DNB

Results DNB Group

First quarter 2021

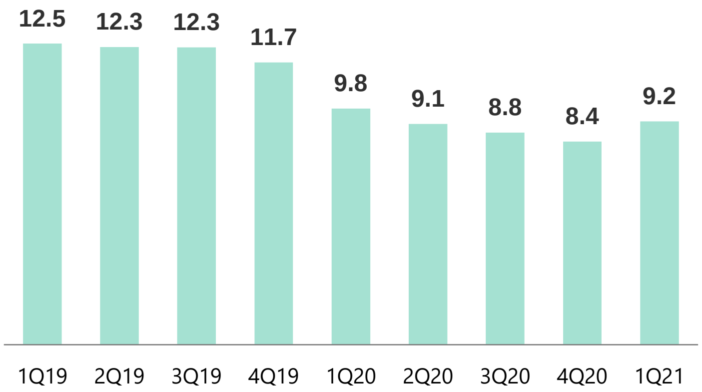
Q1

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

29 April 2021

Continued strong performance and solid asset quality

Return on equity
Per cent, trailing 12-month figures



Profit for the period
NOK billion
5.9

CET1 capital ratio
19.2%

Return on equity (ROE)
10.0 per cent in 1Q21 despite high average equity
Continued profitable lending growth within personal customers and SMEs

Net commissions and fees
18 per cent year-on-year growth reflecting high activity and successful cooperation across the Group

Impairment provisions
Net reversals of impairment provisions reflect the robust portfolio and positive development

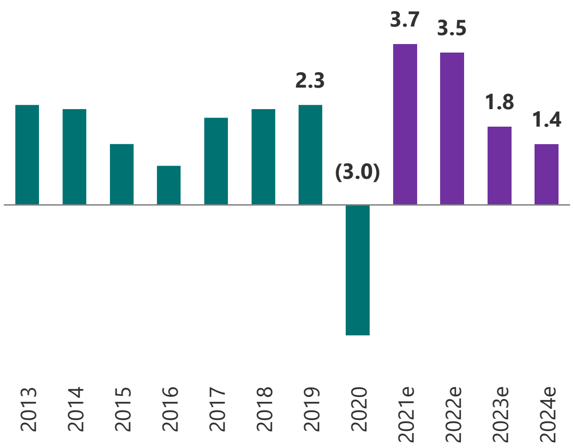
Capital
All-time high capital level with a 320-basis-point headroom to supervisory authorities' expectation for common equity Tier 1 (CET1) capital ratio

Earnings per share (EPS)
EPS of NOK 3.65 in the quarter, up 60 per cent from NOK 2.28 in 1Q20

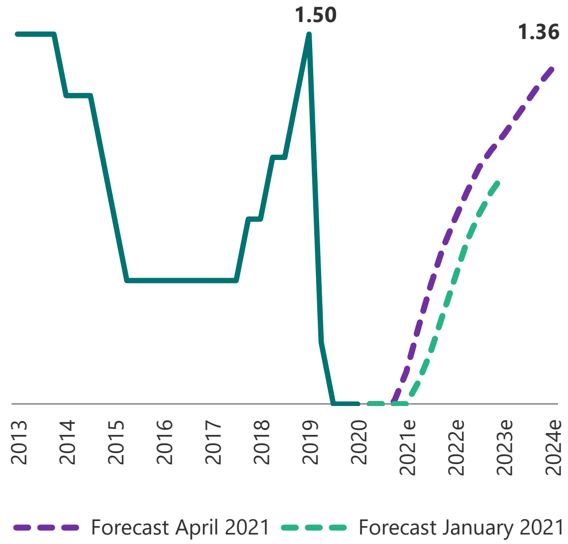
The outlook for the Norwegian economy continues to improve

- The recovery of the Norwegian economy continues with an expected mainland GDP growth of 3.7 per cent for 2021 and 3.5 per cent next year
- Norges Bank expects six rate hikes by year-end 2024, with the first one occurring later this year
- Unemployment is expected to fall to almost pre-pandemic levels in the coming years – reduced by 6 percentage points from peak in April 2020

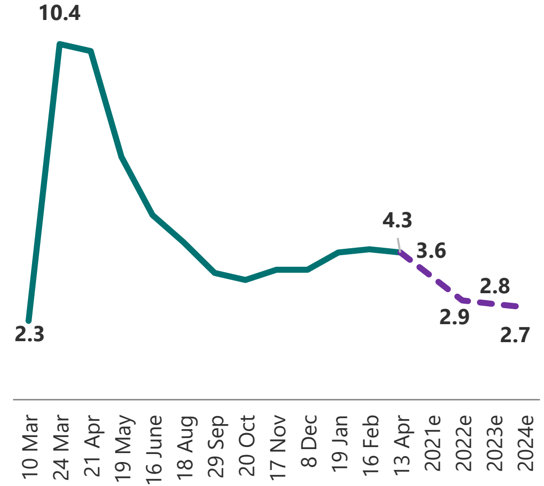
Mainland GDP growth
YoY, per cent



Key policy rate
Per cent



Registered unemployment
Full-time unemployment, per cent



Sources: DNB Markets, Norges Bank (the Norwegian central bank), NAV (the Norwegian Labour and Welfare Administration).

