

THIRD QUARTER 2016

# Q3

---

## RESULTS DNB GROUP THIRD QUARTER

Rune Bjerke, CEO  
Bjørn Erik Næss, CFO

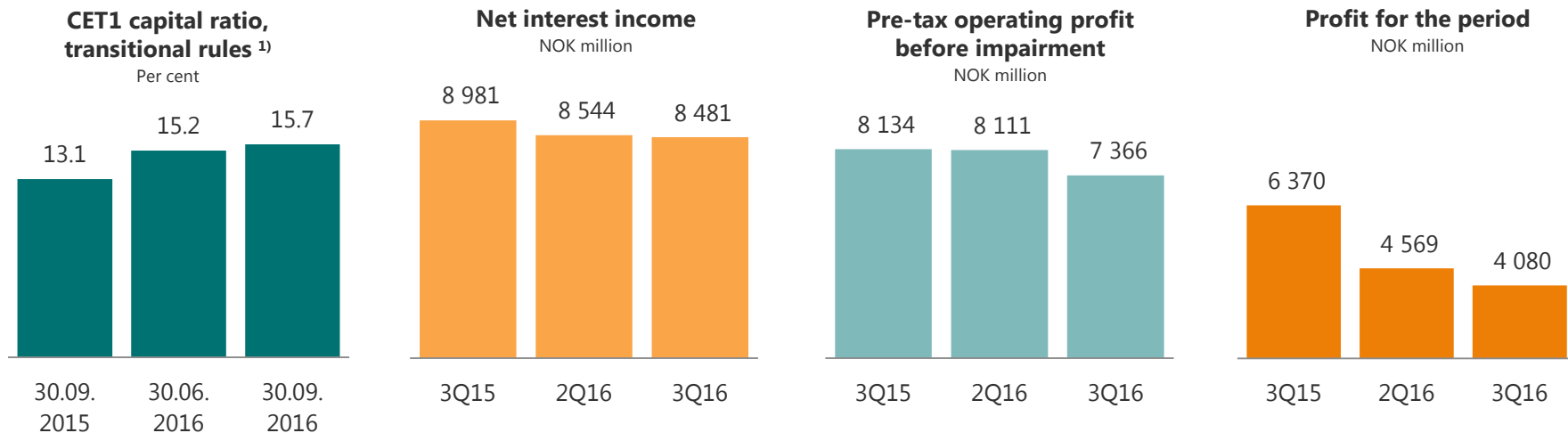
---

27.10.2016



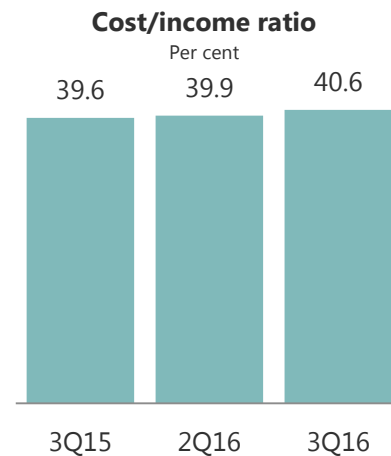
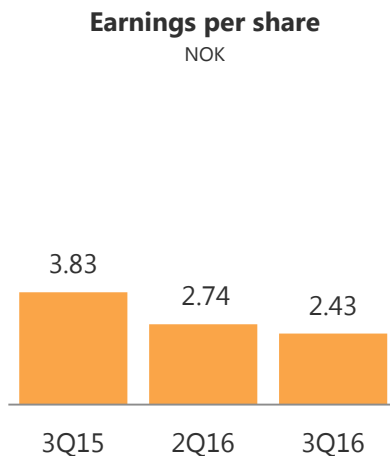
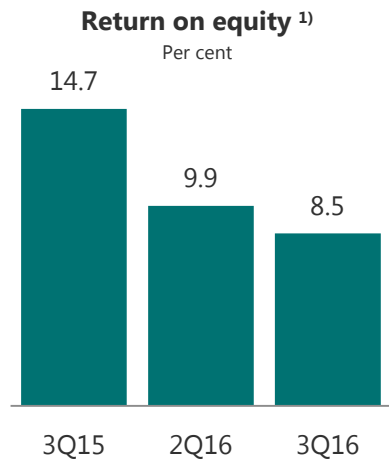
# Strong development in capital position

- Declining volumes among large corporates had a negative effect on net interest income from 3Q15, but a positive effect on the CET1 ratio
- The trend in income reflected non-recurring items, with high income from basis swaps in 3Q15 and gains from the sale of holdings in Visa in 2Q16
- Impairment losses were high in 2016, mainly in oil-related industries and shipping. 3Q15 was affected by the sale of a portfolio of non-performing loans



# Lower ROE due to impairment and higher equity

- Return on equity affected by higher capital due to build-up of CET1 capital
- Impairment losses on loans higher than the normalised level
- Continued focus on costs and cost reductions in line with ambitions

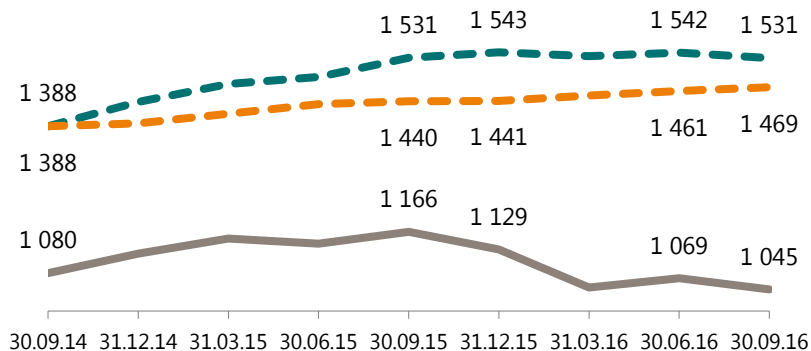


# Annualised lending growth in line with ambition

- Lending growth in the personal customer and SME segments during the quarter
- Reduction in RWA due to exchange rate movements and lower volumes in the large corporate segment
- Stable development in deposits. Ratio of deposit to loans well above 60 per cent

