of having strong governance in place in relation to our tax affairs. We have a set of standards and procedures that must be adhered to by all employees. According to these all decisions where tax is essential to DNB Group the tax function shall be consulted to ensure compliance with the regulations. External advisers may be used on a need basis. The Board of Directors oversees tax matters and tax risks and carries this out through the audit and risk committee that receives regular reports and updates on material tax risks, tax disputes and tax policy developments.

Our tax department (Group Tax) comprises in-house professionals with a combination of tax-related, legal and accounting expertise.

All products that we offer have to go through an extensive approval procedure. Products that may be affected by tax rules or be associated with tax risk should be considered by our tax department.

APPROACH TO TAX PLANNING

DNB's tax planning is managed to support business efficiency and profitability in order to create and protect shareholder value, while respecting existing regulations. Our tax planning must:

- support real commercial activity
- comply with national tax rules and practices as well as international conventions
- be of a kind that tax authorities will expect
- be consistent with and seen to be consistent with DNB's values

We run a complex business subject to a number of regulations and strong competition that force us to make frequent changes in our business model and structures. Tax issues influence decisions about how we run and organise our business and about where we base our operations. Making these decisions is an integral part of running a global commercial organisation. When tax is a factor in deciding where or how we do business, we ensure that decisions made are consistent with our tax principles and that profits are taxed in the locations in which the economic activity generating them takes place. Artificial transactions, tax avoidance or aggressive tax planning would not be compliant with our tax principles and we do not therefore enter into such arrangements.

Dealings between different companies within our Group are priced on an arm's length basis that reflects financial substance and comply with international standards and local tax rules.

WORKING WITH TAX AUTHORITIES

We always operate within the law and on the basis of being open, honest and transparent with tax authorities in all the jurisdictions where we operate. DNB's policy is to have a clear, transparent and pro-active relationship with tax authorities in all jurisdictions. Therefore our aim is to be co-operative and give sufficient and clear information in tax returns and in enquiries raised by tax authorities. One example is that we have given information to the tax authorities on transaction level when the tax rules would not give a clear answer to whether the transaction was taxable or not. In Norway, we have regular meetings with the tax authorities to discuss their enquiries and material issues in relation to our tax affairs.

Occasionally, there will be cases of tax litigation and these shall be handled professionally and efficiently in accordance with DNB's values. When necessary, we will consult with external advisers to give us tax advice. Since 2017, we have had a board-approved tax strategy in the UK in line with the UK rules, and in addition, DNB has adopted the code of conduct for banks issued by the HM Revenue & Customs, the UK tax authority.

TRANSPARENCY AND TAX – CASES IN DNB

DNB is a very large company with over 9 000 employees, and we are present in 16 countries worldwide. The finance sector has to deal with a range of regulations, and the regulatory framework has increased substantially over the last few years. There have also been significant changes in the tax environment the last couple of years. Below, we will present a few cases that give some insight in our business and our approach to tax.

THE CAYMAN ISLANDS

DNB established a branch in the Cayman Islands in 1987, as part of the New York branch office. The background for the establishment of the Cayman Island branch was primarily regulatory considerations. The Cayman Island branch was historically established to overcome certain restrictions on running a branch office in New York, including reserve requirements and paying interest on deposits. The Cayman Island branch has never been used for tax purposes, and has only been used for loans and deposits operated and taxed in New York. This means that all of the profits generated in the Cayman Island branch have been taxed in the New York branch office according to US tax rules. The bank has a license from the Norwegian Ministry of Finance to have a branch office in the Cayman Islands and both the Financial Supervisory Authority and local and federal supervisors regularly receive access to this business in connection with the supervision of the New York branch. Today, our presence in the Cayman Islands is scaled down, and there have been some discussions on the possibility of not having a presence in the Cayman Islands.

DUAL PRESENCE

A few years ago, DNB reorganised its operations in Sweden Singapore, the UK and the US, transferring large parts of the loan portfolios in the branch offices to local subsidiaries. In these countries we have a dual presence (branch office and subsidiary) where most of the loans are booked in the subsidiary, and where other parts of the business operations normally would be performed in the branch offices. One of several important business-related purposes of the reorganisations was to avoid double taxation.

