

# DnB NOR Group Results 2nd quarter 2006



10 August 2006

**DnB**NOR

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## 1st half 2006 results

- Pre-tax operating profit up 26 per cent to NOK 7.4 billion (5.9)
- Profit for the period up 28 per cent to NOK 5.7 billion (4.4)
- Ordinary expenses cut back to 49.3 per cent of income (52.7)
- Return on equity was 19.2 per cent (16.9)
- Earnings per share were NOK 4.21 (3.32)

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Figures for 1st half 2005 in parentheses.

**DnBNOR**

## 2nd quarter 2006 results



- Pre-tax operating profit up 16 per cent to NOK 3.7 billion (3.2)
- Profit for the period up 19 per cent to NOK 2.9 billion (2.4)
- Ordinary expenses cut back to 50.5 per cent of income (52.9)
- Return on equity was 19.2 per cent (18.0)
- Earnings per share were NOK 2.11 (1.78)

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Figures for 2nd quarter 2005 in parentheses.

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# Important events

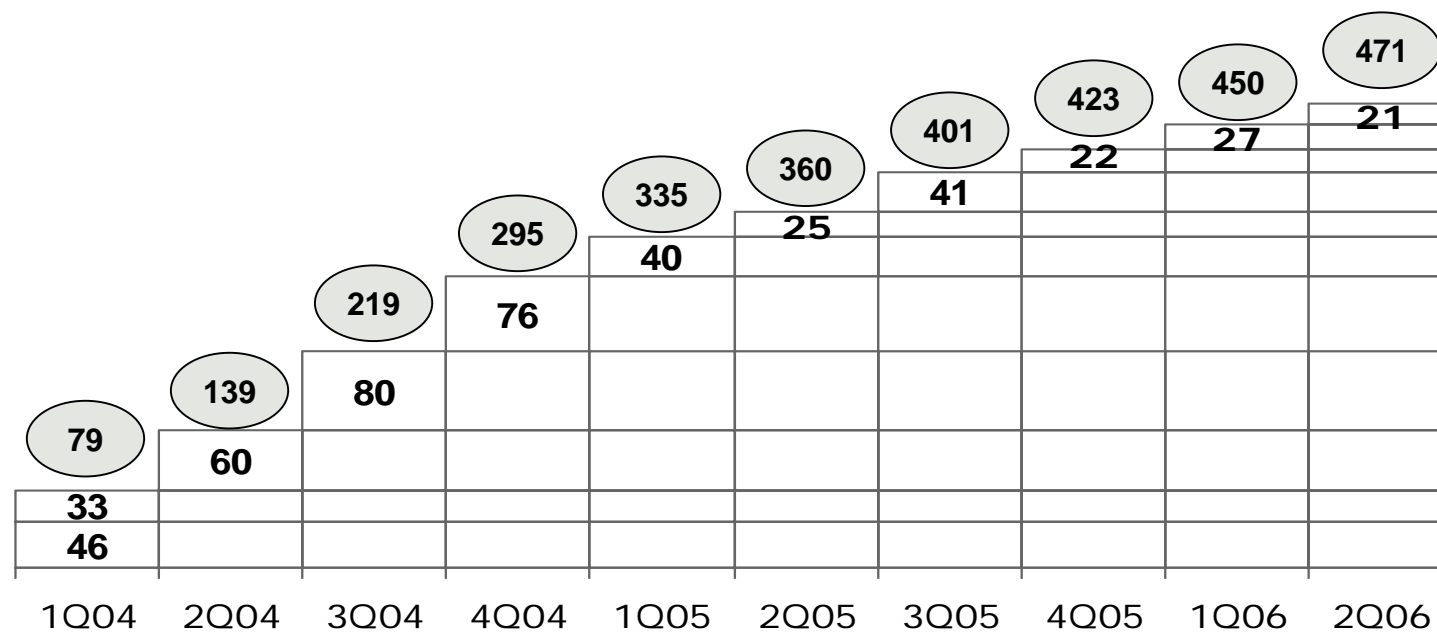


- Merger completed
  - IT integration completed
  - Process of moving branches into common premises completed
- New capitalisation policy approved
  - Share repurchases initiated
- Svein Aaser to retire on 31 December 2006
- Rune Bjerke to take over as group chief executive on 1 January 2007

