

FOURTH QUARTER 2016

# Q4

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## RESULTS DNB GROUP FOURTH QUARTER

Rune Bjerke, CEO  
Bjørn Erik Næss, CFO

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02.02.2017



# Major achievements in 2016



**CET1 ratio requirement reached one year ahead of plan. CET1 ratio 16.0 per cent. Leverage ratio 7.3 per cent, well above the upcoming requirement and peer ratios**



**Proposed dividend per share of NOK 5.70 – delivering on dividend policy**



**Double-digit ROE, 10.1 per cent, despite capital build-up, high impairment losses and branch restructuring**



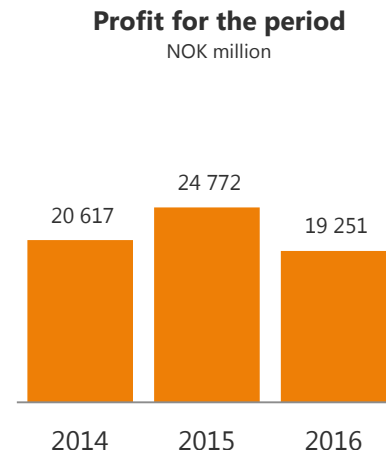
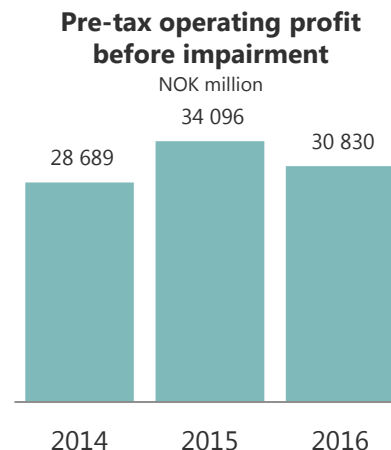
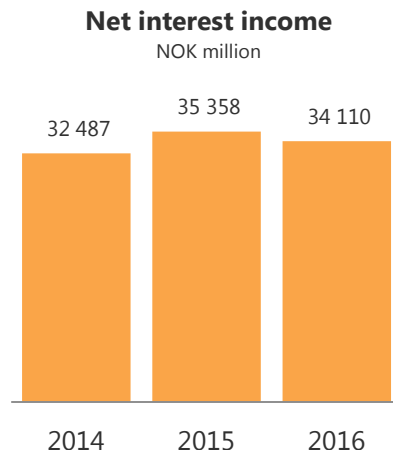
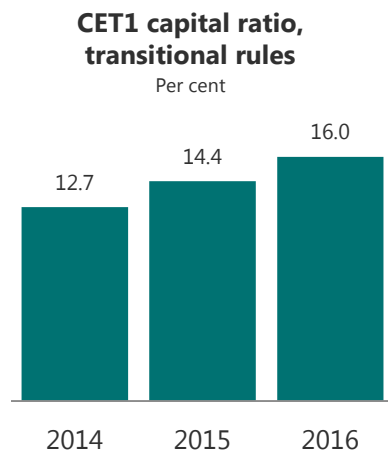
**2016 was a year of investing to meet the new future of banking**



**Vipps downloaded by 50 per cent of the Norwegian population. Introduction of new product areas will contribute to profitability**

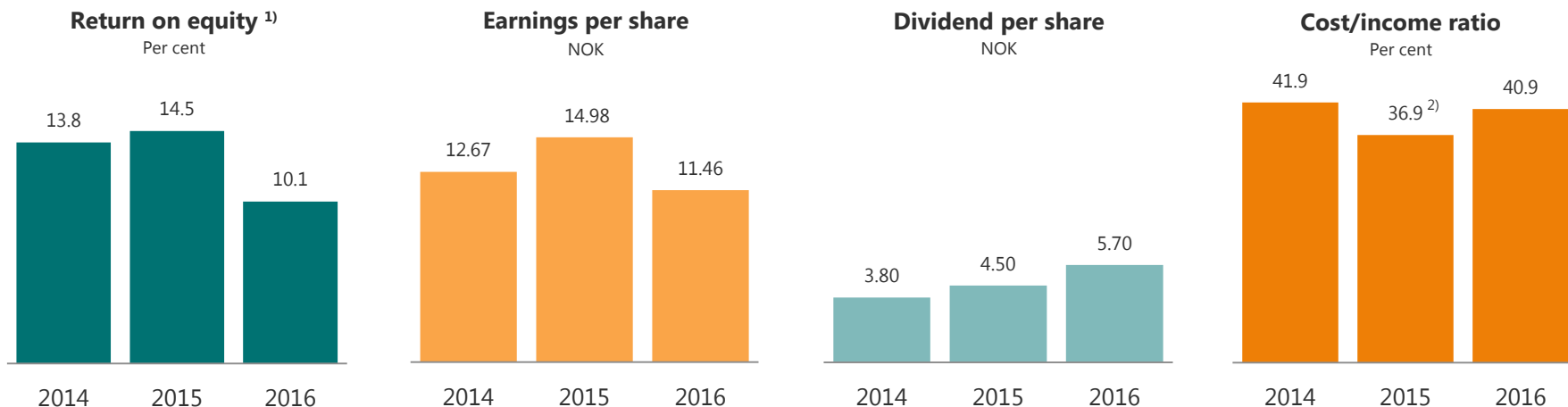
# CET1 ratio requirement reached one year ahead of plan

- Strategic reduction in loans to large international corporates with low profitability contributed to the increase in the CET1 ratio, but had a negative effect on net interest income
- Strong profits despite high impairment losses in 2016, mainly in oil-related industries and shipping
- 2015 was positively affected by the change of pension scheme, approximately NOK 2.0 billion



# Delivering on dividend policy

- Proposed dividend of 49.8 per cent, NOK 5.70 per share
- Return on equity affected by higher capital due to build-up of CET1 capital, and impairment losses above the normalised level
- Strict cost control – reduced underlying cost base

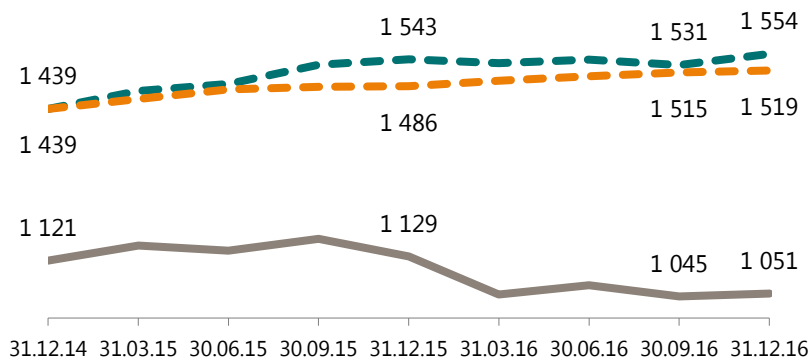


# Underlying growth in loans of 2.1 per cent in 2016, in line with ambition

- Reduced volumes in the large corporate segment and growth in the personal customer and SME segments
- Reduction in RWA due to capital efficiency measures, mainly in the large corporate segment
- Underlying growth in deposits of 4.9 per cent. Ratio of deposits to loans above 60 per cent

