



Results DNB Group

Second quarter 2020

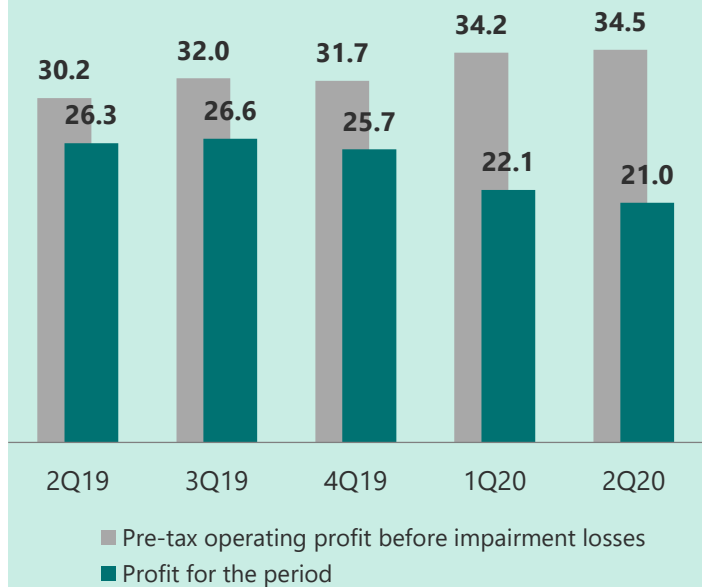
Kjerstin R. Braathen (CEO)
Ottar Ertzeid (CFO)

Q2

Improved macro outlook and higher activity than expected

Profit for the period

NOK billion, trailing 12-month figures



Resilient NOK 8.4 billion pre-tax operating profit before impairment losses in 2Q20

Profit for the period affected by impairment losses

Return on equity of 8.7 per cent in 2Q20

Activity level less impacted by COVID-19 than expected – strong other operating income

Net interest income down 9.1 and 1.4 per cent from 1Q20 and 2Q19, respectively

Negatively affected by repricing after Norges Bank's key policy rate cuts

Net commissions and fees up 7.1 per cent compared with 1Q20, down 5.6 per cent from 2Q19

Strong results in most areas, except international money transfer services

Net impairment losses of NOK 2.1 billion

Mainly stage 3 impairment losses related to the offshore segment

CET1 capital ratio¹⁾ strengthened by 50 basis points to 18.2 per cent from 1Q20

Proposed DPS²⁾ of NOK 9 for 2019 and 50 per cent of profit for 2020 are excluded from the CET1 capital ratio

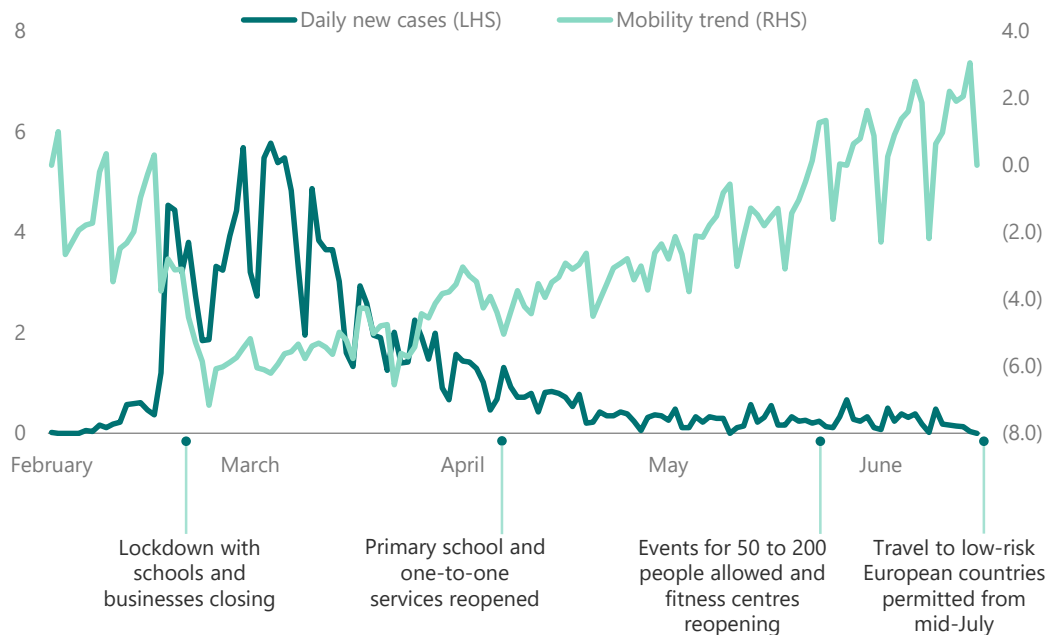
1) CET1: Common equity Tier 1.

2) DPS: Dividend per share.

Gradual reopening of Norwegian society progressing well

Limited number of new COVID-19 cases as restrictions are eased

Number of new cases per day per 100K, mobility change¹⁾ indexed



Reopening of Norwegian society

- Government measures have contained the spread of the virus and made a controlled reopening possible
- As Norwegian society gradually reopens, the number of new COVID-19 cases remains low, and there have been no substantial spikes in the infection rate
- The Government has increased the testing capacity to enable more rapid detection and mitigate the risk of spread

1) Apple mobility trends for walking, baseline 21 February 2020.

