

Q2

SECOND QUARTER AND
FIRST HALF 2017

DNB Group

Results

Rune Bjerke (CEO)
Kjerstin Braathen (CFO)

12 July 2017

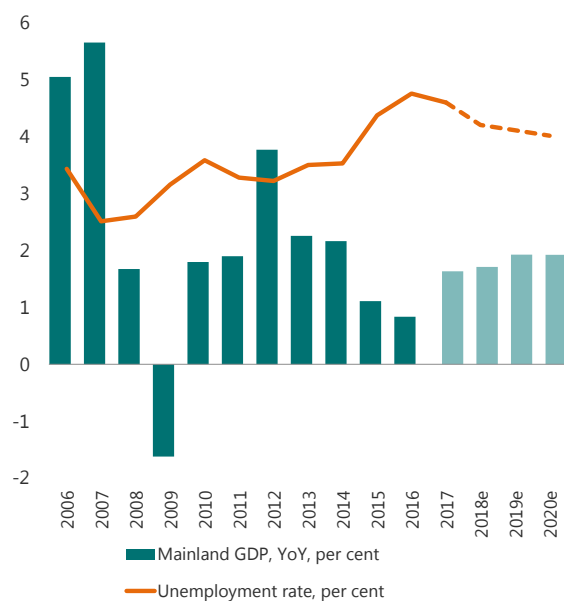


DNB offers non-digital customers training in online banking

Norwegian GDP growth is picking up, unemployment is decreasing – housing market is levelling off

- Growth in the mainland economy has picked up (1Q GDP 0.6 per cent)
- Unemployment is down and is expected to decrease further
- Interest rates are expected to remain low

Per cent

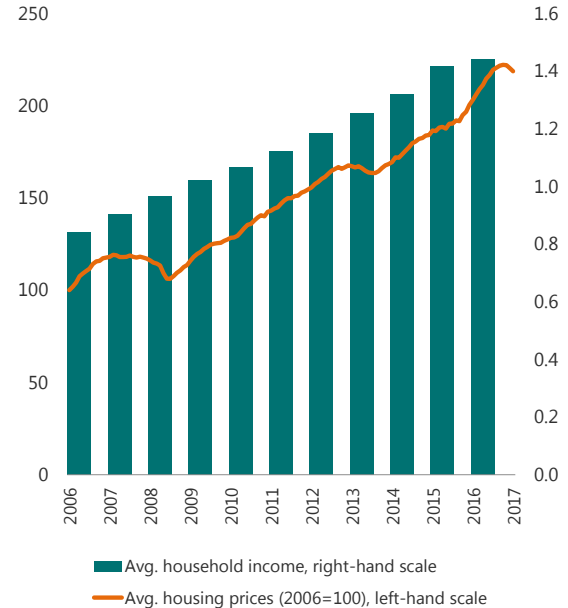


Unemployment rate by county
June 2017 vs June 2016

- Lower
- Slight increase
- Significant increase

Index, 2006=100

NOK million



Transforming the way we do business – building future mobile platforms



57 million
mobile bank logins (2Q17)

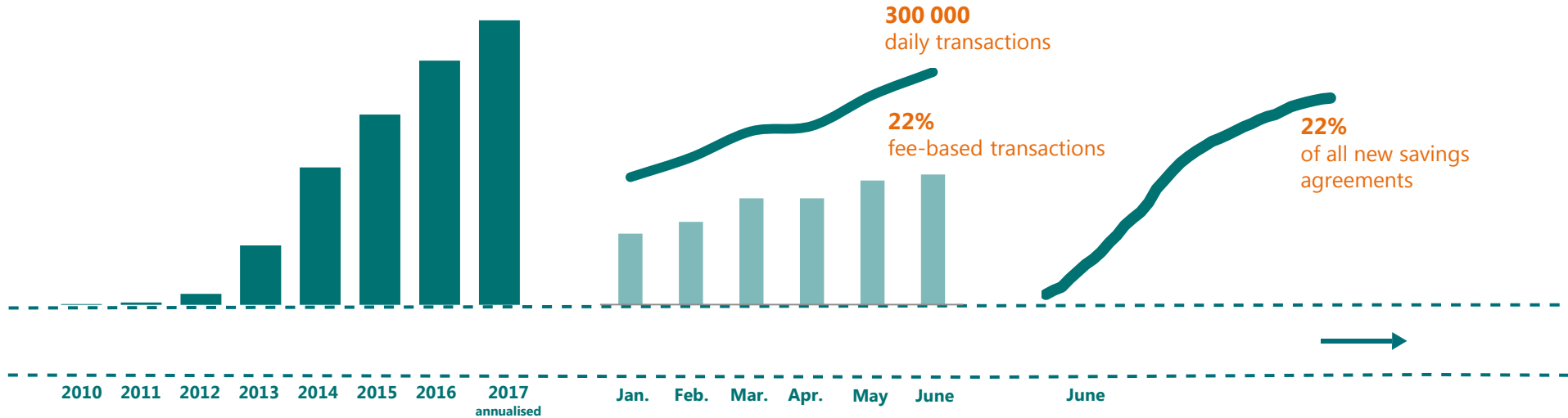


2.5 million
users



Savings app

180 000
users first month



Transforming the way we do business – smarter use of capital

Investment in capital-light products

Defined contribution: #1 market position



IBD

Ranked #1 among debt capital markets, investment grade and high-yield issuers in Norway ¹⁾

Ranked #2 in Nordic countries research ²⁾

Capital reallocation

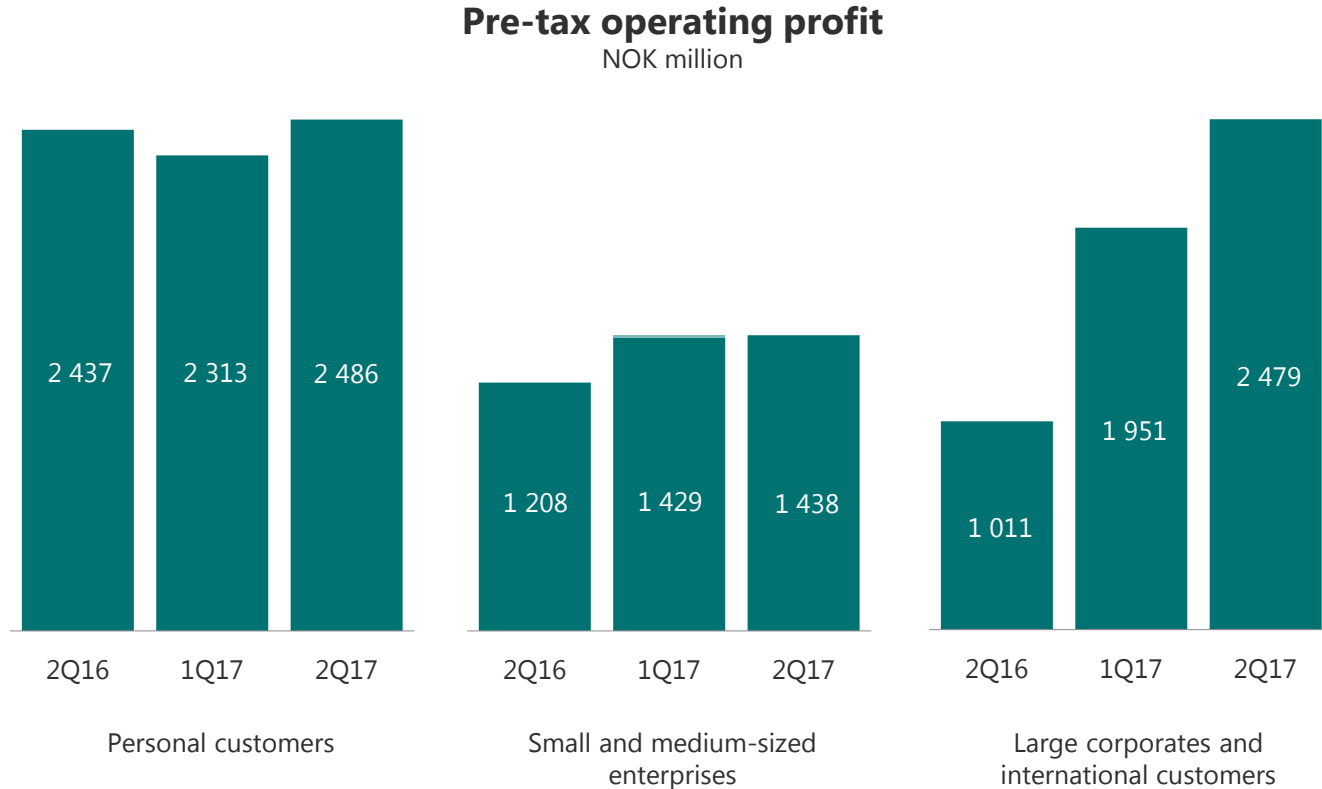
Loans reduced by NOK 9.5 billion in cyclical industries in 2Q17