LOW-TAX TERRITORIES

As one of the world's largest banks in the shipping industry, DNB provides loans to shipping companies worldwide, including companies registered in countries considered to be tax havens. Companies in the shipping industry have a long tradition of establishing companies in countries with low or no taxation. After the Norwegian shipping tax scheme was substantially changed, shipping operations can also be operated tax-free in Norway.

According to Norwegian tax authorities, Singapore is considered a low-tax country. DNB has been present in Singapore since 1970. DNB's business operations in Singapore are taxed according to local tax rates (in Singapore). For the last five years, DNB's Singapore subsidiary has been included in the Financial Sector Incentive (FSI) scheme, which is a government incentive for the financial sector which gives our subsidiary a lower tax rate. The Singapore incentive has been reviewed by the BEPS Forum on Harmful Tax Practices and was considered not to be harmful and to meet international tax standards. Due to increasing operational risk in Singapore, we are in the process of transferring a large part of the functions from Singapore to Norway. We will still have a strong presence in Singapore, but as a consequence of the transfer, more of the income will be taxed in Norway at an increased tax rate. The Financial Service Incentive has not been renewed for the subsidiary.

DNB operated under a tax ruling in Luxembourg which has given us reduced tax (around 10% tax rate). In 2015, we decided that we should not use tax rulings in Luxembourg and accordingly pay the full corporate tax rate of 25% in the country.

WITHHOLDING TAX

As a lender, DNB receives interest payment from international corporate borrowers. Some of the interest payments will impose a withholding tax obligation on DNB. In international lending it is standard to place the contractual responsibility for the withholding tax cost and payment of the tax on the borrower, so that the borrower pays the tax to the local authorities. In connection with the country-by-country reporting, we have made an extensive effort to analyse the loan contracts we have in countries levying withholding tax, and have asked the borrowers to document that our withholding tax has been paid. This work has considerably mitigated the risk that our withholding tax is not paid.

PANAMA PAPERS

Our subsidiary in Luxembourg helped a small number of customers to establish companies in the Seychelles. This was in 2006–2010 and the companies have now been wound up. We strongly regret this incident, which was clearly in breach of our internal guidelines and not in line with our values. Several actions have been taken and measures have been implemented in DNB to ensure that something like this will not happen again.

PARADISE PAPERS

As regards the Paradise papers matter, it became clear that DNB had done nothing wrong. DNB had granted loans to several companies based in Bermuda, mainly companies operating in the shipping and offshore segment. DNB is a leading shipping bank, and the harbour industries consist of international players that are important to Norway, and important to DNB. Many companies in the shipping and offshore sector have chosen to set up operations in Bermuda. As of 2016, there is an automatic exchange of tax information between most countries in the world, including Bermuda.

CORPORATE RESPONSIBILITY AND TAX

In DNB, we have a strong focus on corporate responsibility (CR). Working with CR also includes tax issues. As one of the largest taxpayers in Norway, we fulfil our CR in a positive manner when it comes to tax. When we pay taxes and fees and employ staff in the countries where we operate, we contribute to goal 16 and to some extent to goal 17 of the United Nations Sustainable Development Goals, by encouraging the building of accountable institutions at all levels and improving domestic capacity for tax and other revenue collection.

DNB engages in dialogue with governments and industry groups, through public consultations and other discussions, as part of our commitment to assisting with the development of tax policies and the improvement of tax systems.

As one of our core values is being responsible, there has been a growing consciousness in our organisation when it comes to CR, and also in CR in the tax area. This is a positive development and our ambition is to contribute even more in the CR and tax areas in the future. One example is that DNB Asset Management (DAM) has developed an expectation document on responsible tax practices for the companies that DAM invests in. The document describes the standards that DAM expects companies to meet regarding tax practices. The document is inspired by the expectation document drawn up by Norway's central bank, Norges Bank Investment Management (NBIM). For further details see: dnb.no/portalfront/nedlast/no/om-oss/samfunnsansvar/2018/Tax-expectations.pdf

CHANGES IN THE TAX ENVIRONMENT

The global tax policy landscape has changed over the past several years and there are reasons to believe that it will continue to evolve for some time. One example is the BEPS project, led by the Organization for Economic Cooperation and Development (OECD), which has been a primary driver for change.