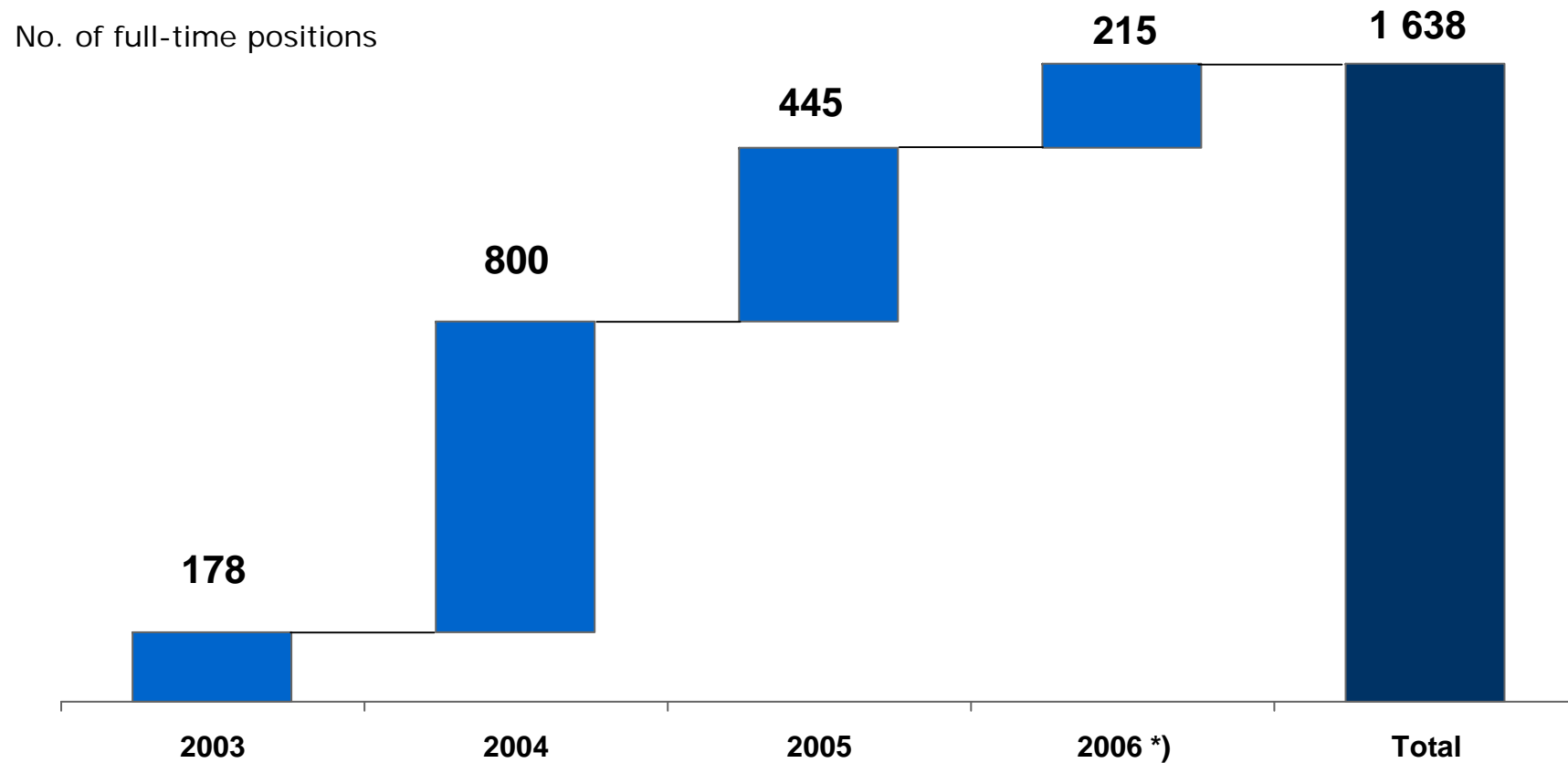
# Merger completed - 100 per cent of cost synergies attained