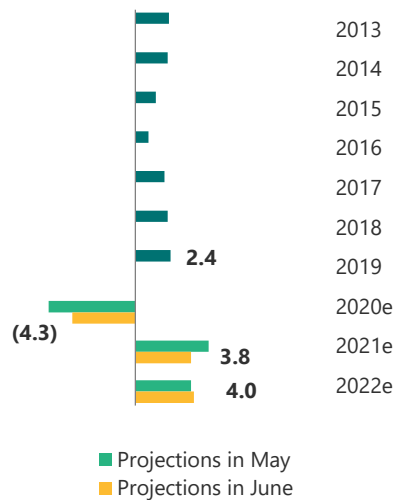
Sources: Norwegian Institute of Public Health (NIPH/FHI), Norwegian Directorate of Health

Improved outlook for the Norwegian economy

- The reopening of the Norwegian economy has progressed at a rapid pace and GDP growth forecasts show a marked upward trend
- Expected use of the Norwegian oil fund in the national budget for 2020 is 4.2 per cent¹⁾, leaving room for further measures
- Registered full-time unemployment more than halved since late March
- Strong development in housing prices, increasing 1.4 per cent in May and 1.0 per cent in June, adjusted for seasonal effects

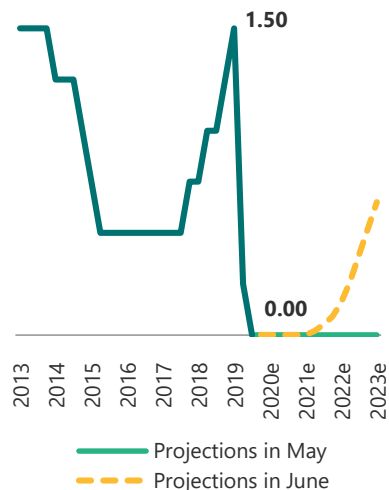
Mainland real GDP growth

YoY, per cent



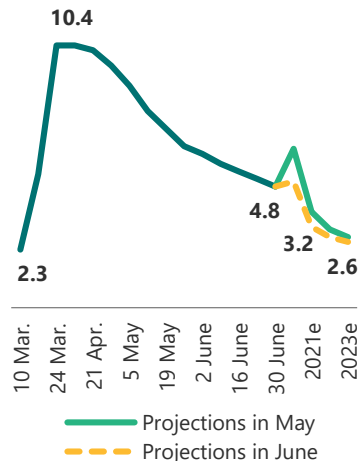
Key policy rate

Per cent



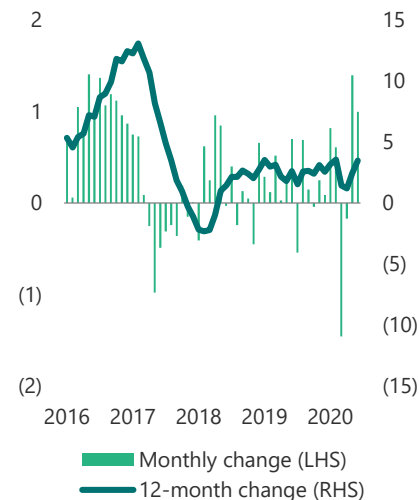
Registered unemployment

Full-time unemployment, per cent



Housing prices

Seasonally adjusted, per cent



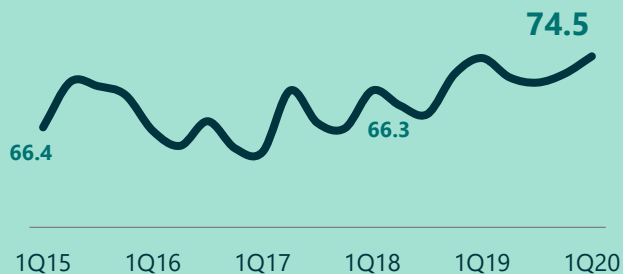
1) The fiscal rule states that transfers over time from the Norwegian Government Pension Fund Global (the oil fund) to the annual national budget should not be higher than the expected real return of the fund, estimated to 3 per cent p.a. (reduced from 4 per cent in 2017).

Being there for our customers remains our top priority

Customer engagement

- A quarter with more interaction with both personal and corporate customers than ever before
- Increasingly normalised activity and types of enquiries from customers both in the personal and corporate customers segments

Resilient reputation over time¹⁾
(RepTrak 1Q20)



Increased use of digital channels

Savings and investment app



+50% fund sales YTD

24 000 new equities customers YTD

80 customer satisfaction score²⁾

Mobile bank application



1.1 million users

550 000 daily visits

4.7/5.0 AppStore rating

Digital customer interface for businesses



25 000 businesses

+26% users YTD

3 000 daily visits

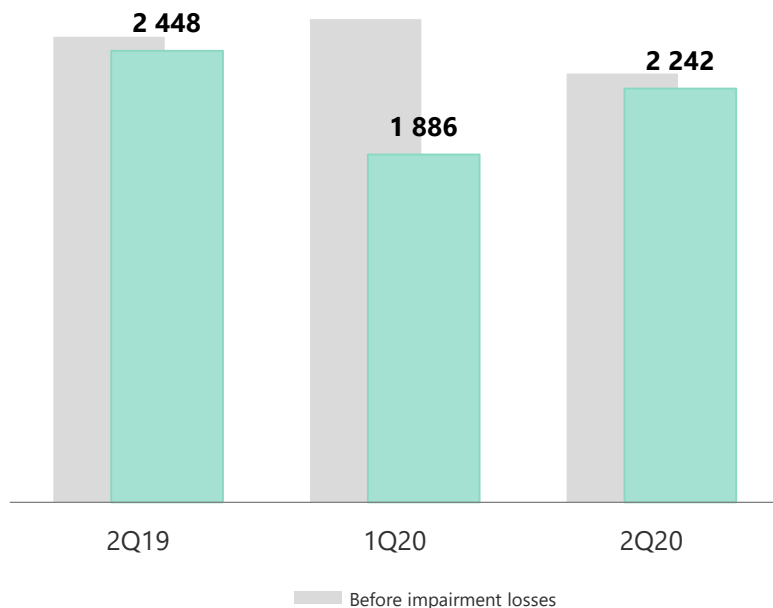
1) According to RepTrak, a score over 70 means 'well-liked'. DNB has scored above 70 for the past 18 months.