NOK billion

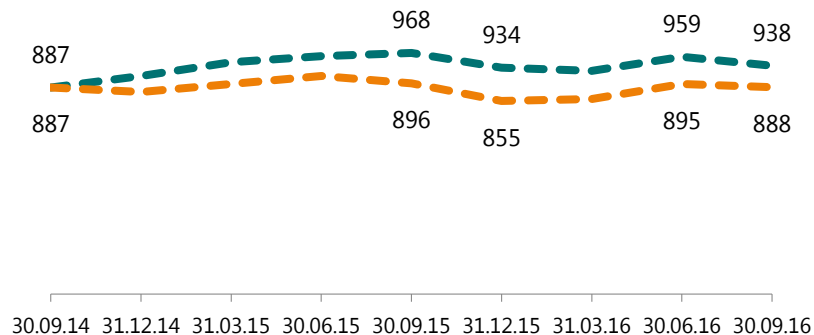
## Loans <sup>1)</sup>



--- Loans at end of period  
--- Loans adjusted for exchange rate movements  
--- RWA, transitional rules

NOK billion

## Deposits <sup>1)</sup>

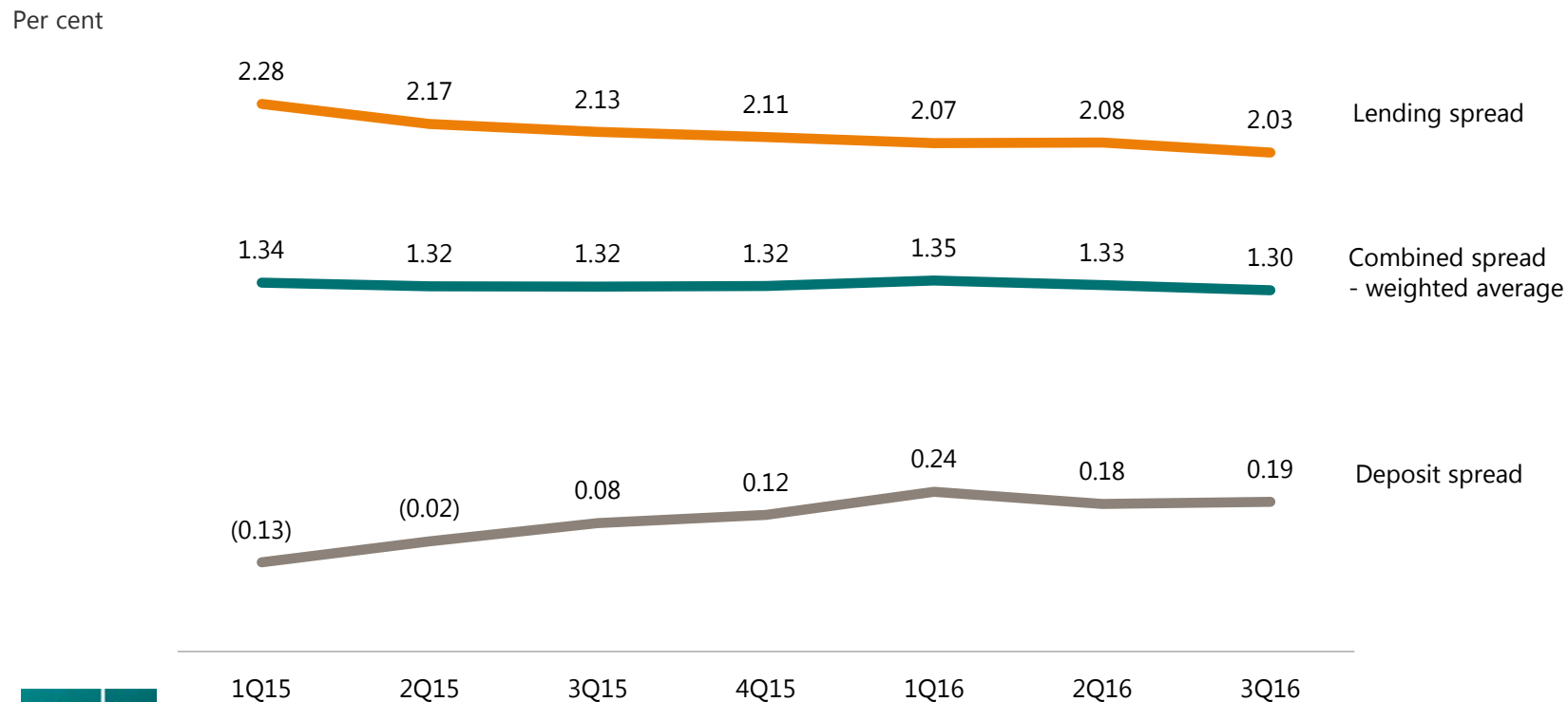


--- Adjusted for short-term money market investments  
--- Adjusted for short-term money market investments and exchange rate movements



1) Includes NOK 46 billion in loans and NOK 35 billion in deposits in the Baltics at end-September 2016, reclassified as held for sale in August 2016

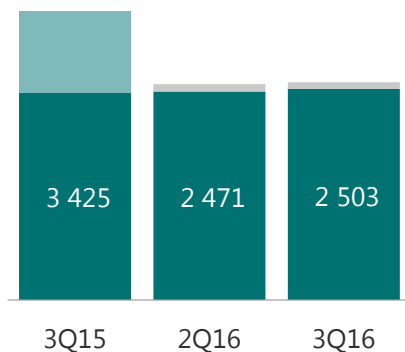
# Stable combined spreads



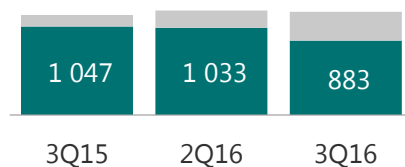
# Steady profit trend in all customer segments

