

# Q3

Third quarter 2018

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## DNB Group Results

Rune Bjerke (CEO)  
Kjerstin Braathen (CFO)

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25 October 2018



# Approaching ROE >12 per cent

## Return on equity

Per cent, 12-month trailing average



### Return on equity 10.9 per cent in 3Q18

Trailing average on track to target

### Solid CET1 ratio of 16.5 per cent at end-September 2018

Up from 16.2 per cent at end-June 2018

### Positive macroeconomic environment in Norway

Sound growth in loans to customers in the Personal Customers and SME segments

### Low activity in the capital markets lead to a reduction in commissions and fees

Increased activity expected in 4Q18

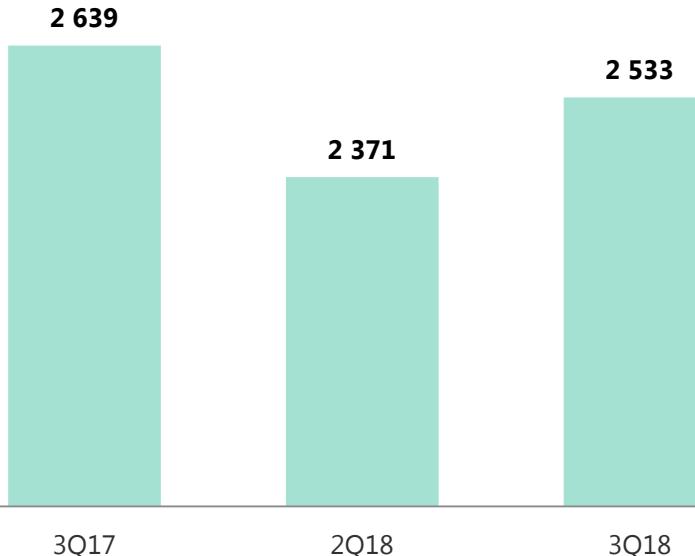
### Earnings per share NOK 3.41

Up from NOK 3.34 in 3Q17

# Personal customers – growth in line with expectations

## Pre-tax operating profit

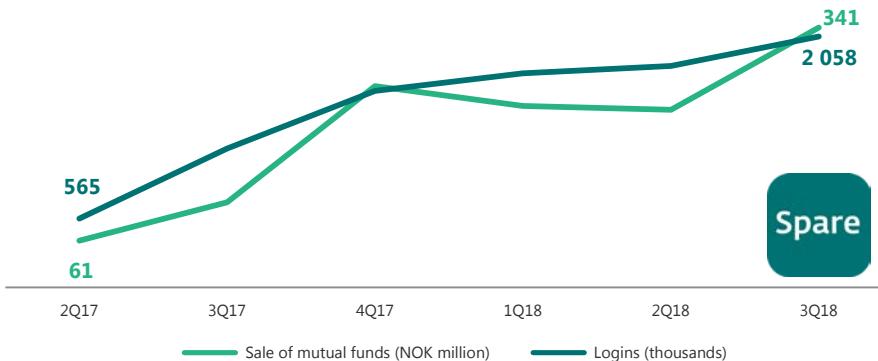
NOK million



## Financial highlights

- Announced interest rate hike will have a positive effect as of 4 November
- Lending growth of 0.9 per cent in 3Q18. Year to date 3.9 per cent annualised
- The savings app Spare leads to increasing digital sales of mutual funds

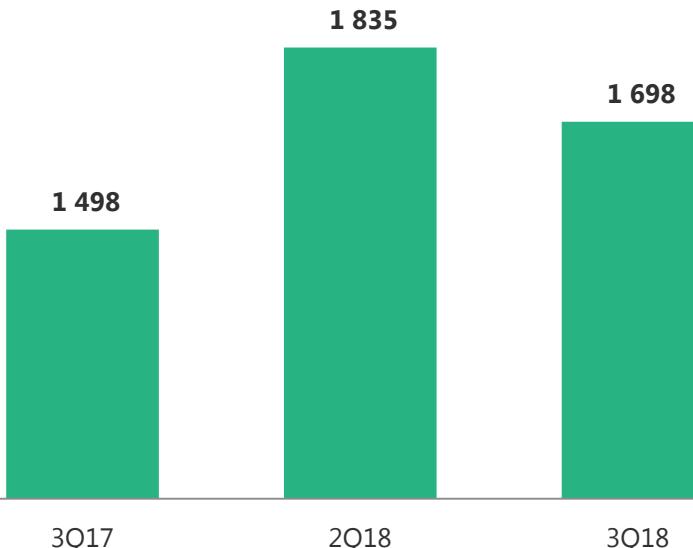
## Sale of mutual funds and logins in the savings app Spare



# Small and medium-sized enterprises – strong profitable growth

## Pre-tax operating profit

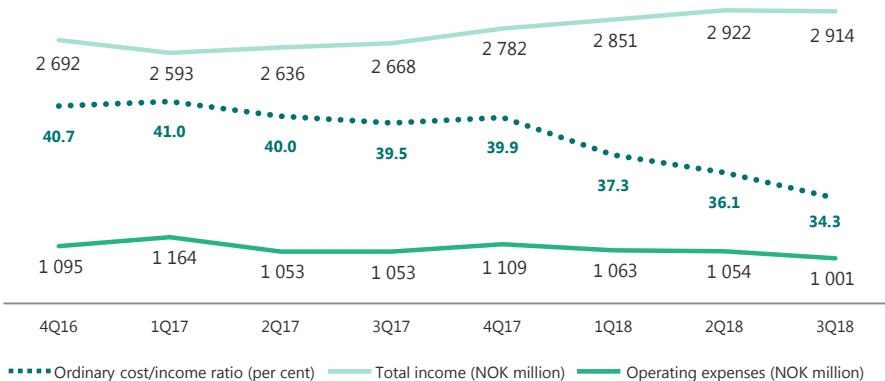
NOK million



## Financial highlights

- NII up 11.5 per cent from 3Q17, affected by volume growth and improved spreads. Announced interest rate hike with effect from 23 October
- Positive development in income, up 9 per cent, and expenses reduced by 5 per cent from 3Q17
- Solid portfolio quality. Quarterly impairment of NOK 217 million (NOK 33 million in 2Q18)

