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Sound underlying operations in the first quarter

DNB recorded profits of NOK 1 760 million in the first quarter of 2012, down from NOK 2 851 million in the year-earlier period. The bank is experiencing brisk growth in both the personal and corporate markets.

The bank's ordinary operations were strong and showed a positive trend compared with previous quarters. The decline in profits is mainly a consequence of significant changes in the market value of so-called basis swaps from quarter to quarter. Basis swaps had an overall negative effect on income of NOK 2 432 million in the first quarter of 2012, an increase from NOK 584 million in the first quarter of 2011. Over time, the effect of such hedging instruments on recorded income will be nil.

"We are experiencing strong growth in lending to Norwegian small and medium-sized enterprises and are continuing to gain market share within savings and lending to Norwegian consumers. Lending to our largest customers increased by close to 14 per cent in the first quarter compared with the first quarter of 2011, which we are very pleased with," says Rune Bjerke, group chief executive.

Net interest income showed a healthy trend, rising by 10.6 per cent from the first quarter of 2011. Average lending volumes increased by 8.9 per cent, while deposit volumes were up 13.8 per cent from the first quarter of 2011.

Parallel to the strong growth in deposits, the bank has had good access to capital market funding and thus enjoys a healthy liquidity situation.

Lower write-downs

Write-downs on loans and guarantees totalled NOK 784 million, a reduction of more than NOK 100 million from the first quarter of 2011.

"As expected, there was an increase in write-downs within shipping, while there was a significant reduction in write-downs relating to our operations in the Baltics and Poland. Our shipping clients are generally large industrial companies which have been through market fluctuations before. Still, we are affected by the weak economic situation in parts of the shipping market," says Bjerke.

Total write-downs on loans and guarantees in 2012 are expected to be roughly on a level with 2011.

Expecting continued growth in 2012

"In spite of great uncertainty regarding global economic developments, Norway is doing well. The international turmoil appears to have a relatively limited impact on the Norwegian domestic economy. We have 80 per cent of our operations in Norway and thus believe that there are good growth and earnings prospects in this part of the bank," says Bjerke.

Rising funding costs and stricter capital adequacy and liquidity requirements will probably have an impact on the competitive situation in the entire financial services industry over the next few years. The Group's financial ambitions remain firm, but will be more challenging to reach due to lower interest rate expectations and the negative accounting effect of hedging instruments. DNB will maintain its customer-oriented strategy, which will provide a basis for reaching the long-term targets.

Key figures for the first quarter of 2012

- Pre-tax operating profits before write-downs were NOK 3.2 billion (4.7)
- Profit for the period was NOK 1.8 billion (2.9)
- Earnings per share were NOK 1.08 (1.76)
- Return on equity was 6.0 per cent (10.3)
- The ordinary cost/income ratio was 61.8 per cent (50.5)

Comparable figures for the first quarter of 2011 in parentheses.

Contact persons:

Trond Bentestuen, group executive vice president, Marketing, Communications and eBusiness,
tel.: +47 950 28 448

Thomas Midteide, executive vice president External Communication, tel.: + 47 962 32 017

The quarterly report, presentation and Supplementary Information for Investors and Analysts can be downloaded from www.dnb.no/investor-relations