2) Score out of 100, above 80 is considered very strong customer satisfaction.

Personal customers – faster pickup in activity than expected

Pre-tax operating profit

NOK million

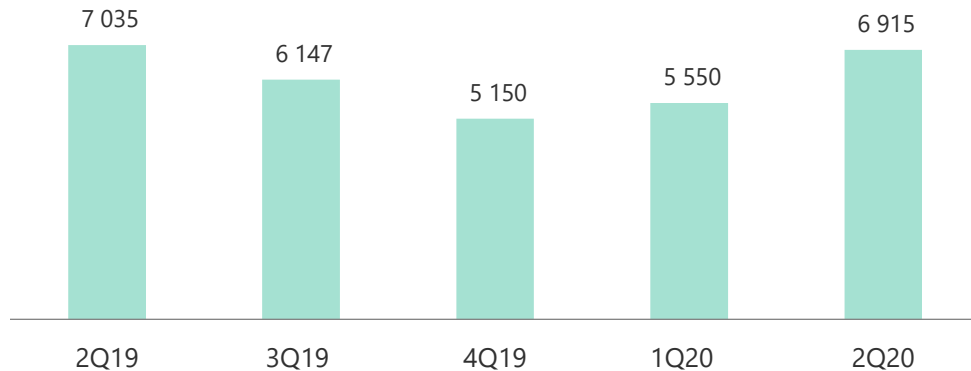


Financial highlights

- Net interest income reduced by 8.5 per cent from 1Q20, as expected, due to repricing and reduced NOK money market rates – stable compared to 2Q19
- 15 per cent increase in assets under management in the retail market, of which net inflow of 5.4 per cent in 2Q20
- Net impairment losses back to a low level of NOK 82 million

Residential real estate broking

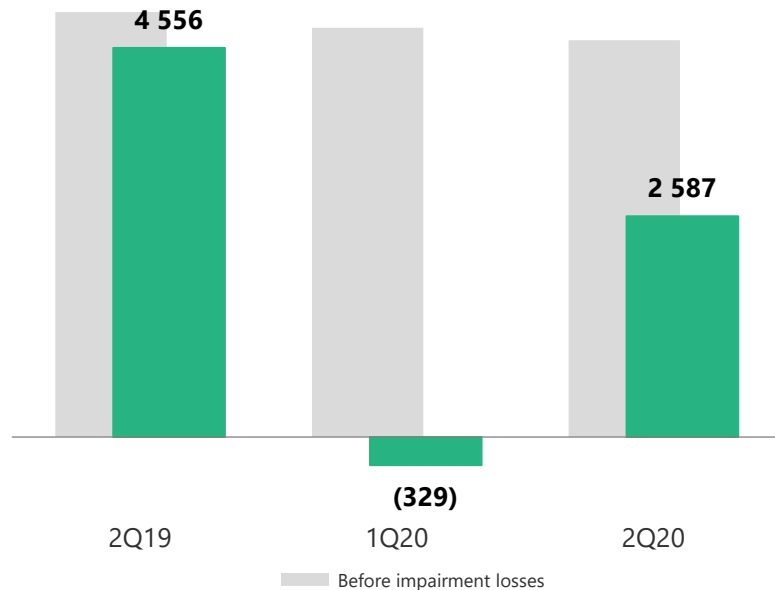
Number of home sales in DNB Eiendom



Corporate customers – stable revenues despite COVID-19 effects

Pre-tax operating profit

NOK million

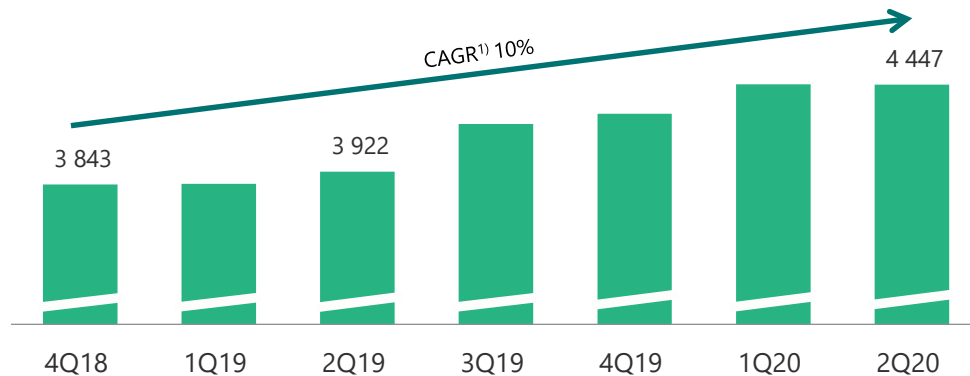


Financial highlights

- Pre-tax operating profit before impairment down 3.0 per cent from 1Q20, net interest income affected by reduced NOK money market rates
- Higher activity than expected within corporate finance and capital markets, offset by lower income from money transfer services
- Overall risk profile in the portfolio remains stable, net impairment losses of NOK 2 billion, mainly related to offshore