NOK billion

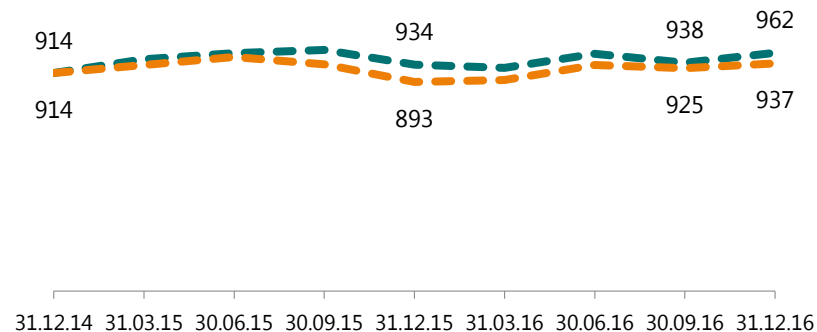
## Loans <sup>1)</sup>



--- Loans at end of period  
--- Loans adjusted for exchange rate movements  
--- RWA, transitional rules

NOK billion

## Deposits <sup>1)</sup>



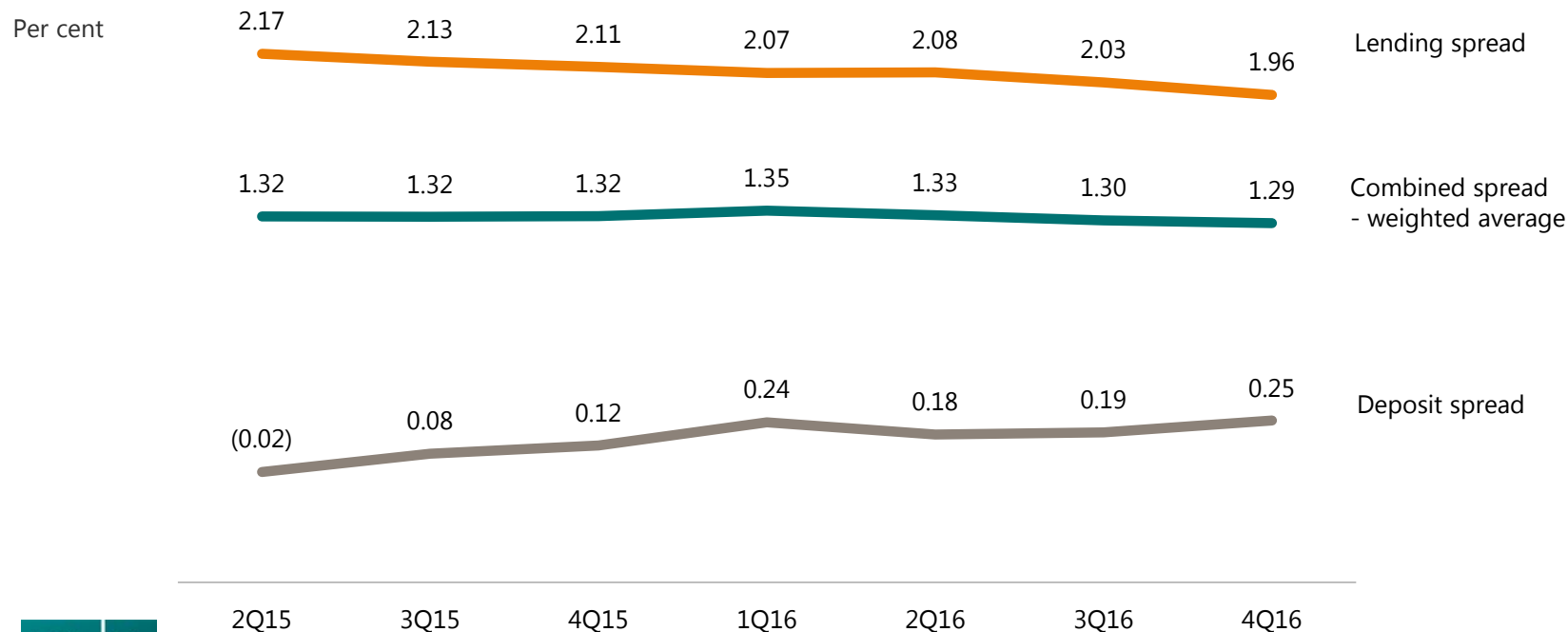
--- Adjusted for short-term money market investments  
--- Adjusted for short-term money market investments and exchange rate movements



1) Includes NOK 45 billion in loans and NOK 36 billion in deposits in the Baltics at end-December 2016, reclassified as held for sale in August 2016

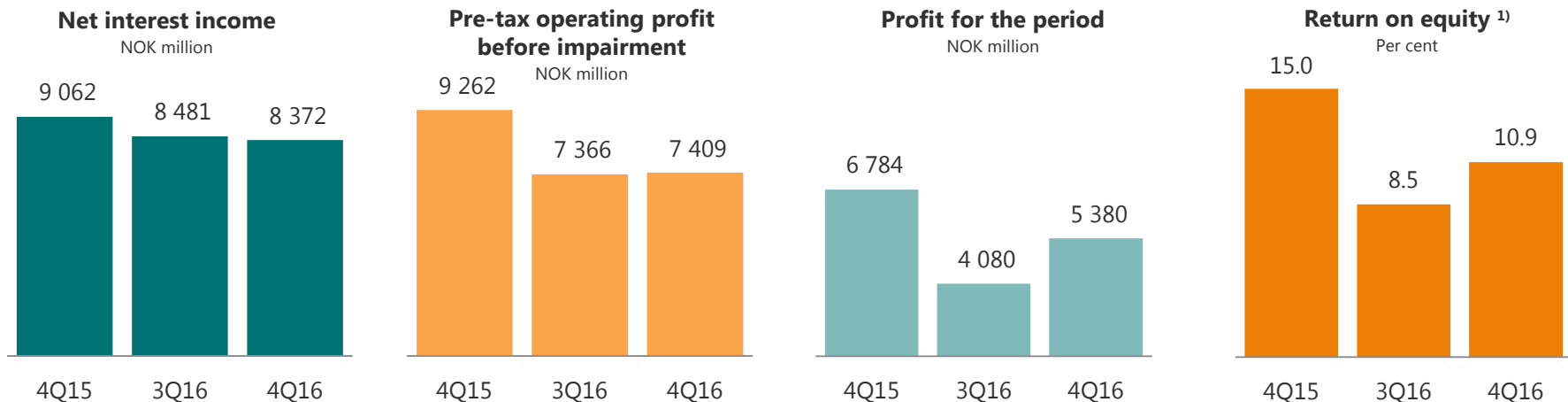
# Combined spreads slightly down

- Higher money market rates in 4Q16 affected both lending and deposit spreads
- Expecting combined spreads to increase from 1Q17