1) Source: Prospera customer satisfaction survey 2017

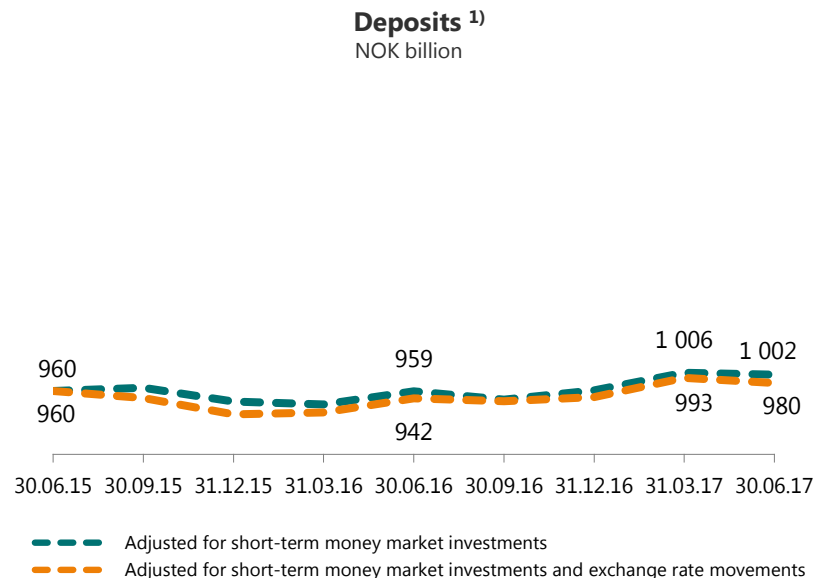
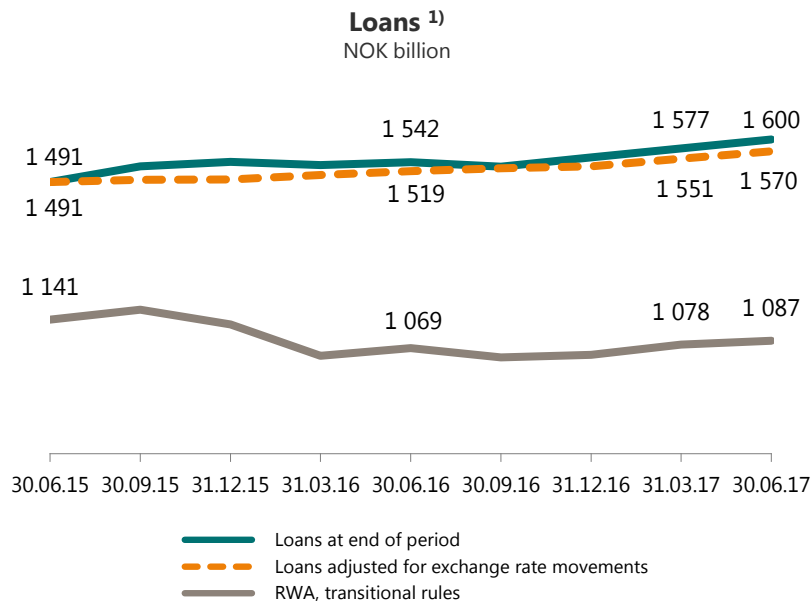
2) Source: Extel 2017 research

Strong operating performance and low net impairment losses



Profitable lending growth in all customer segments

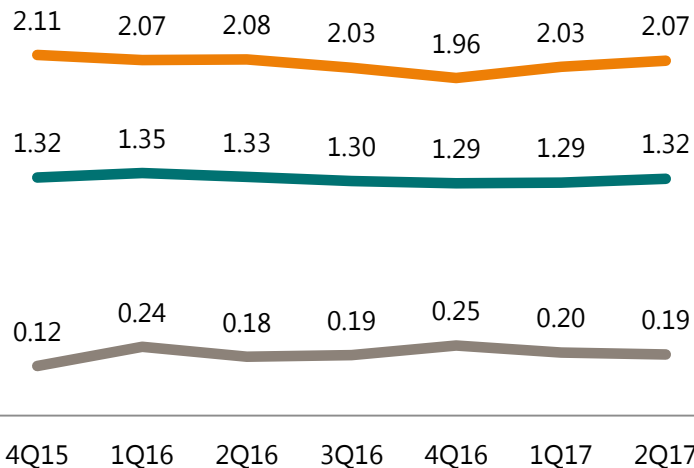
- Growth in 2Q17 of 2 per cent in the personal customers segment and 1.5 per cent in the small and medium-sized enterprises segment
- Stable underlying trend in volumes in LCI. A decline is expected in the second half of 2017. The rebalancing resulted in a reduction in loans within shipping, oil and offshore of NOK 9.5 billion from 31 March 2017



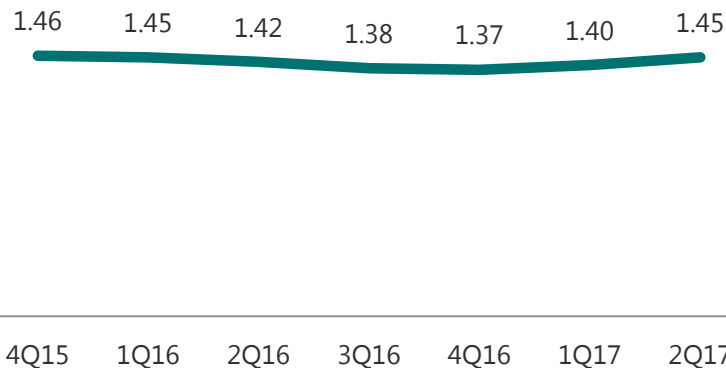
Both volume-weighted spreads and the net interest margin are widening