An active quarter underpinning the Group's long-term strategic ambitions

Voluntary cash offer for Sbanken ASA

- DNB has announced a board-recommended voluntary cash offer for 100 per cent of the outstanding shares in Sbanken at NOK 103.85 per share
- An opportunity to combine two of Norway's top providers of digital customer experiences to further enhance our offering and improve our customer solutions
- DNB and Sbanken are a strong strategic and financial fit given both banks' position in current accounts, savings and mortgages

Leading position on digital customer channels in the Norwegian market

Savings app

250 000 active users

14.4 bn in mutual funds[1)]

Mobile bank

1 000 000 active users

600 000 daily visits

Mobile wallet Vipps

3 900 000 active users

15 000 new businesses since March 2020

Commitment to reduce emissions from our activities to net zero[2)] by 2050 or sooner

- DNB is a leading bank in terms of financing the transition to a low-carbon economy, and we give advice and mobilise capital for our customers in the ongoing transition
- DNB is committed to an overall target of net-zero emissions from our financing and investments by 2050, with interim targets
- We will return in due course with our net-zero roadmap and new sustainability aspirations

On track with our financing ambitions set in 2019[3)]

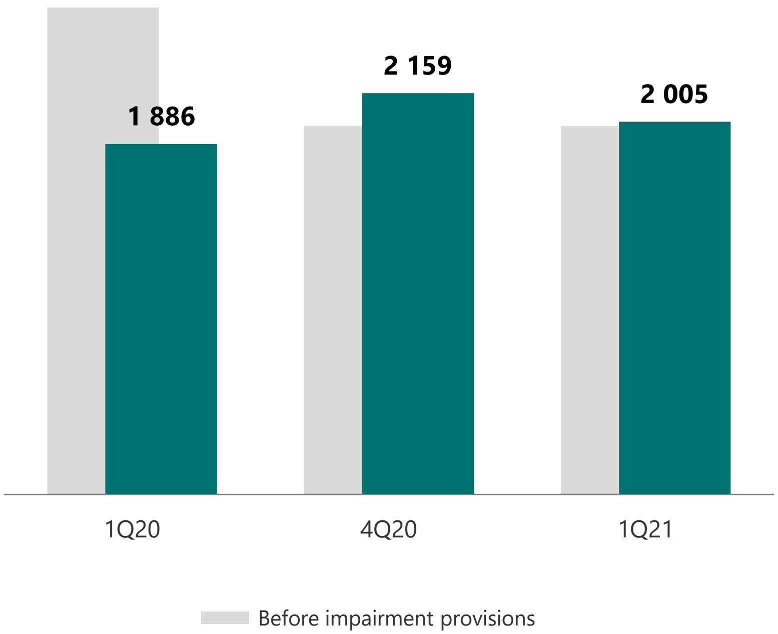
NOK billion, at 31 December 2020

Green property development	14	Target 2025: 130
Renewable energy and infrastructure	129	Target 2025: 450

1) Total inflow since the launch of the app in 2017, of which NOK 7 billion in 2020 and a further NOK 3 billion year-to-date.
2) This means balancing the sources and sinks of all greenhouse gas emissions from DNB's financing and investment activities.
3) Including lending and capital markets advisory services.

Personal customers – strong performance

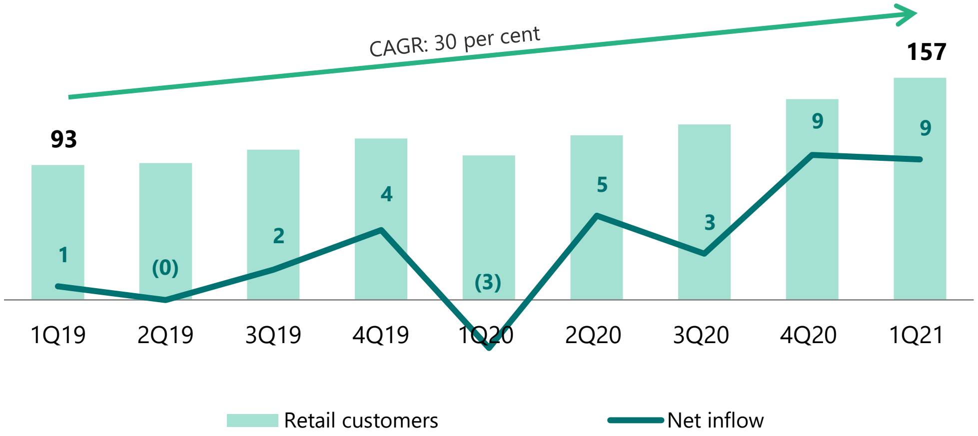
Pre-tax operating profit
NOK million



Highlights in the quarter

- Growth in loans and deposits of 2.8 and 4.6 per cent from end-March 2020
- Net interest income impacted by fewer interest days and increased NOK money market rates
- 50 per cent increase from 1Q20 in volumes from monthly savings agreements in mutual funds – 99 per cent sold through digital channels