NOK million

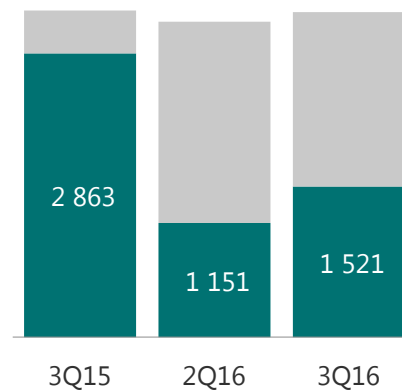
## Personal customers



## Small and medium-sized enterprises



## Large corporates and international customers



Reversals on impairment losses  
Impairment losses  
Pre-tax operating profit

Loans <sup>1)</sup>	697	694	707
Spreads <sup>2)</sup>	1.33	1.28	1.22

218	224	227
1.48	1.57	1.55

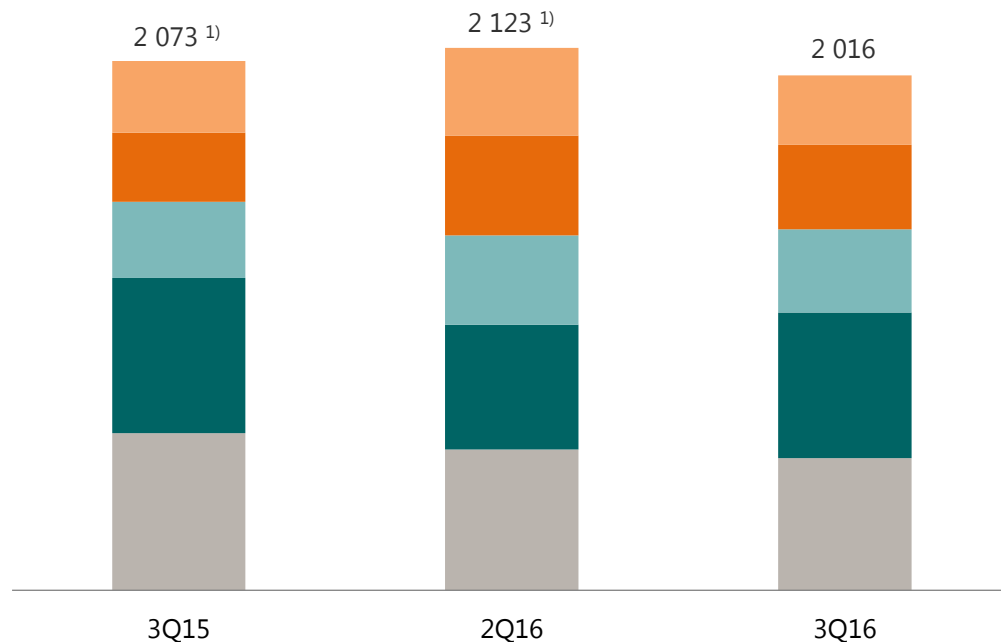
583	554	554
1.25	1.28	1.29



- 1) Average loans to customers in NOK billion  
2) Combined spread – weighted average, in per cent

# Commissions and fees below long-term ambition

NOK million



## Real estate broking

Development in income affected by seasonal variations

## Investment banking services

Income fluctuations due to general market activity and seasonal variations

## Asset management and custodial services

Higher performance fees in Asset Management

## Money transfer and banking services

Positive seasonal effect compared with 2Q, but underlying negative effect due to digitalisation

## Sale of insurance products

Negatively affected by conversion from defined benefit to defined contribution

# Income statement

Amounts in NOK million	3Q16	2Q16	3Q15	Jan.-Sept. 2016	Jan.-Sept. 2015
Net interest income	8 481	8 544	8 981	25 738	26 296
Net commissions and fees	2 016	2 136	2 080	6 143	6 781
Net gains on financial instruments at fair value	1 411	1 029	1 945	4 824	6 519
Net financial and risk result, DNB Livsforsikring	154	166	69	432	292
Net insurance result, DNB Forsikring	148	204	132	467	401
Other operating income	200	1 418	247	1 957	830
Net other operating income, total	3 929	4 952	4 472	13 823	14 823
Total income	12 409	13 496	13 453	39 561	41 119
Operating expenses	(5 042)	(5 281)	(5 103)	(15 481)	(15 630)
Restructuring costs and non-recurring effects	(1)	(104)	(216)	(658)	(654)
Pre-tax operating profit before impairment	7 366	8 111	8 134	23 421	24 834
Net gains on fixed and intangible assets	20	(20)	(3)	(7)	54
Impairment of loans and guarantees	(2 176)	(2 321)	392	(5 672)	(849)
Pre-tax operating profit	5 209	5 770	8 523	17 743	24 039
Tax expense	(1 130)	(1 190)	(2 139)	(3 850)	(5 971)
Profit from operations held for sale, after taxes	1	(10)	(14)	(22)	(79)
Profit for the period	4 080	4 569	6 370	13 871	17 989
Profit attributable to shareholders	3 952	4 454	6 245	13 513	17 740

