



# Results DNB Group

Second quarter 2022

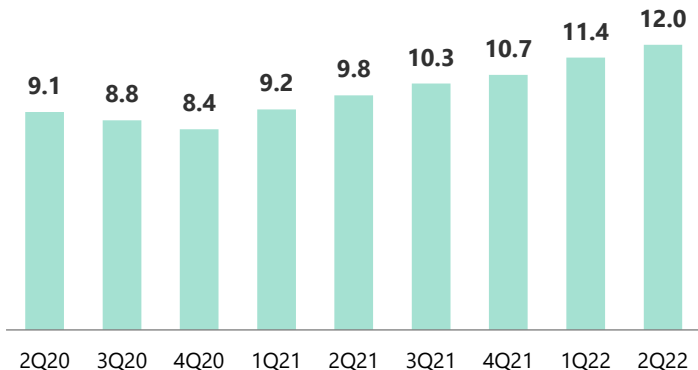
Kjerstin R. Braathen (CEO)  
Ida Lerner (CFO)

# Q2

# Continued strong results and solid asset quality

## Return on equity

Per cent, trailing 12-month figures



Profit for  
the period  
NOK billion

**7.8**

CET1  
capital ratio  
Per cent

**18.0**

## Return on equity (ROE) of 13.3 per cent in the quarter

Strong performance in the customer segments

## Net interest income (NII) up 22.5 per cent from 2Q21 and 10.3 per cent from 1Q22

Driven by profitable volume growth and higher interest rates

## Net commissions and fees down 1.9 per cent – close to record-high 2Q21

Strong performance across most areas despite market turmoil

## Robust and well-diversified portfolio

98.9 per cent in stages 1 and 2, net reversals of impairment provisions

## Earnings per share (EPS) up 22.4 per cent from 2Q21

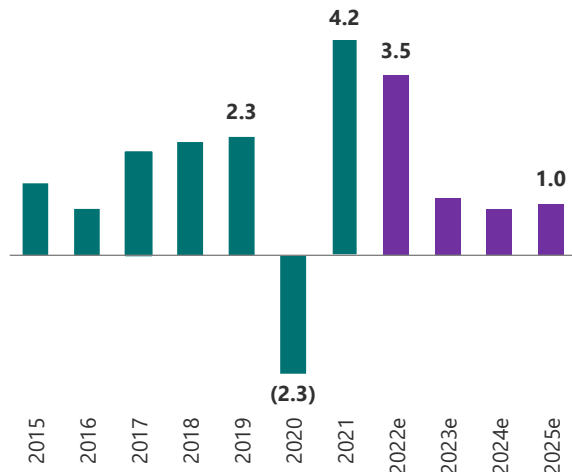
EPS of NOK 4.91 for the quarter

# High activity in Norwegian economy

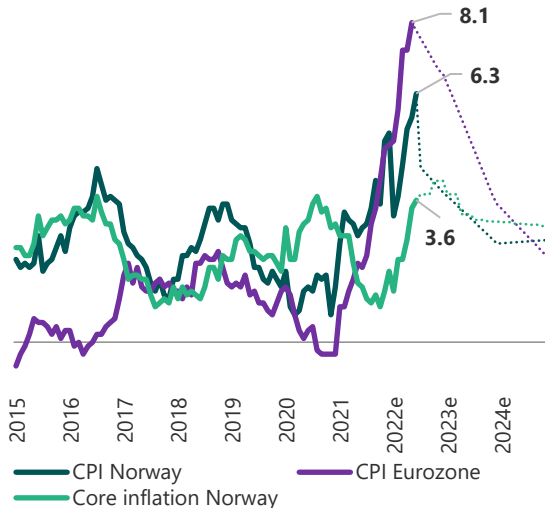
- Post-pandemic activity levels in Norwegian economy remain high
- Consumer price index and core inflation have increased in Norway – but still at lower level than comparable economies
- Norwegian central bank utilising monetary policy to mitigate pressure – steeper interest rate path expected

## High activity in the Norwegian economy

Mainland GDP, YoY growth  
Per cent

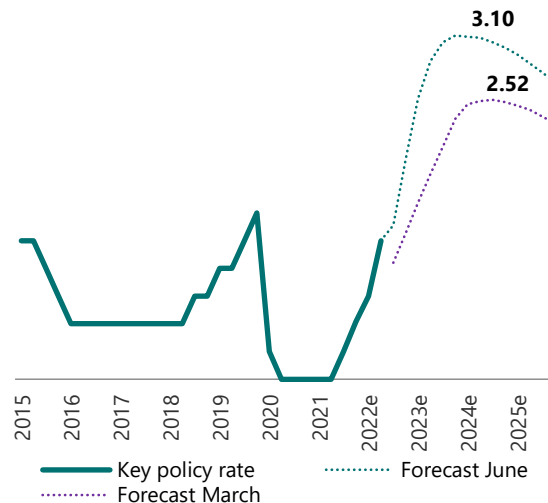


## Increased inflation expected to come down



## Rate path revised upwards

Norwegian central bank's key policy rate path  
Per cent

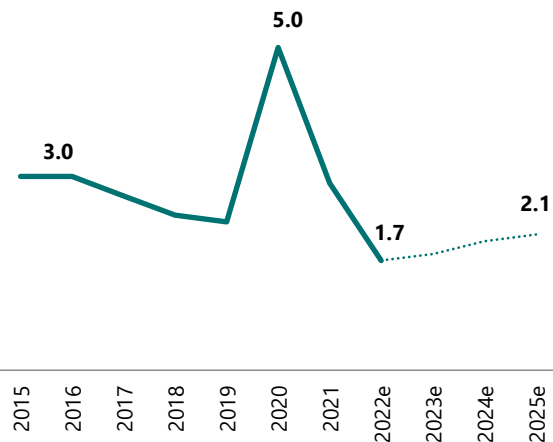


# Stable investment outlook with fiscal room to manoeuvre if necessary

- Growth in private consumption is expected to cool down – continued low unemployment strengthening consumer robustness
- Corporate investments expected to increase in both energy sector and mainland economy
- Norwegian Government Pension Fund Global provides ample fiscal flexibility to manoeuvre if necessary