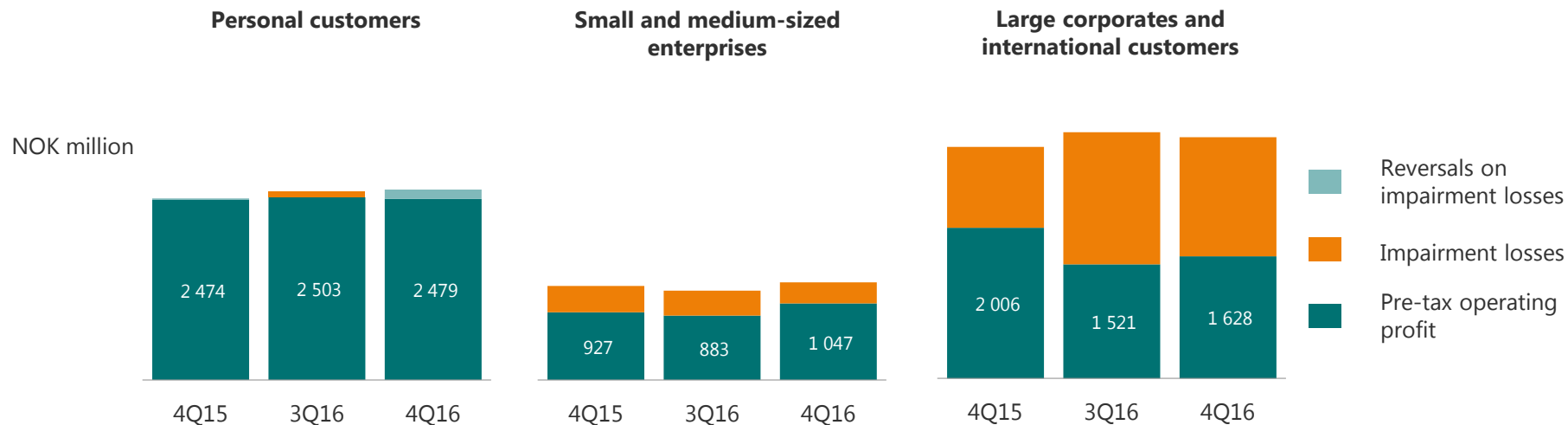


# Positive profit trend in fourth quarter

- Expecting positive trend in net interest income in 2017 due to wider spreads in all segments and reduced funding costs
- Higher activity in investment banking, lower impairment losses on loans and reduced taxes gave a rise in return on equity compared with 3Q16



# Strong profits before impairment losses



Loans <sup>1)</sup>	696	707	718
Spreads <sup>2)</sup>	1.34	1.22	1.19

220	227	232
1.49	1.55	1.54

579	554	531
1.24	1.29	1.29



# Income statement

Amounts in NOK million	4Q16	3Q16	4Q15	Full year 2016	Full year 2015
Net interest income	8 372	8 481	9 062	34 110	35 358
Net commissions and fees	2 136	2 016	2 082	8 280	8 862
Net gains on financial instruments at fair value	1 689	1 411	2 164	6 513	8 683
Net financial and risk result, DNB Livsforsikring	232	154	(681)	664	(389)
Net insurance result, DNB Forsikring	181	148	132	648	534
Other operating income	(9)	200	129	1 948	959
Net other operating income, total	4 230	3 929	3 825	18 053	18 648
Total income	12 602	12 409	12 888	52 163	54 006
Operating expenses	(5 213)	(5 042)	(5 437)	(20 693)	(21 068)
Restructuring costs and non-recurring effects	19	(1)	1 811	(639)	1 157
Pre-tax operating profit before impairment	7 409	7 366	9 262	30 830	34 096
Net gains on fixed and intangible assets	(12)	20	(9)	(19)	45
Impairment of loans and guarantees	(1 753)	(2 176)	(1 420)	(7 424)	(2 270)
Pre-tax operating profit	5 644	5 209	7 833	23 387	31 871
Tax expense	(290)	(1 130)	(1 077)	(4 140)	(7 048)
Profit from operations held for sale, after taxes	26	1	28	4	(51)
Profit for the period	5 380	4 080	6 784	19 251	24 772
Profit attributable to shareholders	5 143	3 952	6 658	18 656	24 398

Transfer of risk equalisation fund to policyholders' premium reserve in 4Q15

One-off effect from Visa transaction in 2Q16

Cost reductions due to restructuring initiatives. Non-recurring effects stemming from change of pension scheme in 4Q15

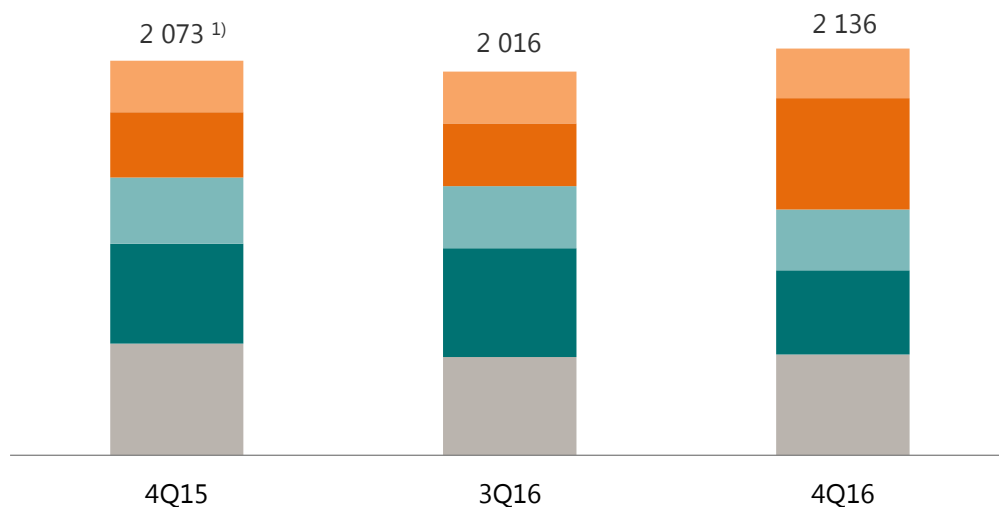
Impairment mainly in oil-related industries and shipping