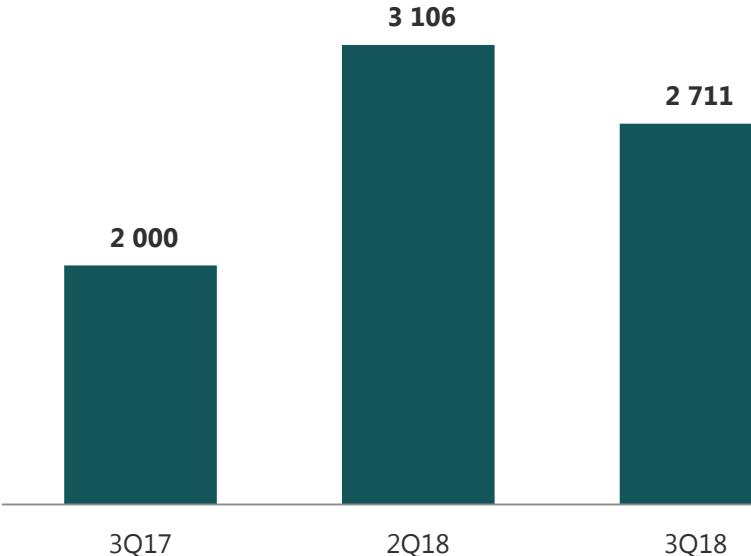
## Positive development in cost/income ratio



# Large corporates and international customers – solid performance

## Pre-tax operating profit

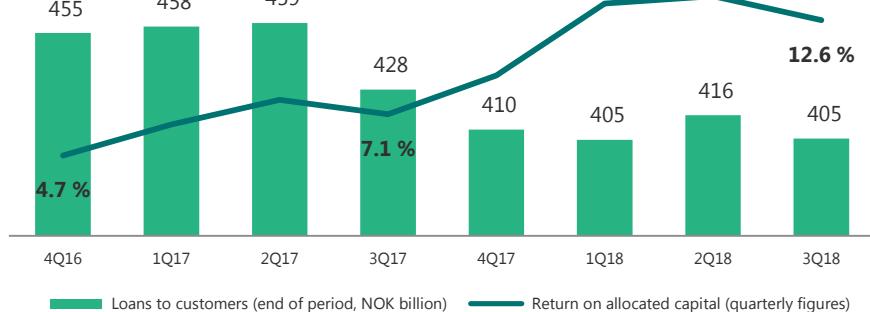
NOK million



## Financial highlights

- Growth in NII of 3.2 per cent from 3Q17 and lending volume reduced by 5.7 per cent
- Low capital markets activity
- Sound development in all industries. Quarterly impairment reversals of NOK 281 million (NOK 189 million in 2Q18)

## Loans to customers and return on allocated capital



# Strategic positioning for the future

## Strategic positioning



Signed agreement to sell down to 20 per cent ownership in Luminor

Norwegian Competition Authority approved the merge of non-life insurance operations in DNB and SpareBank 1 Gruppen

## Expanding business models



Launch of new digital channels in B2B – DNB Accounting

New strategic technology partnership with 11:FS, including joint venture Foundry

Established the DNB Lending fund

## Sustainability



Ranked as the third best bank in the world on ESG issues by Sustainalytics

DNB closed its first green certified shipping loan

# Solid growth in the Personal Customers and SME segments

- Growth rate in 3Q18 in loans to customers of 0.1 per cent (3.0 YTD annualised, 4.0 currency adjusted)
  - PC: 0.9 per cent in 3Q (3.9 YTD annualised)
  - SME: 1.8 per cent in 3Q (6.7 YTD annualised)
  - LCI: -2.5 per cent in 3Q (-1.3 YTD annualised, currency adjusted 1.2)
- Average loans increased by 2.3 per cent from 2Q18 and deposits by 1.2 per cent. Strong development in deposits in PC and SME.



Personal customers      SMEs      Large corporates and international customers <sup>1)</sup>

