

Q3

THIRD QUARTER 2017

DNB Group Results

Rune Bjerke (CEO)
Kjerstin Braathen (CFO)

26 October 2017



Through Digital Challenge, DNB challenged technology students to define how the future of mobile banking should look

Highlights for the quarter



Vipps established as a separate company in September. DNB ownership share of approximately 52 per cent ¹⁾



Luminor transaction closed on 1 October. DNB ownership share of approximately 44 per cent



Strong growth in loan volumes to personal customers and SMEs, and restructuring of the large corporate portfolio, with lower volumes to cyclical industries



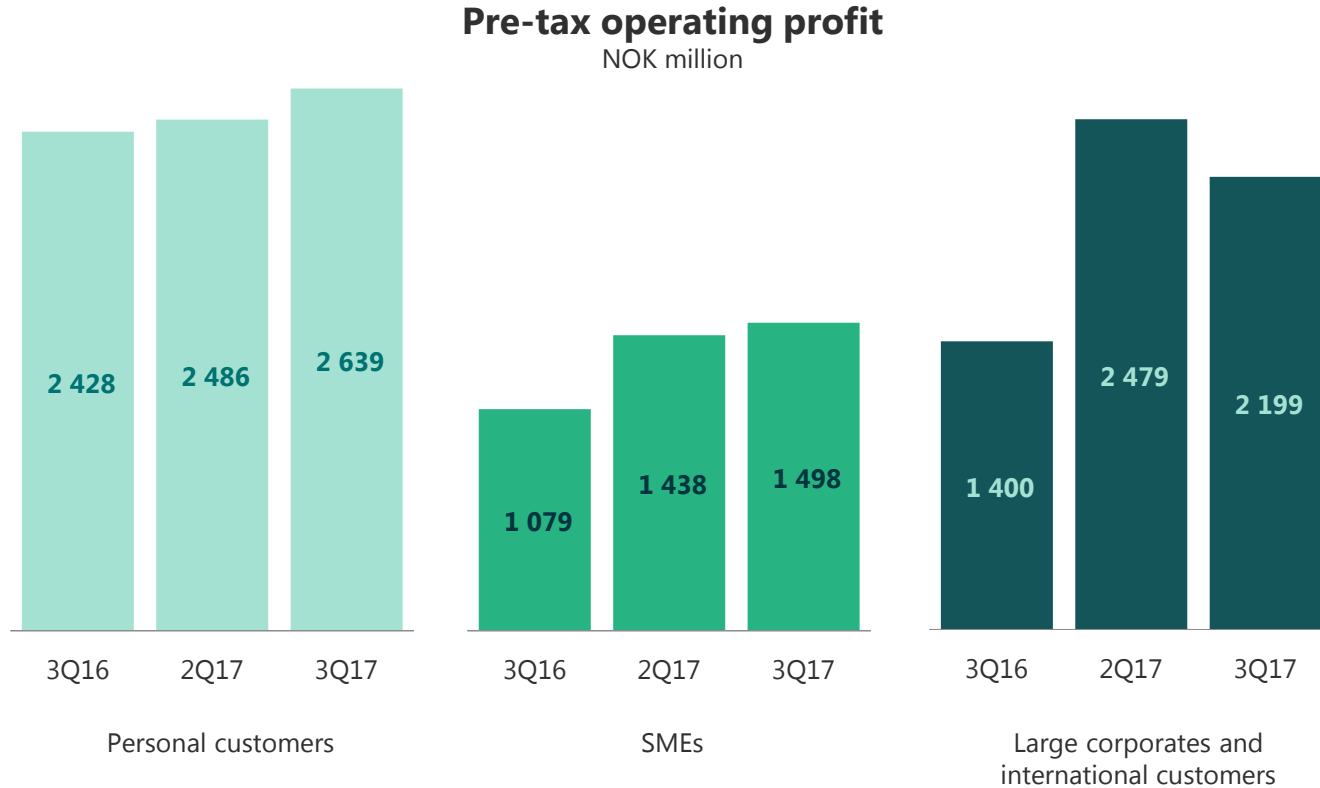
Robust performance in DNB Markets, and commissions and fees on the rise despite seasonal effects



First share buy-back programme completed and second programme in progress. Strong capital position

1) Due to terms and conditions in the shareholder agreement, Vipps has been defined as an associated company

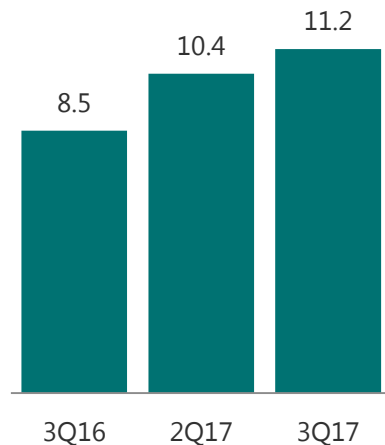
Solid operating performance in the customer segments



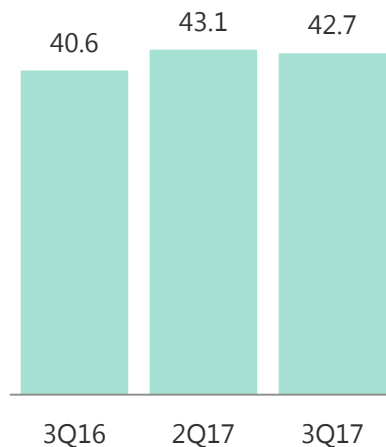
Strong improvement in key figures

- Profits affected by:
 - Gains of NOK 754 million related to the demerger of Vipps ¹⁾
 - Negative exchange rate effects of NOK 624 million related to AT1 capital