Tax rate of 18 per cent

# Commissions and fees on the rise

- Investments in new products affect commissions and fees in the short term
- Reduction year-by-year, but positive trend in 4Q16

NOK million



## Real estate broking

Development in line with the real estate market

## Investment banking services

High activity in 4Q16, especially in ECM and M&A

## Asset management and custodial services

Sound portfolio management gave high performance fees in Asset Management

## Money transfer and banking services

Affected by digitalisation, reduced interchange fees and seasonal fluctuations

## Sale of insurance products

Negatively affected by conversion from defined benefit to defined-contribution schemes

# Net gains on financial instruments

Amounts in NOK million	4Q16	3Q16	4Q15	Change		Full year 2016	Full year 2015	Change 2015- 2016
				3Q16- 4Q16	4Q15- 4Q16			
Customer revenues in DNB Markets	<b>631</b>	583	<b>628</b>	48	3	<b>2 441</b>	2 331	110
Trading revenues in DNB Markets (excl. CVA/DVA/FVA and credit spread effects)	<b>790</b>	639	<b>782</b>	150	8	<b>2 563</b>	2 207	356
Credit spread effects on bonds in DNB Markets	<b>(24)</b>	296	<b>(235)</b>	(320)	211	<b>225</b>	(809)	1 034
Financial guarantees	<b>103</b>	187	<b>187</b>	(84)	(84)	<b>595</b>	876	(281)
Basis swaps	<b>(713)</b>	(444)	<b>(4)</b>	(270)	(709)	<b>(542)</b>	2 685	(3 227)
CVA/DVA/FVA	<b>321</b>	328	<b>367</b>	(6)	(45)	<b>22</b>	181	(158)
Additional Tier 1 capital	<b>794</b>	(282)	<b>212</b>	1 076	582	<b>195</b>	695	(500)
Other mark-to-market adjustments	<b>(214)</b>	104	<b>227</b>	(317)	(440)	<b>1 014</b>	518	497
Net gains on financial instruments at fair value	<b>1 689</b>	1 411	<b>2 164</b>	277	(475)	<b>6 513</b>	8 682	(2 169)

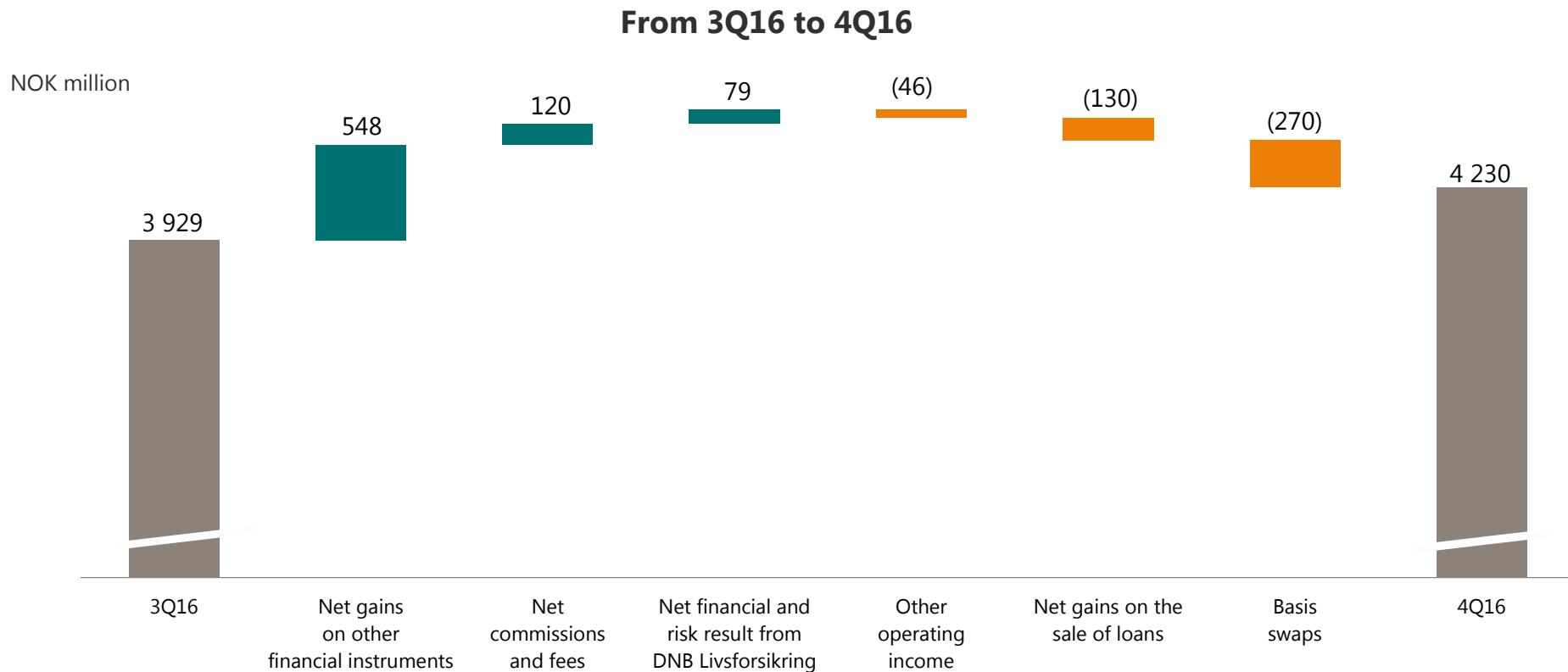
# Changes in net interest income

From 3Q16 to 4Q16

NOK million



# Changes in net other operating income



# Delivering on cost ambitions

Amounts in NOK million	Full year 2016	Change	Full year 2015
<b>Total adjusted operating expenses</b>	<b>(20 693)</b>	<b>374</b>	<b>(21 068)</b>
<b>Expenses directly related to operations</b>			
Pension expenses		(65)	
Salaries and other personnel expenses (excl. pension and restructuring costs)		196	
Financial activities tax		(142)	
IT expenses		117	
Other costs		268	
<b>Non-recurring effects</b>	<b>(639)</b>	<b>(1 797)</b>	<b>1 157</b>
Restructuring costs	(857)	(377)	(480)
Other non-recurring effects	218	(1 654)	1 871
IT restructuring	0	234	(234)
<b>Operating expenses</b>	<b>(21 333)</b>	<b>(1 423)</b>	<b>(19 910)</b>
Of which :			
Exchange rate effects for units outside Norway		(104)	
Currency-adjusted operating expenses	(20 590)	478	(21 068)