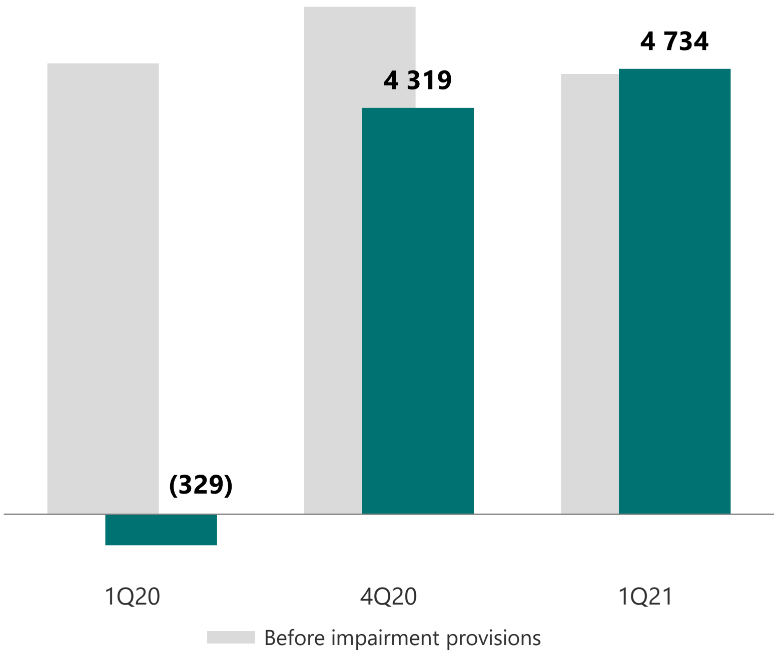
Strong development in assets under management
NOK billion



Corporate customers – high level of activity within all areas

Pre-tax operating profit

NOK million

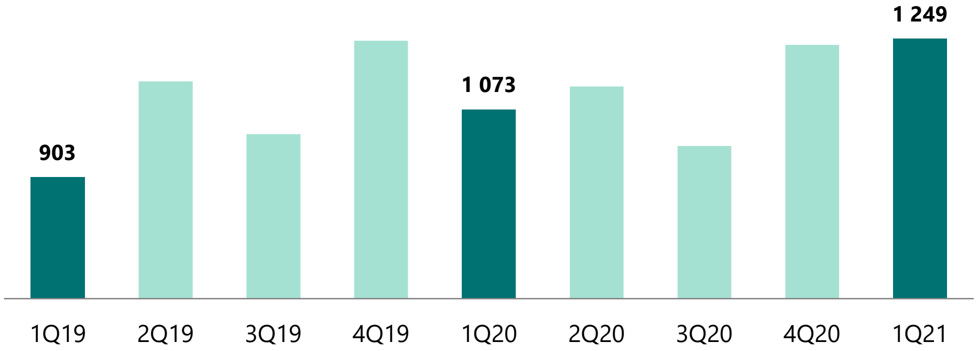


Highlights in the quarter

- Growth in loans and deposits to SMEs of 5.6 and 18.6 per cent from end-March 2020
- 14.4 per cent return on allocated capital
- Delivering on originate-and-distribute strategy with strong income from Markets products

All-time high income from Markets products

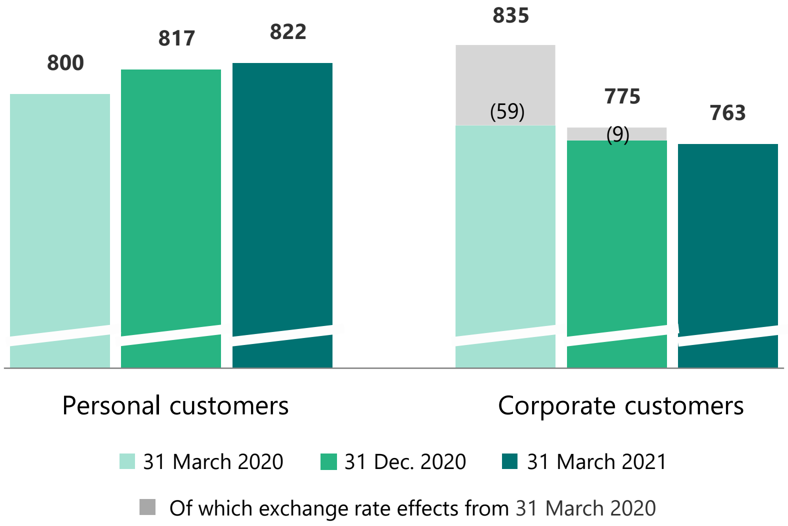
NOK million



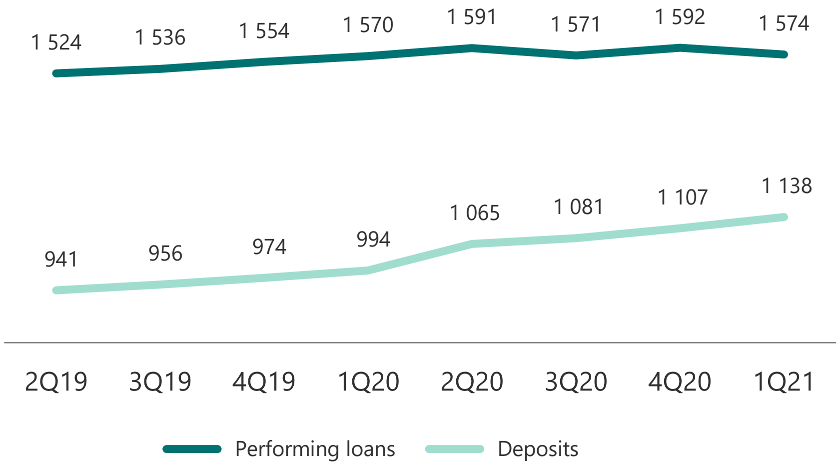
Increased loans to personal customers and SMEs and growth in deposits