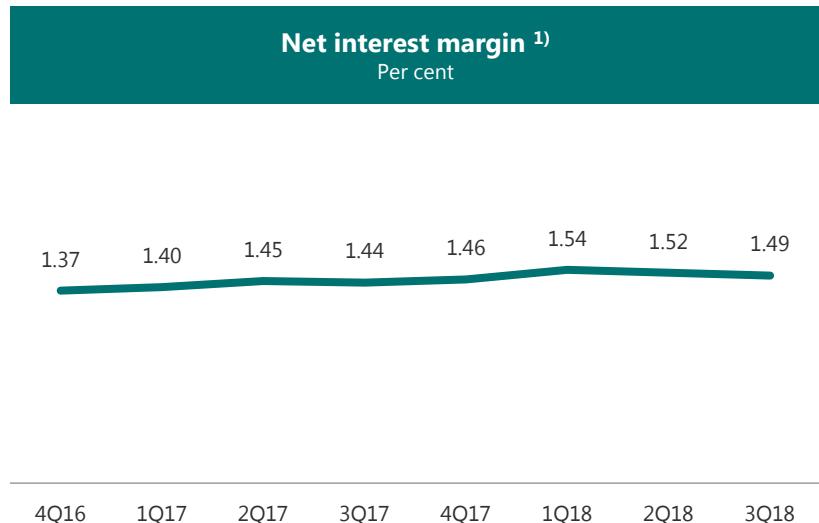
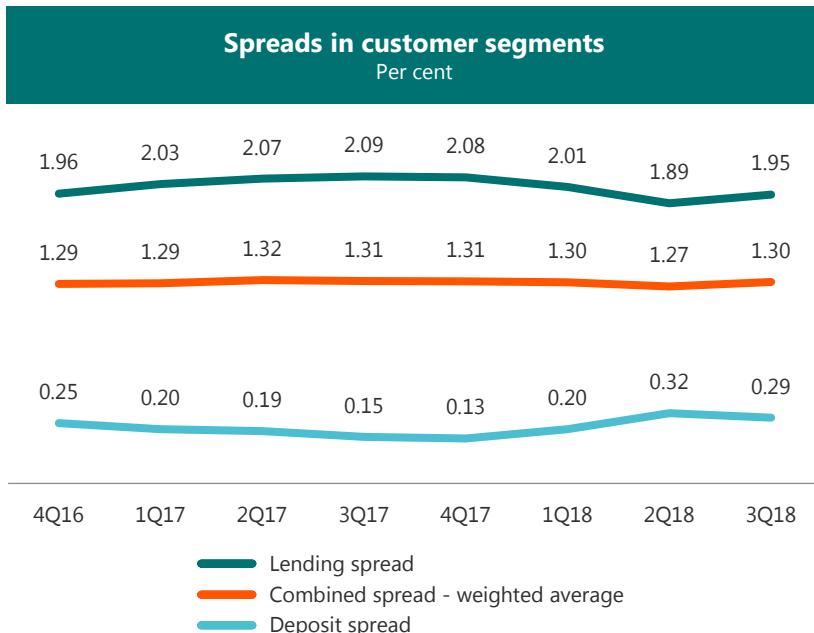
■ 30 Sept. 2017   ■ 30 June 2018   ■ 30 Sept. 2018

■ Performing loans   ■ Deposits

1) Excluding the Baltics

# Slight reduction in net interest margin

- Net interest margin negatively affected by several factors, such as dividend payment, share buy-backs and lower activity
- Repricing will give positive effects in 4Q18



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

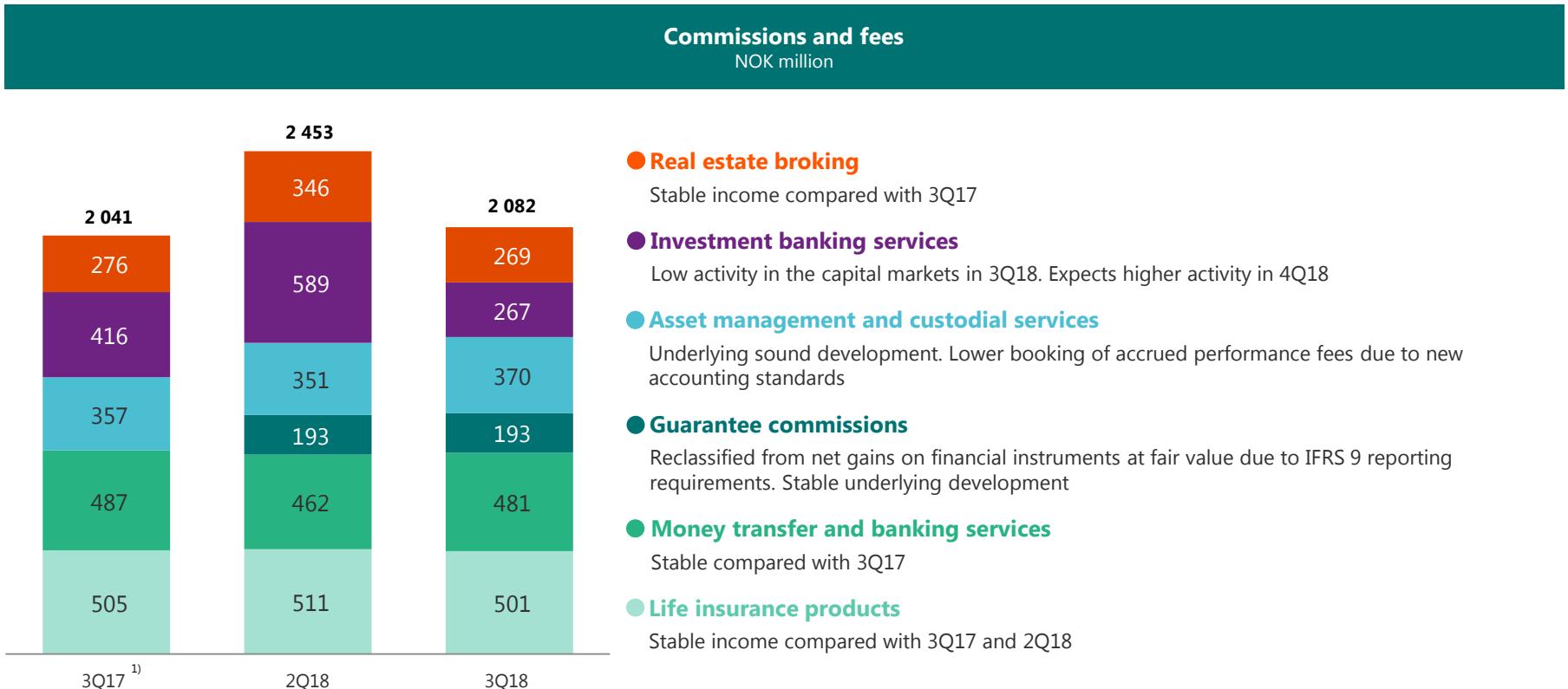
# Stable net interest income

## Net interest income from 2Q18 to 3Q18

NOK million



# Fees impacted by seasonal effects and low activity in the capital markets



1) Excluding the Baltics

# Net gains on financial instruments

- Customer revenues in Markets remained at a relatively high level
- Lower level of trading revenues due to reduced volumes and increased competition in the money market
- Credit spread tightening until 1Q18 leveling off in 2Q and 3Q – lower gains from bonds and CVA/DVA/FVA
- Reclassification of net interest income from 2018