Income from Markets products

NOK million, trailing 12-month figures

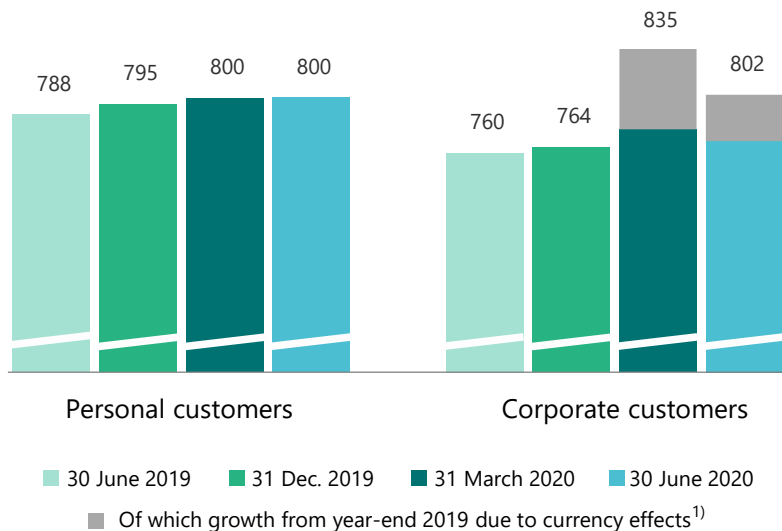


1) CAGR: Compound Annual Growth Rate.

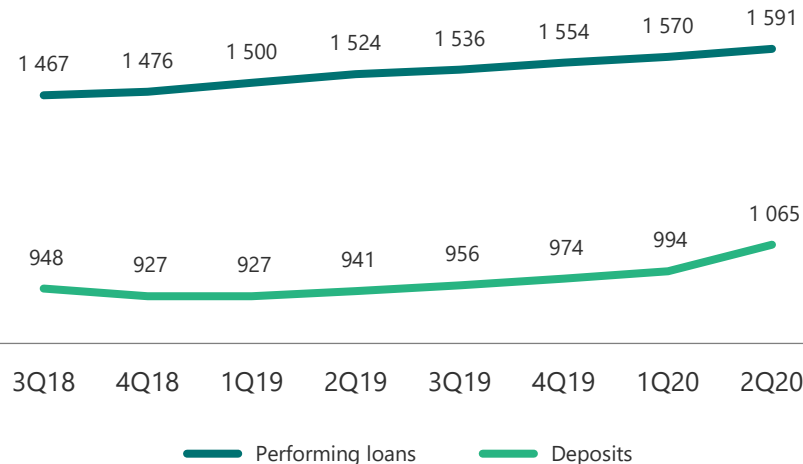
Stable loan volumes and increase in deposit volumes in customer segments

- Loan growth in the quarter was -2.0 per cent (-0.5 per cent currency adjusted)
- Deposit growth in the quarter was 2.2 per cent (3.6 per cent currency adjusted)
- Growth of 3-4 per cent in loan volumes expected for the full year

Loans per customer segment
NOK billion



Average loans and deposits in the customer segments
NOK billion



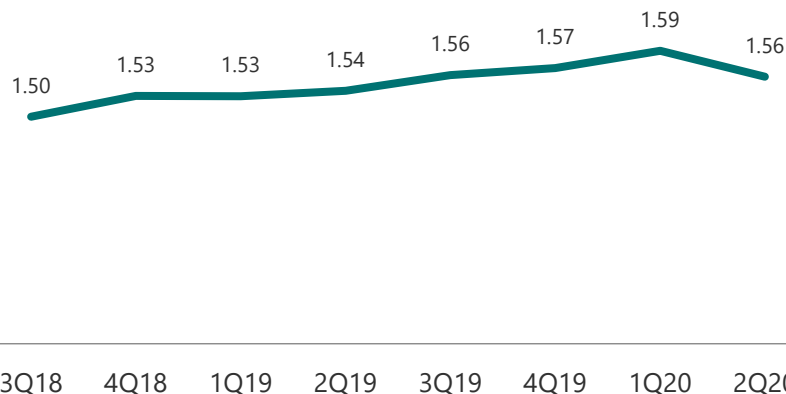
1) Currency effects from year-end 2019: NOK 59 billion as at 31 March 2020 and NOK 34 billion as at 30 June 2020.

Net interest margin affected by lower interest rates as expected

- Norges Bank reduced the key policy rate from 1.50 to 0.25 per cent in March and to 0 per cent in May
- Net interest margin in 2Q20 was 1.42 per cent, primarily affected by lower interest rates