- Currency-adjusted loans to personal customers up 0.6 per cent, SMEs up 2.3 per cent and large corporates down 1.4 per cent in the quarter
- Total loan growth was up 0.2 currency adjusted (down 0.4 per cent in nominal value)
- Continue to expect around 3–4 per cent annual loan growth
- Deposit growth in the quarter was up 5.4 per cent currency adjusted (up 4.8 per cent in nominal value)

Loans per customer segment
NOK billion



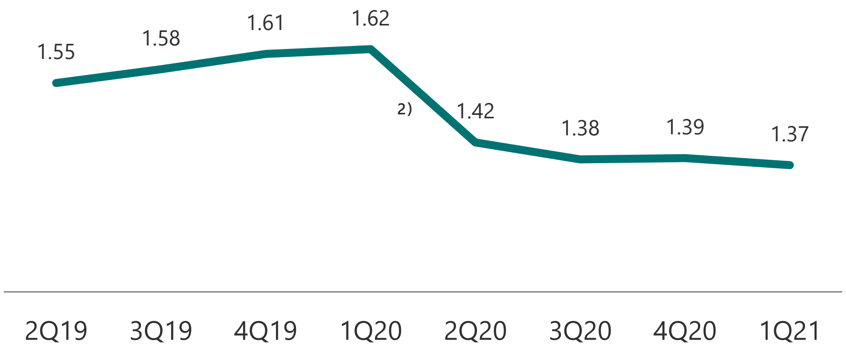
Average loans and deposits in the customer segments
NOK billion



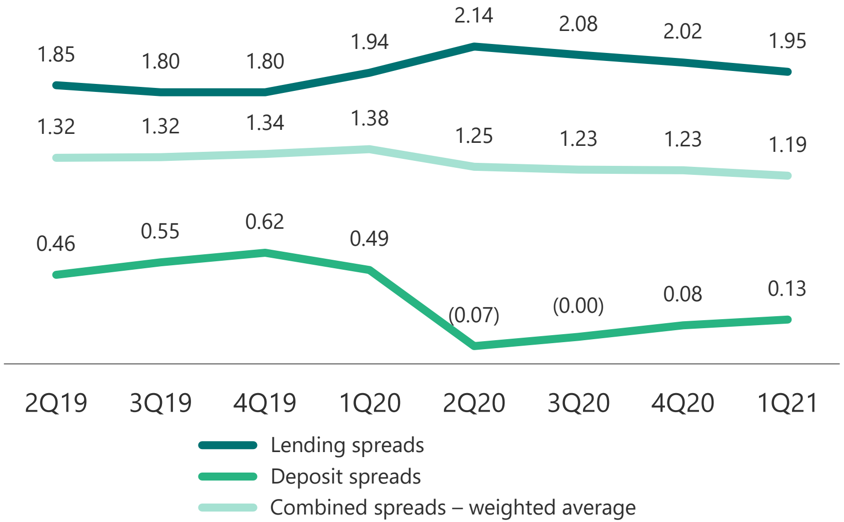
Net interest margin and combined spreads affected by portfolio mix effects

- Figures for the quarter affected by portfolio mix; increased deposit-to-loan ratio and loans to personal customers growing more than loans to corporate customers
- Spreads on lending and deposits reflected the 7-basis-point increase in average NOK money market rates
- Reduced long-term funding cost and higher interest on equity had a positive impact on net interest margin

Net interest margin[1)]
Per cent



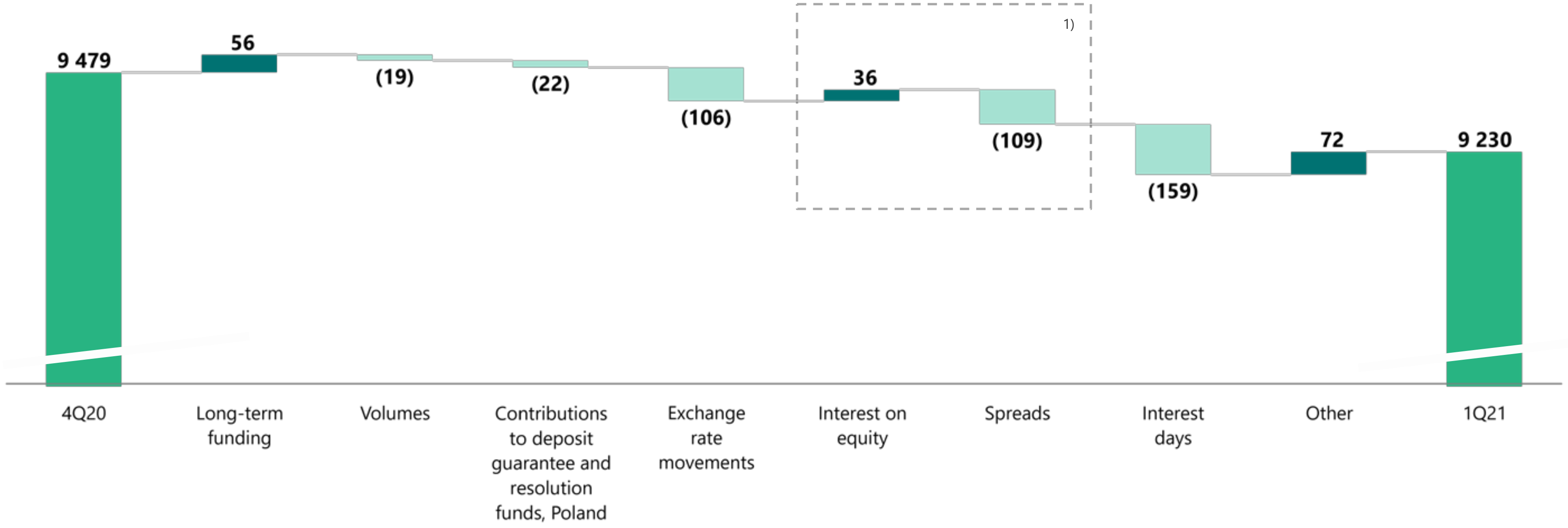
Spreads in customer segments
Per cent



1) Total net interest income relative to average loans and deposits in the customer segments.
2) Norges Bank reduced the key policy rate from 1.50 to 0.25 per cent in March 2020 and to 0 per cent in May 2020.