Net gains on financial instruments at fair value					
	NOK million				
	3Q17	4Q17	1Q18	2Q18	3Q18
<b>Net gains on financial instruments at fair value</b>	<b>1 065</b>	<b>1 694</b>	<b>162</b>	<b>134</b>	<b>616</b>
Of which:					
Customer and trading revenues in Markets (excl. credit spread effects and CVA/DVA/FVA)	1 089	1 151	699	624	575
Credit spread effects on bonds and CVA/DVA/FVA	255	71	431	10	96
Basis swaps	(54)	62	(372)	(747)	103
Exchange rate effects on additional Tier 1 capital	(624)	330	(527)	497	(18)
Financial guarantees <sup>1)</sup>	300	246			
Other net gains on financial instruments	98	(166)	(69)	(249)	(140)

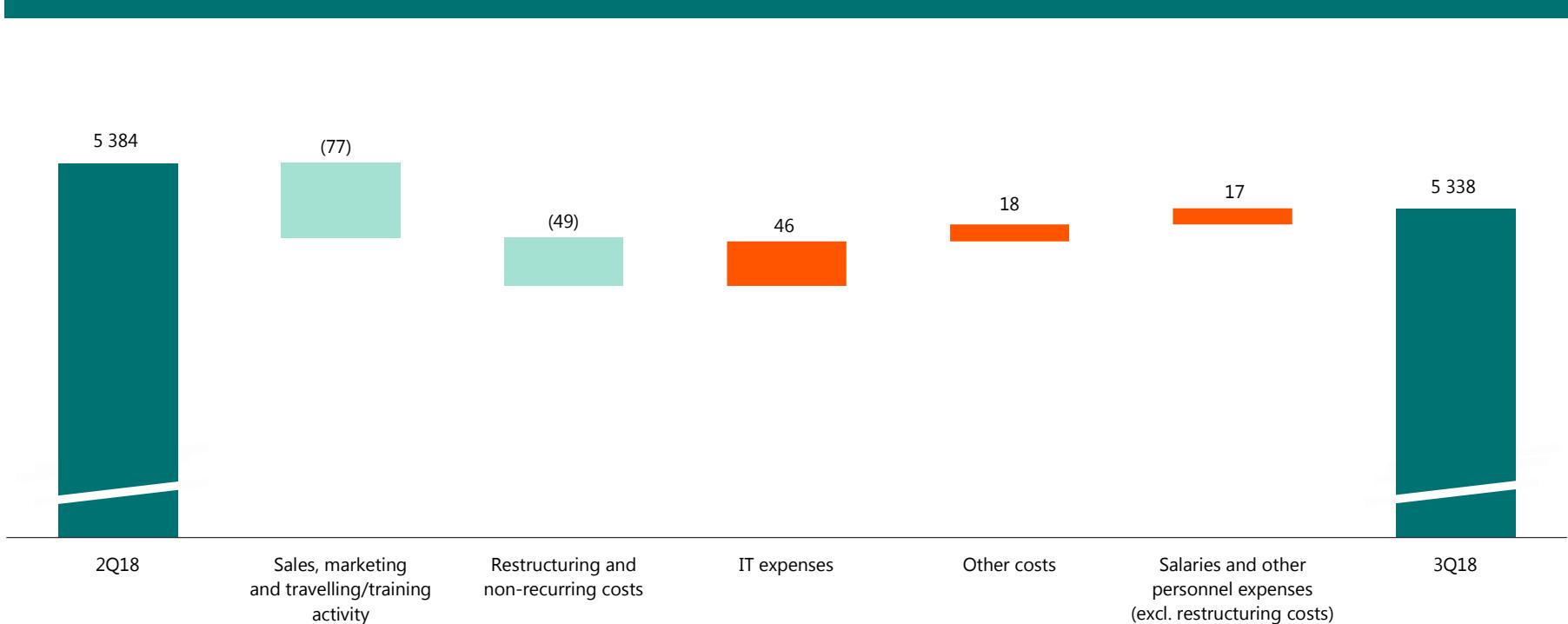
Customer and trading revenues in Markets					
	NOK million				
	3Q17	4Q17	1Q18	2Q18	3Q18
573	600	525	550	477	

- Net interest income, reclassified from gains to NII from 2018
- Trading revenues Markets (excl. credit spread effects and CVA/DVA/FVA)
- Customer revenues Markets

1) Guarantee commissions have been reclassified from Net gains on financial instruments at fair value to Net commissions and fees from 2018

# Sound cost control

**Operating expenses from 2Q18 to 3Q18**  
NOK million



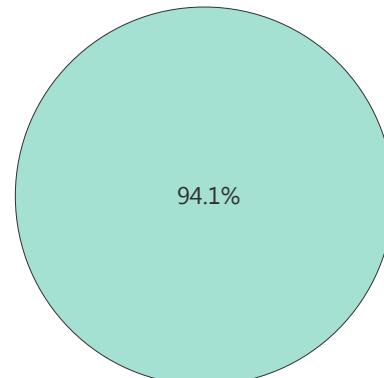
# Strong asset quality

- Personal customers: continued low level of impairment losses
- SME: impacted by impairment on a few specific commitments
- LCI: positive macro development in oil and gas and underlying improvement in credit quality