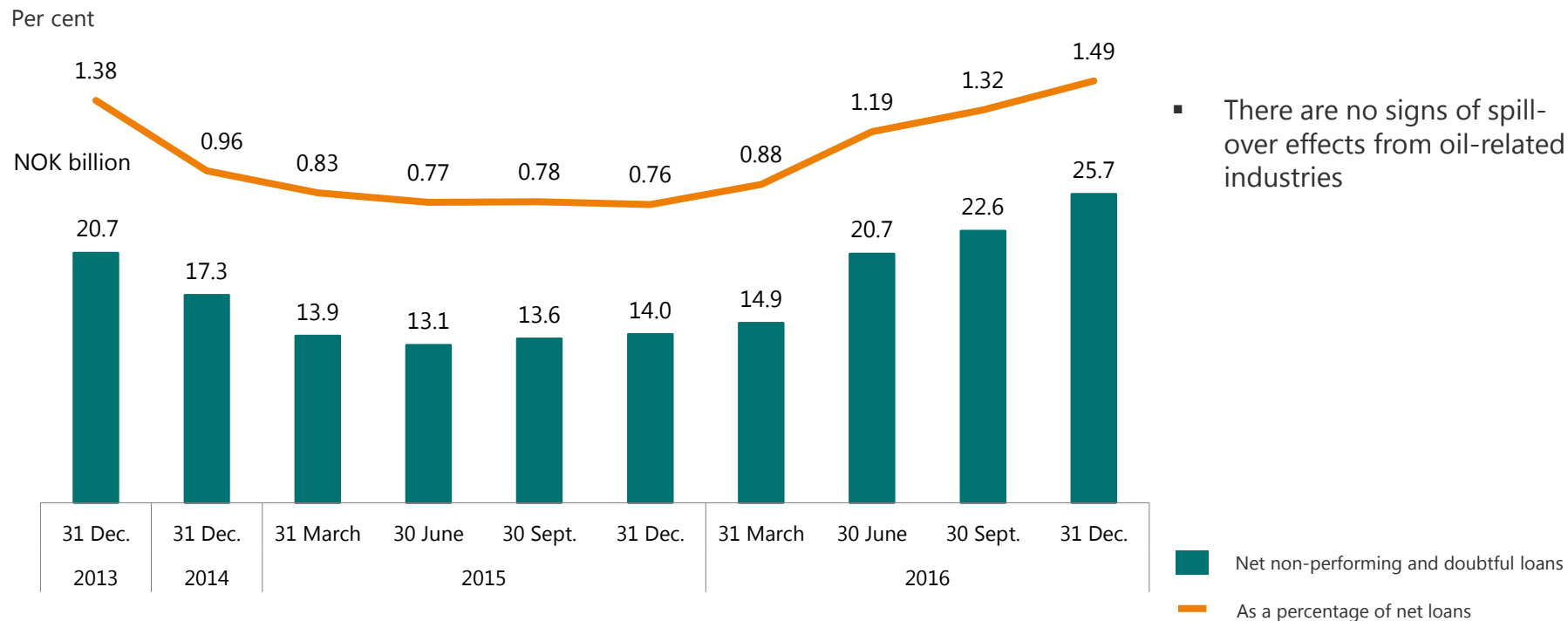
# Impairment losses are estimated to be up to NOK 18 billion over the period 2016-2018

Amounts in NOK million	4Q16	3Q16	4Q15	Full year 2016	Full year 2015
<b>Personal customers</b>	<b>77</b>	<b>(75)</b>	<b>24</b>	<b>329</b>	<b>942</b>
- Mortgage loans	(4)	(8)	116	490	223
- Other exposure	81	(67)	(92)	(161)	719
<b>Small and medium-sized enterprises</b>	<b>(307)</b>	<b>(320)</b>	<b>(341)</b>	<b>(1 040)</b>	<b>(1 062)</b>
<b>Large corporates and international customers</b>	<b>(1 350)</b>	<b>(1 186)</b>	<b>(686)</b>	<b>(4 569)</b>	<b>(1 895)</b>
- Shipping, Offshore and Logistics Division	(844)	(710)	(382)	(2 988)	(1 305)
- Energy Division	(238)	(348)	(173)	(1 126)	(317)
- Other units	(268)	(127)	(130)	(456)	(273)
<b>Total individual impairment</b>	<b>(1 580)</b>	<b>(1 580)</b>	<b>(1 002)</b>	<b>(5 280)</b>	<b>(2 015)</b>
Total collective impairment of loans	(172)	(596)	(418)	(2 144)	(255)
<b>Impairment of loans and guarantees</b>	<b>(1 753)</b>	<b>(2 176)</b>	<b>(1 420)</b>	<b>(7 424)</b>	<b>(2 270)</b>

Affected by negative migration and low oil prices

Total impairment in relation to average volumes, annualised <sup>1)</sup> (0.45) (0.56) (0.37) (0.48) (0.15)

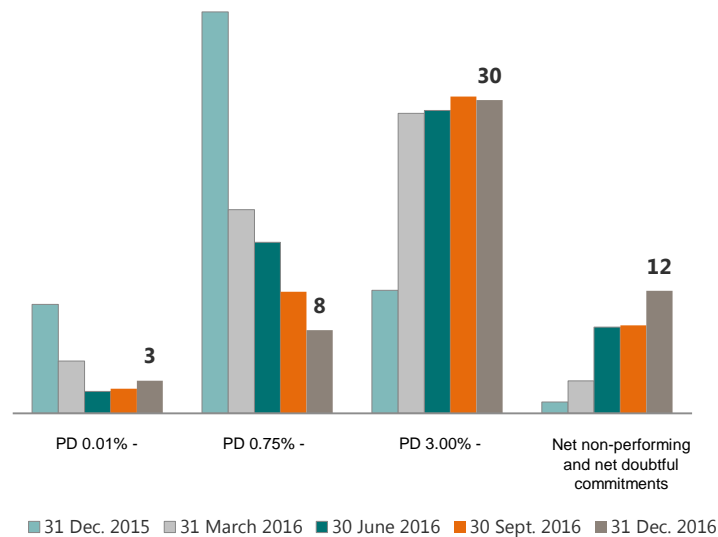
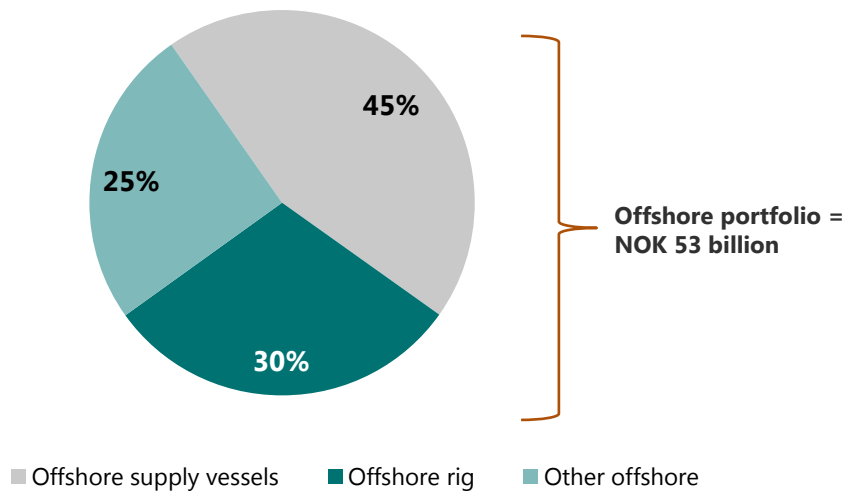
# The increase of non-performing and doubtful loans mainly relates to the offshore portfolio