Net interest income affected by currency, spreads and interest days

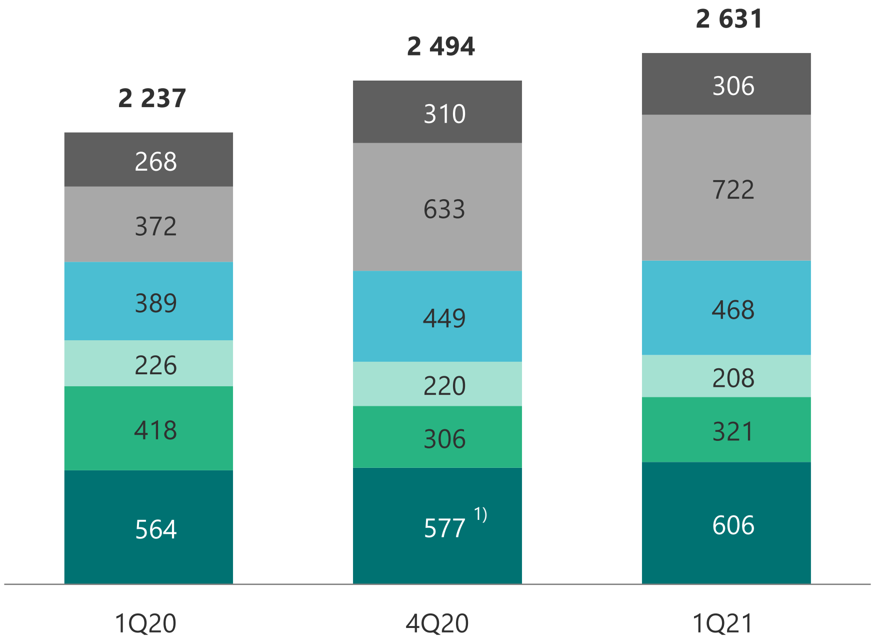
Net interest income from 4Q20 to 1Q21
NOK million



1) Negative effect of increased NOK money market rates partly offset by interest on equity.

Income from commissions and fees up 18 per cent – in line with 4Q18 all-time high

Commissions and fees
NOK million



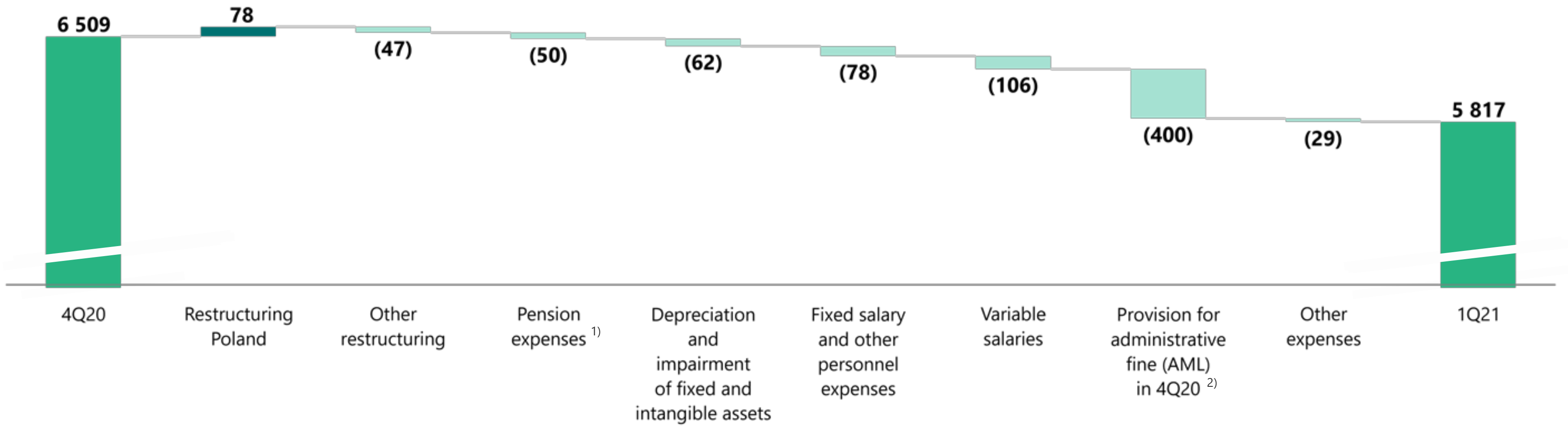
- **Real estate broking**
  Income up 14 per cent from 1Q20 – driven by high activity in residential real estate broking
- **Investment banking services**
  High activity in all markets – income up 94 per cent from 1Q20
- **Asset management and custodial services**
  Increased asset values and net inflow – income up 20 per cent from 1Q20
- **Guarantee commissions**
  Income down 8 per cent from 1Q20, temporarily reduced demand for some guarantee products
- **Money transfer and banking services**
  Affected by low international travel activity – income down 23 per cent from 1Q20
- **Sale of insurance products**
  Income up 7 per cent from 1Q20 – fees from non-life insurance (Fremtind) up 37 per cent

1) Includes a negative NOK 29 million one-off adjustment related to the acquisition of KLP Bedriftspensjon.