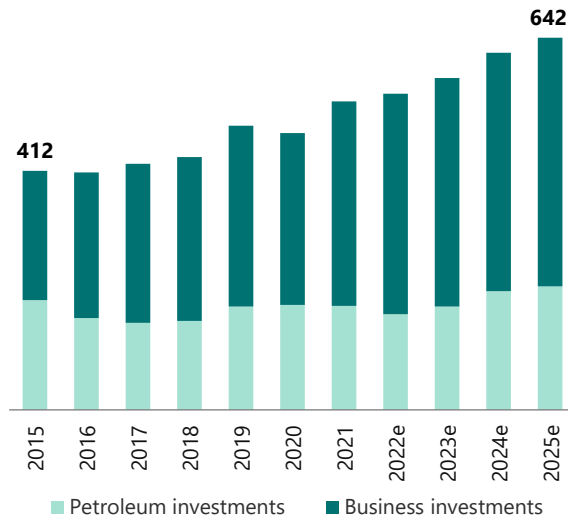
## Unemployment remains low

Full-time unemployment  
Per cent



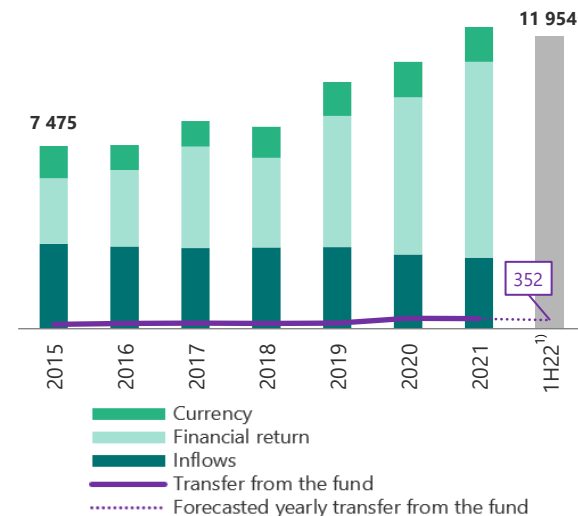
## Investments in Norway expected to increase

NOK billion (constant 2021 prices)



## Strong Government Pension Fund Global

NOK billion

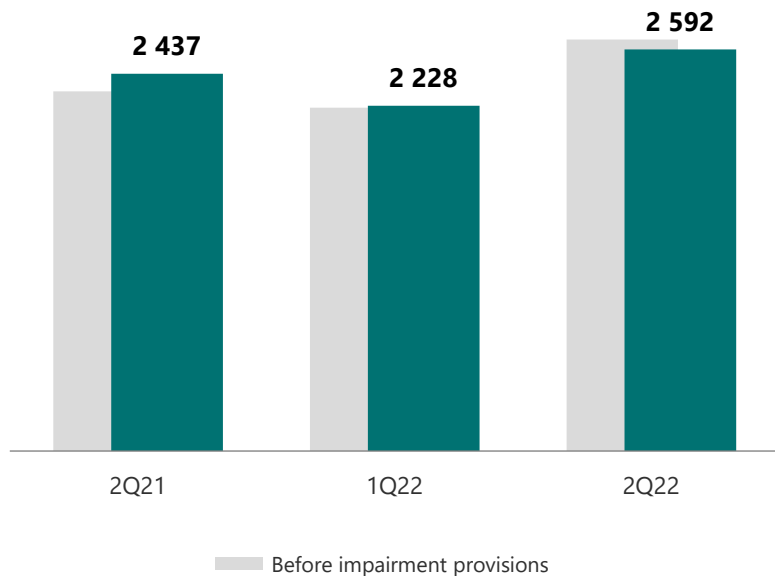


1) Market capitalisation as of 7 July 2022.

# Personal customers – solid result driven by high customer activity

## Pre-tax operating profit

NOK million

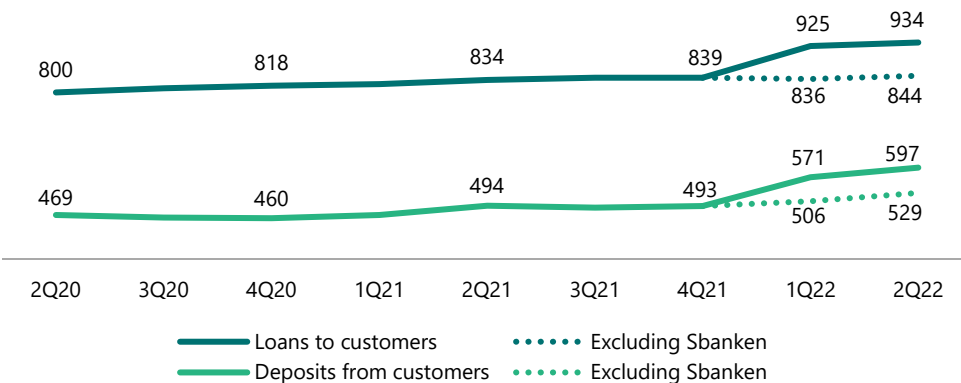


## Highlights in the quarter

- Currency-adjusted loans up 0.9 per cent and deposits up 4.2 per cent
- NII up 22.1 per cent driven by volume growth and repricing of customer loans and deposits
- Norges Bank increased the key policy rate from 0.75 to 1.25 per cent in June – DNB announced fourth repricing with effect from mid-August