# The negative migration in the offshore portfolio continued

**Offshore portfolio – EAD NOK 53 billion**  
2.8 per cent of DNB's total EAD



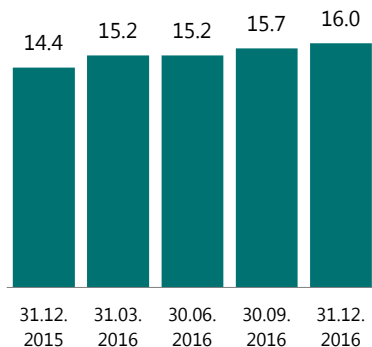
# Balance sheets

DNB Group			
Amounts in NOK billion	31 Dec. 2016	31 Dec. 2015	
Deposits with central banks	208	19	
Due from credit institutions	176	301	
Loans to customers	1 509	1 543	← Net loans to customers decreased by NOK 34 billion. The Baltic loan portfolio, totalling NOK 45 billion as at Dec. 16, was reclassified to assets held for sale.
Other assets	759	735	←
<b>Total assets</b>	<b>2 653</b>	<b>2 599</b>	
Due to credit institutions	213	162	
Deposits from customers	935	944	← Reclassification of the Baltic portfolio of NOK 36 billion to liabilities held for sale
Short-term debt securities issued	153	160	
Long-term debt securities issued	612	645	←
Other liabilities and provisions	533	497	
Additional Tier 1 capital	16	8	
Other equity	190	182	
<b>Total liabilities and equity</b>	<b>2 653</b>	<b>2 599</b>	
Ratio of deposits to net loans (%)	62.0	61.2	← Stable high ratio of deposits to loans
Adjusted ratio of deposits to net loans (%) <sup>1)</sup>	61.3	60.5	
Total combined assets	2 931	2 901	
Currency-adjusted loans to customers	1 531		
Currency-adjusted deposits from customers	951		
Liquidity coverage ratio	138		← Liquidity Coverage Ratio remained stable at above 100 per cent throughout the fourth quarter

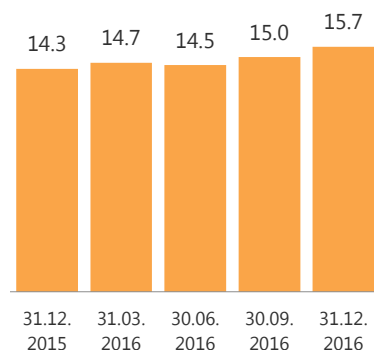
# Solid and well-positioned to meet future capital requirements

- The CET1 ratio met the capital requirement at year-end 2017, including increased Norwegian counter-cyclical buffers, one year ahead of plan
- Leverage ratio of 7.3 per cent – well above the upcoming requirement and peer ratios

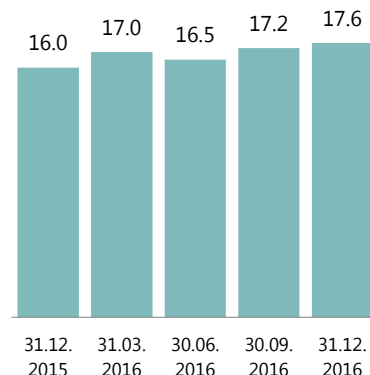
**CET1 capital ratio  
DNB Group  
Transitional rules**  
Per cent



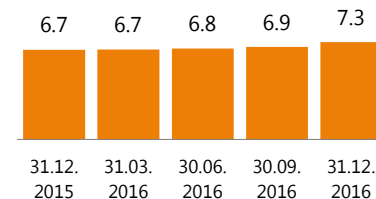
**CET1 capital ratio  
DNB Bank Group  
Transitional rules**  
Per cent



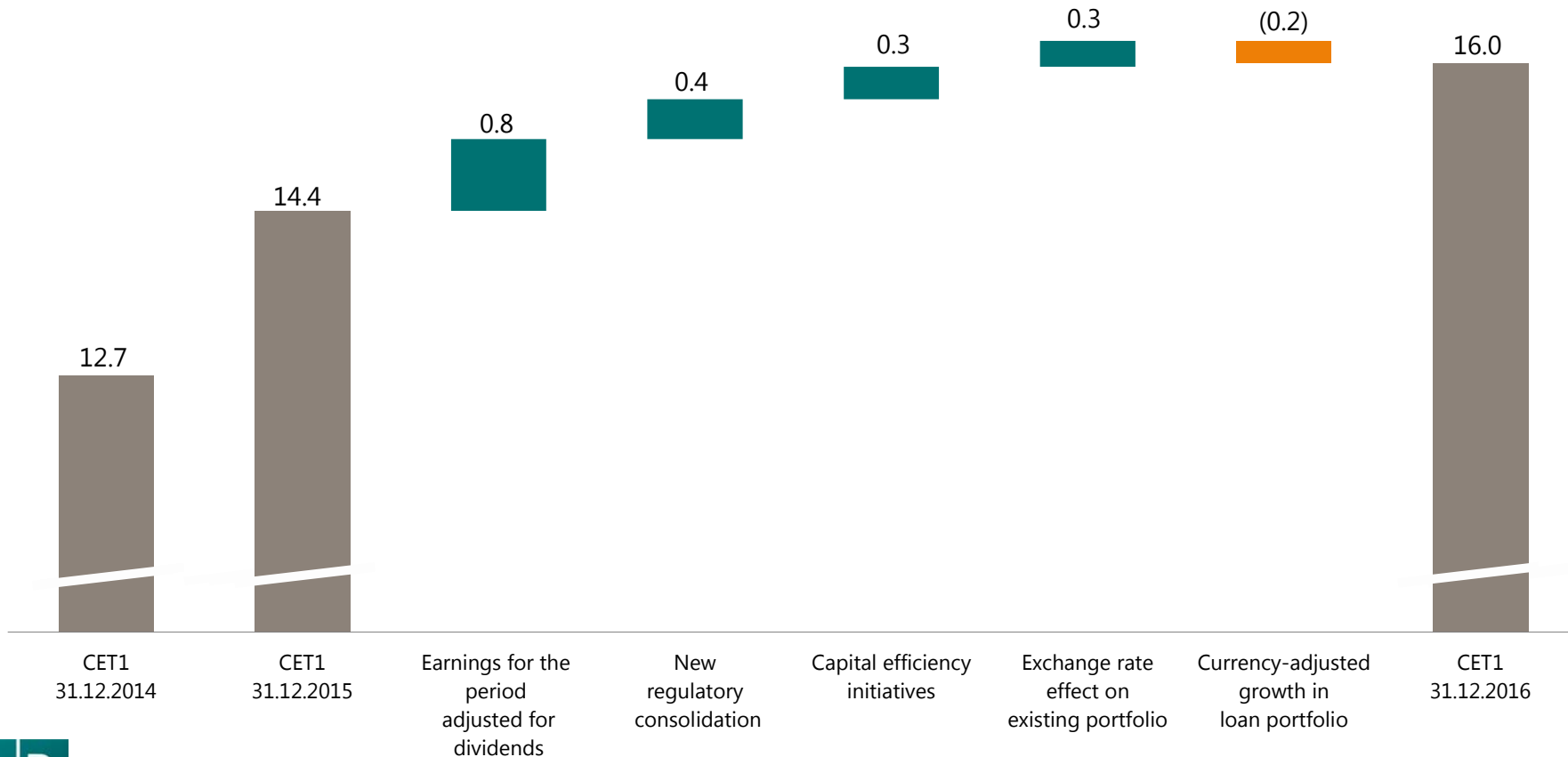
**CET1 capital ratio  
DNB Group  
Basel III without transitional rules**  
Per cent