Operating expenses largely reflecting underlying activity

- Restructuring expenses offset by temporary positive COVID-19 effects
- Reversal of too-high accruals for variable salaries of NOK 58 million in 2020

Operating expenses from 4Q20 to 1Q21
NOK million



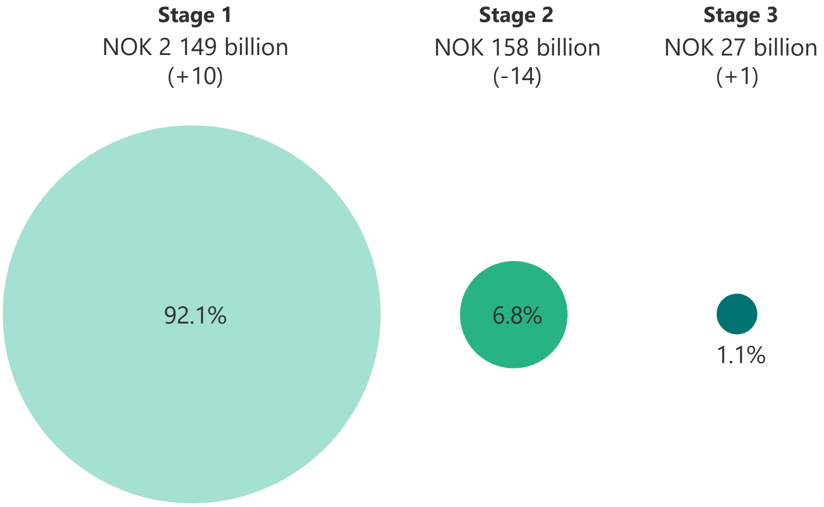
1) The scheme is partly hedged, a gain of NOK 66 million recognised in mark-to-market adjustments in net gains on financial instruments. The pension expenses in the quarter were almost at a normal level.
2) Possible administrative fine from Finanstilsynet (the Financial Supervisory Authority of Norway) following supervisory inspection.

Net reversals of impairment provisions reflect the robust portfolio and positive development

Impairment of financial instruments by industry segment
NOK million

	1Q21	4Q20	1Q20
Total	**110**	**(1 250)**	**(5 771)**
Of which:			
Personal customers			
- Stages 1 and 2	20	175	(405)
- Stage 3	(44)	(36)	(117)
Corporate customers[*)]			
- Stages 1 and 2	209	389	(2 403)
- Stage 3	(74)	(1 777)	(2 847)
**) Of which oil, gas and offshore:*			
- Stages 1 and 2	*(30)*	*125*	*(1 050)*
- Stage 3	*157*	*(1 465)*	*(1 555)*

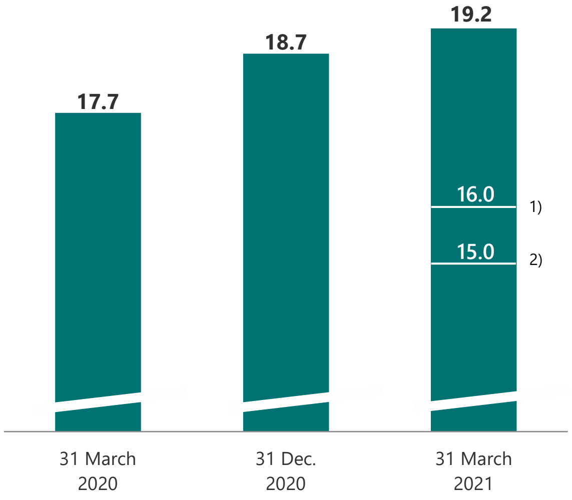
Maximum exposure (on- and off-balance sheet items), net of accumulated impairment provisions



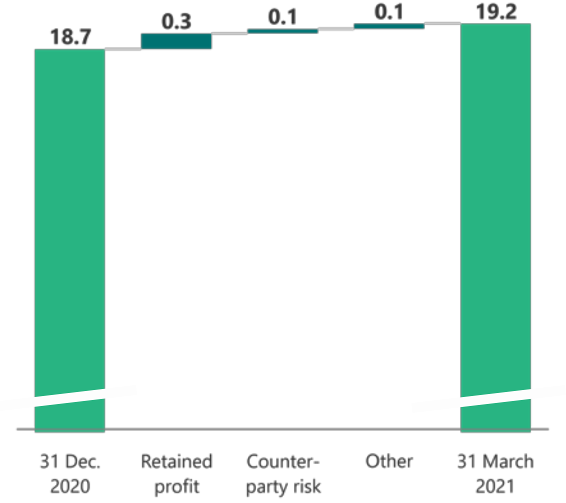
All-time high CET1 capital ratio

- All-time high CET1 capital ratio and headroom to supervisory authorities' expectations (320 basis points)
- Allocated dividend per share of NOK 9.00 for 2020 and 50 per cent of profit for 2021 not included in the CET1 capital ratio
- CET1 capital ratio will be reduced by ~100 basis points if the recommended voluntary offer for Sbanken is accepted