## Solid volume growth

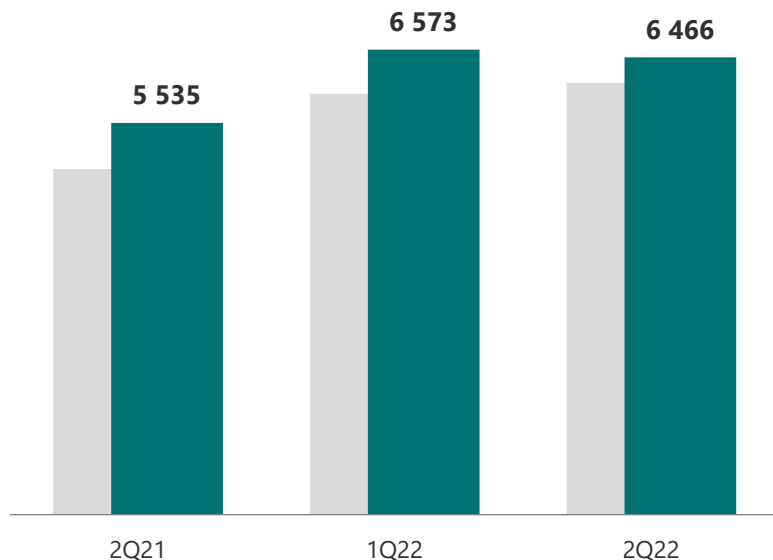
Volumes at end of period, NOK billion



# Corporate customers – strong result driven by profitable growth

## Pre-tax operating profit

NOK million



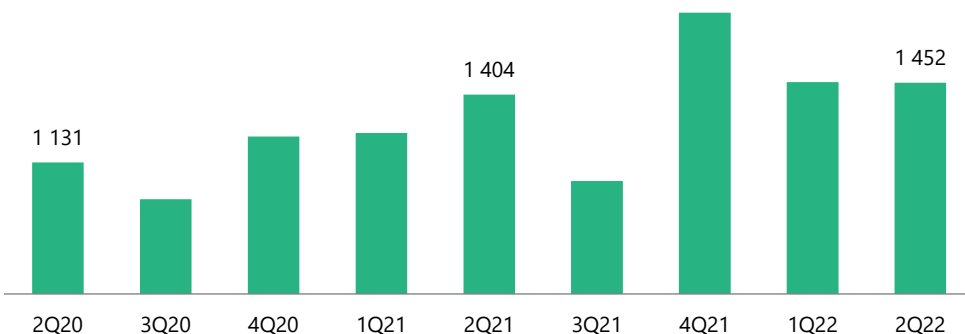
Before impairment provisions

## Highlights in the quarter

- Currency-adjusted loans up 5.9 per cent (SMEs 3.4 and large corporates 8.4)
- Currency-adjusted deposits up 2.3 per cent (SMEs 1.7 and large corporates 2.6)
- Net interest income up 9.7 per cent
- No. 1 Equity Capital Markets adviser in Norway and Sweden 1H22<sup>1)</sup>

## Income from Markets products

NOK million

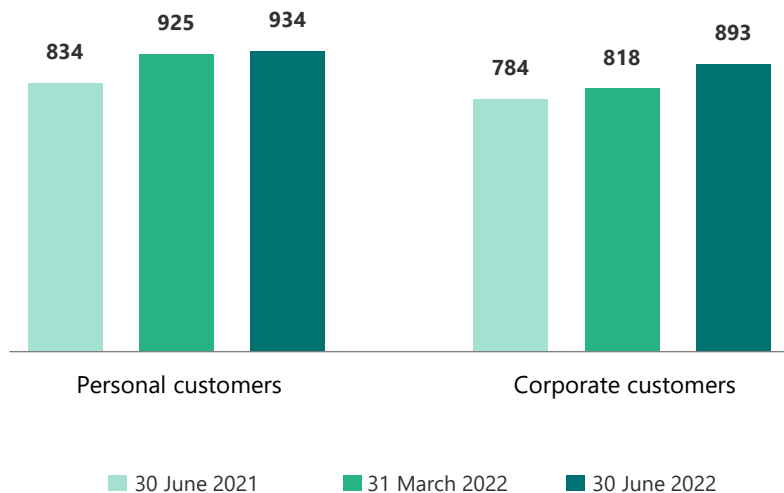


1) Source: Dealogic as of 1 July 2022.

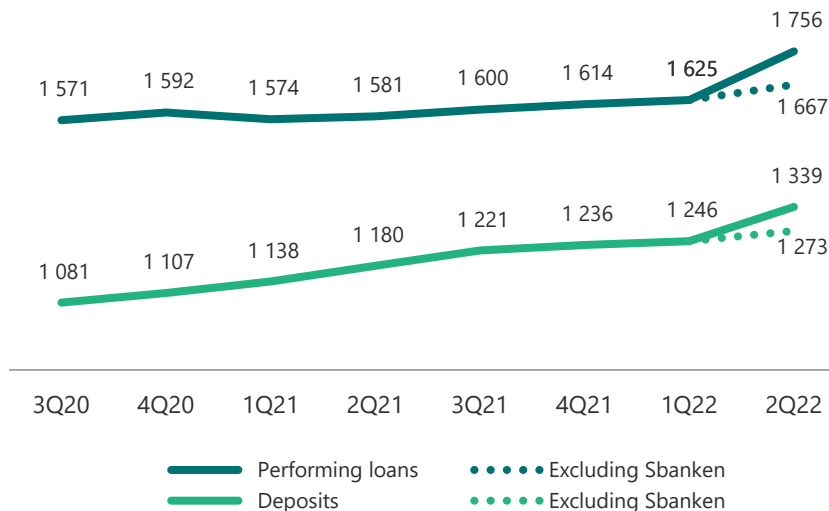
# Profitable growth in both loans and deposits