One-off effect from Visa transaction in 2Q

Cost reductions due to restructuring initiatives

Impairment mainly in oil-related industries and shipping

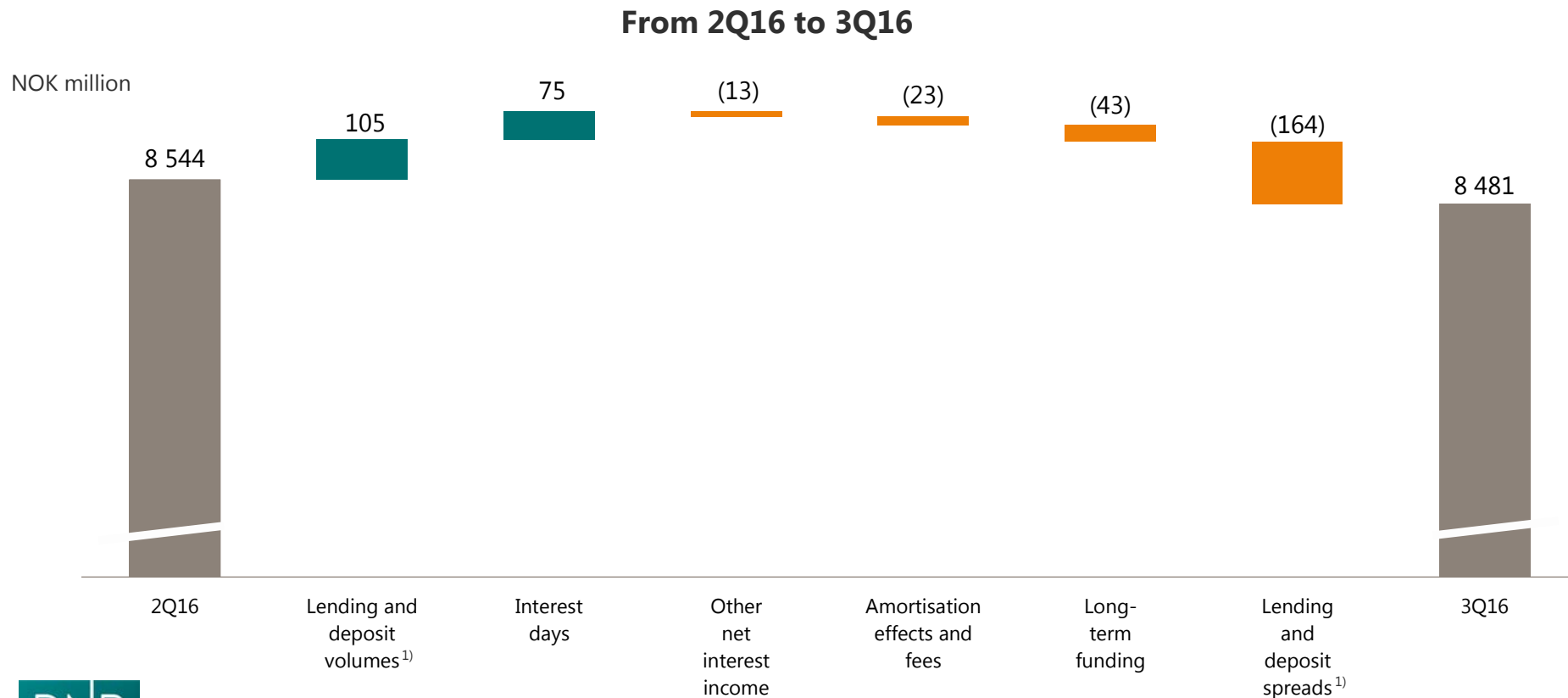
Tax rate of 21.7 per cent

# Net gains on financial instruments

Amounts in NOK million	3Q16	2Q16	3Q15
Customer revenues in DNB Markets	<b>583</b>	665	<b>508</b>
Trading revenues in DNB Markets (excl. CVA/DVA/FVA and credit spread effects)	<b>639</b>	671	<b>474</b>
Financial guarantees	<b>187</b>	110	<b>228</b>
Credit spread effects on bonds in DNB Markets	<b>296</b>	67	<b>(582)</b>
Basis swaps	<b>(444)</b>	(388)	<b>933</b>
CVA/DVA/FVA	<b>328</b>	(533)	<b>(414)</b>
Other mark-to-market adjustments	<b>(178)</b>	438	<b>798</b>
Net gains on financial instruments at fair value	<b>1 411</b>	1 029	<b>1 945</b>

From 3Q15: Positive development in all product areas, especially interest rate instruments