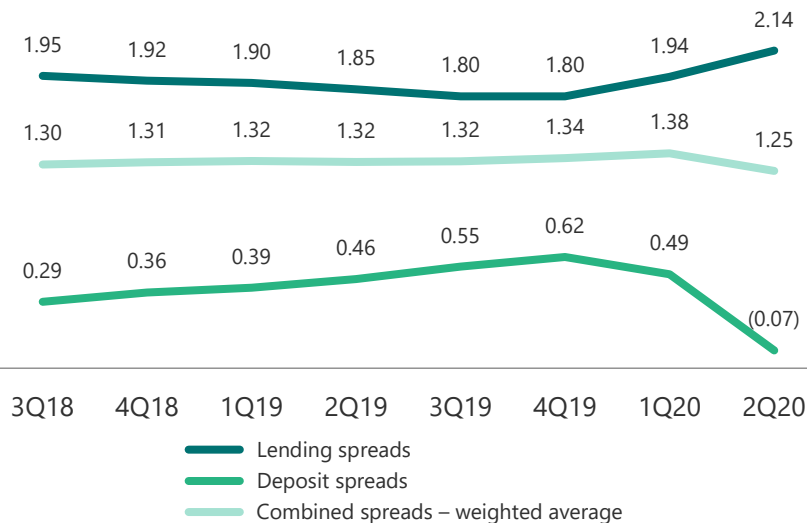
Net interest margin¹⁾

Per cent, trailing 12-month figures



Spreads in customer segments

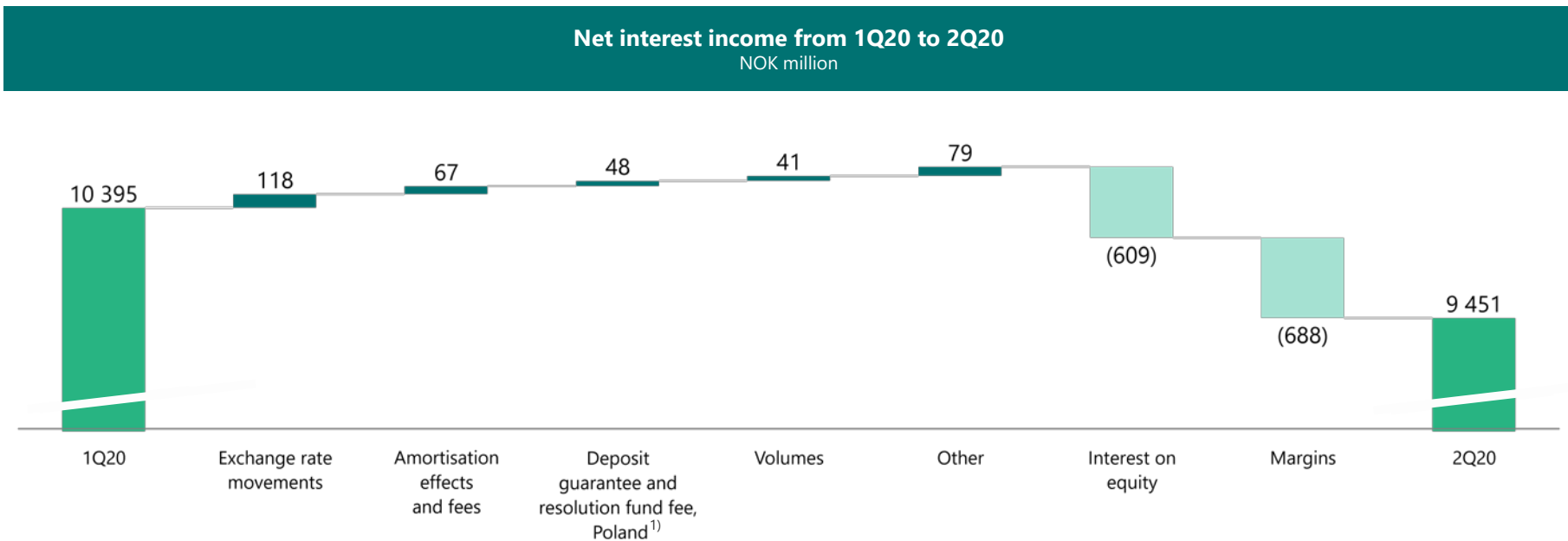
Per cent



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

Net interest income reflected the effect of customer repricing

- Total effect of adjustments in customer rates reflected in net interest income in 2Q20

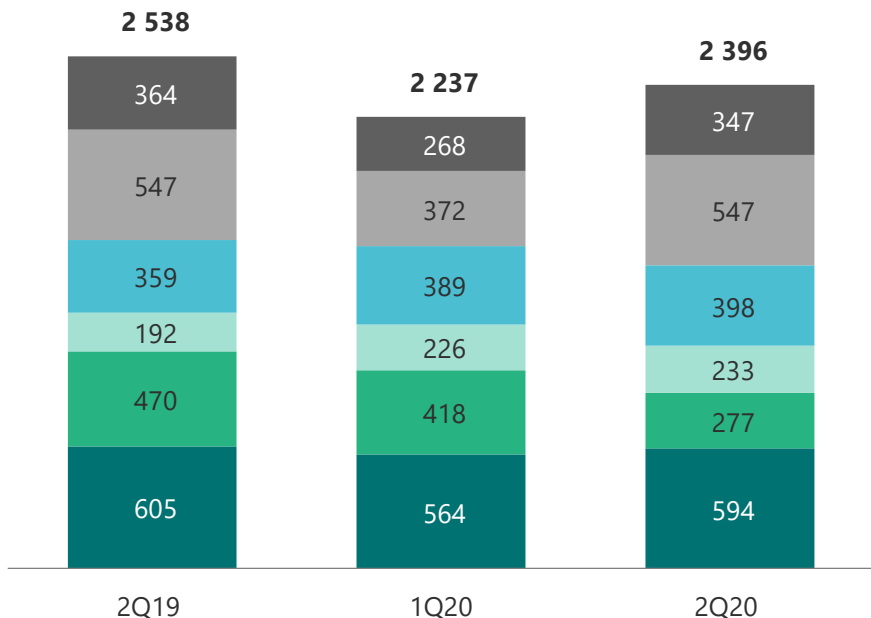


1) The full-year fee in Poland was recognised in the first quarter.