- Total loan growth in the customer segments of 4.9 per cent (currency-adjusted 3.3) from 1Q22
- Total deposit growth in the customer segments of 5.5 per cent (currency-adjusted 3.1) from 1Q22

**Loans per customer segment**  
NOK billion



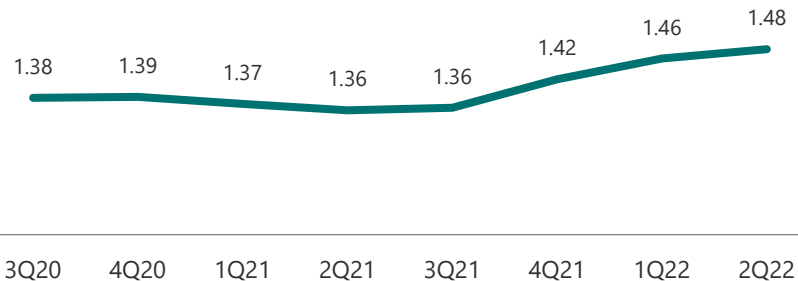
**Average loans and deposits in the customer segments**  
NOK billion



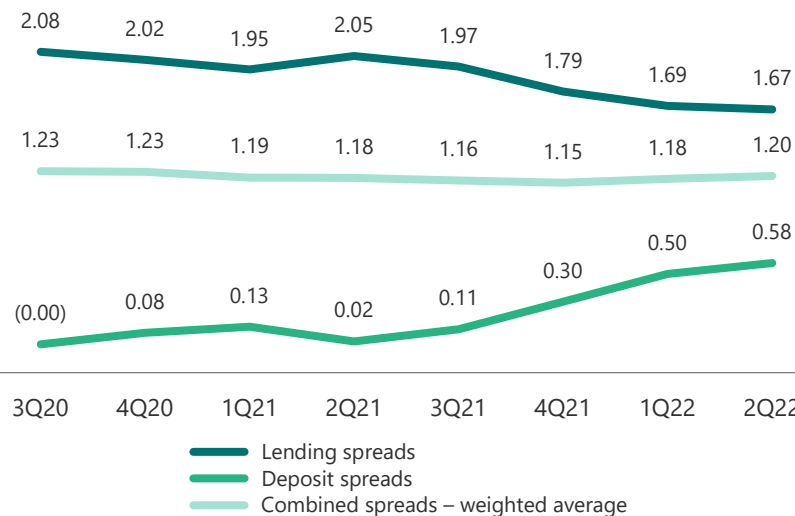
# Continued increase in net interest margin

- Net interest margin and combined spreads increased by 2 basis points from 1Q22
- Lending and deposit spreads affected by increase in average NOK money market rates and repricing

**Net interest margin<sup>1)</sup>**  
Per cent



**Spreads in customer segments**  
Per cent



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

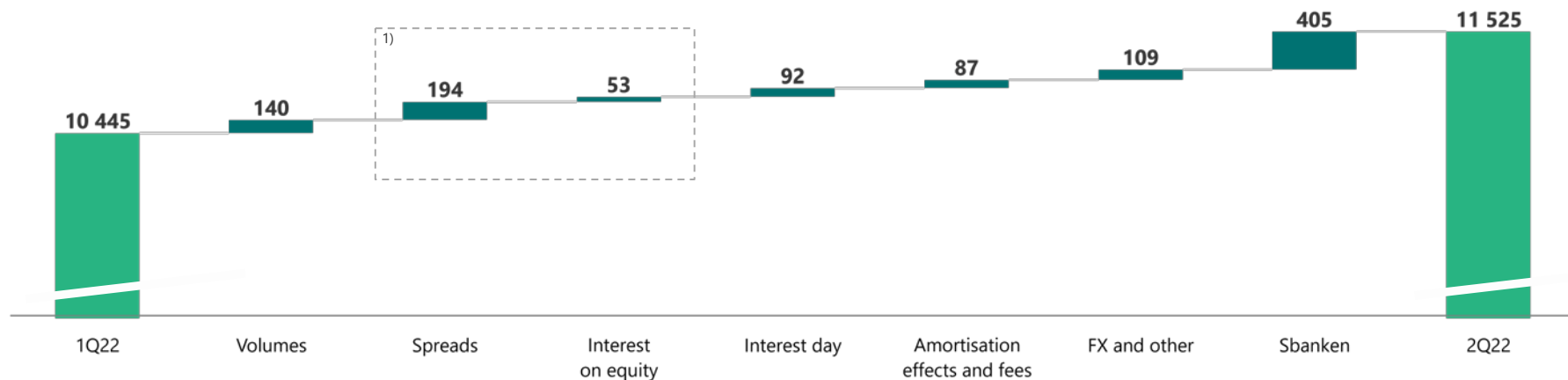


# NII driven by profitable volume growth, increased interest rates and the inclusion of Sbanken

- NII up NOK 1 079 million or 10.3 per cent in the quarter – NOK 674 million or 6.5 per cent excluding Sbanken
- Full effect of the customer repricing implemented end-January 2022 and partial effect of the repricing from mid-May 2022