NOK million



# Merger completed – staff reduction target reached

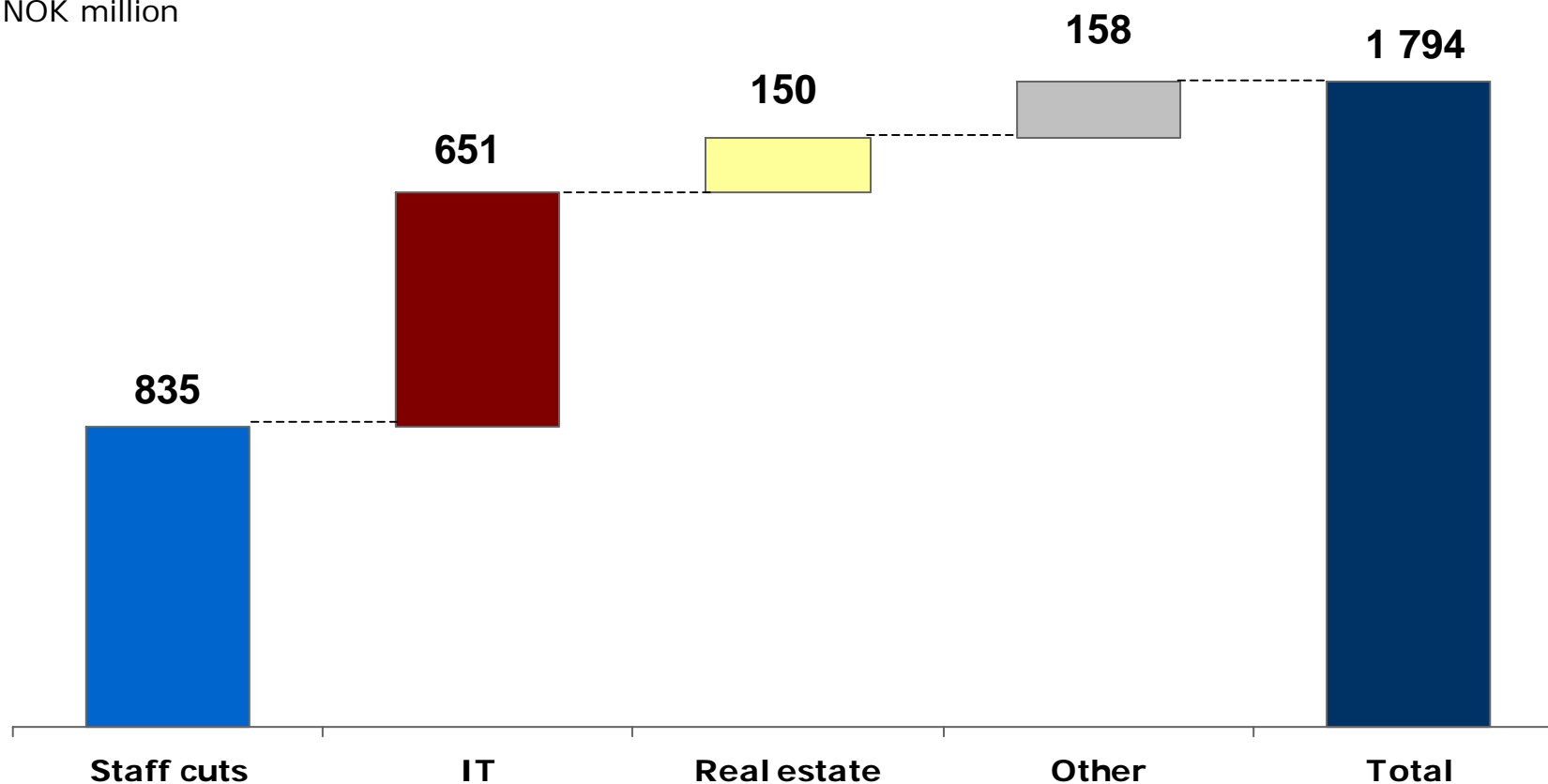


\*) A reduction of 1 549 full-time positions as at 30 June, with an additional 89 full-time positions in the second half of 2006