<b>Impairment of financial instruments per customer segment, P&amp;L</b>		
	3Q18	2Q18
Personal customers	(75)	(101)
Small and medium-sized enterprises	(217)	(33)
Large corporates and international customers	281	189
<b>Total</b>	<b>(11)</b>	<b>54</b>

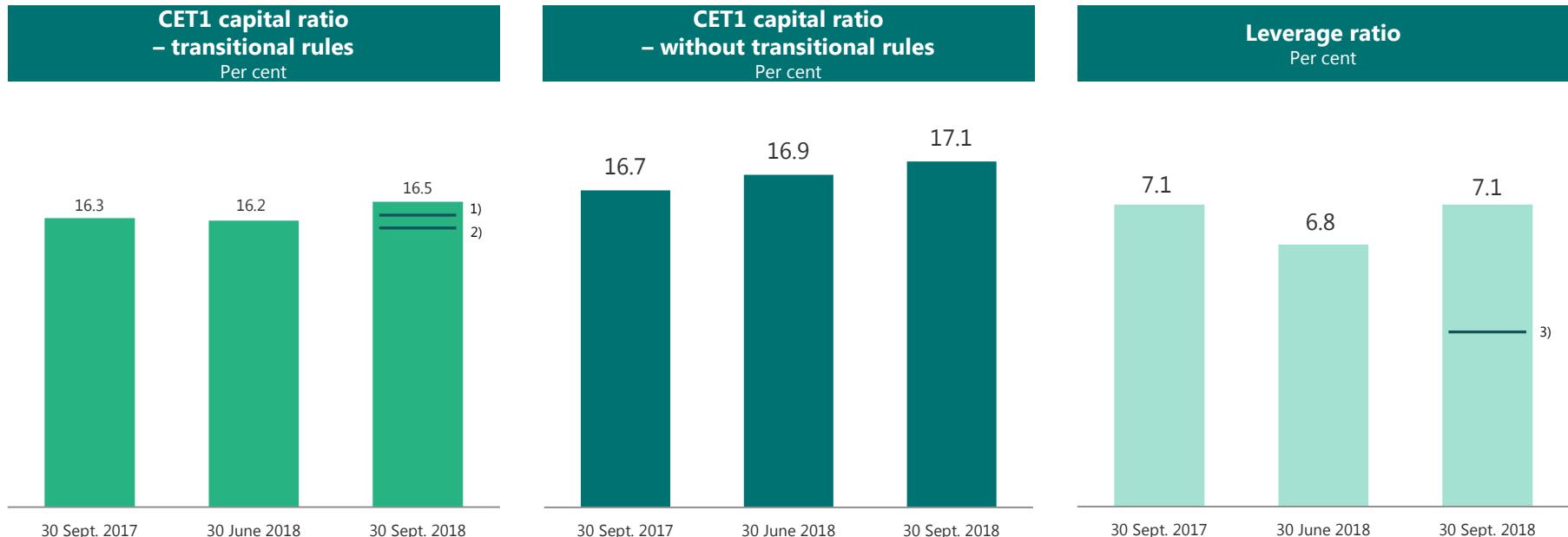
**Maximum exposure (on and off-balance sheet items),  
net of accumulated impairment**

<b>Stage 1</b> NOK 2 041 billion (-13)	<b>Stage 2</b> NOK 102 billion (+8)	<b>Stage 3</b> NOK 26 billion (-1)
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# Strong capital position

- The Norwegian Financial Supervisory Authority has today published updated Pillar 2 requirements leading to an increase of 20 basis points from 1.6 to 1.8 per cent
- The DNB Group's revised target as from 31 December 2018 will be about 16.3 per cent including management buffer



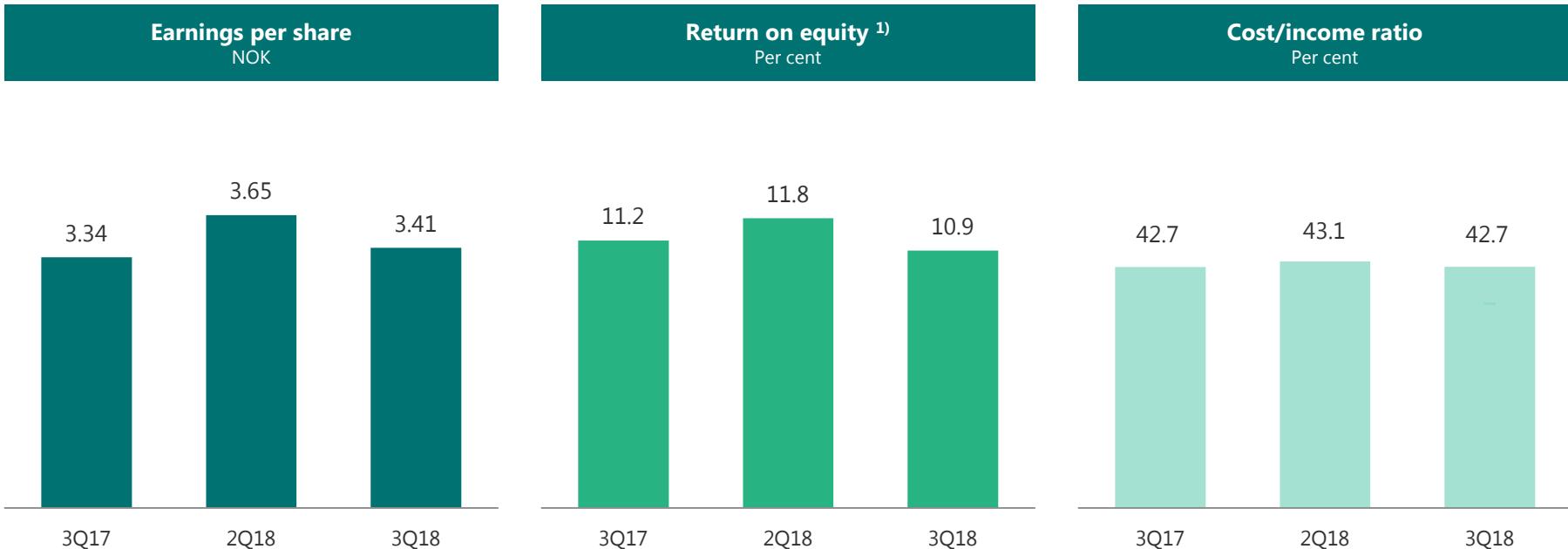
1) Revised target from 31 December 2018 according to SREP (including management buffer): ~16.3