- 8 bps increase in deposit spreads in LCI, in line with guiding
- Reduced funding costs contributed to improving the net interest margin
- Average loans up NOK 30.7 billion and average deposits up NOK 5.6 billion from 1Q17

Spreads in customer segments
Per cent



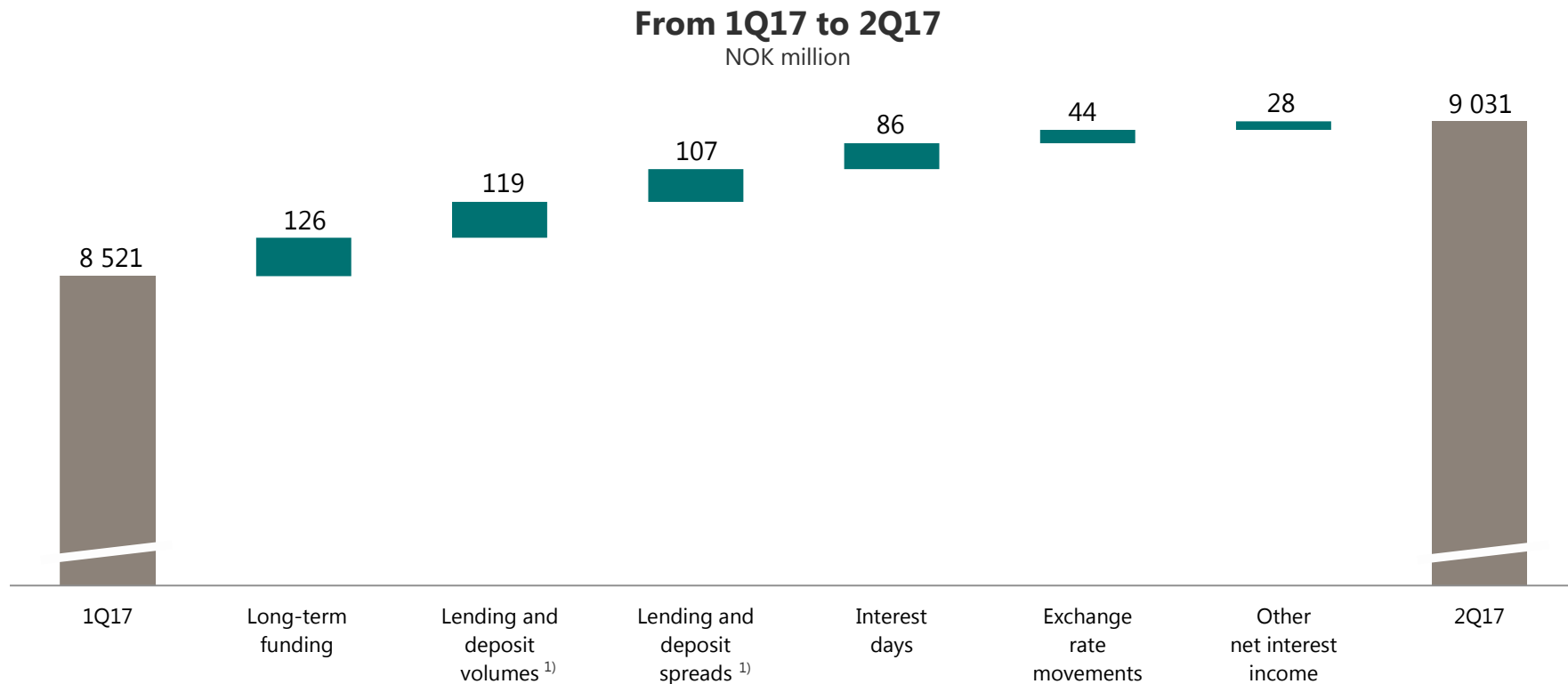
Net interest margin ¹⁾
Per cent



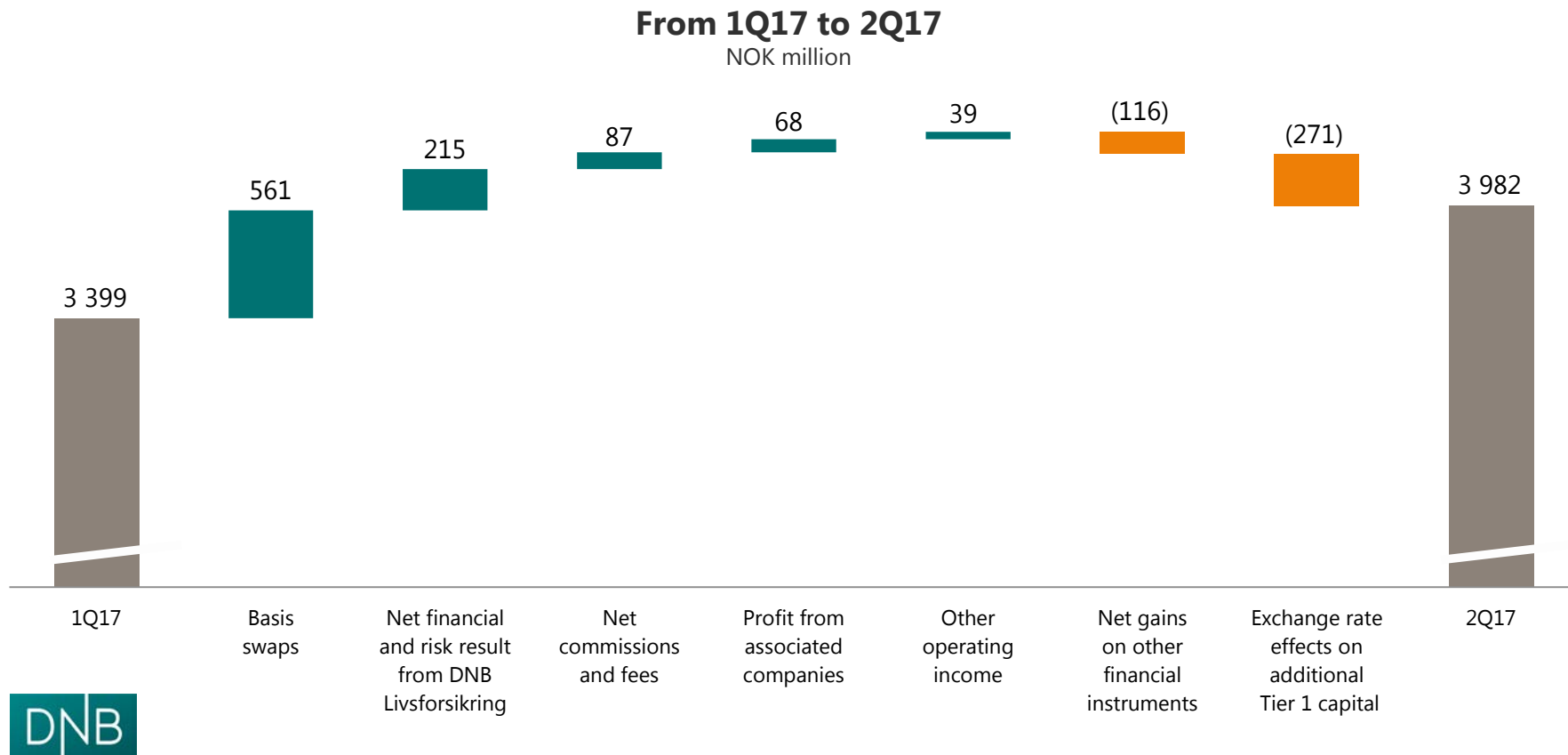
- Lending spread
- Deposit spread
- Combined spread - weighted average

