

Q1

First quarter 2018

DNB Group Results

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26 April 2018

DNB



First quarter – financial highlights



Return on equity 11.0 per cent in 1Q18

On track to target

Earnings per share NOK 3.36

Negatively affected by basis swaps and exchange rate effects on hedging of AT1 capital of NOK 899 million

Annualised underlying growth in loans to customers of 4.6 per cent in 1Q18 ¹⁾

Particularly strong growth in the SME segment

Strong contribution from increased NII, reduced costs and lower impairment

Good performance in all segments

Revised tax guiding

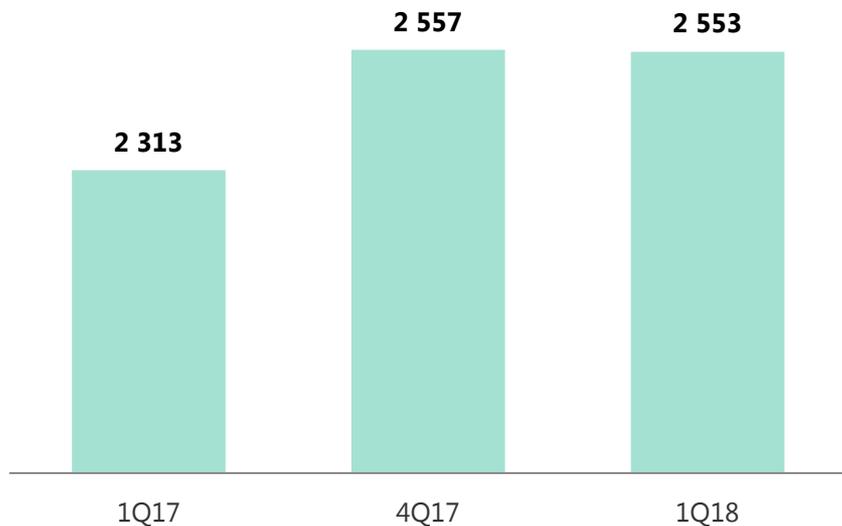
Tax guiding reduced from 23 to 20 per cent in 2018 and 2019

1) Total customer segments – currency adjusted

Personal customers – sound performance

Pre-tax operating profit

NOK million

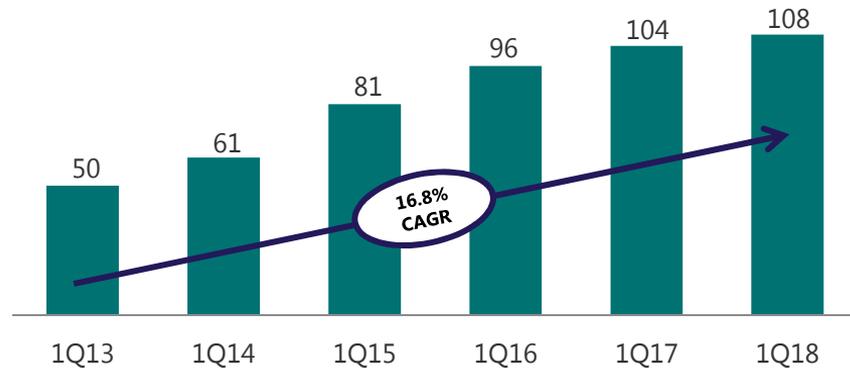


Financial highlights

- Increase in loans to customers of 5.4 per cent over the last 12 months; growth in 1Q18 reflected seasonal effects
- Strong development in money transfer fees
- Strategic positioning in Private Banking continues to show results