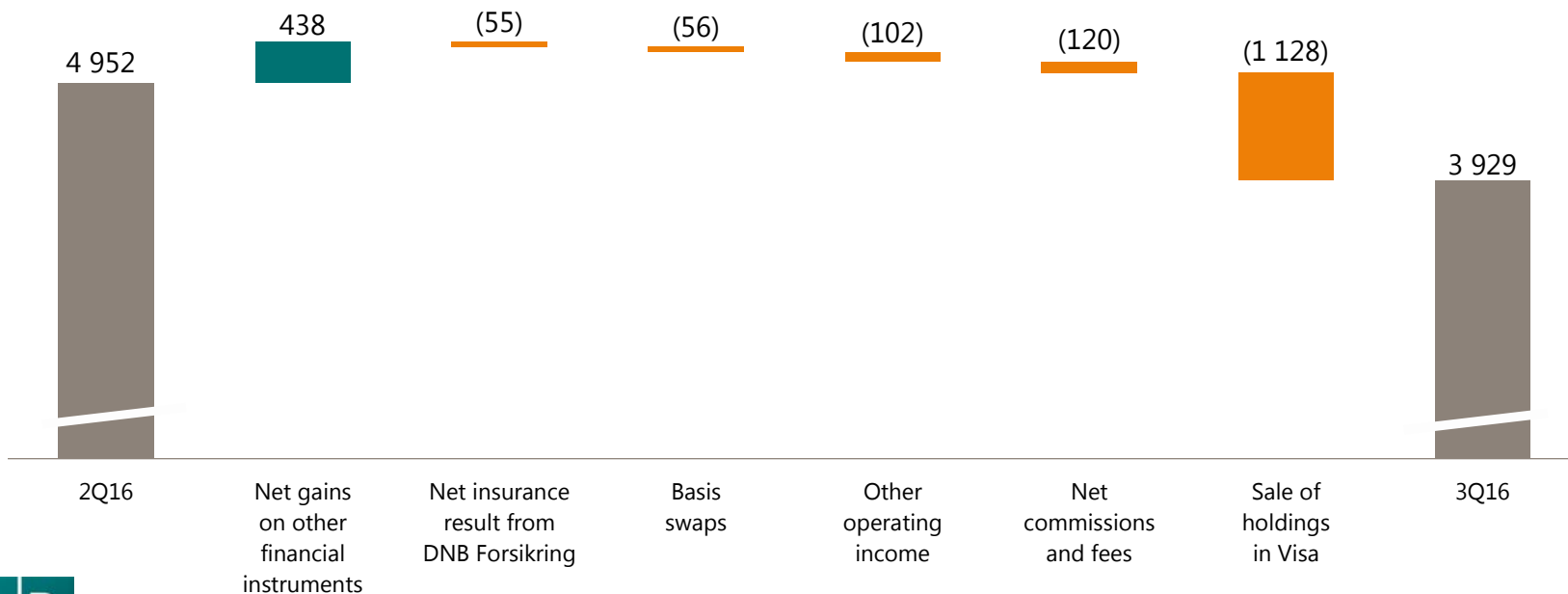
# Changes in net interest income



# Changes in net other operating income

From 2Q16 to 3Q16

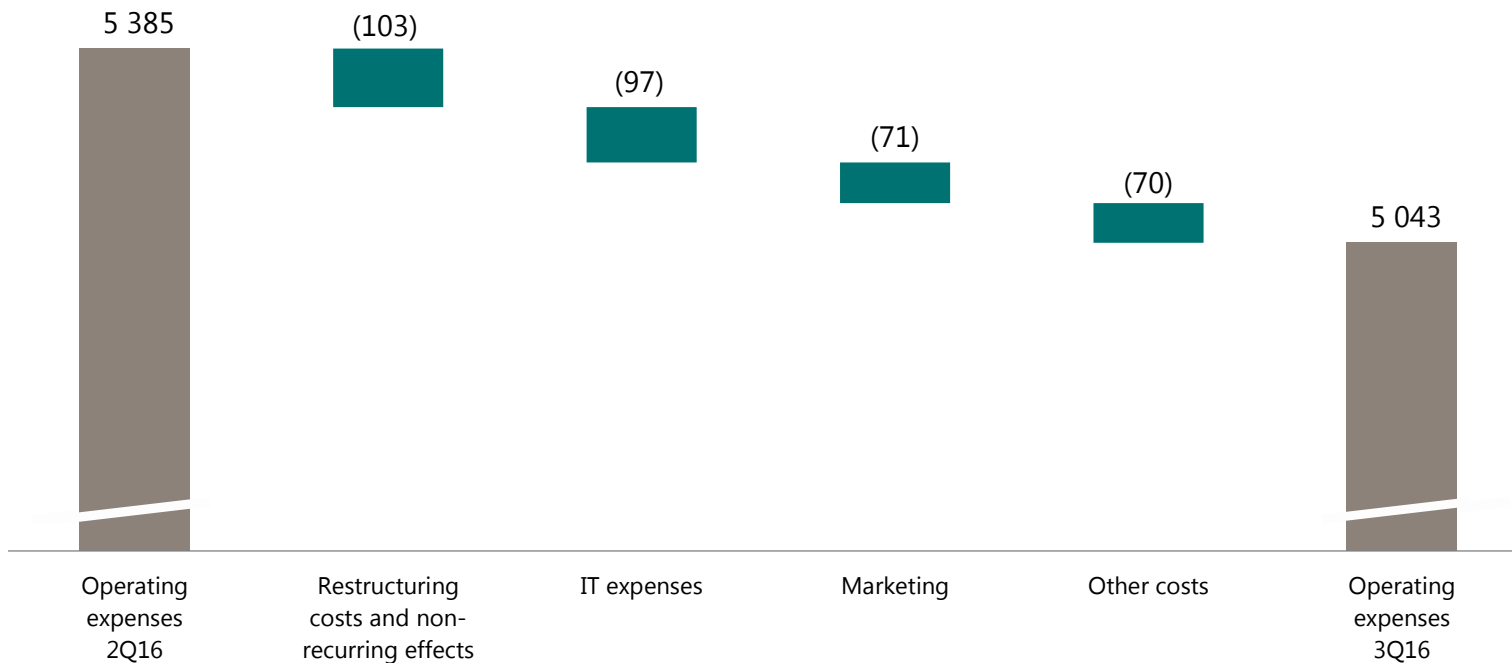
NOK million



# Delivering on cost ambitions

From 2Q16 to 3Q16

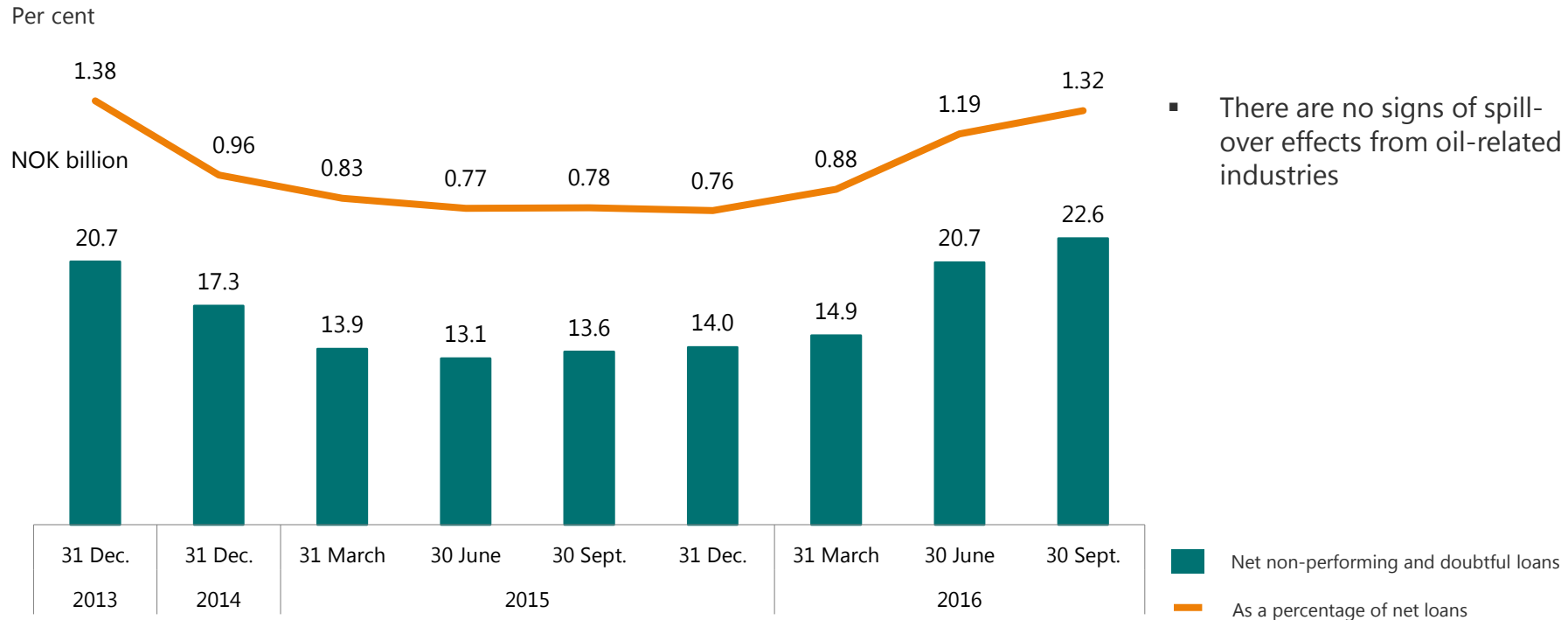
NOK million



# Continued high impairment losses, mainly from oil-related and shipping portfolio

Amounts in NOK million	3Q16	2Q16	3Q15	
<b>Personal customers</b>	<b>(75)</b>	<b>(106)</b>	<b>942</b>	
- Mortgage loans	(8)	(30)	10	
- Consumer finance	(67)	(76)	932	
<b>Small and medium-sized enterprises</b>	<b>(320)</b>	<b>(181)</b>	<b>(129)</b>	← Mainly one non-oil related exposure
<b>Large corporates and international customers</b>	<b>(1 186)</b>	<b>(1 305)</b>	<b>(527)</b>	
- Shipping, Offshore and Logistics Division	(710)	(823)	(379)	
- Energy Division	(348)	(458)	(88)	
- Other units	(127)	(24)	(59)	
<b>Total individual impairment</b>	<b>(1 580)</b>	<b>(1 592)</b>	<b>285</b>	