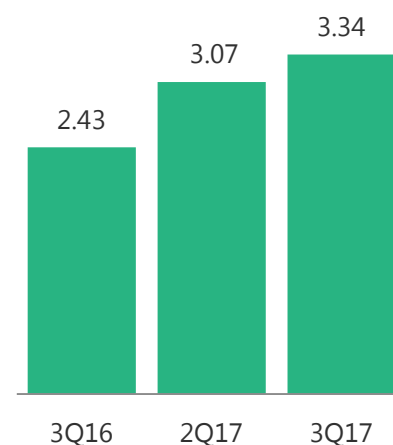
Return on equity ²⁾
Per cent



Cost/income ratio
Per cent



Earnings per share
NOK

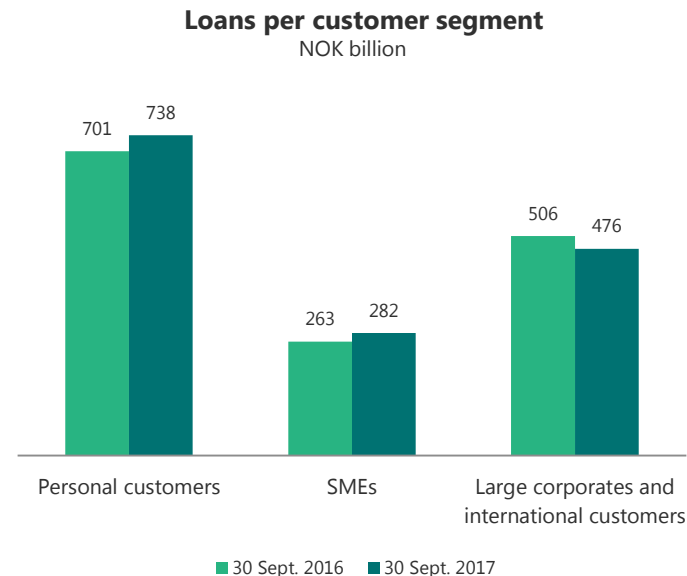
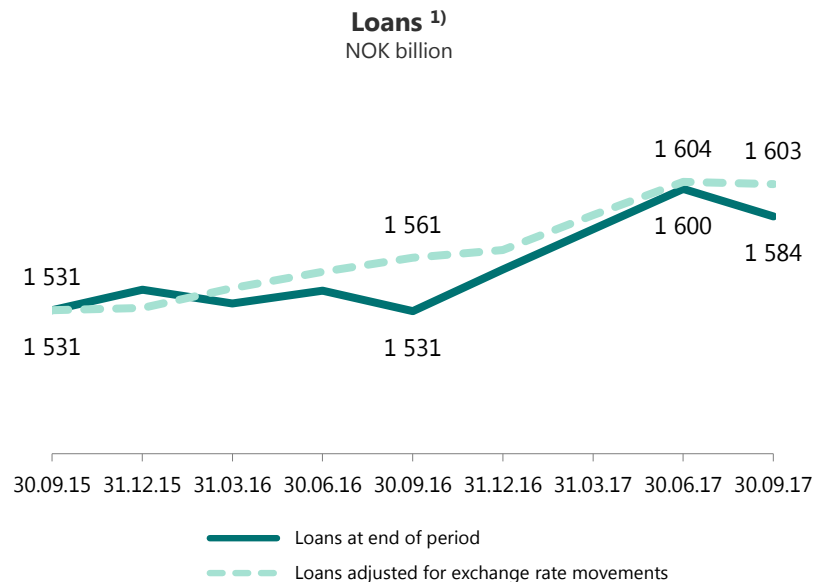


1) Net gains on fixed and intangible assets

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

Rebalancing of the portfolio according to plan

- Strong growth in the personal customer and SME segments, with year-to-date increases of 4.6 and 6.2 per cent, respectively
- LCI loan volumes reduced by 4.7 per cent year to date – reduction in cyclical exposures



1) Includes NOK 48 billion in loans in the Baltics at end-September 2017, reclassified as held for sale in August 2016

Stable spreads

- Average loans in the customer segments were down NOK 6.6 billion and average deposits were down NOK 4.4 billion from 2Q17. The deposits-to-loans ratio was stable
- Funding costs on a level with the previous quarter