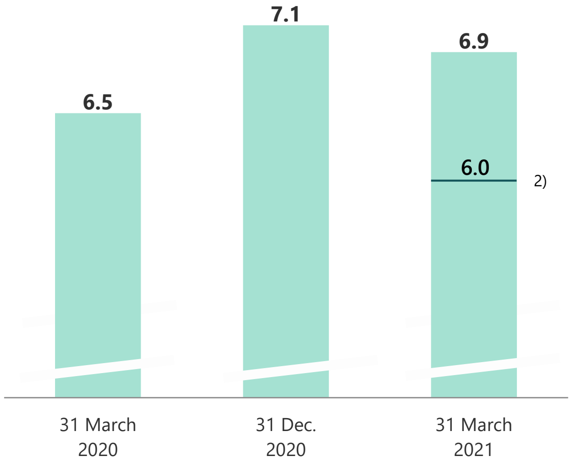
CET1 capital ratio
Per cent



Development in CET1 capital ratio
Per cent



Leverage ratio
Per cent

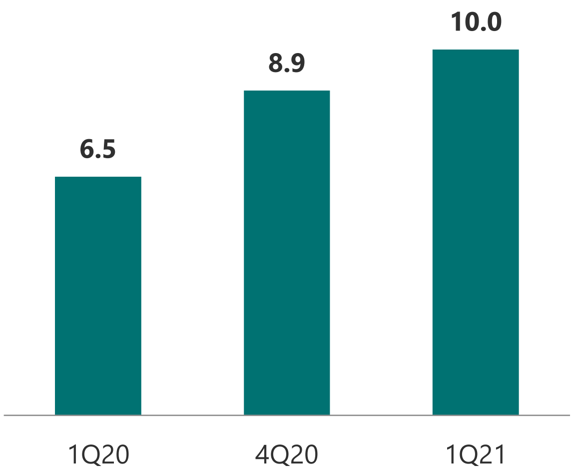


1) Supervisory authorities' current expectations. Full CCyB expected to take effect in 2023 at the earliest, increasing the supervisory authorities' expectations to 17.1 per cent.
2) Current requirement from supervisory authorities.

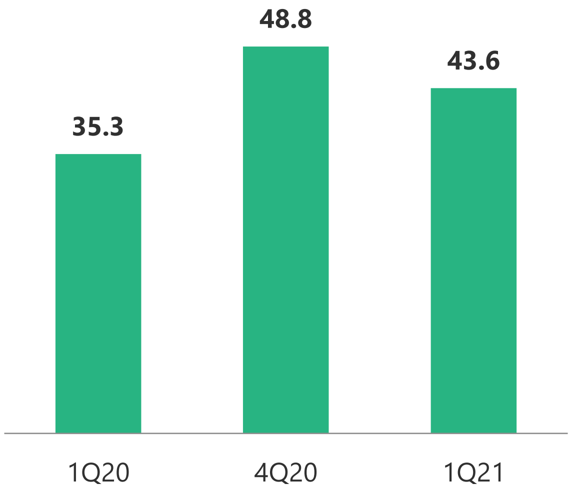
Strong operating performance

- Return on equity positively affected by strong income from net commissions and fees and reversals of impairment provisions – negatively affected by higher equity (dividend for 2019 paid in March) and by a continued zero NOK policy rate
- Strong earnings per share – a firm foundation for delivering on our dividend policy

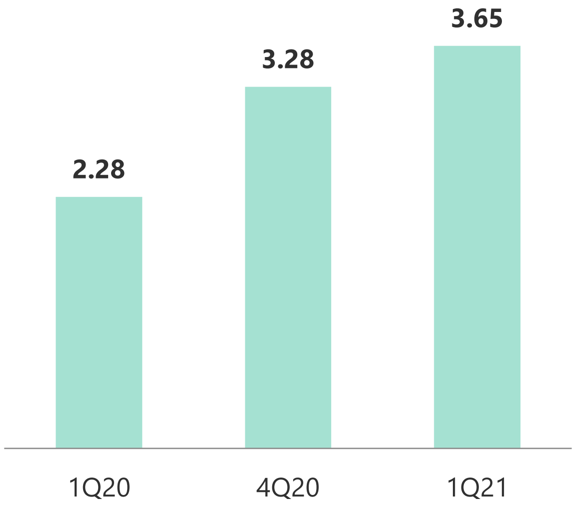
Return on equity
Per cent



Cost/income ratio
Per cent



Earnings per share
NOK



Appendix

New legal structure expected to be implemented on 1 July 2021

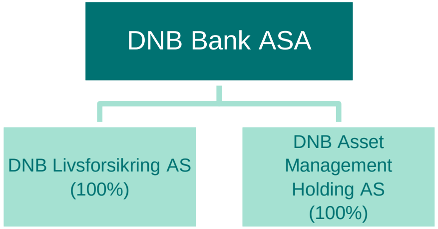
New legal structure

DNB Bank ASA to become the parent company of the DNB Group through a merger with DNB ASA

- **Status**
  Awaiting final approval from the Norwegian Ministry of Finance
  The AGM on 27 April elected board members for the merged company
- **Effects**
  Reduced funding costs
  Reduced corporate governance complexity
- **Timeline**
  Expected implementation of merger: 1 July
  Stock exchange listing of merged company: 2 July
- **Ticker**
  Temporary ticker (**DNBH**): 30 June and 1 July