Income from commissions and fees – strong results in light of COVID-19

Commissions and fees

NOK million



- **Real estate broking**
High activity, income at a solid 95 per cent of 2Q19
- **Investment banking services**
Stronger markets than expected, results at same level as 2Q19
- **Asset management and custodial services**
Increased asset values and net inflow
- **Guarantee commissions**
21 per cent growth from 2Q19
- **Money transfer and banking services**
Reduction caused by international travel coming to a halt in the quarter
- **Sale of insurance products¹⁾**
Underlying stable income

1) NOK 25 million income from sale of non-life insurance products (Fremtind) related to 1Q19 was recognised in 2Q19.

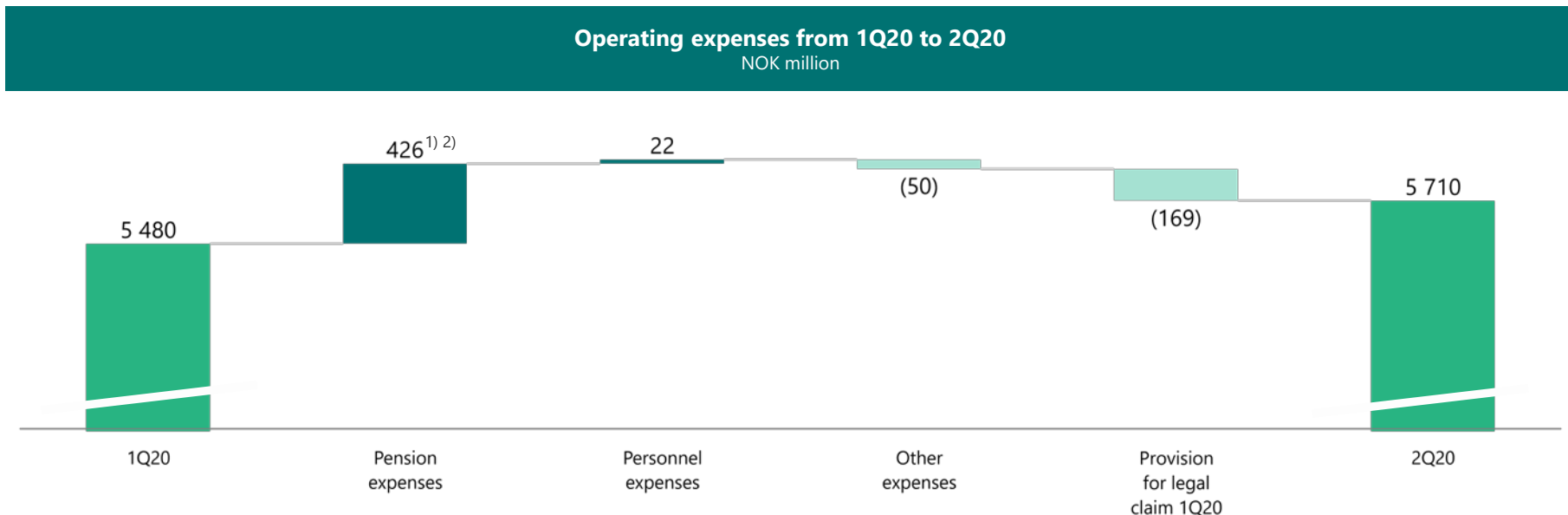
Other operating income – NOK recovery and normalised financial markets

Other operating income NOK million	2Q20	1Q20	Change
Customer revenues in DNB Markets	558	690	(132)
Trading revenues in DNB Markets (excl. CVA/DVA/FVA and credit spread effects) ¹⁾	283	(51)	333
Hedging of defined-benefit pension scheme	115	(220)	335
Credit spreads on bonds	590	(906)	1 496
Credit spreads on fixed-rate loans	665	(902)	1 567
CVA/DVA/FVA	640	(1 081)	1 721
Other mark-to-market adjustments	183	541	(357)
Basis swaps	(19)	1 060	(1 079)
Exchange rate effects on additional Tier 1 capital	(1 343)	4 097	(5 439)
Net gains on financial instruments at fair value	1 672	3 228	(1 556)
Net financial and risk result, life insurance	131	(246)	377
Profit from associated companies	174	(346)	520
Other income	299	274	25
Other operating income	2 277	2 910	(634)

1) CVA: Credit valuation adjustment. DVA: Debit valuation adjustment. FVA: Funding valuation adjustment.

Operating expenses affected by low activity

- Increased pension expenses
- More than compensated for by unusually low operating expenses due to COVID-19



1) Compared to normal, pension expenses were approx. NOK 300 million lower in 1Q20 and approx. NOK 115 million higher in 2Q20, due to low and high returns, respectively, on the closed defined-benefit pension scheme.

2) The scheme is hedged, the corresponding gain is recognised in mark-to-market adjustments in net gains on financial instruments.