Spreads in customer segments

Per cent

2.07 2.08 2.03 1.96 2.03 2.07 2.09

1.35 1.33 1.30 1.29 1.29 1.32 1.31

0.24 0.18 0.19 0.25 0.20 0.19 0.15

1Q16 2Q16 3Q16 4Q16 1Q17 2Q17 3Q17

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

Net interest margin ¹⁾

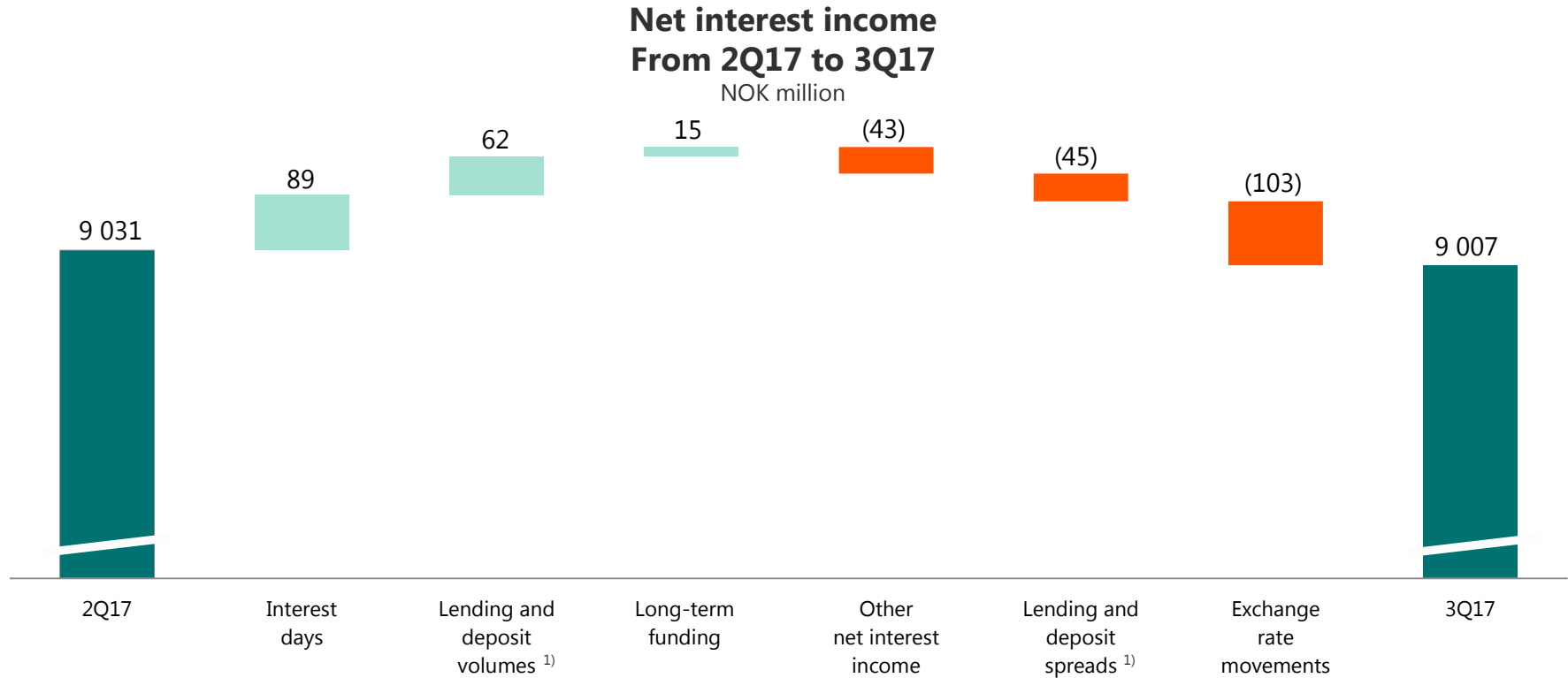
Per cent

1.45 1.42 1.38 1.37 1.40 1.45 1.44

1Q16 2Q16 3Q16 4Q16 1Q17 2Q17 3Q17

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

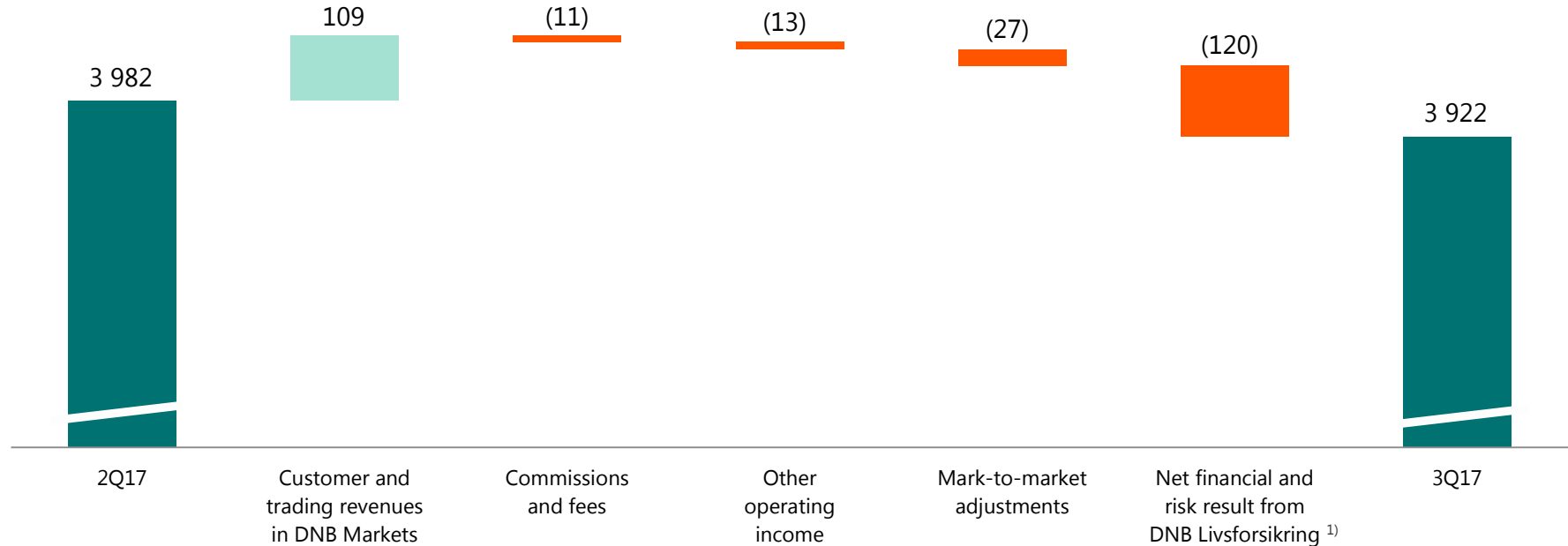