Private Banking

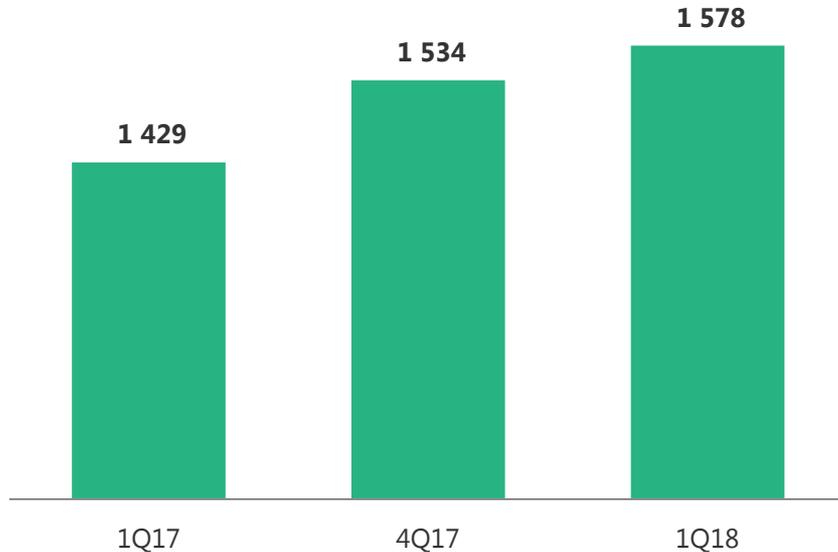
Assets under management, NOK billion



Small and medium-sized enterprise – all-time high profits in 1Q18

Pre-tax operating profit

NOK million



Financial highlights

- Pre-tax operating profit up 10.4 per cent from 1Q17
- Increase in loans to customers of 8.4 per cent over the last 12 months
- Strong sale of defined-contribution pension products and double-digit growth in fees from 4Q17

Return on allocated capital

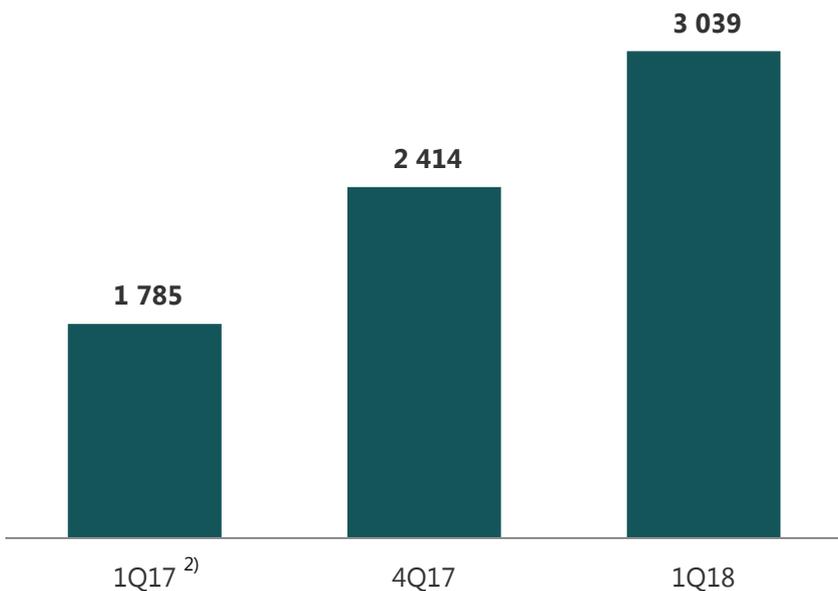
Per cent, annualised



Large corporates and international – improved net profit

Pre-tax operating profit

NOK million



- 1) Currency-adjusted
- 2) Excluding the Baltics

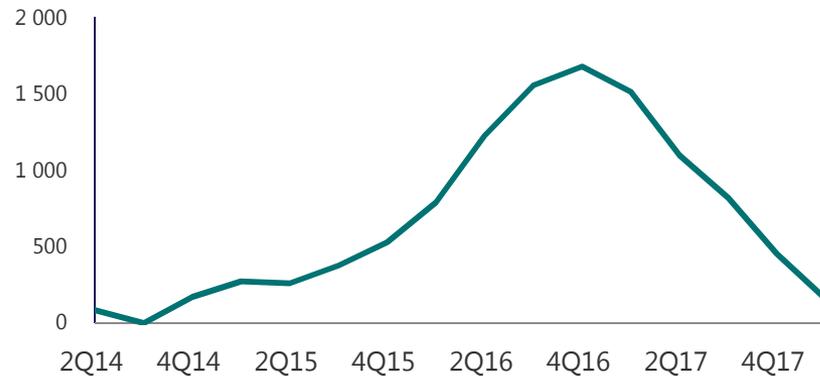


Financial highlights

- Portfolio quality has improved for several quarters, reflected in lower impairment
- Rebalancing continues, but at a slower pace. Underlying annual loan growth of 1.4 per cent in 1Q18¹⁾
- Net interest income was stable from 1Q17 (excl. the Baltics), despite a reduction in both loans and deposits of 11 per cent