Impairment losses mainly within the offshore segment

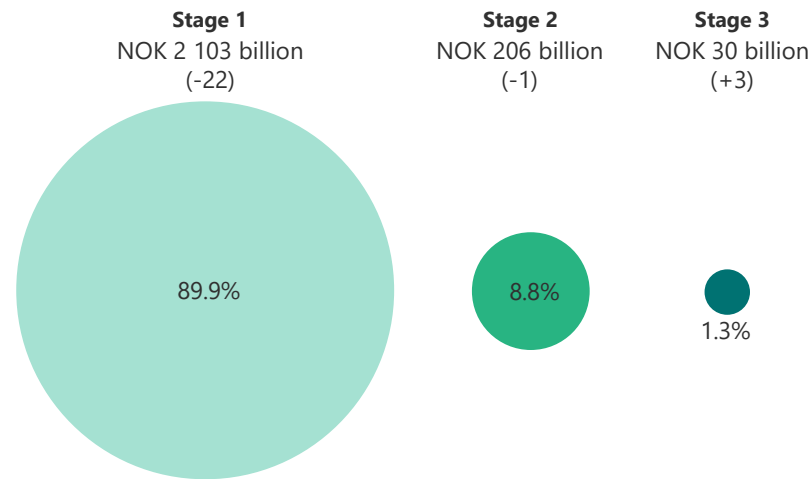
- Low impairment losses in the personal customers segment reflecting the robust portfolio
- Reduced stage 1 and 2 impairment losses in the oil, gas and offshore segment due to customers migrating to stage 3
- Modest risk migration in other segments within corporate customers

Impairment of financial instruments per customer segment

NOK million

	2Q20	1Q20	2Q19
Total	(2 120)	(5 771)	(450)
Of which:			
Personal customers			
- Stages 1 and 2	(21)	(272)	28
- Stage 3	(61)	(462)	(104)
Corporate customers^{*)}			
- Stages 1 and 2	611	(2 535)	195
- Stage 3	(2 642)	(2 502)	(567)
^{*) Of which oil, gas and offshore:}			
- Stages 1 and 2	861	(1 050)	172
- Stage 3	(2 724)	(1 555)	(119)

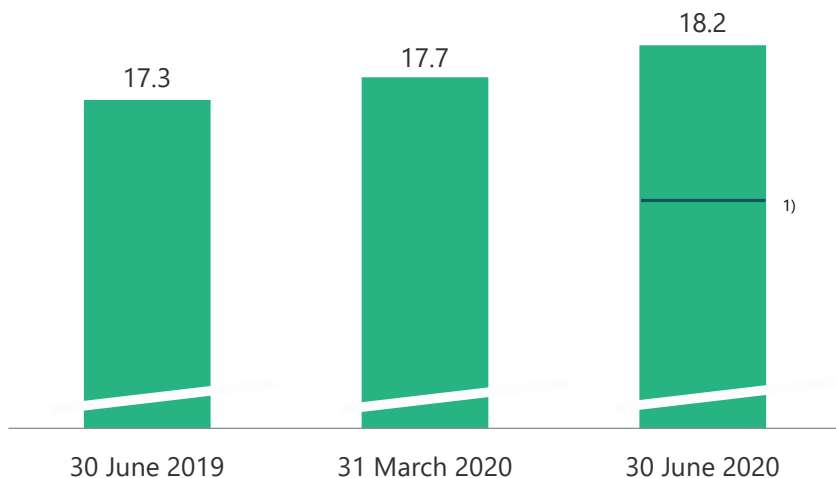
Maximum exposure (on- and off-balance sheet items), net of accumulated impairment losses



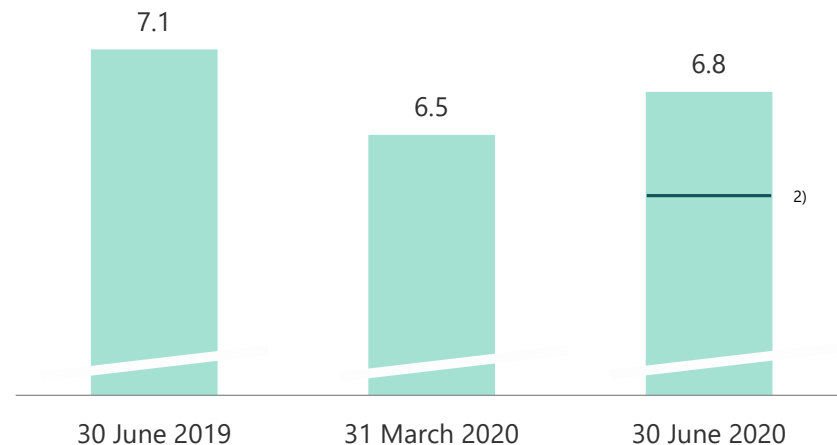
Increased CET1 capital and leverage ratio due to currency effects and retained earnings

- CET1 capital ratio strengthened by 50 basis points to 18.2 per cent
- Leverage ratio positively impacted by currency effects and lower deposits with central banks