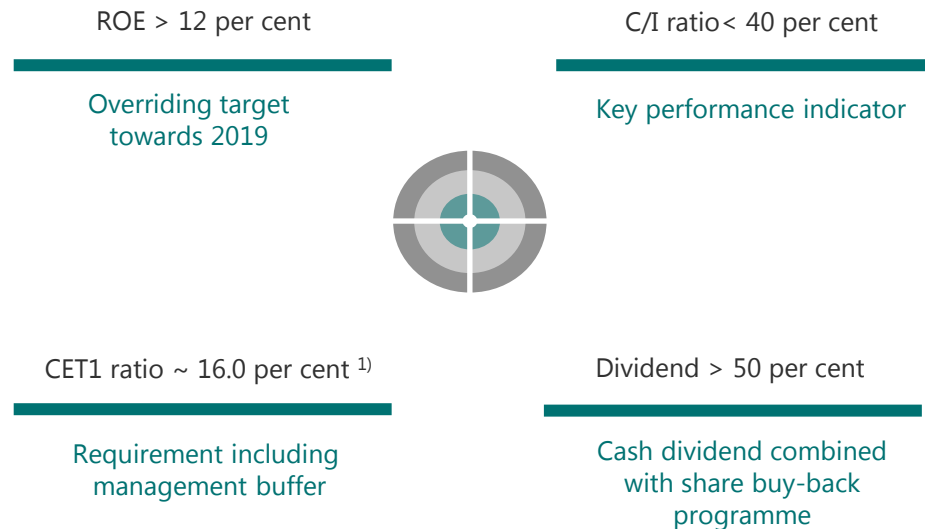
**Leverage ratio  
DNB Group**  
Per cent



# CET1 ratio requirement reached one year ahead of plan



# Financial ambitions 2017-2019



Nominal volume growth in loans to personal customers and SMEs, but only a minor increase in total loans <sup>2)</sup>

Expecting combined spreads to increase from 1Q17

About 3 per cent annual growth in commissions and fees

Impairment losses are estimated to be up to NOK 18 billion over the period 2016-2018, with the highest impairment losses during the first part of the period

Stable risk-weighted assets <sup>2)</sup>

Tax rate: 23 per cent

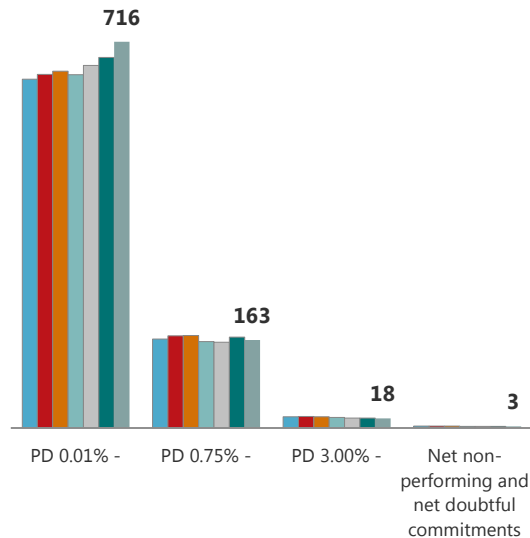
# APPENDIX

# DNB's loan book is robust

## – negative migration in the oil-related portfolio

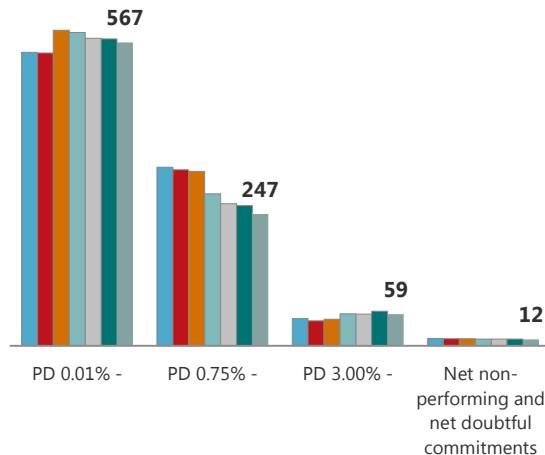
### Personal customers

EAD in NOK billion



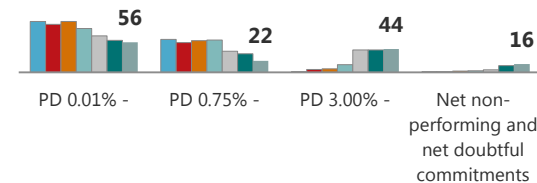
### Corporate customers excl. oil-related portfolio

EAD in NOK billion



### Oil-related portfolio

EAD in NOK billion



■ 30 June 2015 ■ 30 Sept. 2015 ■ 31 Dec. 2015 ■ 31 March 2016 ■ 30 June 2016 ■ 30 Sept. 2016 ■ 31 Dec. 2016