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

Strong growth in net interest income



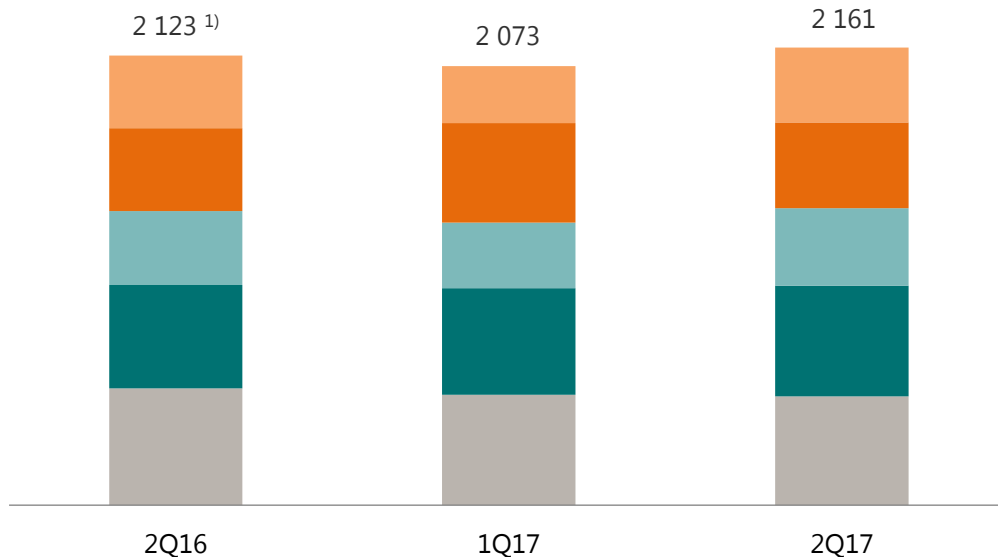
Net operating income – no major fluctuations in financial instruments



Commissions and fees in line with expectations

- Strong quarter within real estate broking, asset management and money transfer services

NOK million



Real estate broking

Seasonal effect from 1Q17 and strong underlying trend

Investment banking services

Positive trend in credit broking and increased activity in debt capital and equity capital markets, but performance affected by amortisation of syndication fees

Asset management and custodial services

Increased income from both Asset Management and custodial services. Strong growth in assets under management

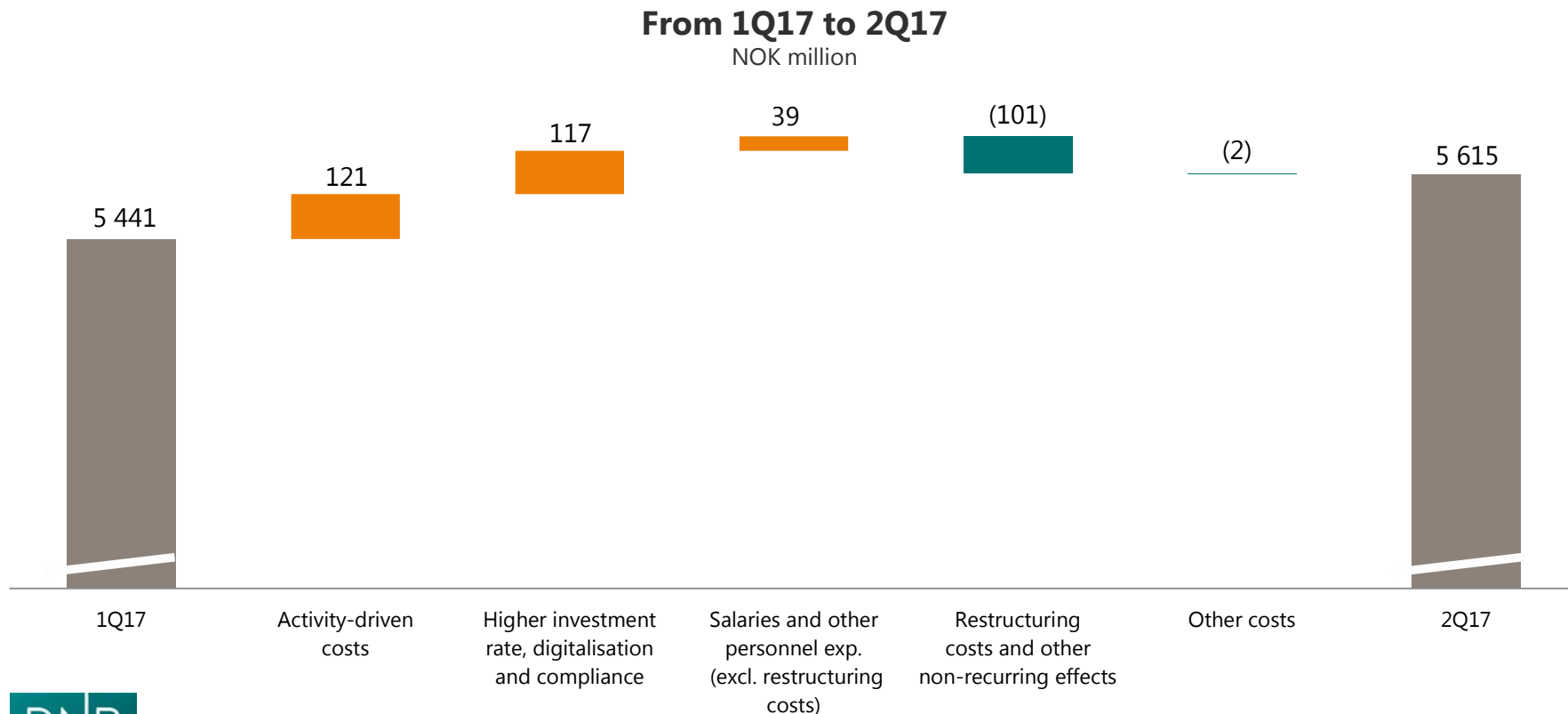
Money transfer and banking services

Positive development due to higher transaction volumes. Some negative seasonal effects

Life insurance products

Fees still under pressure as a result of the conversion from defined-benefit to defined-contribution schemes

Operating expenses affected by high activity and investments to adapt to the new banking reality