Current structure

Proposed new structure



Income statement

NOK billion	1Q21	4Q20	1Q20	Change from 4Q20	Change from 1Q20
Net interest income	9.2	9.5	10.4	(0.2)	(1.2)
Other operating income	4.1	3.8	5.1	0.3	(1.0)
Total income	**13.3**	**13.3**	**15.5**	**0.0**	**(2.2)**
Operating expenses	**(5.8)**	**(6.5)**	**(5.5)**	**0.7**	**(0.3)**
Pre-tax operating profit before impairment	**7.5**	**6.8**	**10.1**	**0.7**	**(2.5)**
Impairment of loans and guarantees and gains on assets	0.1	(1.3)	(5.0)	1.4	5.1
Pre-tax operating profit	**7.6**	**5.6**	**5.1**	**2.1**	**2.6**
Tax expense	(1.7)	(0.6)	(1.0)	(1.1)	(0.7)
Profit from operations held for sale, after taxes	(0.1)	0.3	(0.1)	(0.4)	(0.0)
Profit for the period	**5.9**	**5.3**	**4.0**	**0.6**	**1.9**
Portion attributable to shareholders	**5.7**	**5.1**	**3.6**	**0.6**	**2.1**

Other operating income

NOK million	1Q21	4Q20	1Q20	Change from 4Q20	Change from 1Q20
Net commissions and fees	**2 631**	**2 494**	**2 237**	**137**	**394**
Customer revenues in DNB Markets	502	559	690	(57)	(188)
Trading revenues in DNB Markets	69	32	(51)	37	119
Hedging of defined-benefit pension scheme	66	101	(220)	(34)	286
Credit spreads on bonds	165	92	(906)	73	1 071
Credit spreads on fixed-rate loans	81	84	(902)	(3)	983
CVA/DVA/FVA	241	238	(1 081)	3	1 322
Other mark-to-market adjustments	(10)	738	541	(747)	(551)
Basis swaps	(345)	(152)	1 060	(193)	(1 405)
Exchange rate effects on additional Tier 1 capital	29	(1 508)	4 097	1 537	(4 068)
Net gains on financial instruments at fair value	**799**	**184**	**3 228**	**615**	**(2 429)**
Net financial and risk result, life insurance	**212**	**474**	**(246)**	**(263)**	**458**
Profit from investments accounted for by the equity method	**86**	**264**	**(346)**	**(178)**	**432**
Other	**389**	**431**	**274**	**(42)**	**115**
Net other operating income, total	**4 116**	**3 847**	**5 148**	**269**	**(1 032)**

Norwegian society has shown resilience in its handling of the pandemic

- Scandinavian countries are among the world's most digitalised societies, which makes the restrictions aimed at limiting the spread of the virus more effective
- In Norway, a high level of public trust in the authorities has, together with strong welfare policies, led to a high degree of compliance with Government guidelines

Unique digital infrastructure
In Norway

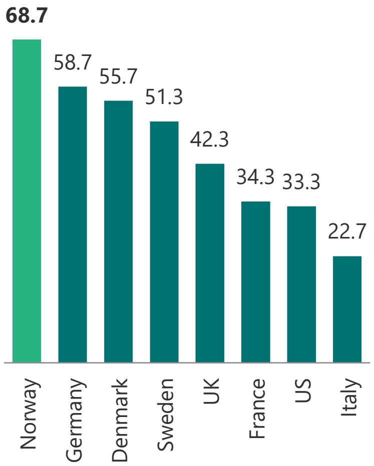
97 per cent
of Norwegians use the internet

3 per cent
of payments are made in cash

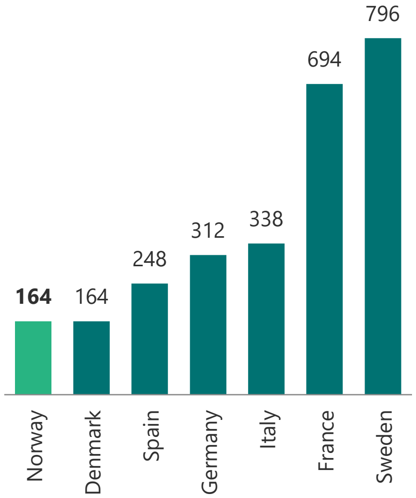
>80 per cent
fully-digital tax returns

No. 1
on Governance in the Network Readiness Index

Trust in the authorities
Share of people reporting confidence in national government, per cent



COVID-19 cases
14-day cumulative number of cases per 100 000 persons, as of 27 April



Vaccination
In Norway

Base scenario
- Everyone above age 18 offered first vaccine dose by end-August
- Everyone above age 44 offered first vaccine dose by end-June

Optimistic scenario
- Everyone above age 18 offered first vaccine dose by end-July
- Everyone above age 44 offered first vaccine dose by early June

Status as at 27 April
- 23 per cent have received first vaccine dose
- 6 per cent have received second vaccine dose

Sources: WEF, the Norwegian Tax Administration, Statistics Norway (SSB), Norges Bank, OECD, the Norwegian Institute of Public Health (FHI) and European Centre for Disease Prevention and Control.

DISCLAIMER

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

DNB assumes no obligation to update any forward-looking statement.

This presentation contains alternative performance measures, or non-IFRS financial measures. Definitions and calculations are presented in our quarterly reports.

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Results DNB Group

First quarter 2021

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