Solid net interest income



1) Customer segments, adjusted for exchange rate effects

Net other operating income in line with the previous quarter

Net other operating income From 2Q17 to 3Q17 NOK million

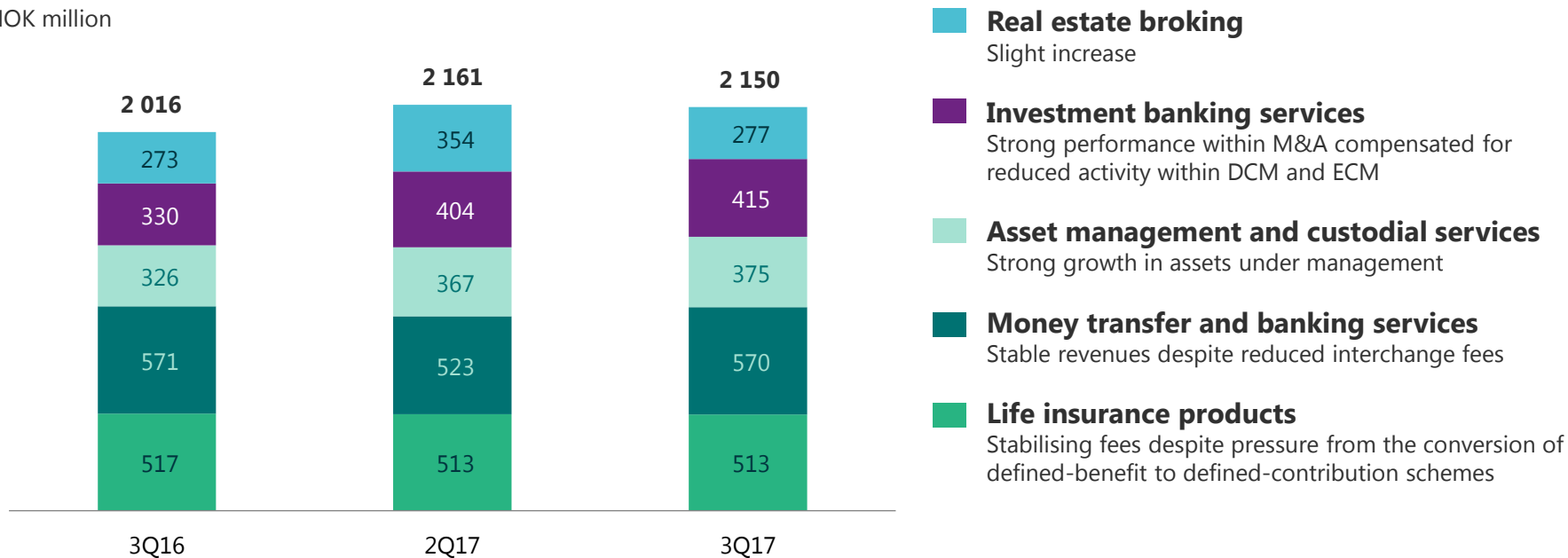


1) Net financial and risk result from DNB Livsforsikring was affected by gains from the sale of holdings in Nordic Trustee in 2Q17

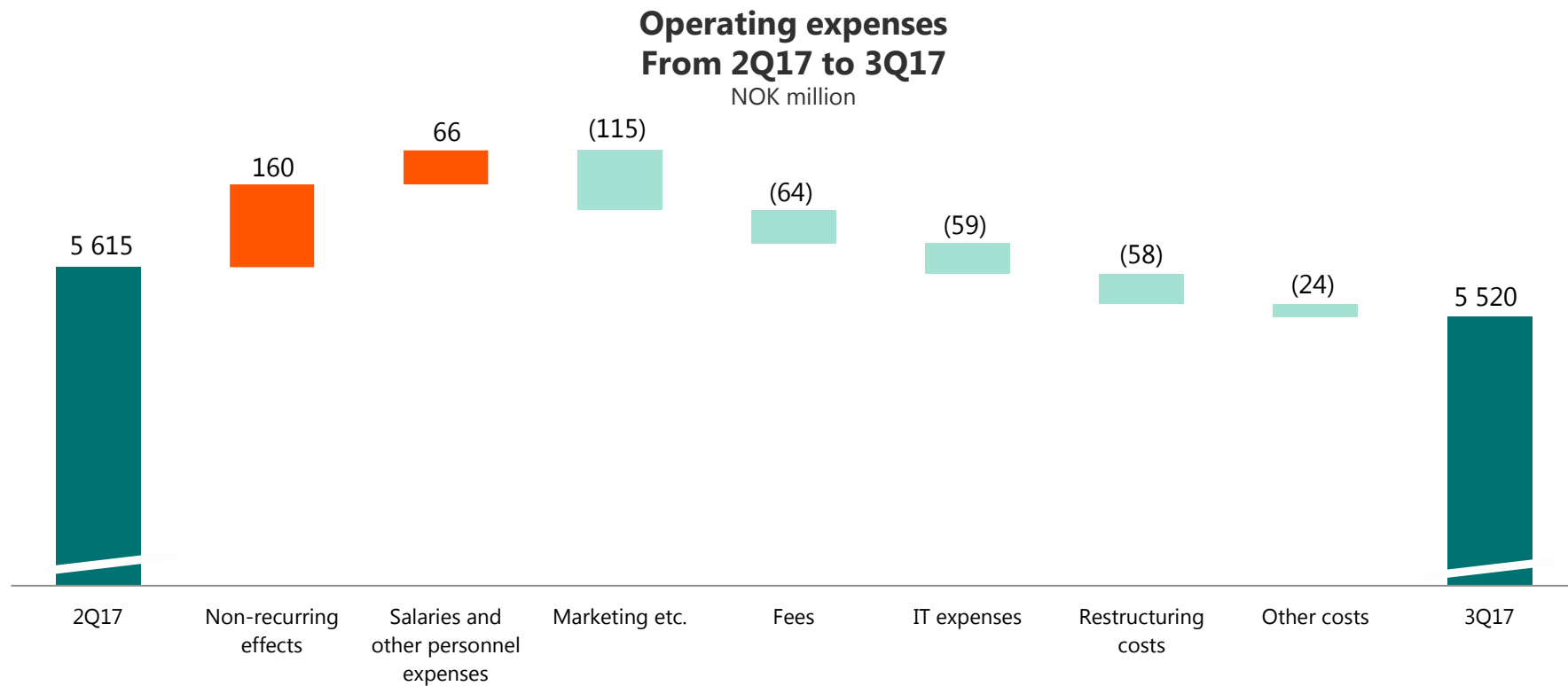
Commissions and fees up 6.6 per cent from 3Q16