Impairment losses

NOK million, 12-month trailing average



Our new strategy: transforming the way we do business

Strategic positioning



Ongoing Vipps merger, creating a Nordic payment infrastructure and identification champion

The savings app "Spare" is positioning DNB as Norway's leading savings and investment platform

vipps

Spare

New business models



"Smart Solgt" – developing social media algorithms for optimised real estate sales

"DNB Nyheter" (DNB News) – established as our new business channel

Organisation set for innovation



Enhanced focus on innovation and customer insight through a separate business unit

Building competence – data scientist programme and digital training app

Start-up Lab partnership – ensuring close collaboration with start-up communities

Our new strategy: integrating sustainability in the business

Diversity



Gender equality

Close to 40 per cent female representation at management levels 1-4

50 per cent female representation in group management team²⁾

Role in society



ESG¹⁾ integration

LCI exited commitments with credit customers with >15 per cent of revenues from oil sands

Asset Management divesting from companies based on oil sands exposure

Sustainability



ESG rating 82/100

Sustainalytics ESG index "Industry leader"

DNB among top 10 banks globally

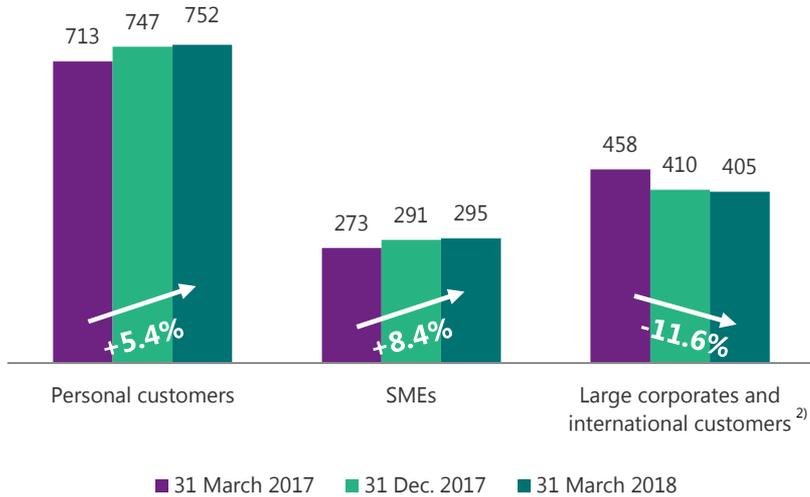
1) Environmental, social and governance

2) Excluding CEO

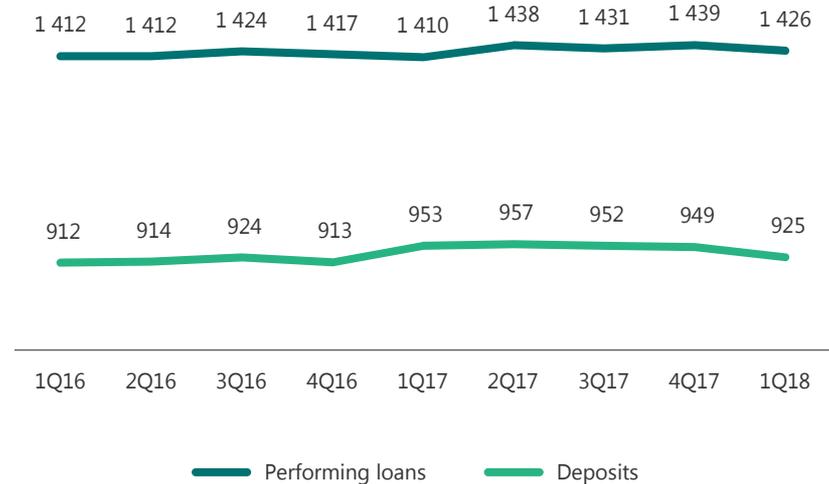
Growth in line with expectations

- Increase in loans to all customer segments of 1.2¹⁾ per cent over the last three months
 - Loans to personal customers up 0.7 per cent, affected by seasonal variations
 - Loans to large corporates and international customers up 1.4 per cent and loans to SMEs up 2.1 per cent
- Expected lending growth of 3-4 per cent in 2018