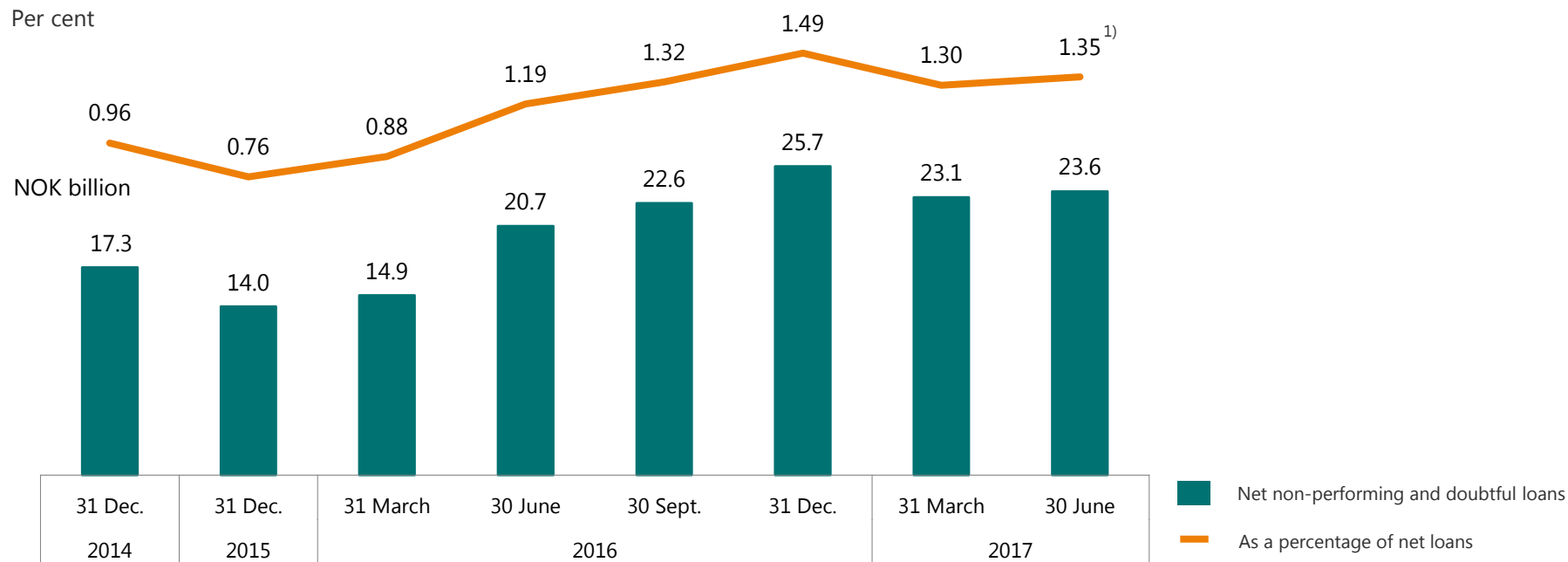


Low impairment losses

Amounts in NOK million	2Q17	1Q17	2Q16	1st half 2017	1st half 2016
Personal customers	(84)	36	(102)	(48)	338
- Mortgage loans	(7)	(37)	(30)	(45)	501
- Other exposures	(77)	73	(72)	(4)	(163)
Small and medium-sized enterprises	(156)	(70)	(190)	(226)	(431)
Large corporates and international customers	(313)	(430)	(1 300)	(743)	(2 028)
- Shipping, Offshore and Logistics Division	(176)	(462)	(823)	(638)	(1 434)
- Energy Division	(173)	(7)	(458)	(179)	(539)
- Other units	35	39	(18)	74	(54)
Total individual impairment	(553)	(464)	(1 592)	(1 017)	(2 120)
Total collective impairment of loans	(44)	(98)	(729)	(142)	(1 375)
Impairment of loans and guarantees	(597)	(562)	(2 321)	(1 159)	(3 495)
Total impairment in relation to average volumes, annualised	(0.15)	(0.15)	(0.61)	(0.15)	(0.46)

Stable volume of non-performing and doubtful loans

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



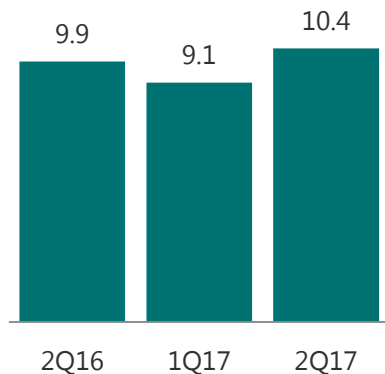
Includes non-performing commitments and commitments subject to individual impairment. Accumulated individual impairment is deducted. Includes the Baltics, reclassified as assets held for sale.

1) The percentage of net loans was affected by a reduction in loans to credit institutions in the quarter. Adjusted for this, the percentage would have been 1.31.

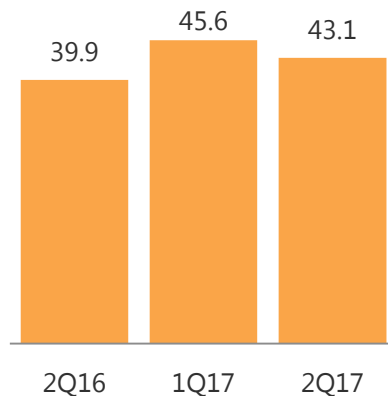
Strong improvement in key figures

- Return on equity affected by strong operating performance and low impairment losses
- The cost/income ratio shows a positive trend, despite a high rate of investment

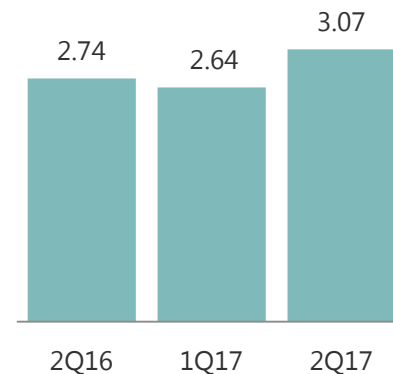
Return on equity ¹⁾
Per cent



Cost/income ratio
Per cent

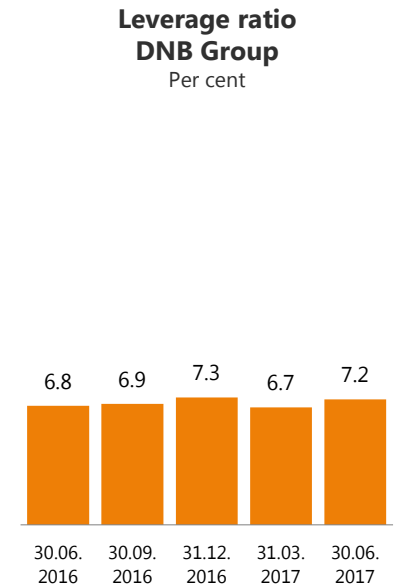
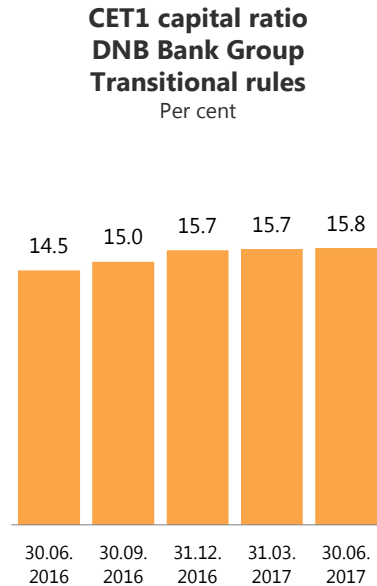
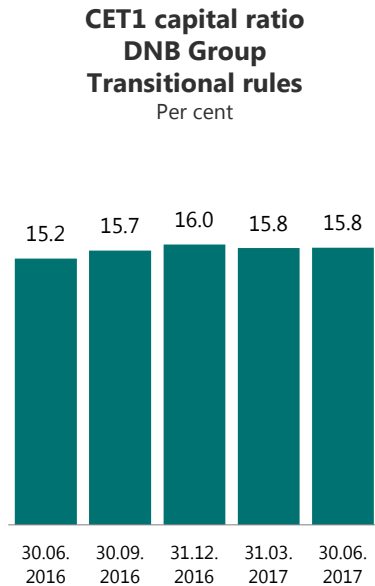