- Strong quarter within investment banking services and asset management
- Developments from 2Q17 reflect seasonal effects

NOK million



Costs slightly down from 2Q17



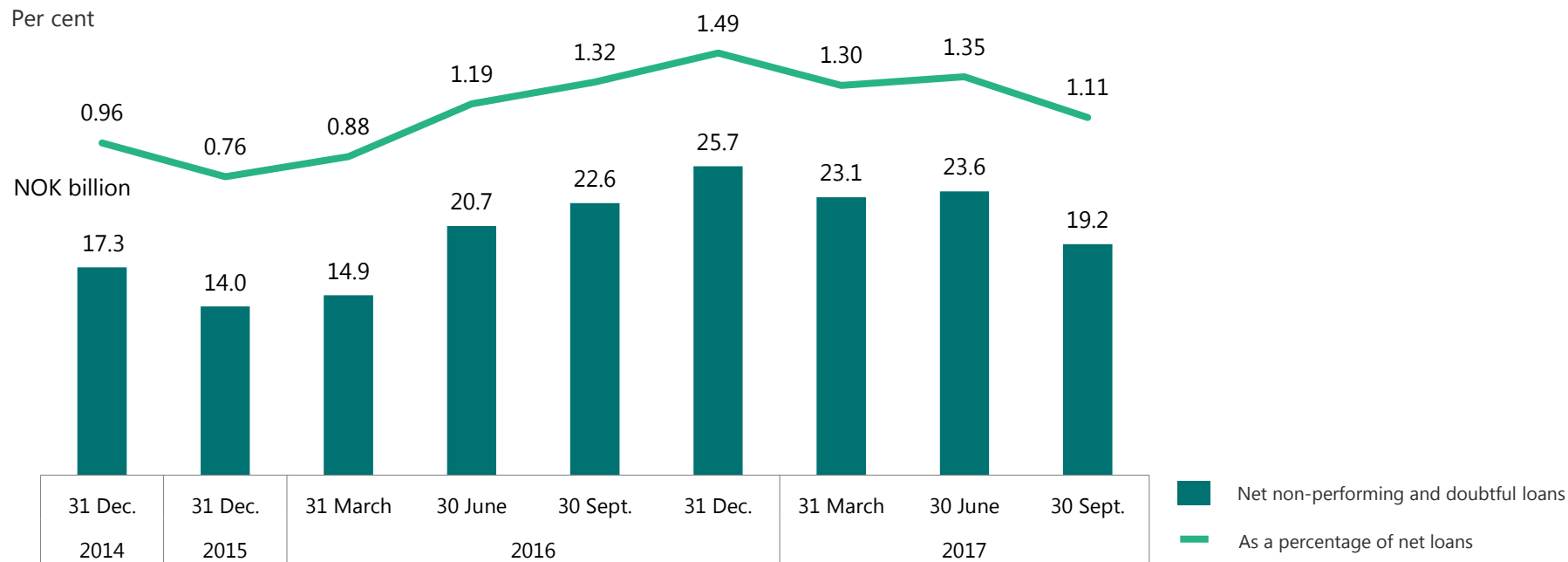
Higher net impairment due to lower reversals

Amounts in NOK million	3Q17	2Q17	Jan.-Sep. 2017	Jan.-Sep. 2016
Personal customers	(60)	(84)	(109)	265
- Mortgage loans	(2)	(7)	(47)	493
- Other exposures	(58)	(77)	(61)	(228)
Small and medium-sized enterprises	(135)	(156)	(360)	(755)
Large corporates and international customers ¹⁾	(791)	(313)	(1 533)	(3 211)
- Shipping, Offshore and Logistics Division	(238)	(176)	(876)	(2 144)
- Energy Division	(189)	(173)	(368)	(888)
- International Corporates Division	(238)	2	(231)	80
- Nordic Corporates Division	(94)	(66)	(108)	(174)
- Other units	(32)	99	50	(86)
Total individual impairment	(985)	(553)	(2 003)	(3 700)
Total collective impairment of loans	118	(44)	(24)	(1 971)
Impairment of loans and guarantees	(867)	(597)	(2 026)	(5 672)
Total impairment in relation to average volumes, annualised	(0.22)	(0.15)	(0.17)	(0.49)