CET1 capital ratio
Per cent



Leverage ratio
Per cent



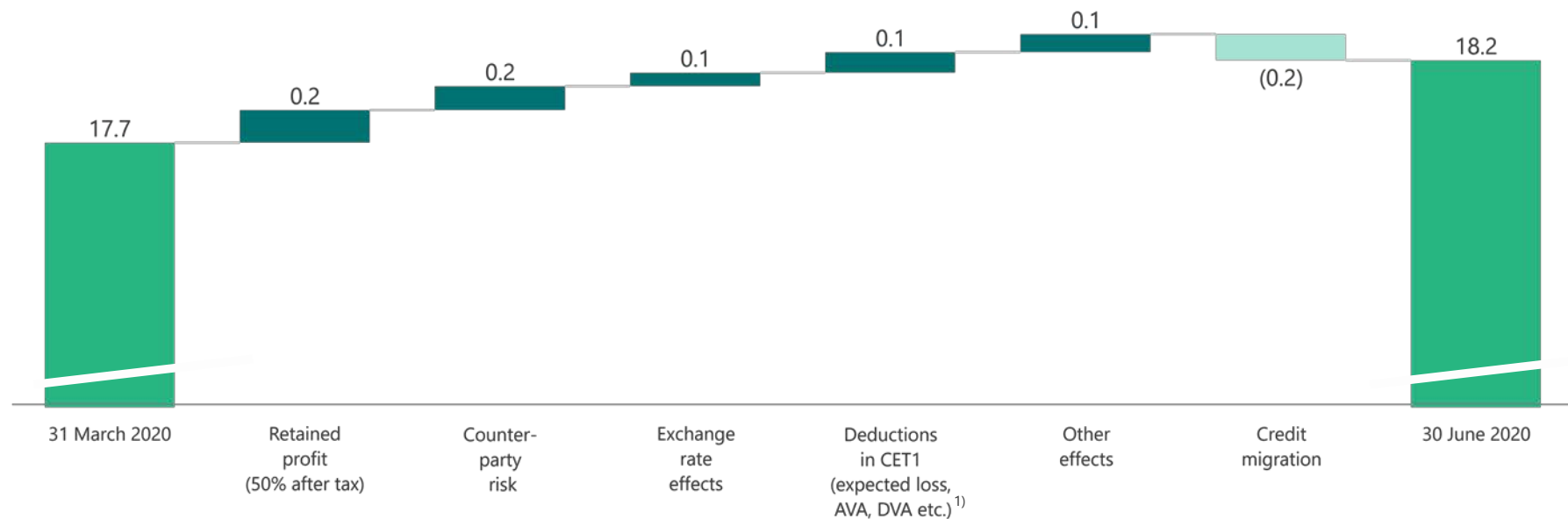
1) CET1 capital ratio requirement of 15.7 per cent including Pillar 2 Guidance.

2) Requirement of 6.0 per cent.

CET1 capital ratio – well above requirement of 15.7 per cent

Development in CET1 capital ratio from 31 March 2020 to 30 June 2020

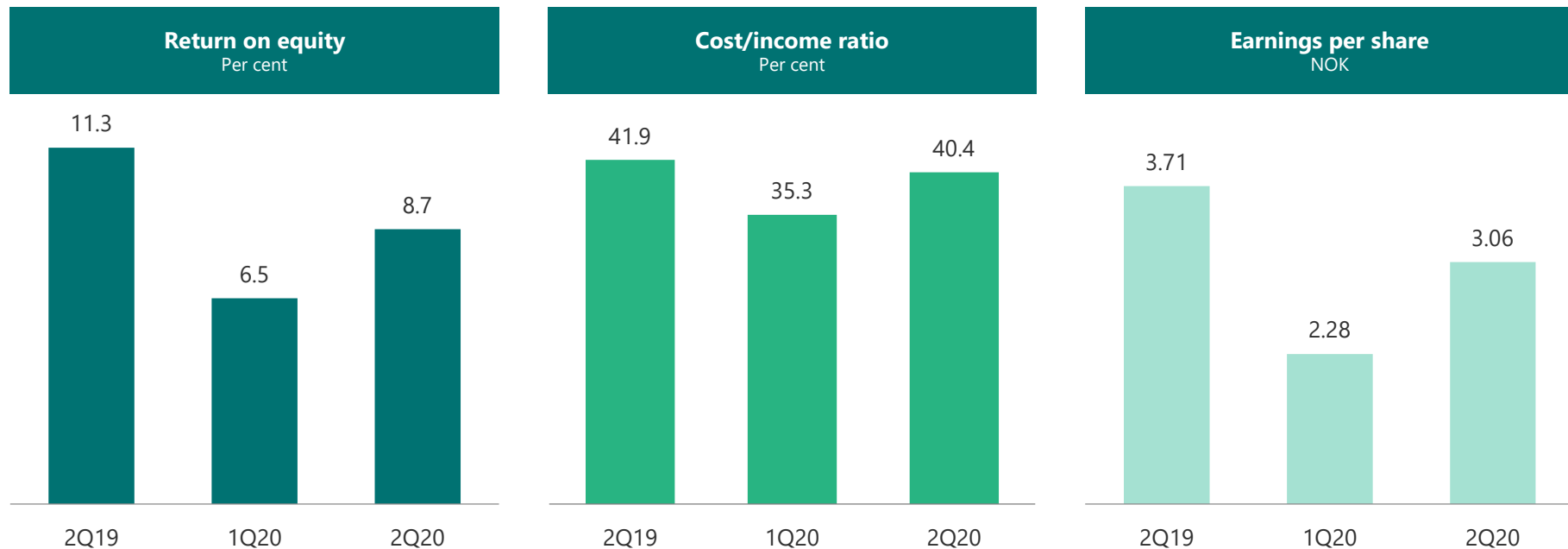
Per cent



1) AVA: Additional valuation adjustment. DVA: Debit valuation adjustment.

Strong underlying operating performance in a quarter affected by lower interest rates and impairment losses

- 29.9 million shares from last year's share buy-back programme cancelled at the Annual General Meeting on 30 June
- Dividends for 2019 and share buy-back authorisation to be decided at an extraordinary general meeting no later than December 2020



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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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Although DNB believes that the expectations reflected in any such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Actual results, performance or events may differ materially from those set out or implied in the forward-looking statements. Important factors that may cause such a difference include, but are not limited to: (i) general economic conditions, (ii) performance of financial markets, including market volatility and liquidity, (iii) the extent of credit defaults, (iv) interest rate levels, (v) currency exchange rates, (vi) changes in the competitive climate, (vii) changes in laws and regulations, (viii) changes in the policies of central banks and/or foreign governments, or supranational entities.

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Results DNB Group

Second quarter 2020

**We are here.
So you can stay
ahead.**