Loans per customer segment
NOK billion



Average loans and deposits in the customer segments²⁾
NOK billion



1) Currency-adjusted
2) Excluding the Baltics

Widening net interest margin

- Solid increase in net interest margin in 1Q18, partly due to reclassification of financial instruments in the banking book from fair value to amortised cost
- Stable development in combined spreads
- Improved rating from S&P from A+ stable to A+ positive

Spreads in customer segments

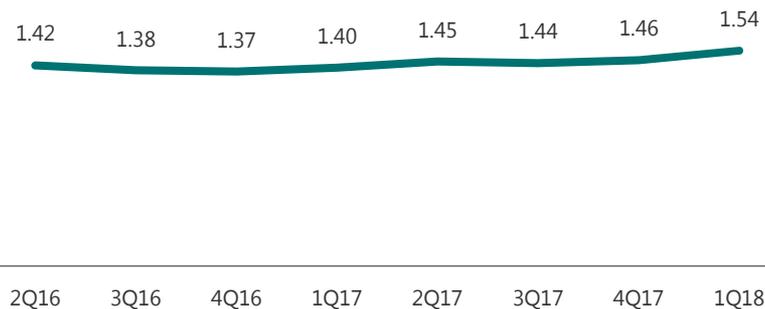
Per cent



- Lending spread
- Combined spread - weighted average
- Deposit spread

Net interest margin ¹⁾

Per cent



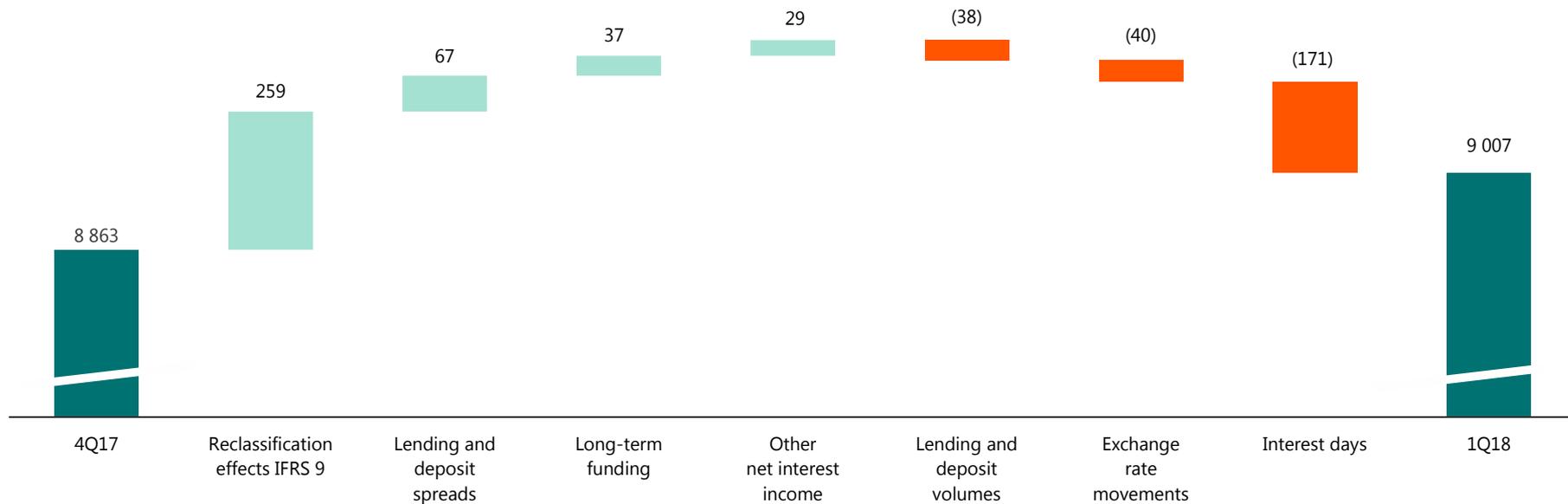
1) Total net interest income relative to average loans and deposits in the customer segments

2) Reported interest spreads were negatively affected by NOK 149 million representing instalment fees and operational leasing transferred from spreads to other interest income in 1Q18