1) Not adjusted for the reorganisation in September

Reduced volume of non-performing and doubtful loans

- There are no signs of spill-over effects from oil-related industries

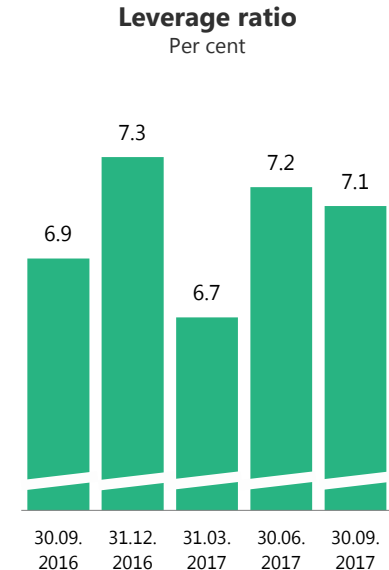
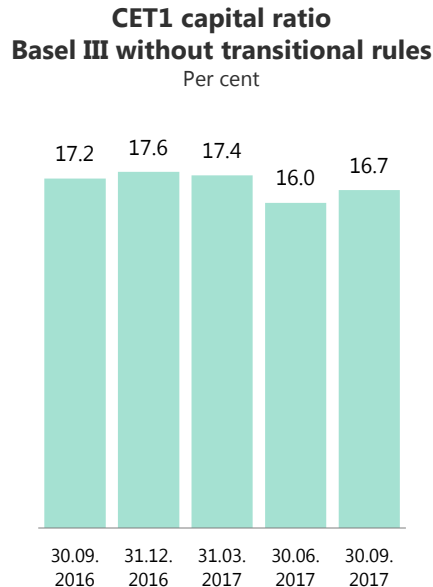
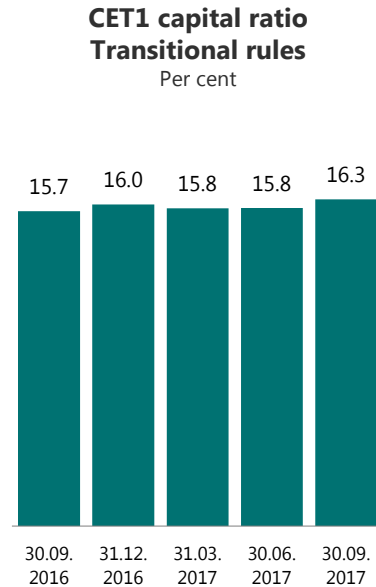


Includes non-performing commitments and commitments subject to individual impairment. Accumulated individual impairment is deducted. Includes the Baltics, reclassified as assets held for sale

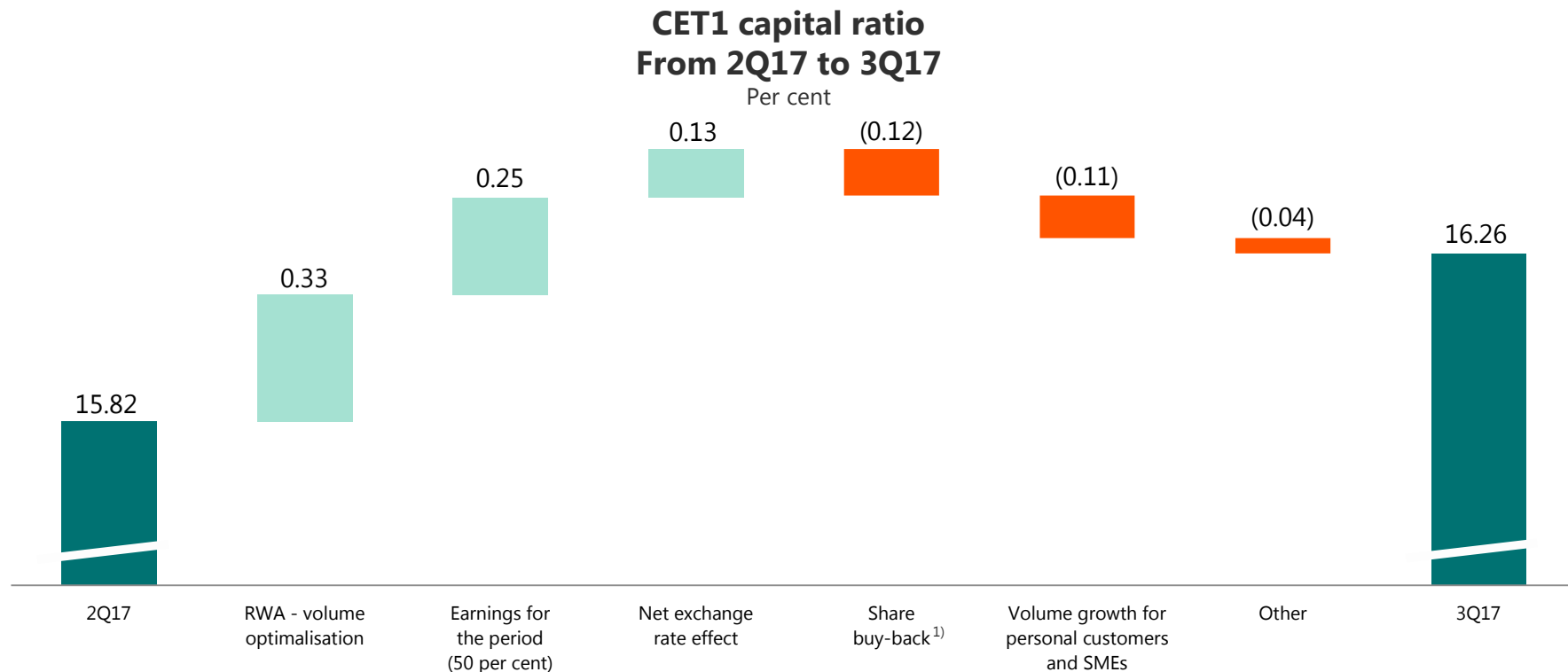
Significant improvement in CET1 in 3Q17

– well-positioned to meet future regulatory changes

- Increase in the CET1 capital ratio, reflecting rebalancing of the loan portfolio
- Leverage ratio of 7.1 per cent, well above the requirement of 6.0 per cent