# Merger completed - 96 per cent of restructuring provisions utilised



NOK million



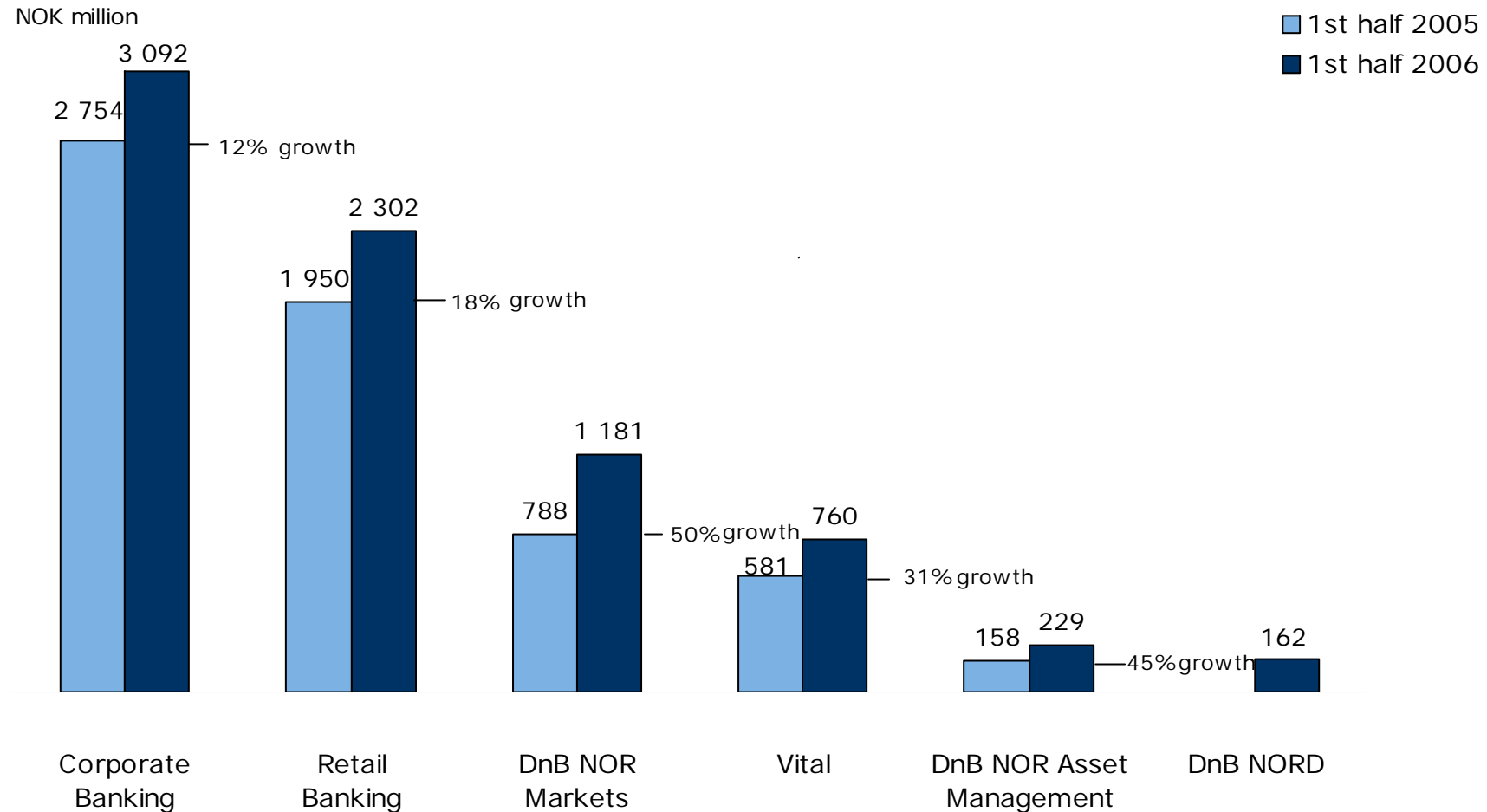


## 2nd quarter 2006



- Strong growth in all business areas
- Strong growth in international operations
  - Monchebank
  - International branches
  - International shipping
  - DnB NORD
  - Sweden

# Strong growth in all business areas - pre-tax operating profit



# DnB NORD



	Assets (EUR 1 000)		No. of branches		No. of employees	
	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005
Lithuania	1 906	1 247	81	85	1 049	996
Latvia	1 496	804	36	28	672	426
Estonia	0	0	1	0	9	0
Finland	291	279	1	1	6	6
Denmark	409	215	1	0	28	1
Poland	501	371	6	6	103	98
<b>Total</b>	<b>4 603</b>	<b>2 916</b>	<b>126</b>	<b>120</b>	<b>1 867</b>	<b>1 527</b>