2) Current target: ~16.1

3) Current requirement: 6.0

# Stable quarterly performance

- 3Q18 affected by reduced contribution from commissions and fees, mainly in the capital markets
- 2Q18 affected by gains from Vipps merger



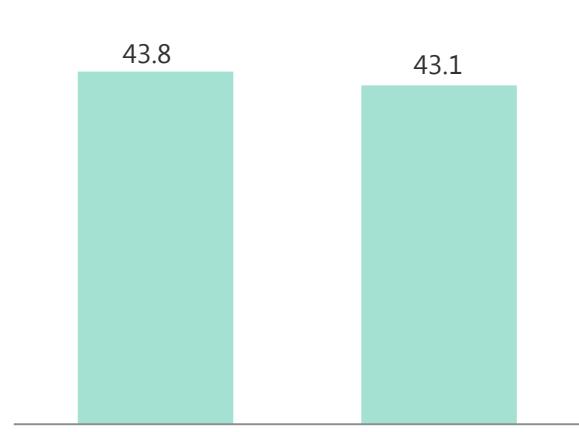
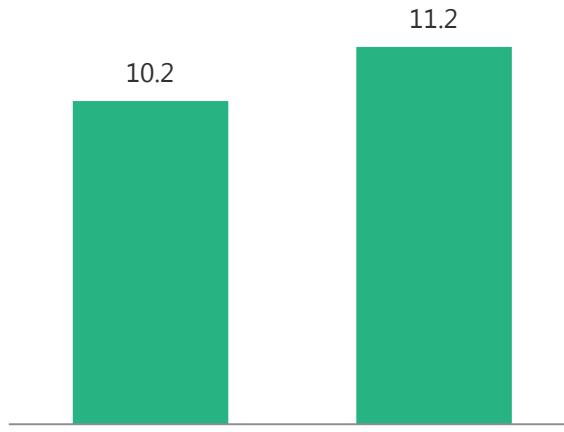
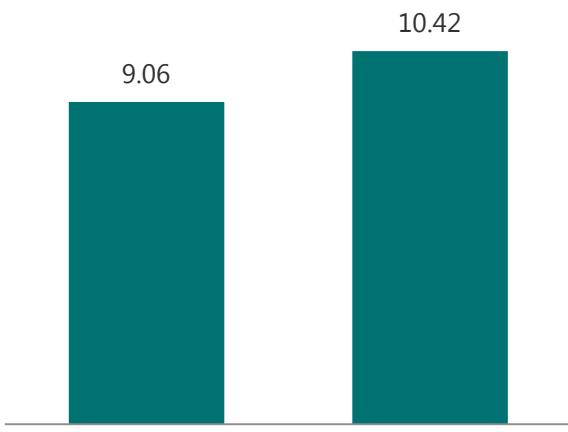
1) Return on equity is calculated on the assumption that additional Tier 1 capital is classified as a liability

# Improvement in key figures year to date

## Earnings per share NOK

## Return on equity <sup>1)</sup> Per cent

## Cost/income ratio Per cent



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

# APPENDIX

# DNB in the Baltics

## Strong focus on anti-money laundering

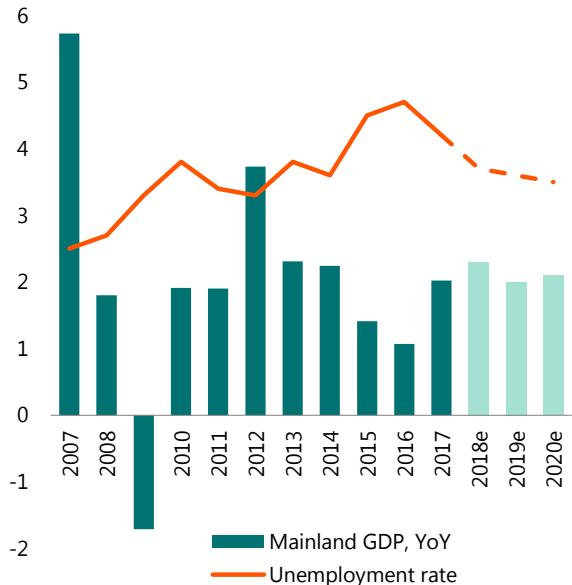


- 43.5 per cent ownership in Luminor, Nordea is the other shareholder
- Luminor operates in Estonia, Latvia and Lithuania
- Blackstone is to acquire 80 per cent of Luminor, while DNB retains the remaining 20 per cent. The deal is expected to close 1H2019
- The strategy has been to serve retail and SME customers in the Baltic countries. Non-residents have been out of scope
  - Between 0.2 and 1.4 per cent of the deposit volumes in the different countries are from customers from Russia, Ukraine and Cyprus
- Two major due diligence processes completed in the last 18 months, in connection with:
  1. The merger between Nordea's and DNB's units in the Baltics
  2. The sale to Blackstone
- Luminor has not been subject to AML sanctions or regulatory fines, nor are we aware of any ongoing investigations
- Investing to fulfil regulatory control requirements

