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Healthy earnings and improved capital adequacy

DNB recorded profits of NOK 4 580 million in the second quarter of 2012, up from NOK 3 546 million in the second quarter of 2011. The bank is still experiencing sound growth in both the personal and corporate markets.

All business areas, apart from Insurance and Asset Management, achieved considerably higher operating profits than in the second quarter of 2011.

"We are very pleased with the Group's second quarter performance. While a number of European banks are now scaling back lending, DNB is still experiencing strong, profitable growth. We are growing parallel to strengthening our capital adequacy," says Rune Bjerke, group chief executive.

DNB's common equity Tier 1 capital ratio increased to 9.6 per cent at end-June.

In the first quarter of the year, the effects of basis swaps (derivative contracts) had a pronounced negative effect on DNB's profits. In the second quarter, the situation was the opposite, and such derivative contracts had a positive effect of NOK 1 078 million. Though these effects vary considerably from quarter to quarter, over time their effect will be neutral. "We are very pleased with our profit figures, even when adjusted for this effect," says Bjerke.

DNB has experienced strong growth in both home mortgages and lending to small and medium-sized businesses, while there has been lower growth in lending to large corporates and international customers. Average lending volumes increased by 9.1 per cent compared with the second quarter of 2011.

Strong deposit growth

Average deposit volumes rose 17.3 per cent from the second quarter of 2011, which helped raise DNB's ratio of deposits to lending to 65.3 per cent at end-June.

"There is strong competition for deposits, which results in narrowing spreads. This quarter, DNB launched a number of account-based savings products, such as Supersave and Junior Homesave, in order to meet Norwegian customers' demand for safe savings alternatives with good returns," says Bjerke.

Low write-downs

Write-downs on loans and guarantees remained at a low level.

"Write-downs in our operations in the Baltics have been further reduced, while there has been an increase in write-downs relating to a few commitments in Large Corporates and International. Several segments in the shipping markets are now going through a difficult period. In spite of this, however, our shipping losses were relatively low and stable this quarter," says Bjerke.

Continued growth in Norway

DNB believes that the Norwegian housing market is robust, in spite of the strong growth in house prices. A high level of investment in the oil and energy sector also generates growth in the Norwegian economy.

"The Norwegian economy is strong, and we expect continued growth in Norway, where we have 80 per cent of our operations. We believe that the uncertain situation in Europe will prevail, which could also have an impact on the Norwegian economy in the longer term," says Bjerke.

Key figures for the second quarter of 2012

- Pre-tax operating profits before write-downs were NOK 6.7 billion (5.1)
- Profit for the period was NOK 4.6 billion (3.5)
- Earnings per share were NOK 2.82 (2.18)
- Return on equity was 15.3 per cent (12.6)
- The ordinary cost/income ratio was 43.5 per cent (49.2)

Comparable figures for the second 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