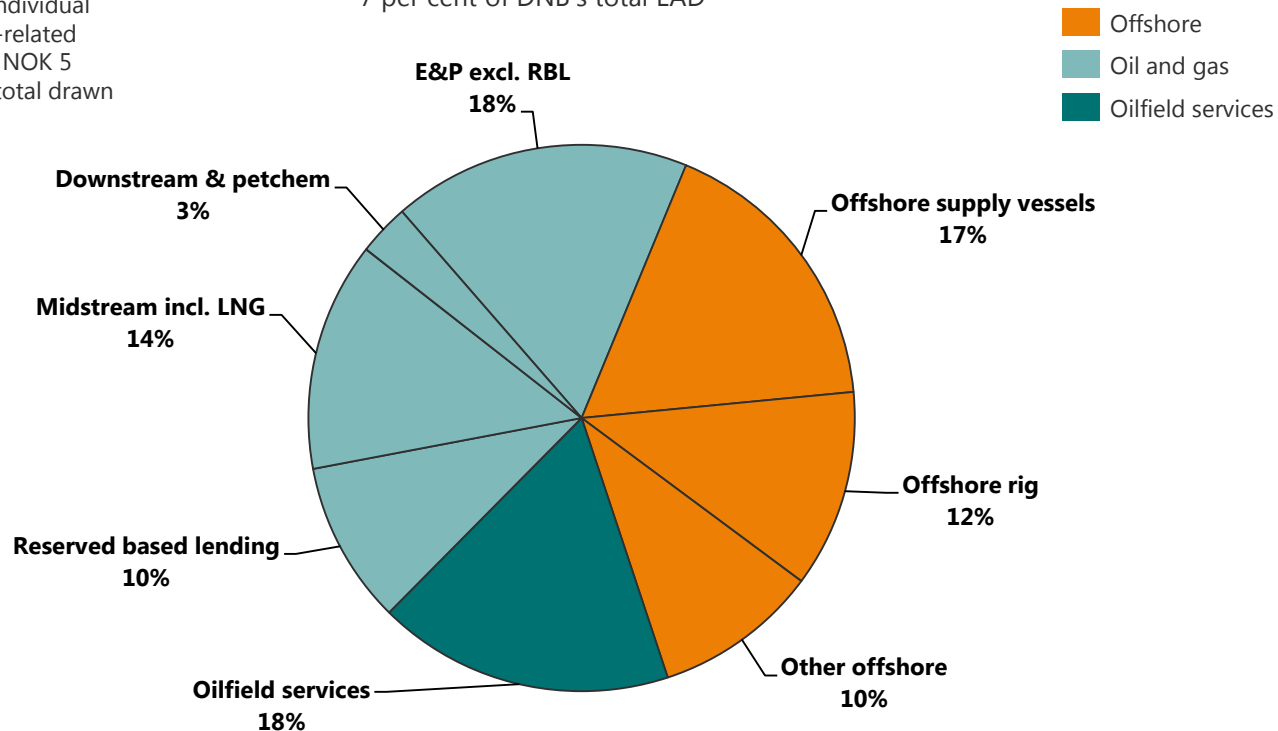
EAD = Exposure at default  
PD = Probability of default

# The negative migration in the oil-related portfolio continued

- Accumulated collective and individual impairment losses for the oil-related portfolio total approximately NOK 5 billion or 6.7 per cent of the total drawn amount

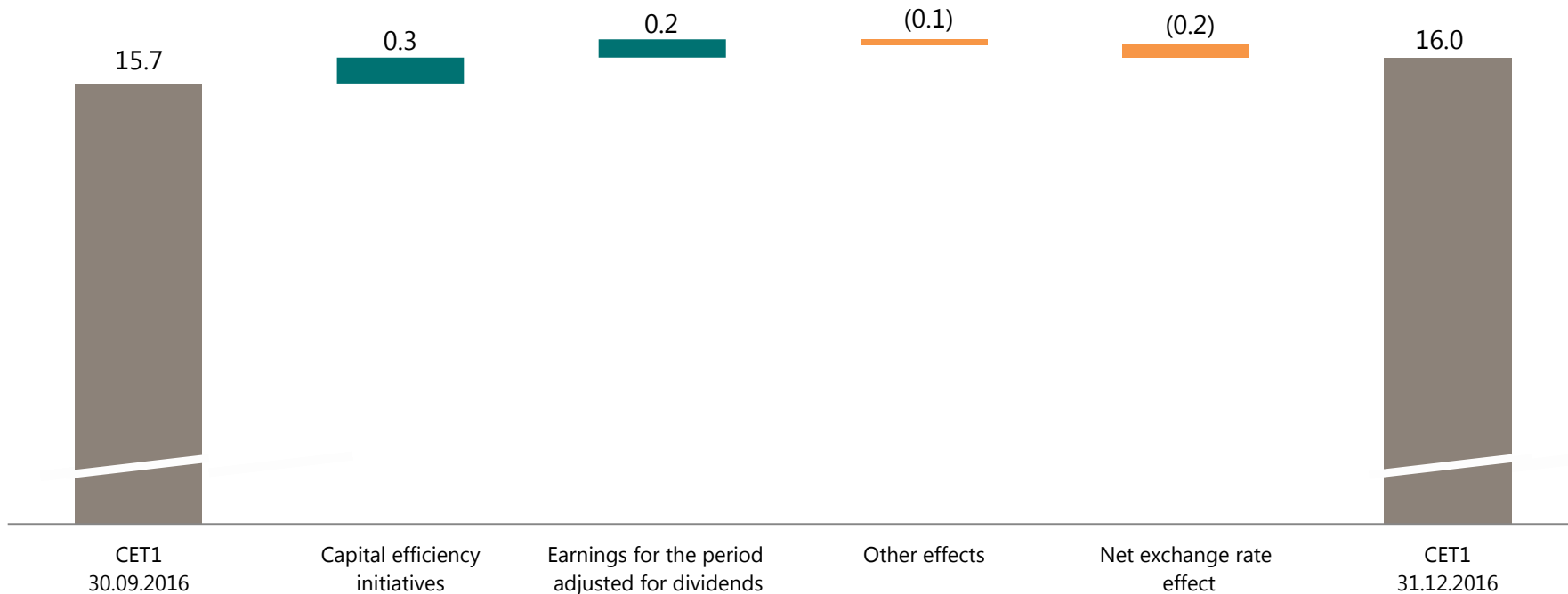
## Oil-related portfolio – EAD NOK 138 billion

7 per cent of DNB's total EAD





# Changes in the common equity Tier 1 capital ratio



FOURTH QUARTER 2016

# Q4

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

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