# Positive macroeconomic development in Norway

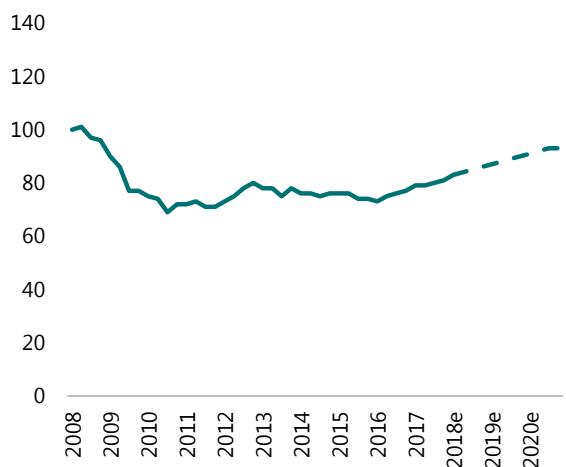
## Mainland GDP and unemployment rate

Per cent

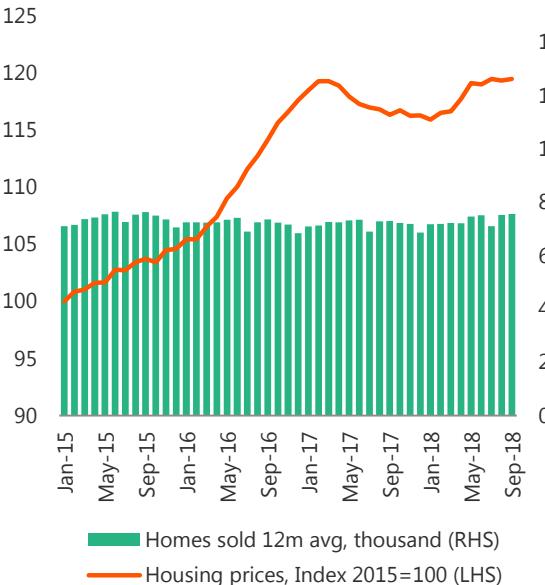


## Mainland business investments

1Q08=100, three quarters moving average



## Housing prices and activity level

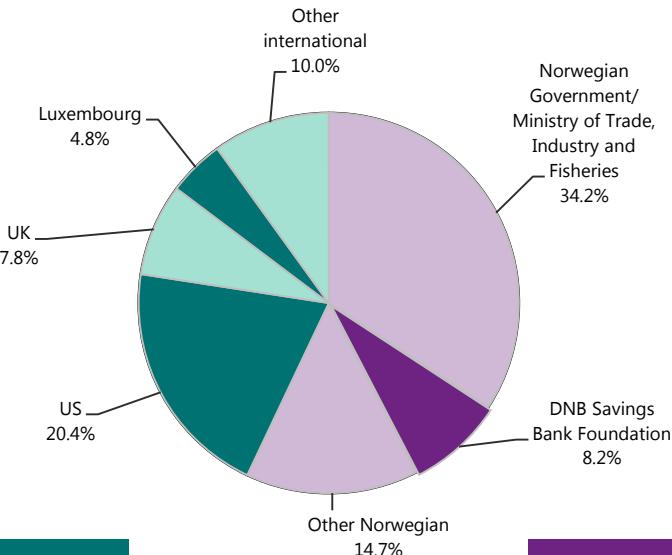


# Shareholder distribution

## Top 20 shareholders As at 30 September 2018

	Shares (1 000)	Ownership (per cent)	Quarterly change in shares (1 000)
Norwegian Government/ Ministry of Trade, Industry and Fisheries <sup>1)</sup>	545 485	34.2	(8 307)
DNB Savings Bank Foundation	130 001	8.2	-
Folketrygfondet <sup>2)</sup>	97 229	6.1	172
Fidelity International	30 615	1.9	(550)
BlackRock	30 453	1.9	2 139
The Vanguard Group	28 186	1.8	415
DWS Investment	25 449	1.6	96
Schroder Investment Management	20 198	1.3	(313)
Capital World Investors	18 601	1.2	558
Storebrand Kapitalforvaltning	16 661	1.0	90
T. Rowe Price	15 839	1.0	675
KLP Forsikring	14 469	0.9	(107)
MFS Investment Management	13 783	0.9	31
DNB Asset Management	13 846	0.9	1 334
Nordea Funds	13 496	0.8	2 828
SAFE Investment Company	12 630	0.8	(811)
Davis Selected Advisers	12 424	0.8	-
Newton Investment Management	12 236	0.8	(760)
State Street Global Advisors	12 049	0.8	74
LSV Asset Management	10 268	0.6	(21)
<b>Total largest shareholders</b>	<b>1 073 915</b>	<b>67.4</b>	<b>(2 458)</b>
Other shareholders	520 437	32.6	749
<b>Total</b>	<b>1 594 352</b>	<b>100.0</b>	<b>(1 709)</b>