## Net interest income from 1Q22 to 2Q22

NOK million

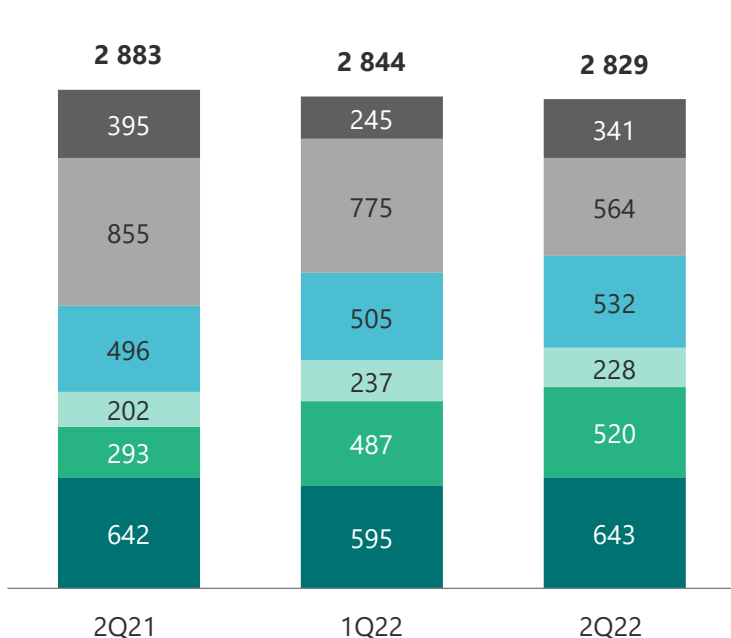


1) Effect of customer repricing and increased NOK money market rates.

# Commissions and fees – strong performance across product areas

## Commissions and fees

NOK million / Change in per cent from 2Q21



-13.7

### Real estate broking

Lower activity in the market – fewer objects for sale in the quarter compared with 2Q21

-34.0

### Investment banking services

Solid performance across product areas despite market turmoil and lower activity in the capital markets

+7.3

### Asset management and custodial services

Stable result from asset management – personal customers continue to be committed to their long-term saving schemes. Increased income from custodial services

+12.9

### Guarantee commissions

Increased income from trade finance products

+77.7

### Money transfer and banking services

Positive effect from increased travel activity and card transactions

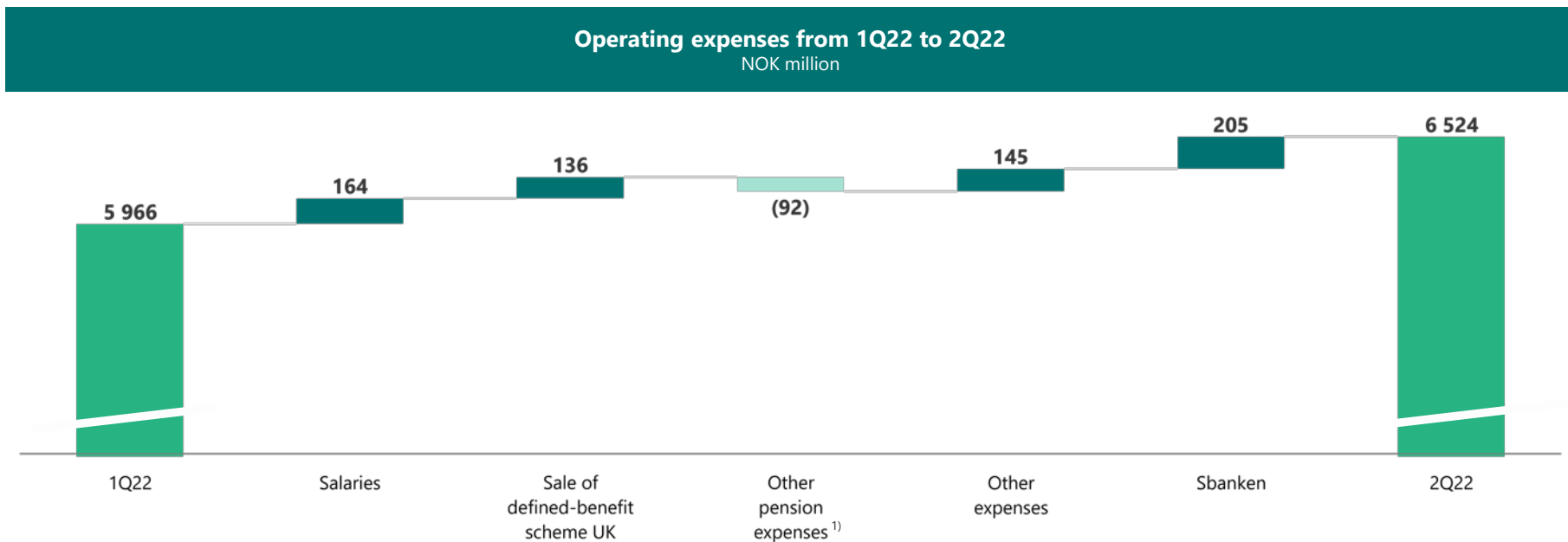
+0.1

### Sale of insurance products

Positive development in non-life insurance, offset by reduced market value within pension products

# Operating expenses driven by more normalised activity level

- Salaries reflected further strengthening of core competence and ongoing projects
- Pension expenses: non-recurring transaction in the UK branch offset by low return on the closed defined-benefit scheme
- Other expenses reflected a return to a more normalised customer-related activity level



1) The scheme is partly hedged and a corresponding loss is recognised in net gains on financial instruments with a reduction from 1Q22 of NOK 114 million.