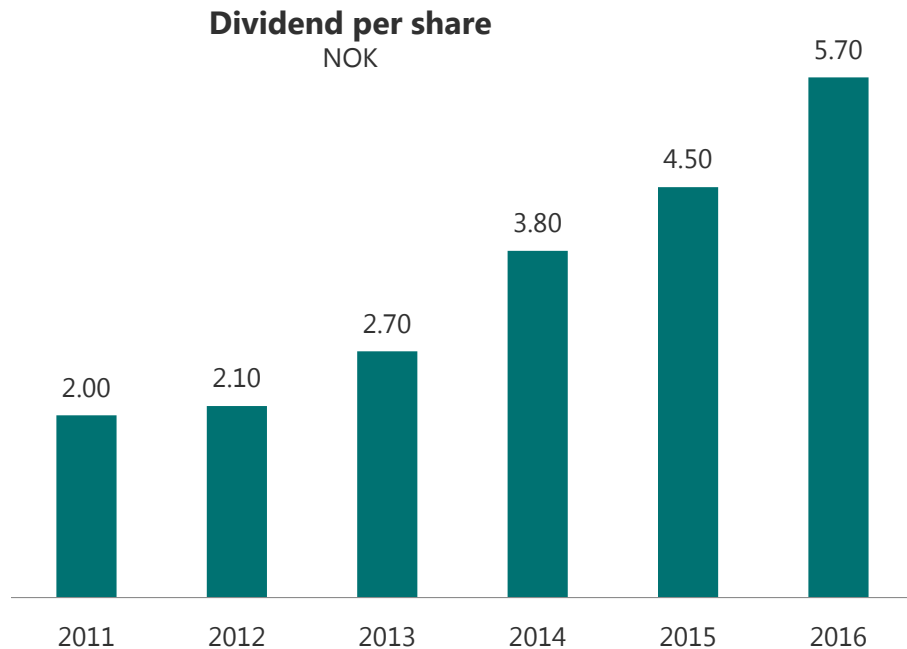


CET1 improvement driven by RWA optimisation



1) Includes the second share buy-back programme. The first programme was included in CET1 capital ratio in 2Q17

Stable and increasing future cash dividend - combined with share buy-backs to distribute excess capital



Dividend policy:

- >50 per cent payout ratio
- Stable and increasing cash dividend per share

Buy-backs:

- Completed for 0.5 per cent of registered shares ^{1) 2)}
- A second programme for 0.5 per cent is in progress
- DNB may decide to initiate further buy-backs up to the approved limit of 1.5 per cent

1) Including the agreed share to be redeemed by the Norwegian government to keep its holding unchanged at 34 per cent

2) The Norwegian FSA has approved the authorisation, provided that the targeted capital level is met and that the sum of the amounts spent on dividends and the repurchase of shares does not exceed 75 per cent of the annual profit for 2016

APPENDIX

Income statement

				Jan.-Sep.	Jan.-Sep.
Amounts in NOK million	3Q17	2Q17	3Q16	2017	2016
Net interest income	9 007	9 031	8 481	26 559	25 738
<i>Net commissions and fees</i>	<i>2 150</i>	<i>2 161</i>	<i>2 016</i>	<i>6 384</i>	<i>6 143</i>
<i>Net gains on financial instruments at fair value</i>	<i>1 065</i>	<i>982</i>	<i>1 411</i>	<i>2 855</i>	<i>4 824</i>
<i>Net financial and risk result, DNB Livsforsikring</i>	<i>335</i>	<i>454</i>	<i>154</i>	<i>1 029</i>	<i>432</i>
<i>Net insurance result, DNB Forsikring</i>	<i>176</i>	<i>189</i>	<i>148</i>	<i>519</i>	<i>467</i>
<i>Other operating income</i>	<i>197</i>	<i>196</i>	<i>200</i>	<i>517</i>	<i>1 957</i>
Net other operating income, total	3 922	3 982	3 929	11 303	13 823
Total income	12 929	13 014	12 409	37 863	39 561
Operating expenses	(5 321)	(5 518)	(5 042)	(16 082)	(15 481)
Restructuring costs and non-recurring effects	(199)	(97)	(1)	(493)	(658)
Pre-tax operating profit before impairment	7 409	7 399	7 366	21 288	23 421
Net gains on fixed and intangible assets	750	17	20	773	(7)
Impairment of loans and guarantees	(867)	(597)	(2 176)	(2 026)	(5 672)
Pre-tax operating profit	7 292	6 819	5 209	20 035	17 743
Tax expense	(1 677)	(1 568)	(1 130)	(4 608)	(3 850)
Profit from operations held for sale, after taxes	33	(14)	1	2	(22)
Profit for the period	5 648	5 237	4 080	15 429	13 871
Profit attributable to shareholders	5 430	5 000	3 952	14 734	13 513

Net gains on financial instruments

Amounts in NOK million	3Q17	2Q17	3Q16	Change	
				2Q17- 3Q17	3Q16- 3Q17
Customer revenues in DNB Markets	573	587	583	(14)	(10)
Trading revenues in DNB Markets (excl. CVA/DVA/FVA and credit spread effects)	516	393	639	124	(123)
Credit spread effects on bonds in DNB Markets	127	86	296	41	(169)
Financial guarantees	300	192	187	108	113
Basis swaps	(54)	(60)	(444)	6	390
CVA/DVA/FVA	128	(0)	328	129	(200)
Exchange rate effects on additional Tier 1 capital	(624)	(296)	(282)	(328)	(343)
Other mark-to-market adjustments	98	80	104	18	(5)
Net gains on financial instruments at fair value	1 065	982	1 411	83	(346)