Strong net interest income

Net interest income from 4Q17 to 1Q18

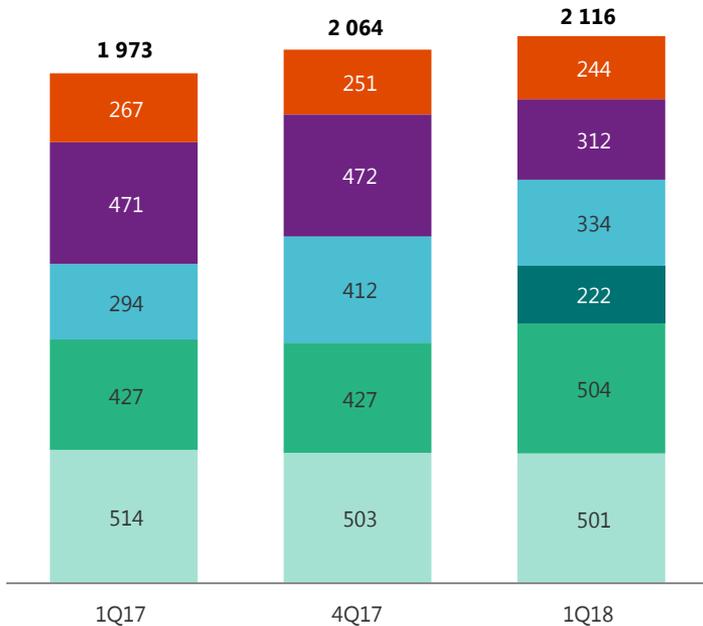
NOK million



Growth in revenues from money transfers was offset by low activity within investment banking services

Commissions and fees ¹⁾

NOK million



● Real estate broking

Seasonal increase in income from residential real estate broking. Reduction within commercial real estate broking.

● Investment banking services

Income in 1Q18 reflected low capital market activity and seasonal effects.

● Asset management and custodial services

Strong underlying development. Increase in revenues from 1Q17. Reduction in performance fees compared with 4Q17.

● Guarantee commissions

Reclassified from net gains on financial instruments at fair value due to IFRS 9 reporting requirements. Stable underlying development.

● Money transfer and banking services

Growth in all customer segments. Some positive seasonal effects in 1Q18.

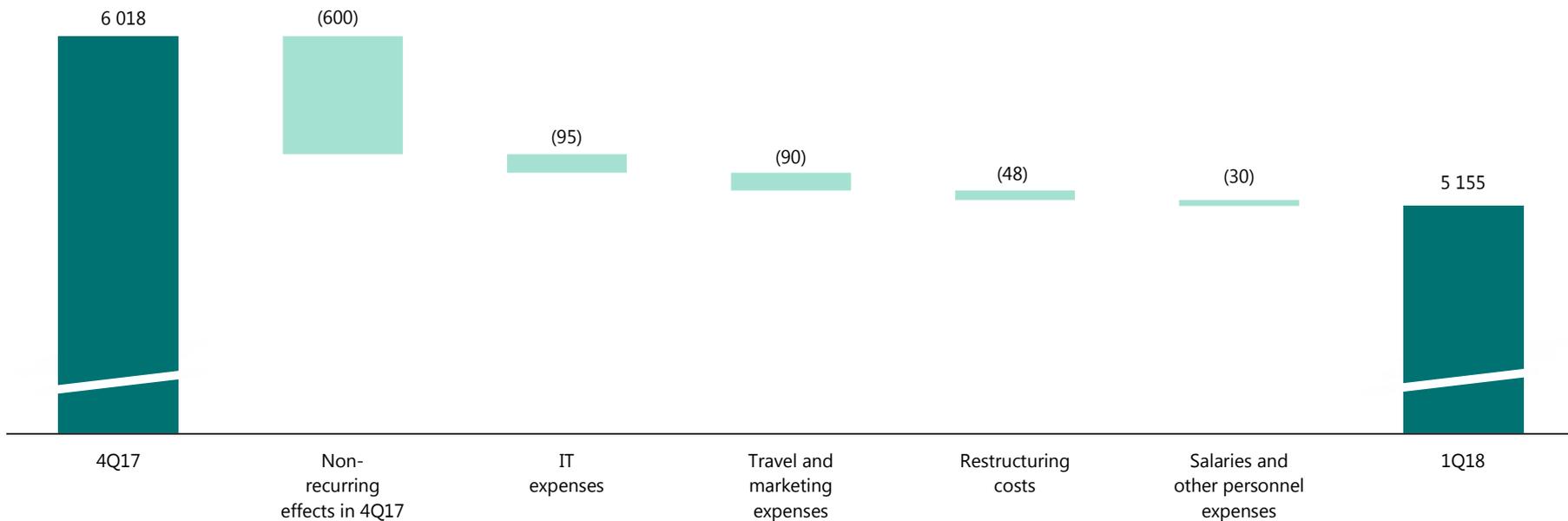
● Life insurance products

Higher volumes and revenues from new products offset the reduction in pensions with guarantees.