## Ownership according to nationality As at 30 September 2018



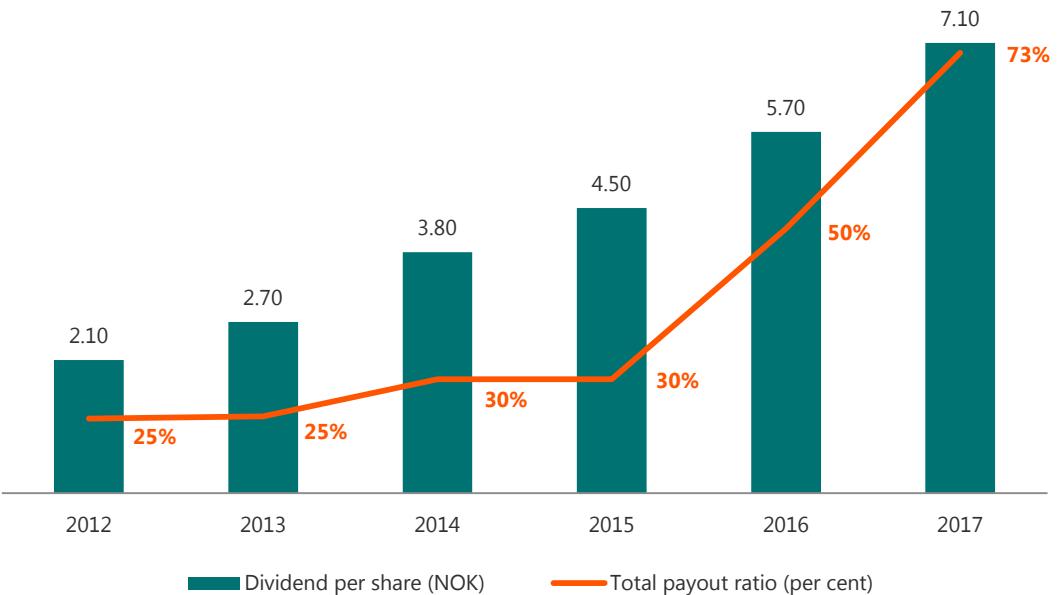
International investors: **43%**

Norwegian investors: **57%**

- 1) Earlier in 2018, DNB completed three buy-back programmes totaling 1.5 per cent of outstanding shares. The cancellation of these shares, including redemption of the Norwegian government's holdings, were registered on 30 July 2018. In the third quarter of 2018, the first programme (comprising 1.5 per cent) under the new authorisation of 3.5 per cent was initiated
- 2) Folketrygfondet's ownership fluctuates due to lending of shares

# Dividend per share increased by 25 per cent to NOK 7.10 for 2017

## Dividend per share and payout ratio

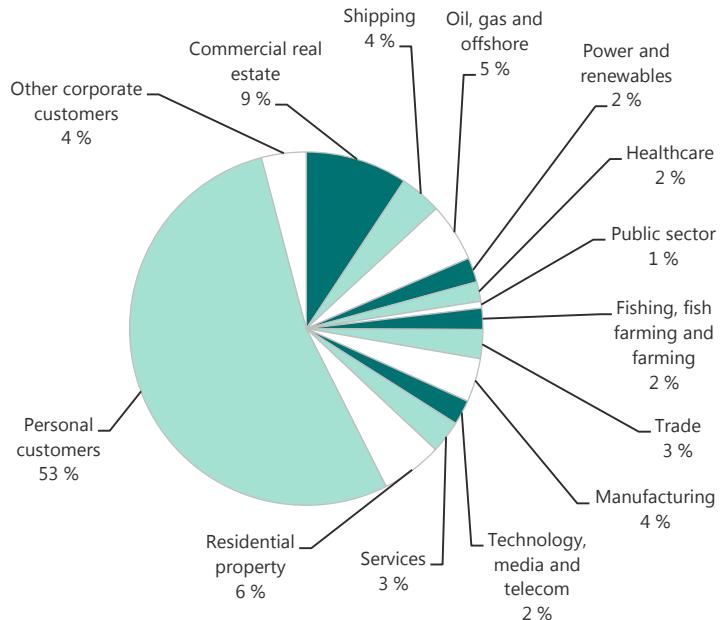


- Cash dividend of 55 per cent and total distribution to shareholders of 73 per cent of profits in 2017
- New authorisation for 2018 approved at AGM for buy-backs of up to 3.5 per cent of outstanding shares. DNB has initially applied for and received approval from the FSA for up to 2 per cent
- Buy-back programme of 1.5 per cent initiated in the second quarter of 2018

# DNB portfolio and income split

## Distribution of exposure at default by industry segment

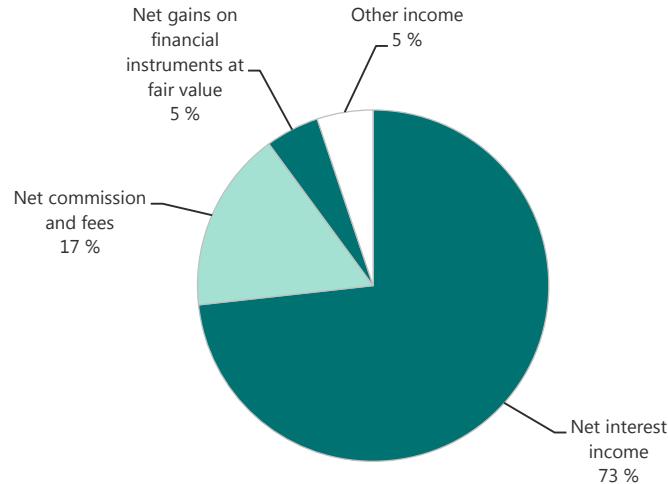
30 September 2018



**Around 80 per cent from Norwegian units**

## Total income split

3Q18



# Q3

Third quarter 2018

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We are here.  
So you can  
stay ahead.

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