Earnings per share
NOK



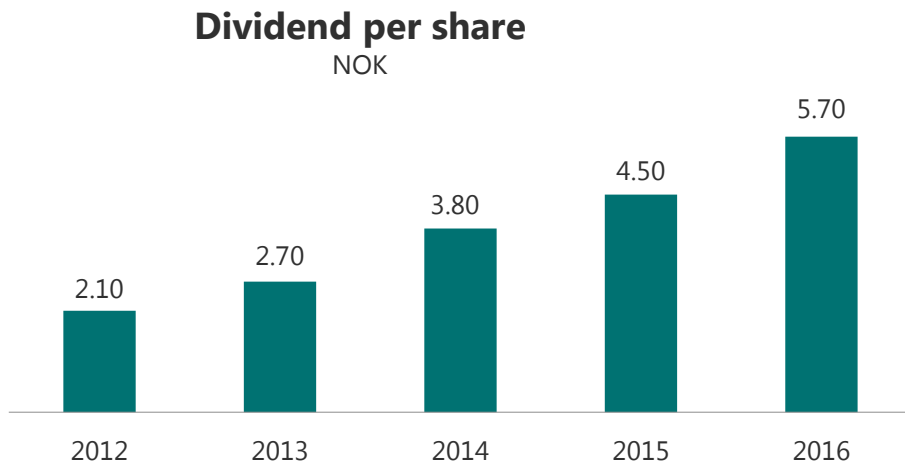
Solid and well-positioned to meet future regulatory changes

- Stable trend in the DNB Group's CET1 ratio, reflecting the announced share buy-back programme
- Leverage ratio of 7.2 per cent, well above the requirement of 6.0 per cent



Initiating share buy-back programme

- DNB will start the share buy-back in the third quarter, comprising about 0.5 per cent of registered shares ^{1) 2)}
- DNB may decide to initiate further buy-backs up to the approved limit of 1.5 per cent
- DNB's dividend policy remains unchanged, targeting a cash payout ratio of more than 50 per cent and the distribution of a higher cash dividend per share each year. In addition, DNB will use buy-backs as a tool to pay out excess capital



Dividend policy

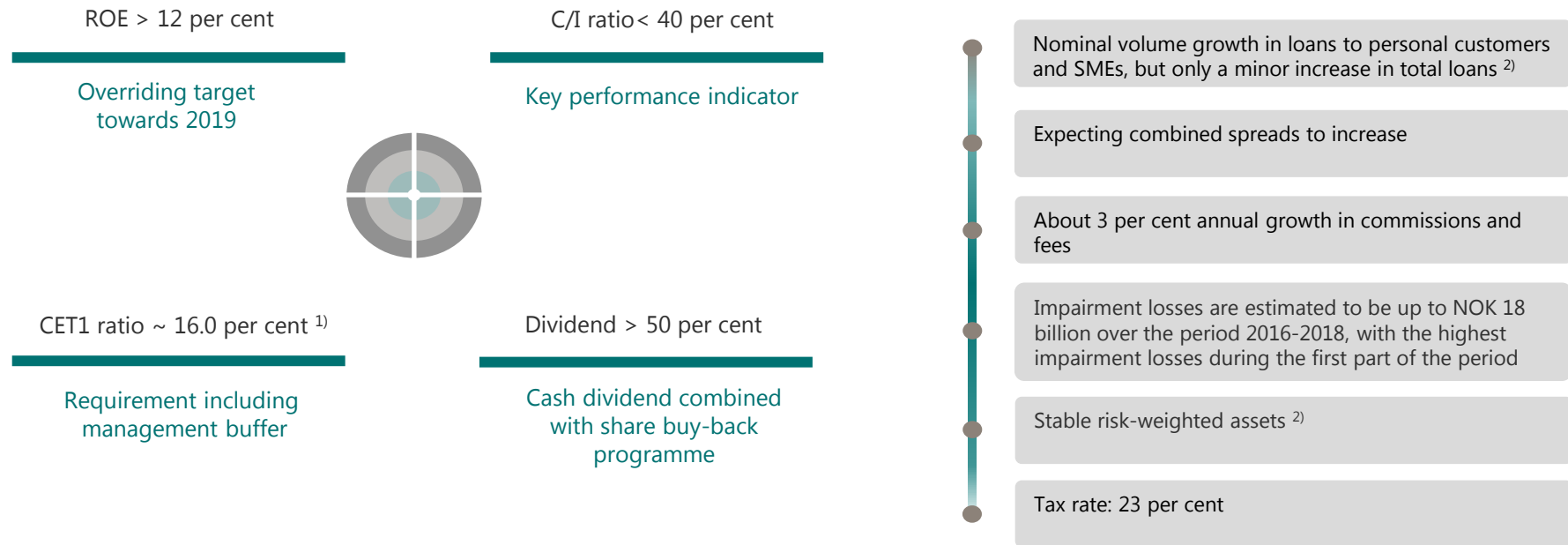
Payout ratio

> 50 per cent

➡ Aiming for a stable and increasing cash dividend per share

APPENDIX

Unchanged financial ambitions 2017-2019



Income statement

Amounts in NOK million	2Q17	1Q17	2Q16	1st half 2017	1st half 2016
Net interest income	9 031	8 521	8 544	17 552	17 257
Net commissions and fees	2 161	2 073	2 136	4 234	4 127
Net gains on financial instruments at fair value	982	808	1 029	1 790	3 413
Net financial and risk result, DNB Livsforsikring	454	240	166	694	278
Net insurance result, DNB Forsikring	189	155	204	344	319
Other operating income	196	123	1 418	320	1 757
Net other operating income, total	3 982	3 399	4 952	7 382	9 894
Total income	13 014	11 920	13 496	24 934	27 151
Operating expenses	(5 518)	(5 243)	(5 281)	(10 761)	(10 438)
Restructuring costs and non-recurring effects	(97)	(197)	(104)	(294)	(657)
Pre-tax operating profit before impairment	7 399	6 479	8 111	13 878	16 056
Net gains on fixed and intangible assets	17	6	(20)	23	(26)
Impairment of loans and guarantees	(597)	(562)	(2 321)	(1 159)	(3 495)
Pre-tax operating profit	6 819	5 923	5 770	12 743	12 534
Tax expense	(1 568)	(1 362)	(1 190)	(2 931)	(2 720)
Profit from operations held for sale, after taxes	(14)	(17)	(10)	(31)	(23)
Profit for the period	5 237	4 544	4 569	9 781	9 791
Profit attributable to shareholders	5 000	4 304	4 454	9 304	9 561