1) Excluding the Baltics

Seasonal and non-recurring effects reduced costs from 4Q17

Operating expenses from 4Q17 to 1Q18 NOK million



Asset quality continued to improve

- Net impairment losses had a positive impact on the income statement of NOK 330 million in the period
- Overall, the most significant macroeconomic drivers (Norway and oil industry) were stable in the quarter

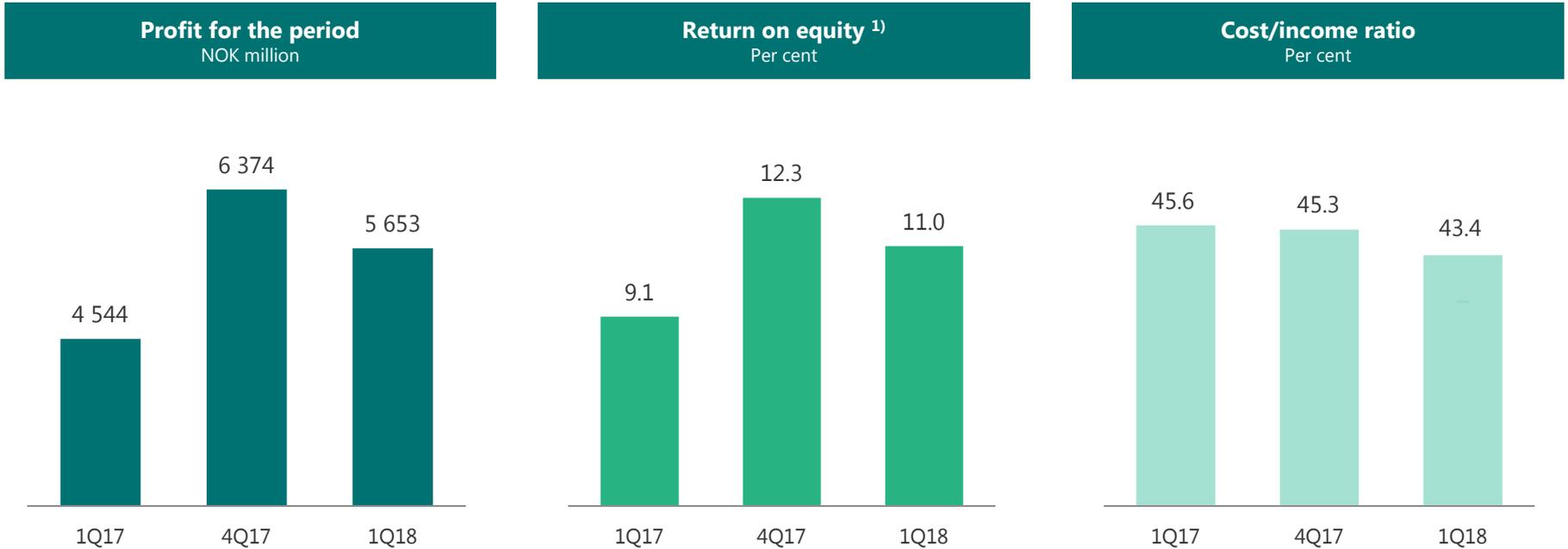
Impairment of financial instruments per customer segment

Amounts in NOK million

	IFRS 9	IAS 39	
	1Q18	4Q17	1Q17
Personal customers	(53)	(137)	110
Small and medium-sized enterprises	(215)	(150)	10
Large corporates and international customers	598	(99)	(697)
Other	0	(16)	15
Total	330	(402)	(562)

Profit and ROE affected by market valuations

- Strong key figures in 1Q18 despite NOK 899 million in negative MTM effects on basis swaps and hedging of AT1 capital
- Non-recurring items in 4Q17 and seasonal effects in 1Q18 reduced costs