BEPS addresses tax avoidance derived from the use of tax strategies available to multinationals to artificially shift part of their profits to low or non-tax locations using gaps in tax regulations. Tax regimes in many countries are undergoing a period of review and changing of the rules in response to the recommendations of the BEPS project.

One of the aims of the BEPS project is to ensure that the international tax system operates to tax profits where the relevant economic activity takes place. This is consistent with our approach so we do not expect any changes to the countries in which our profits are taxed as a result. However, we have identified a tax risk related to being able to keep up with all the changes in tax rules that we see worldwide. To mitigate this risk we are in a process of strengthening the way we monitor changes in tax rules. Furthermore, we are in a process of analysing how our tax function should be shaped in the future, in terms of both people and tools, so that we can build a tax function that is fit for the future.

One of the BEPS measures is the “multilateral instrument” (MLI), which will make it possible to facilitate rapid implementation of the BEPS measures into more than 1 100 tax treaties worldwide, without the need for the countries going into bilateral re-negotiation of the treaties. The MLI represents an enormous change in the tax treaty history.

The MLI provides signatory countries with flexibility with respect to ways of meeting BEPS minimum standards on treaty abuse and dispute resolution, as well as the possibility to opt out of provisions that do not reflect a BEPS minimum standard (with the possibility to opt in later). Where there are multiple ways to address BEPS, the MLI allows signatories to apply optional provisions. As a result, the various possible permutations that may arise can be very complex and will make the interpretation of tax treaties even more challenging.

The EU has been at the forefront of some of the BEPS recommendations and has introduced several new directives, for example ATAD (“The Anti-Tax Avoidance Directive”) and DAC 6 (mandatory disclosure tax reporting). We have started efforts to become fully compliant with these directives, and we also anticipate that similar rules as DAC 6 will be introduced in Norway.

One more example of the changing landscape is the common reporting standard (CRS) and FATCA. The CRS, developed in response to the G20 request and approved by the OECD in 2014, calls on jurisdictions to obtain information from their financial institutions and provide this to tax authorities. Tax authorities will then automatically exchange that information with one another. We support the aim of the CRS and have a robust setup to report on this.

In addition to global changes in tax rules and conventions, there are changes in local rules. We are closely monitoring the US tax reform that adds another complex layer for international business. The US tax reform consists of unilateral rules that are not aligned with the BEPS measures. The tax world is complex and is not made any simpler when local rules are not in line with coordinated measures such as BEPS. Furthermore, we also follow the Brexit process and the tax consequences Brexit may have.

COUNTRY-BY-COUNTRY REPORTING

Below is a summary of our country-by-country reporting.

TOTAL TAX CONTRIBUTION BY COUNTRY IN 2018

Country	Total income	Profit before taxes	This year's tax charge[2)]	Income tax paid[3)]	Other taxes paid[4)]	Taxes collected[5)]	Total assets	Full time employees
Norway	40 849	22 020	3 203	3 985	2 903	3 395	2 777 917	7 826
Denmark	523	167	26	4	7	287	20 323	45
Luxembourg	356	222	57	45	5	1	23 601	52
Poland	438	182	43	65	62	36	23 190	239
Singapore	764	394	59	1	6	7	45 244	67
Sweden	3 604	2 018	352	344	164	130	122 588	359
United Kingdom	1 736	1 630	304	76	21	49	101 796	107
USA	2 334	2 323	556	53	14	99	232 723	143
Other[1)]	200	22	6	3	20	27	9 393	388
Total before adjustments	**50 803**	**28 979**	**4 606**	**4 576**	**3 201**	**4 030**	**3 356 774**	**9 225**
Intercompany	-435	-	-				-721 872	
Adjustments			-113					
Total	**50 368**	**28 979**	**4 493**	**4 576**	**3 201**	**4 030**	**2 634 903**	**9 225**

1) Other includes the following countries: Chile, China, Finland, Germany and Latvia.
2) This year's tax charge consists of current and deferred taxes.
3) Income tax paid is the itax actually paid during the year, regardless of which income year the tax apply to.
4) Other taxes paid include non-deductible VAT, employer's national insurance contributions, financial activities tax and other taxes
5) Taxes collected are taxes that DNB collects from employees, customers and third parties which are paid to tax authorities.