# Robust and well-diversified credit portfolio

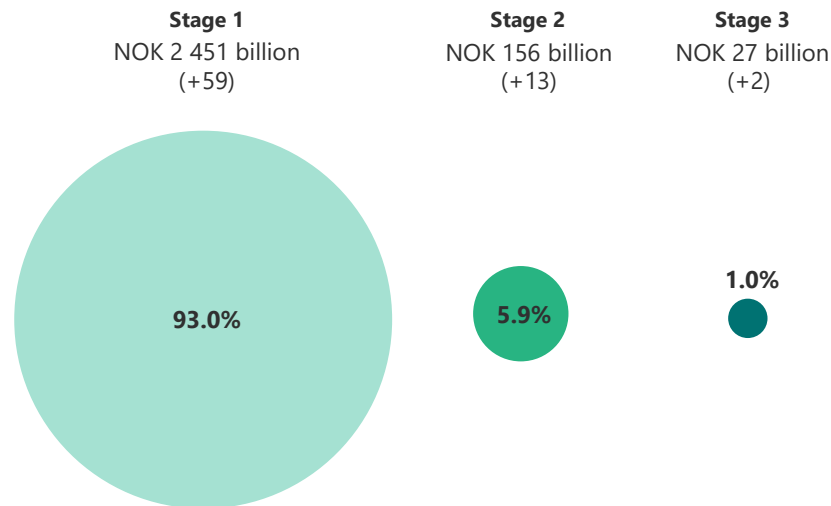
- 98.9 per cent of the portfolio in stages 1 and 2
- Reversals in stages 1 and 2 in Corporate customers driven by macro developments within specific industry segments and low-risk loan growth
- Reversals in stage 3 driven by successful restructurings of customer-specific cases in Corporate customers

## Impairment of financial instruments by industry segment

NOK million

	2Q22	1Q22	2Q21
<b>Personal customers</b>			
- Stages 1 and 2	(49)	3	69
- Stage 3	(45)	(39)	(30)
<b>Corporate customers</b>			
- Stages 1 and 2	149	78	244
- Stage 3	154	547	550
<b>Total</b>	<b>209</b>	<b>589</b>	<b>833</b>

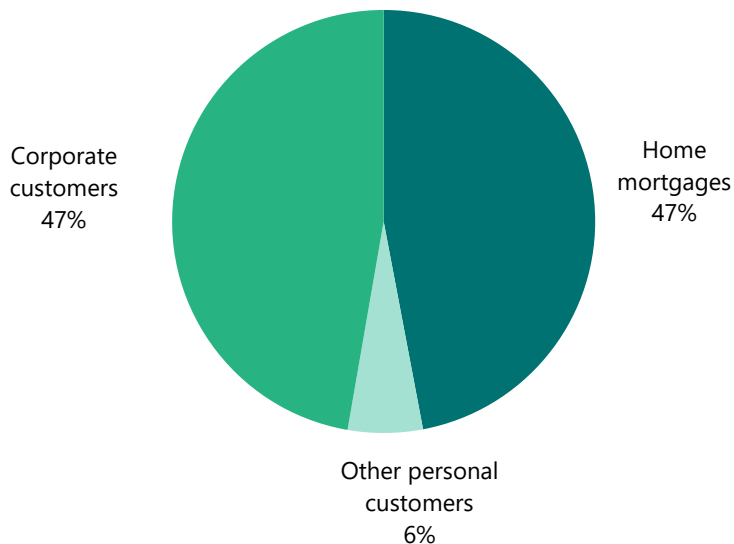
## Maximum exposure (on- and off-balance sheet items), net of accumulated impairment provisions



# High-quality personal customer credit portfolio

## Exposure at default by industry segment

Per cent



## Key points

### Home mortgages – EAD NOK 1 106 billion

- 99 per cent Norwegian exposure
- Average loan-to-value ratio (LTV) currently 54.3 per cent (55.8 in 2Q21) – provides significant buffers
- Lending regulations in Norway:
  - LTV limited to 85 per cent
  - Stress test of debt-servicing ability in the event of an immediate interest rate increase of 5 percentage points
  - Maximum 5 times debt-to-income

### Other personal customers – EAD NOK 135 billion

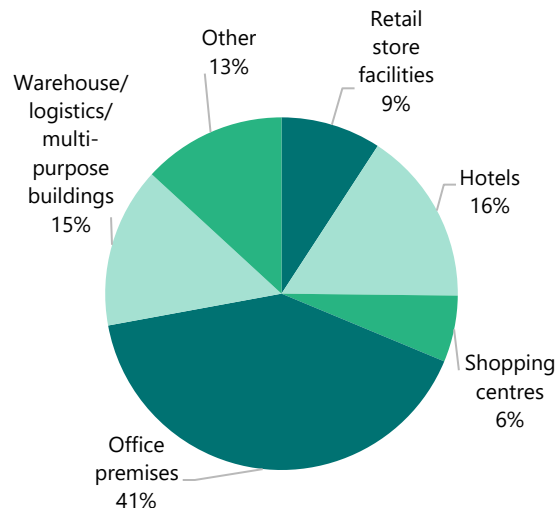
- Consumer finance NOK 45.7 billion EAD, of which NOK 11.6 billion in drawn amounts

# Commercial real estate portfolio robust and diversified

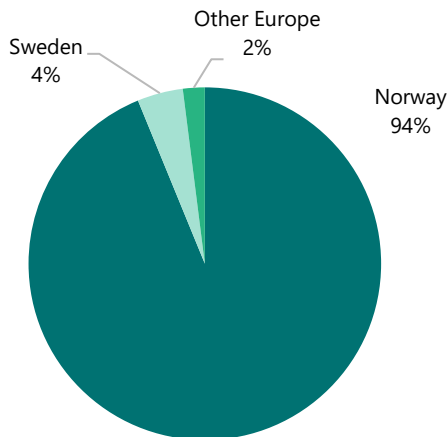
## – 10 per cent of total exposure

- Firm credit strategy over time to focus on corporate lending and to finance cashflow
- 94 per cent of exposure in the Norwegian market
- 75 per cent of exposure towards low-risk customers – diversified sub-segments