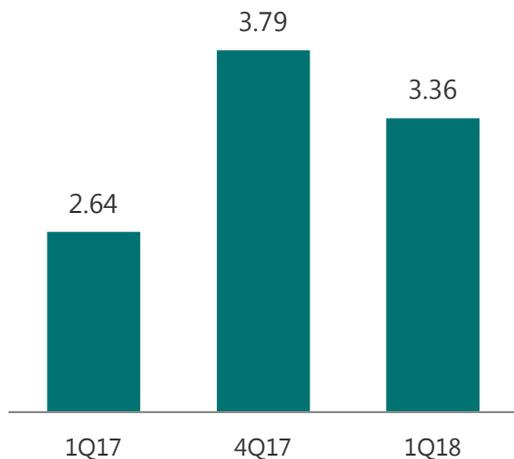


1) Return on equity is calculated on the assumption that additional Tier 1 capital is classified as a liability

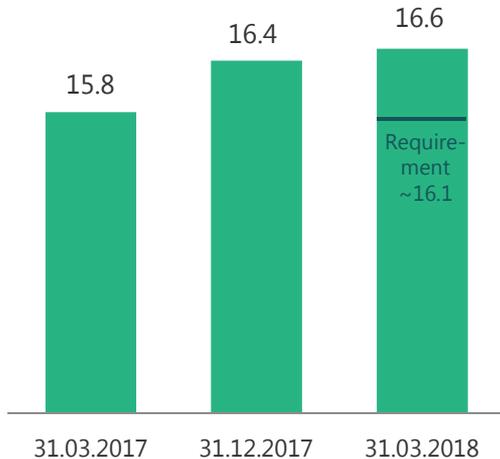
Strong capital position – a new buy-back authorisation approved

- Strong CET1 ratio at end-March 2018 despite a negative effect from the implementation of IFRS9 of 28 basis points. Enables the launch of further buy-back programmes
- Leverage ratio well above requirement
- Well-positioned for future regulatory changes

Earnings per share
NOK



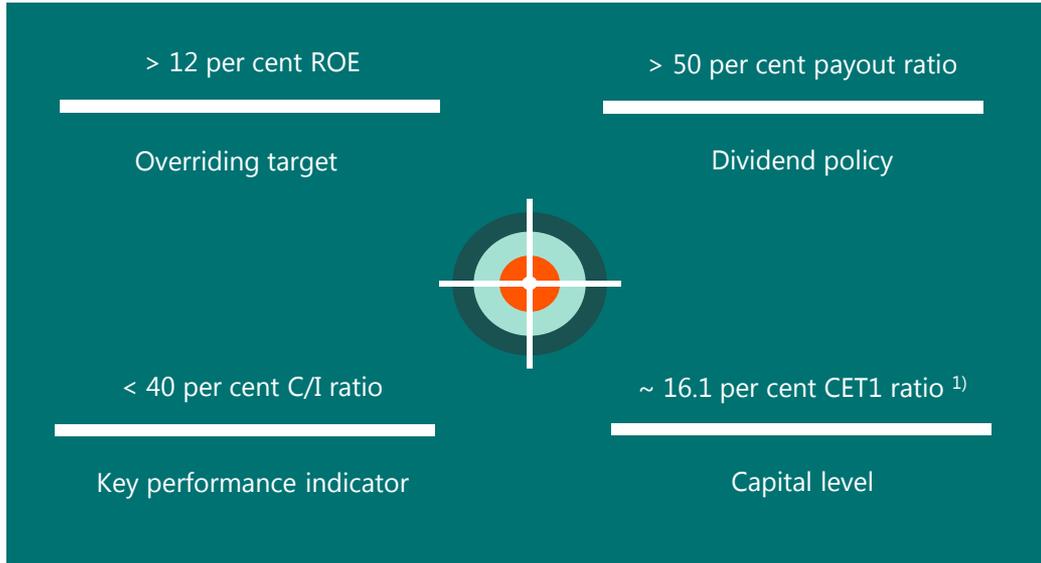
CET1 capital ratio – transitional rules
Per cent



Leverage ratio
Per cent



Financial ambitions towards year-end 2019



Annual growth in loans: 3-4 per cent

Stable spread outlook

Strong capital position – unchanged dividend strategy

Revised expected tax rate: 20 per cent

1) Based on transitional rules

Q1

First quarter 2018

We are here.
So you can
stay ahead.

DNB