Total collective impairment of loans	(596)	(729)	106	← Affected by negative migration and low oil prices
<b>Impairment of loans and guarantees</b>	<b>(2 176)</b>	<b>(2 321)</b>	<b>392</b>	
 Total impairment in relation to average volumes (annualised)	 (0.56)	 (0.61)	 0.10	

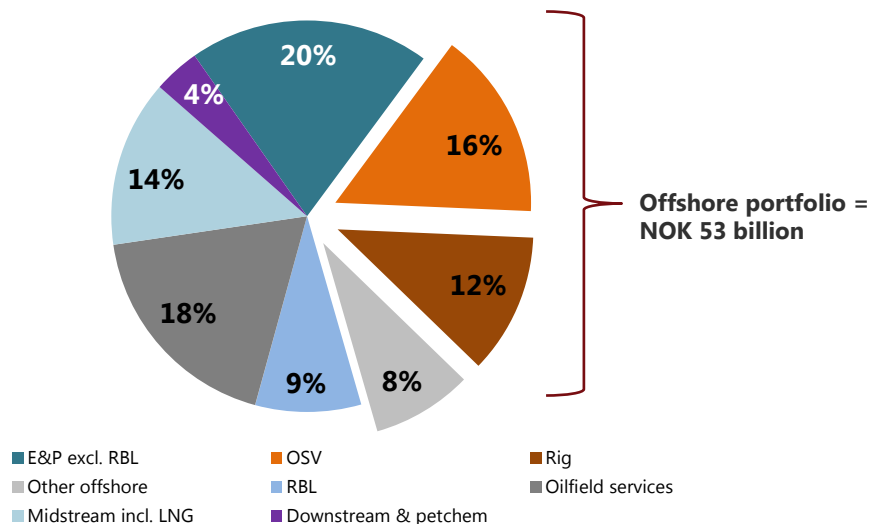
# Majority of non-performing and doubtful loans are within the oil-related portfolio



# The negative migration in the offshore portfolio continued

## Oil-related portfolio – EAD NOK 141 billion

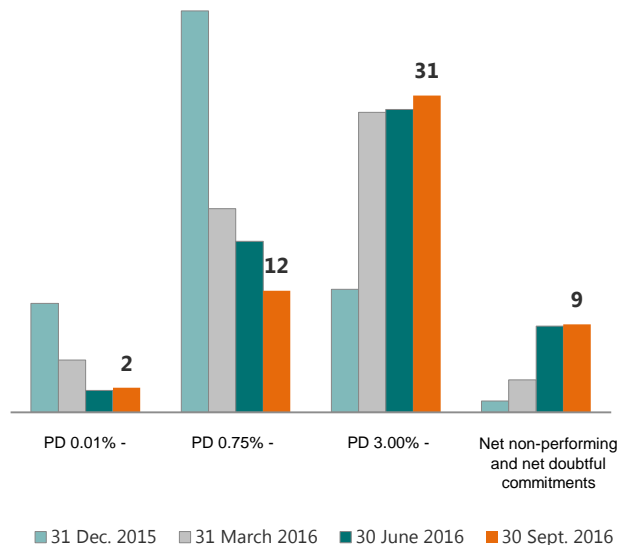
7 per cent of DNB's total EAD



- Accumulated collective and individual impairment losses for the oil-related portfolio total approximately NOK 4 billion or 5.1 per cent of the total drawn amount

## Offshore portfolio – EAD NOK 53 billion

2.7 per cent of DNB's total EAD



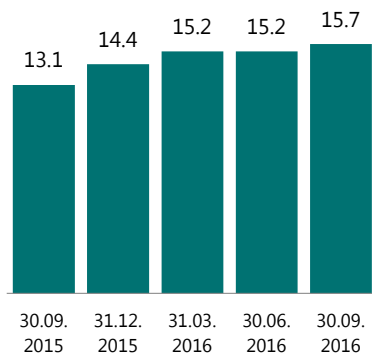
EAD = Exposure at default  
PD = Probability of default