Increase in NII driven by profitable growth in all customer segments and wider spreads

Higher result in DNB Livsforsikring due to increased return on financial assets

Other operating income affected by Visa transaction in 2Q16

Cost increase from high level of activity within digitalisation projects, marketing and introduction of financial activities tax

Net gains on financial instruments

Amounts in NOK million	2Q17	1Q17	2Q16	Change	
				1Q17- 2Q17	2Q16- 2Q17
Customer revenues in DNB Markets	587	588	665	(0)	(77)
Trading revenues in DNB Markets (excl. CVA/DVA/FVA and credit spread effects)	393	503	671	(110)	(278)
Credit spread effects on bonds in DNB Markets	86	185	67	(99)	19
Financial guarantees	192	168	110	24	82
Basis swaps	(60)	(620)	(388)	561	329
CVA/DVA/FVA	(0)	48	(533)	(49)	533
FX effects on additional Tier 1 capital	(296)	(25)	71	(271)	(368)
Other mark-to-market adjustments	80	(38)	367	119	(287)
Net gains on financial instruments at fair value	982	808	1 029	175	(46)

Balance sheets

Amounts in NOK billion	DNB Group	
	30 June 2017	31 March 2017
Cash and deposits with central banks	266	369
Due from credit institutions	161	201
Loans to customers	1 552	1 531
Other assets	745	770
Total assets	2 723	2 870
Due to credit institutions	216	273
Deposits from customers	1 009	1 017
Short-term debt securities issued	157	206
Long-term debt securities issued	602	627
Other liabilities and provisions	533	537
Additional Tier 1 capital	16	16
Other equity	191	195
Total liabilities and equity	2 723	2 870
Ratio of deposits to net loans (%)	65.0	66.4
Adjusted ratio of deposits to net loans (%) ¹⁾	62.1	63.3
Total combined assets	3 026	3 163
Currency-adjusted loans to customers	1 545	1 528
Currency-adjusted deposits from customers	1 004	1 021
Liquidity coverage ratio	123	135

Profitable lending growth in all customer segments

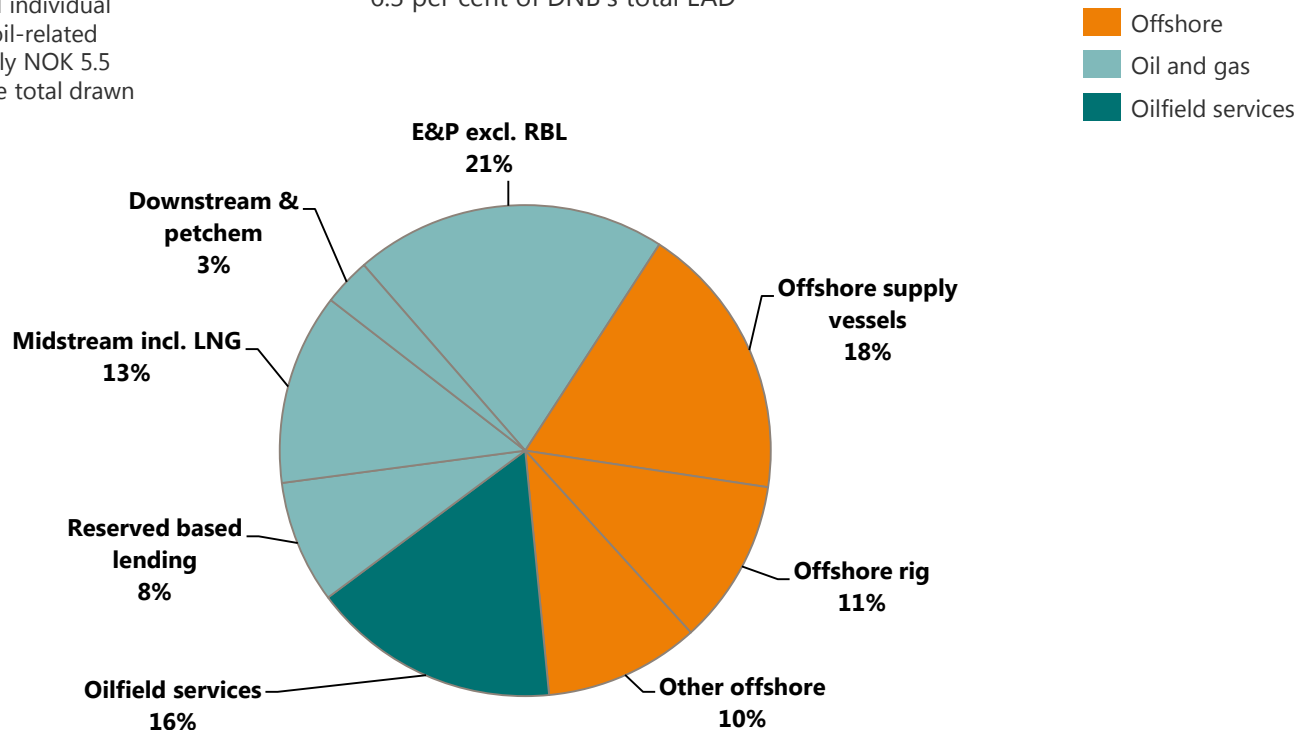
Strong liquidity position with stable high ratio of deposits to net loans and LCR well above 100

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

- Accumulated collective and individual impairment losses for the oil-related portfolio total approximately NOK 5.5 billion or 8.5 per cent of the total drawn amount

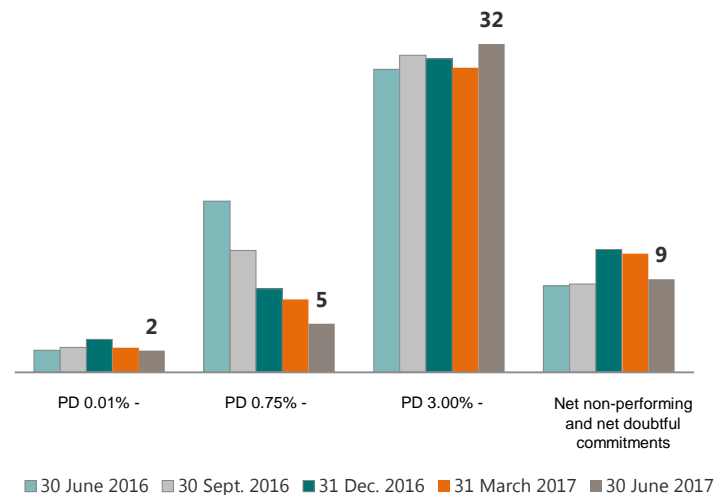
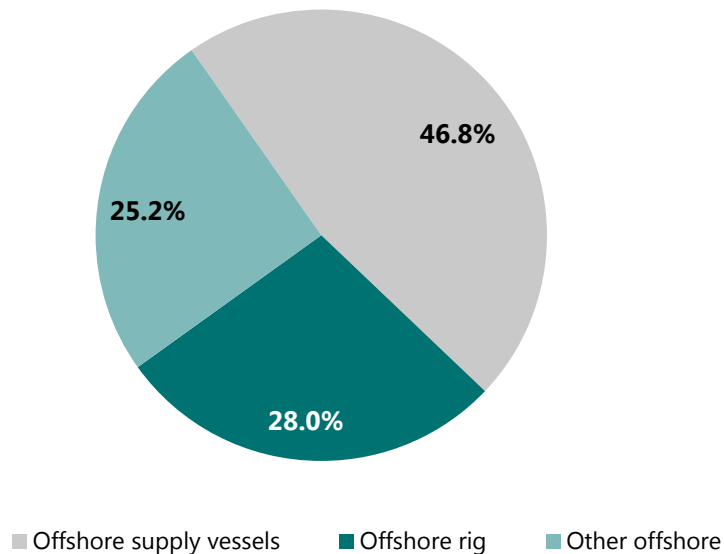
Oil-related portfolio – EAD NOK 123 billion