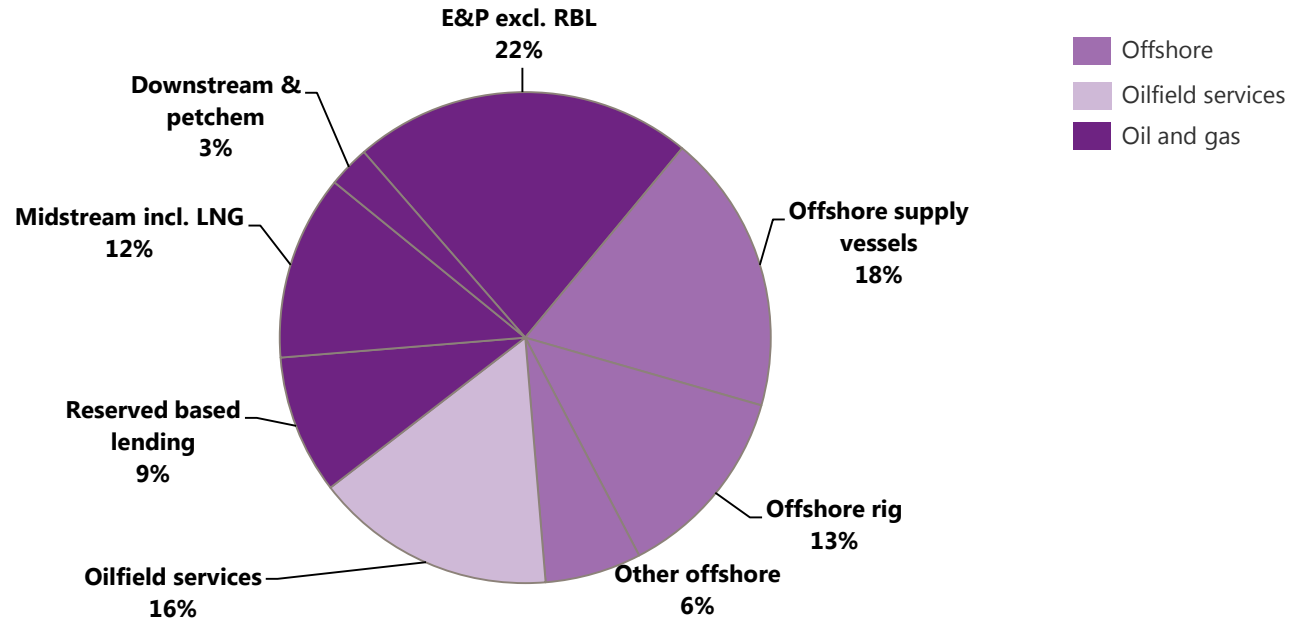
Balance sheets

	DNB Group	
	30 Sep. 2017	30 June 2017
Amounts in NOK billion		
Cash and deposits with central banks	326	266
Due from credit institutions	156	161
Loans to customers	1 536	1 552
Other assets	749	745
Total assets	2 767	2 723
Due to credit institutions	246	216
Deposits from customers	1 010	1 009
Short-term debt securities issued	183	157
Long-term debt securities issued	573	602
Other liabilities and provisions	544	533
Additional Tier 1 capital	16	16
Other equity	195	191
Total liabilities and equity	2 767	2 723
Ratio of deposits to net loans (%)	65.8	65.0
Adjusted ratio of deposits to net loans (%) ¹⁾	61.8	62.1
Total combined assets	3 076	3 026
Currency-adjusted loans to customers	1 544	1 545
Currency-adjusted deposits from customers	1 018	1 004
Liquidity coverage ratio	118	123

1) Excluding short-term money market deposits

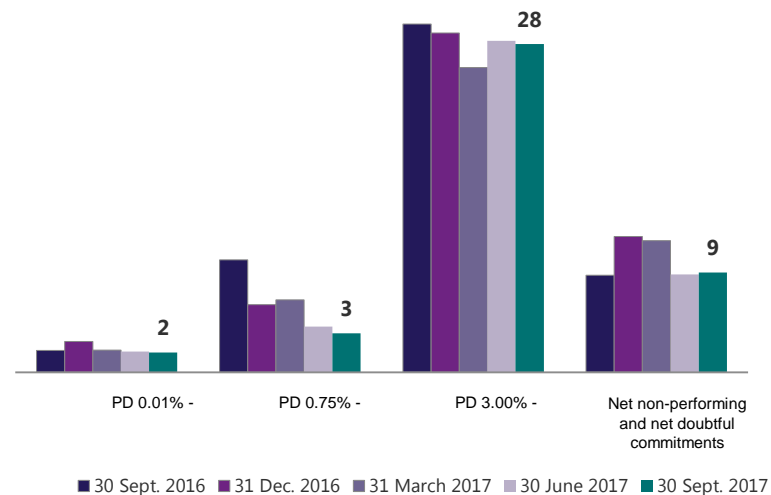
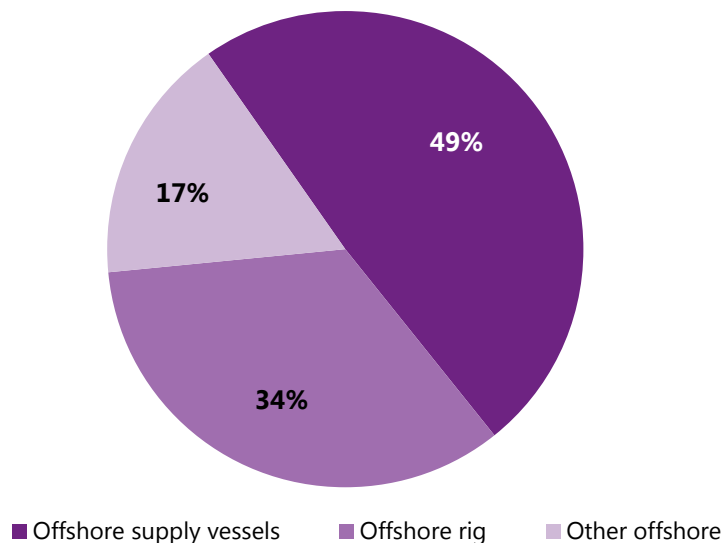
The negative migration in the oil-related portfolio is levelling off

Oil-related portfolio – EAD NOK 114 billion
5.9 per cent of DNB's total EAD



Offshore still the most challenging sector in the portfolio

Offshore portfolio – EAD NOK 42 billion
2.2 per cent of DNB's total EAD



Q3

THIRD QUARTER 2017

Welcome to DNB's
Capital Markets Day

London
21 November 2017



Through Digital Challenge, DNB challenged technology students to define how the future of mobile banking should look