# Balance sheets

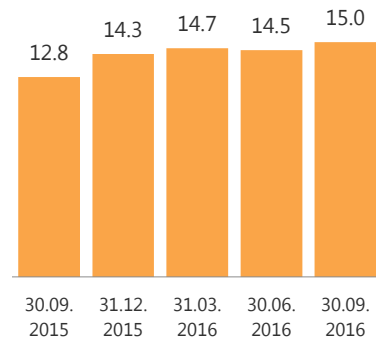
DNB Group			
Amounts in NOK billion	30 Sept. 2016	31 Dec. 2015	
Deposits with central banks	175	19	
Due from credit institutions	193	301	
Loans to customers	1 485	1 543	Net loans to customers decreased by NOK 58 billion, of which NOK 46 billion was due to reclassification of the Baltic portfolio to assets held for sale
Other assets	799	735	
<b>Total assets</b>	<b>2 651</b>	<b>2 599</b>	
Due to credit institutions	193	162	
Deposits from customers	918	944	NOK 35 billion reduction in deposits due to reclassification of the Baltic portfolio to liabilities held for sale
Short-term debt securities issued	148	160	
Long-term debt securities issued	637	645	
Other liabilities and provisions	562	497	
Additional Tier 1 capital	10	8	
Other equity	184	182	
<b>Total liabilities and equity</b>	<b>2 651</b>	<b>2 599</b>	
Ratio of deposits to net loans (%)	61.8	61.2	Stable high ratio of deposits to loans
Adjusted ratio of deposits to net loans (%) <sup>1)</sup>	60.8	60.5	
Total combined assets	2 920	2 901	
Currency-adjusted loans to customers	1 525		
Currency-adjusted deposits from customers	946		
Liquidity coverage ratio	140		Liquidity Coverage Ratio remained stable at above 100 per cent throughout the third quarter

# Solid and well capitalised

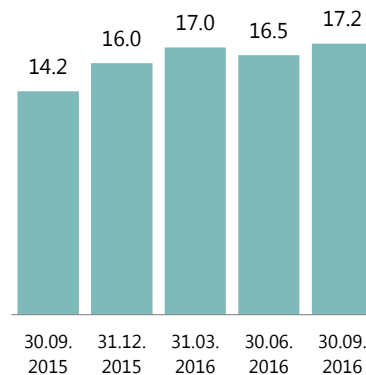
**CET1 capital ratio  
DNB Group  
Transitional rules**  
Per cent



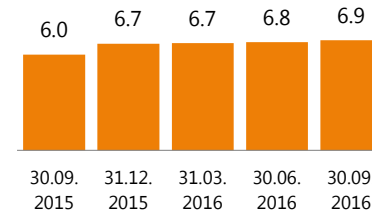
**CET1 capital ratio  
DNB Bank Group  
Transitional rules**  
Per cent



**CET1 capital ratio  
DNB Group  
Basel III without transitional rules**  
Per cent

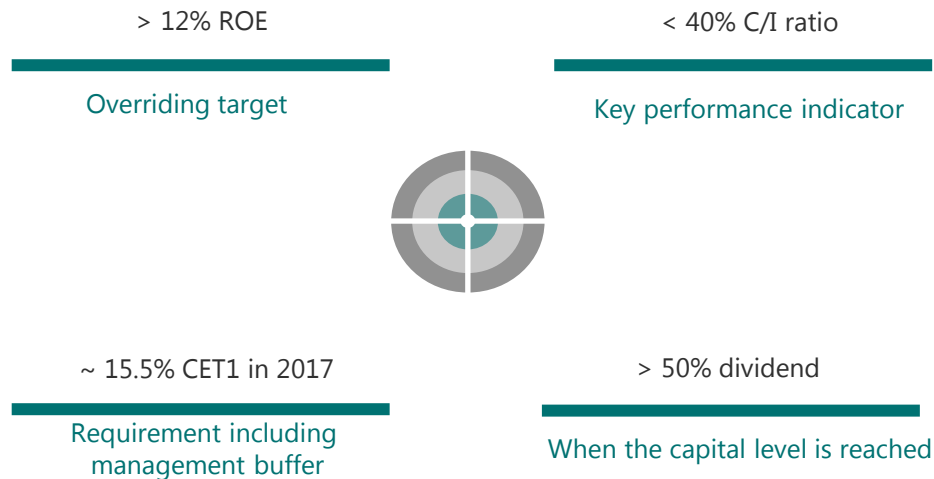


**Leverage ratio  
DNB Group**  
Per cent



# Financial ambitions 2016-2018

Updated financial ambitions will be presented at the Capital Markets Day



## Guiding

Lending growth 2-3 per cent

Stable volume-weighted spreads

Minimum 3 per cent annual growth in commissions and fees

Impairment losses are estimated to be up to NOK 18 billion over a three-year period, with the highest impairment losses during the first part of the period