6.3 per cent of DNB's total EAD



Offshore still the most challenging sector in the portfolio

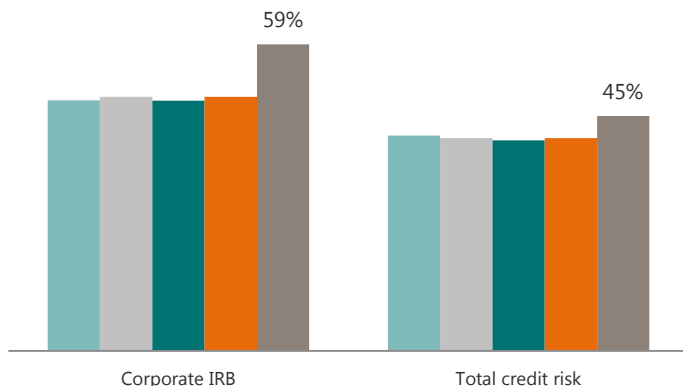
Offshore portfolio – EAD NOK 48 billion
2.4 per cent of DNB's total EAD



Basel III regulatory risk weights adjusted upwards as anticipated

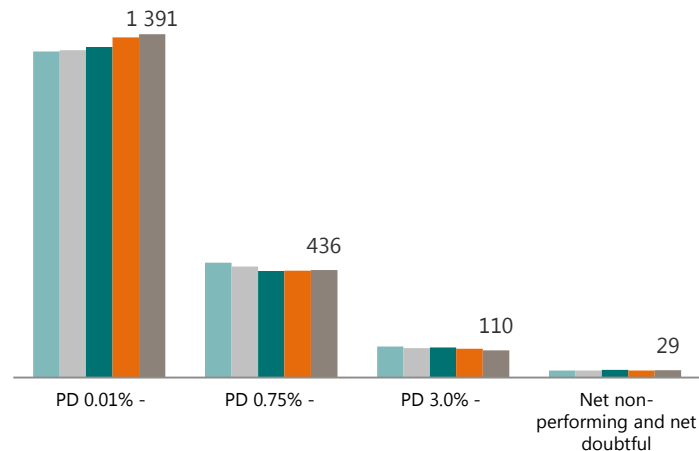
- No increase in the underlying risk level
- Transitional rules still effective

Average risk weights
Per cent



■ 30 June 2016 ■ 30 Sept. 2016 ■ 31 Dec. 2016 ■ 31 March 2017 ■ 30 June 2017

Risk classification of portfolio
NOK billion

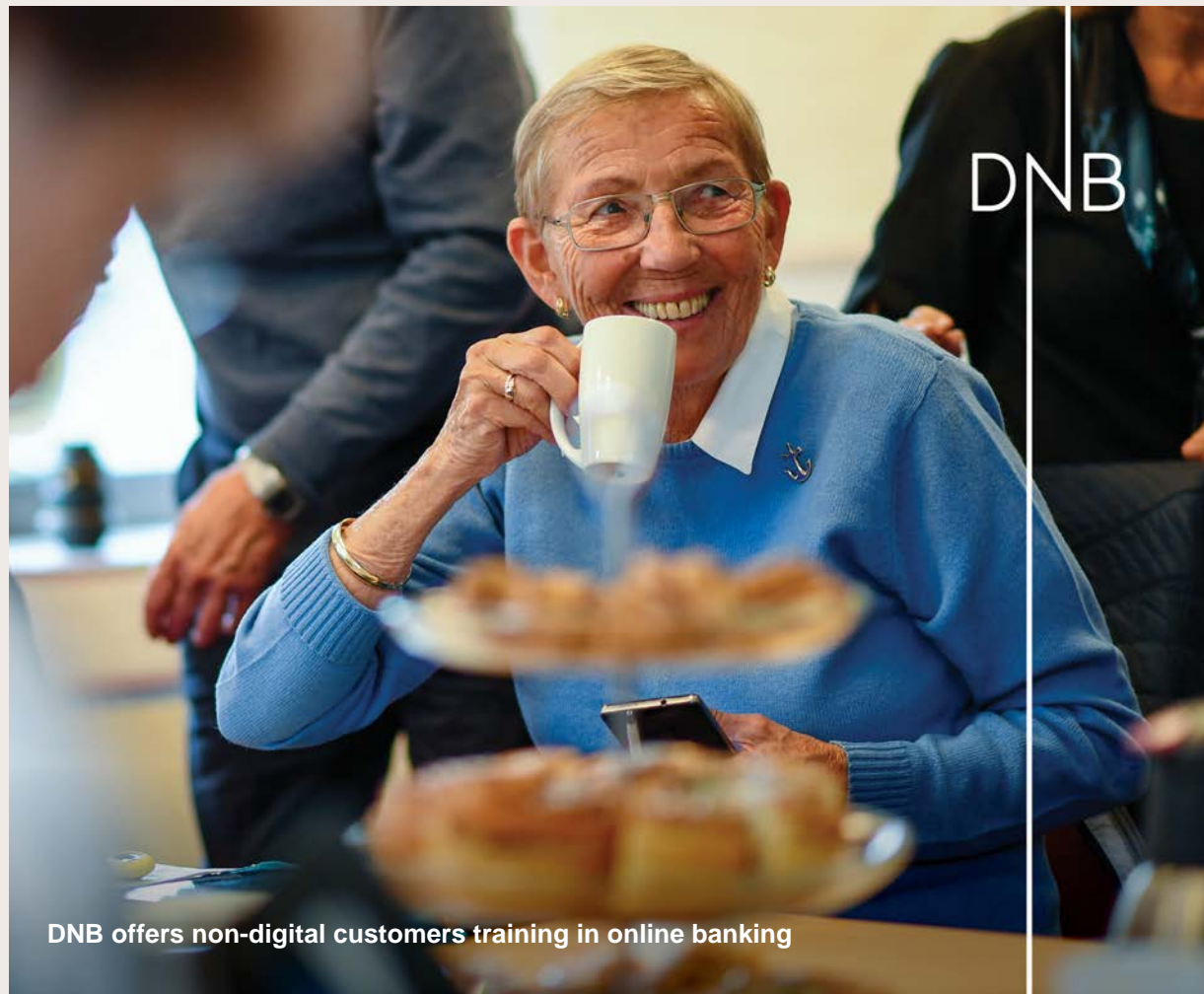


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Q2

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FIRST HALF 2017

HERE FOR YOU.
EVERY DAY.
WHEN IT MATTERS
THE MOST.



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