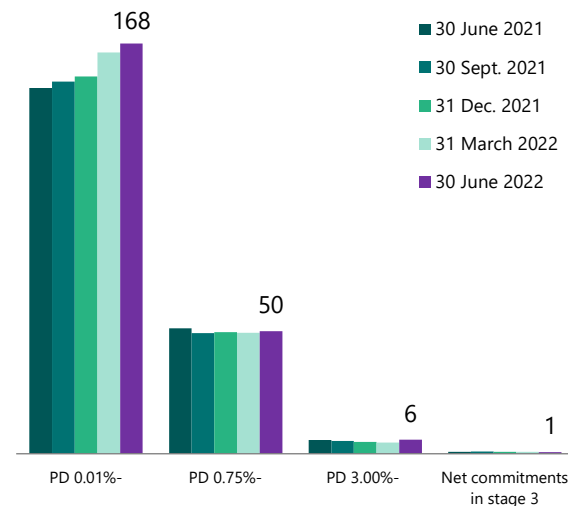
**Exposure at default by sub-segment**  
Per cent



**Exposure at default by geography**  
Per cent



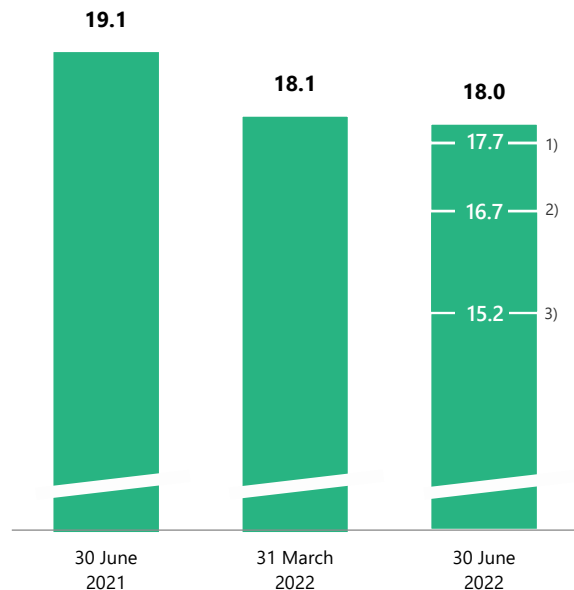
**Risk classification**  
NOK billion



# Continued strong capital position

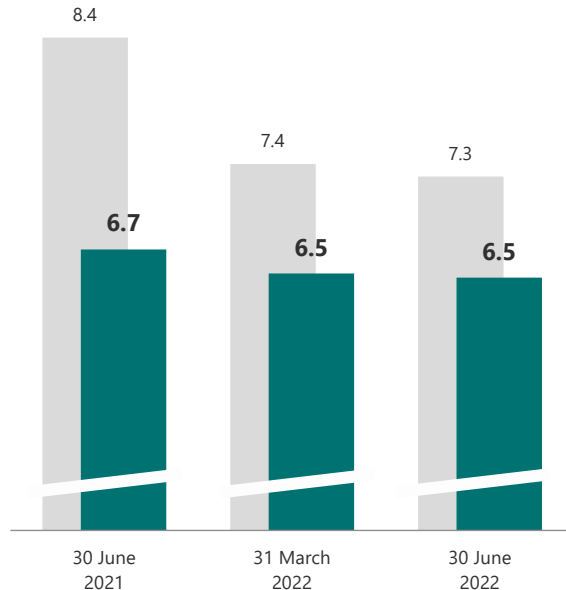
## CET1 capital ratio

Per cent



## Leverage ratio

Per cent



Excluding central bank deposits

## Key points

### CET1 capital ratio

- ~130 basis-point headroom to current Financial Supervisory Authority of Norway (FSA) expectation and comfortable headroom to long-term expectation
- Retained profits contributed to a ~40 basis-point increase in the quarter
- Exchange rate effects and volume growth contributed to a ~50 basis-point reduction
- Limited effects of implementing CRR II/CRD V (the EU banking package)

### Leverage ratio

- Stable development

1) The FSA's expectation including pre-pandemic counter-cyclical buffer requirements (with effect from 1Q23).

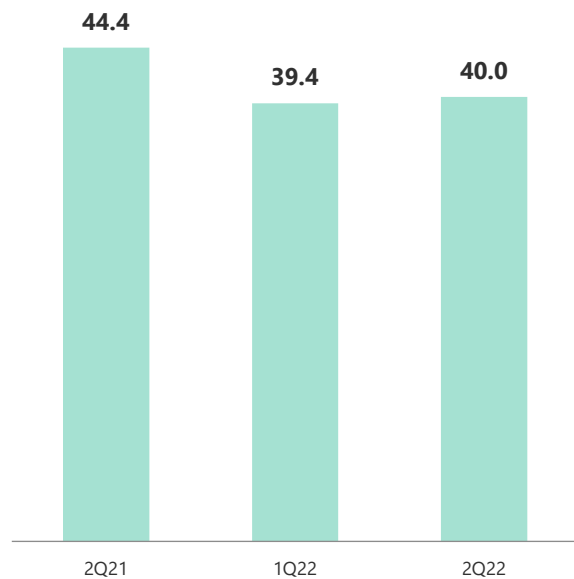
2) The FSA's current expectation.