Stable risk-weighted assets

Tax rate: 22 per cent in 2016 and 24 per cent in 2017

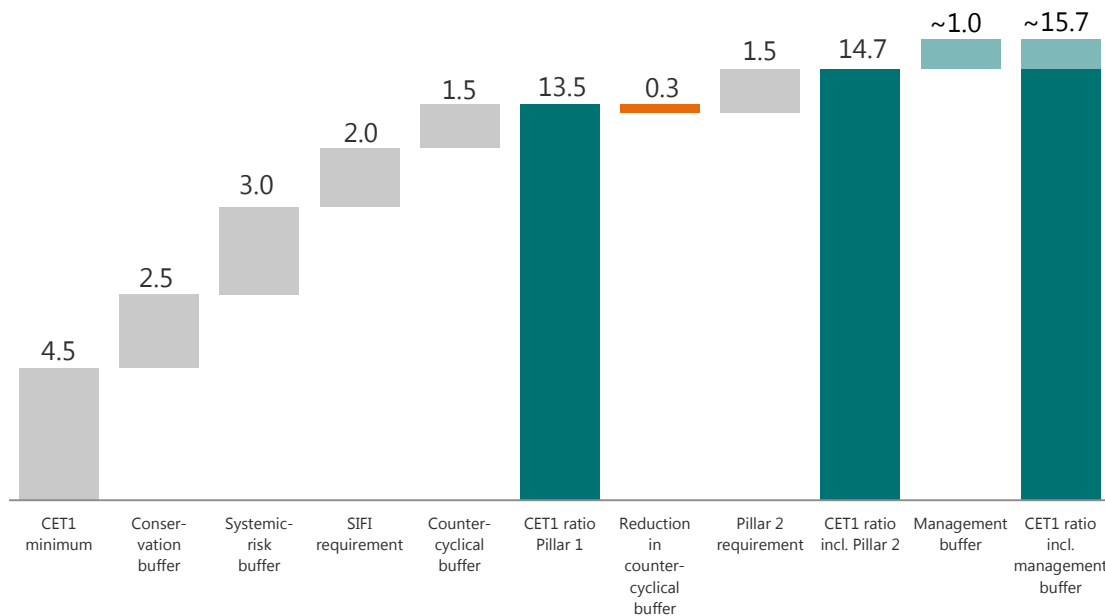
# APPENDIX

# Finanstilsynet has finalised its SREP for 2016

## - DNB already complies with new advice

Per cent

**Common equity Tier 1 capital requirement for DNB**



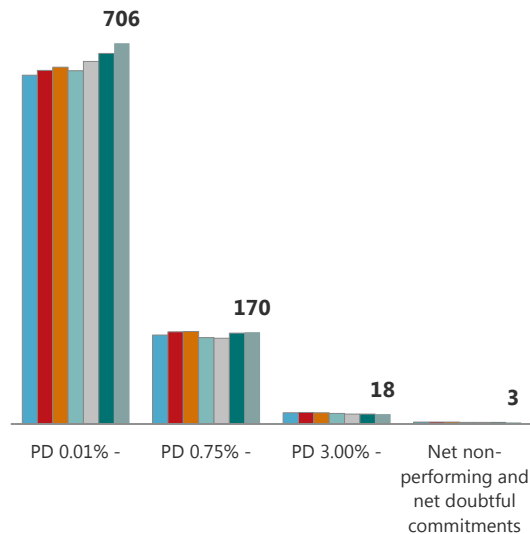
- Pillar 2 requirement unchanged at 1.5 per cent
- Counter-cyclical buffer reduced by 30 basis points due to recognition of host countries' counter-cyclical buffer rates
- DNB advised to have a management buffer of approximately 100 basis points
- CET1 ratio requirement including management buffer increased from 15.5 per cent to 15.7 per cent
- DNB had a CET1 ratio of 15.7 per cent at end-September 2016

# DNB's loan book is robust

## – negative migration in the oil-related portfolio

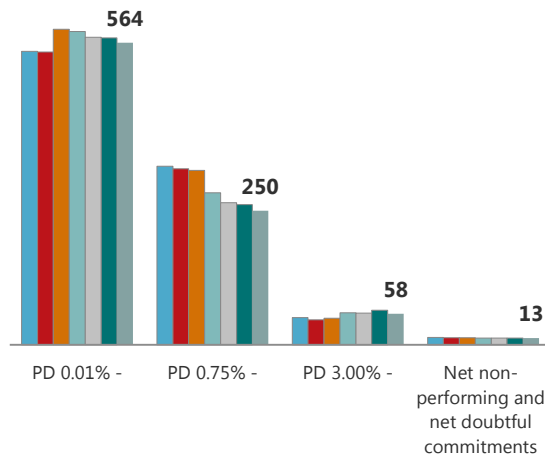
### Personal customers

EAD in NOK billion



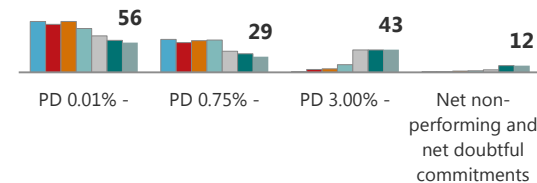
### Corporate customers excl. oil-related portfolio

EAD in NOK billion



### Oil-related portfolio

EAD in NOK billion

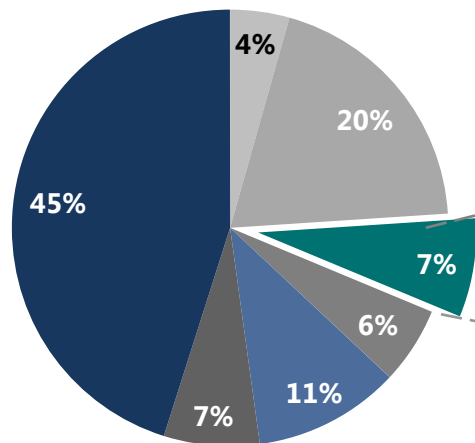


■ 31 March 2015 ■ 30 June 2015 ■ 30 Sept. 2015 ■ 31 Dec. 2015 ■ 31 March 2016 ■ 30 June 2016 ■ 30 Sept. 2016

# The oil-related portfolio represents 7 per cent of DNB's total loan portfolio

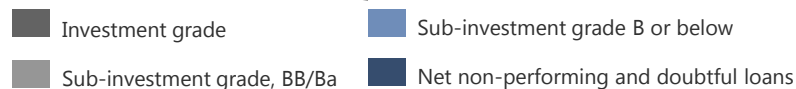
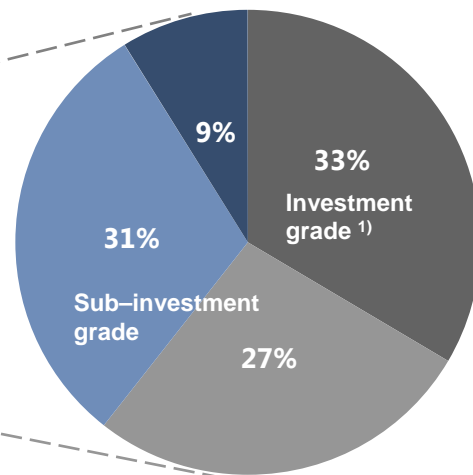
**Total loan portfolio – EAD NOK 1 923 billion**

Per cent



**Oil-related portfolio – EAD NOK 141 billion**

Lending breakdown by rating <sup>1)</sup>



1) Based on DNB's internal risk classification system, "investment grade" generally represents a risk profile of "BBB-"/"Baa3" or better, as defined by independent rating agencies

THIRD QUARTER 2016

# Q3

---

WELCOME TO DNB'S  
CAPITAL MARKETS DAY

LONDON  
16 NOVEMBER 2016

---