3) The FSA's current requirement.

## Strong key figures

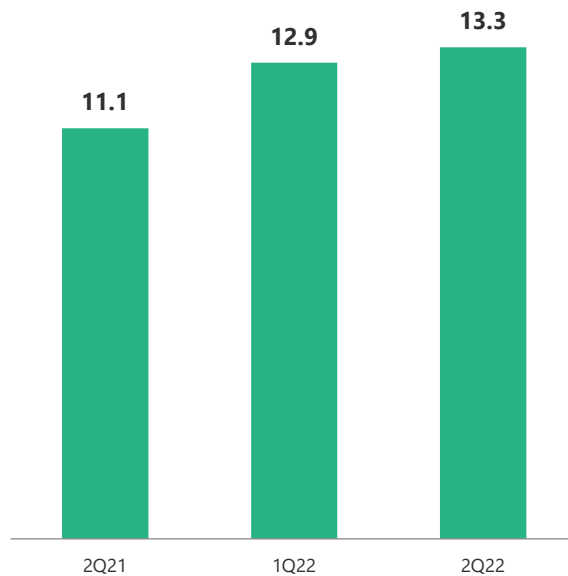
### Cost/income ratio

Per cent



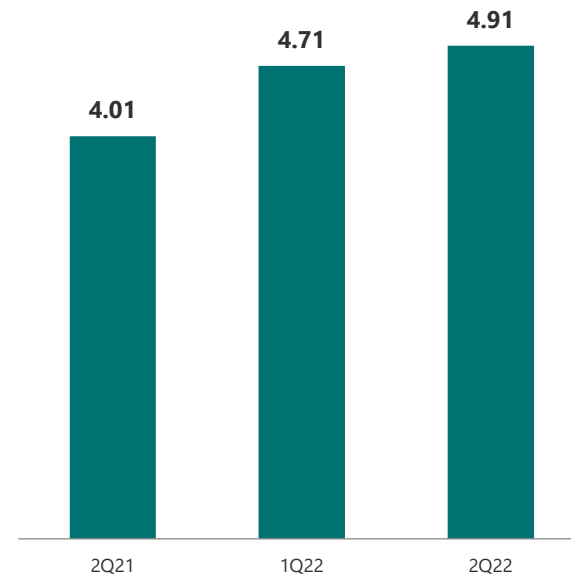
### Return on equity

Per cent



### Earnings per share

NOK





# Appendix

# Income statement

NOK million	2Q22	1Q22	2Q21	Change from 1Q22	Change from 2Q21
Net interest income	11 525	10 445	9 409	1 079	2 116
Other operating income	4 794	4 695	4 184	99	610
<b>Total income</b>	<b>16 319</b>	<b>15 141</b>	<b>13 593</b>	<b>1 178</b>	<b>2 726</b>
<b>Operating expenses</b>	<b>(6 524)</b>	<b>(5 966)</b>	<b>(6 038)</b>	<b>(558)</b>	<b>(485)</b>
<b>Pre-tax operating profit before impairment</b>	<b>9 795</b>	<b>9 175</b>	<b>7 555</b>	<b>620</b>	<b>2 240</b>
Impairment of loans and guarantees and gains on assets	209	590	730	(381)	(521)
<b>Pre-tax operating profit</b>	<b>10 005</b>	<b>9 765</b>	<b>8 285</b>	<b>240</b>	<b>1 720</b>
Tax expense	(2 301)	(2 246)	(1 823)	(55)	(478)
Profit from operations held for sale, after taxes	81	36	(30)	46	111
<b>Profit for the period</b>	<b>7 785</b>	<b>7 555</b>	<b>6 432</b>	<b>230</b>	<b>1 353</b>
<b>Portion attributable to shareholders</b>	<b>7 611</b>	<b>7 299</b>	<b>6 210</b>	<b>312</b>	<b>1 401</b>

# Other operating income

NOK million	2Q22	1Q22	2Q21	Change from 1Q22	Change from 2Q21
<b>Net commissions and fees</b>	<b>2 829</b>	<b>2 844</b>	<b>2 883</b>	<b>(15)</b>	<b>(54)</b>
Customer revenues in DNB Markets	680	626	515	54	165
Trading revenues in DNB Markets	132	386	30	(254)	102
Hedging of defined-benefit pension scheme	(141)	(28)	67	(114)	(209)
Credit spreads on bonds	(78)	(144)	18	66	(96)
Credit spreads on fixed-rate loans	(253)	(285)	14	32	(267)
CVA/DVA/FVA	(19)	48	30	(67)	(49)
Other mark-to-market adjustments	(120)	469	12	(590)	(132)
Basis swaps	428	629	(212)	(201)	640
Exchange rate effects on additional Tier 1 capital	997	(138)	59	1 135	938
<b>Net gains on financial instruments at fair value</b>	<b>1 624</b>	<b>1 562</b>	<b>532</b>	<b>62</b>	<b>1 092</b>
<b>Net financial and risk result, life insurance</b>	<b>(102)</b>	<b>32</b>	<b>228</b>	<b>(134)</b>	<b>(330)</b>
<b>Profit from investments accounted for by the equity method</b>	<b>144</b>	<b>(15)</b>	<b>260</b>	<b>159</b>	<b>(117)</b>
<b>Other</b>	<b>299</b>	<b>272</b>	<b>281</b>	<b>27</b>	<b>19</b>
<b>Net other operating income, total</b>	<b>4 794</b>	<b>4 695</b>	<b>4 184</b>	<b>99</b>	<b>610</b>

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## 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.

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Save the date:

# Capital Markets Day

London, 15 November 2022