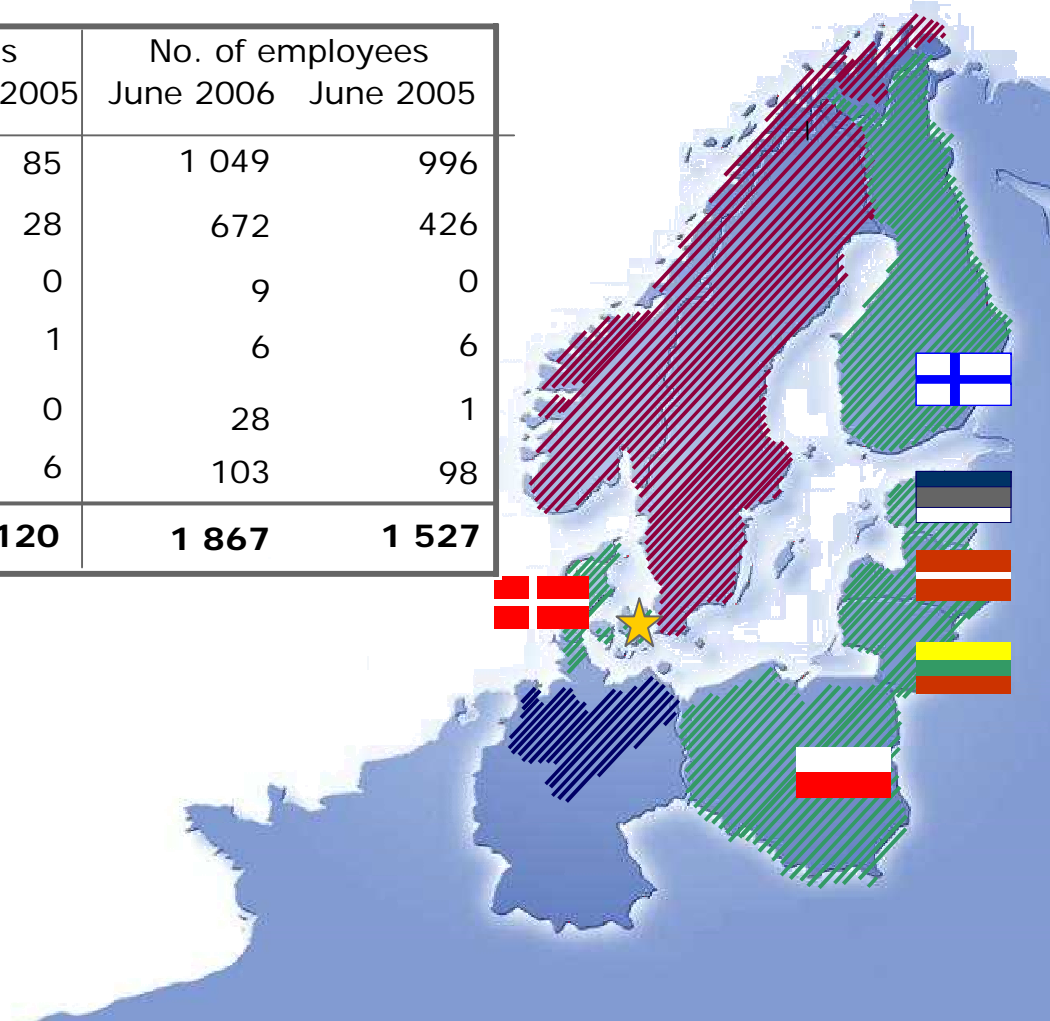
DnB NOR's home market



DnB NORD's market



NORD/LB's home market



**DnB NOR**

Same logo for all DnB NORD offices



**DnB**NOR

## Increased activity in Sweden



<i>NOK million</i>	<i>30 June 2006</i>	<i>30 June 2005</i>
Customer lending (2nd quarter average)	7 430	233
Assets under management	232 000	214 000
First-half premium income in Vital	298	94



Operations in Sweden are expected to generate profits of NOK 300 million in 2006



# Financial highlights



<i>Amounts in NOK million</i>	<i>2Q06</i>	<i>2Q05</i>	<i>1st half 2006</i>	<i>1st half 2005</i>
Ordinary operating profit	<b>3 408</b>	<b>2 857</b>	7 126	5 704
Pre-tax operating profit	<b>3 704</b>	<b>3 190</b>	7 447	5 917
Profit for the period	<b>2 851</b>	<b>2 392</b>	5 700	4 438
Cost/income ratio (per cent)	<b>50.5</b>	<b>52.9</b>	49.3	52.7
Return on equity (per cent)	<b>19.2</b>	<b>18.0</b>	19.2	16.9
Earnings per share (NOK)	<b>2.11</b>	<b>1.78</b>	4.21	3.32
Total combined assets at end of period (NOK billion)	<b>1 573</b>	<b>1 323</b>	1 573	1 323
Core capital ratio at end of period (per cent) <sup>1)</sup>	<b>6.9</b>	<b>7.5</b>	6.9	7.5

1) Including 50 per cent of profit for the period



# Income statements

<i>Amounts in NOK million</i>	<i>2Q06</i>	<i>2Q05</i>	<i>1st half 2006</i>	<i>1st half 2005</i>
Net interest income and credit commissions	<b>3 781</b>	<b>3 412</b>	7 403	6 711
Net other operating income	<b>3 110</b>	<b>2 648</b>	6 664	5 360
Total ordinary operating expenses	<b>3 483</b>	<b>3 203</b>	6 942	6 368
Ordinary operating profit	<b>3 408</b>	<b>2 857</b>	7 126	5 704
Other expenses	<b>0</b>	<b>0</b>	0	0
Pre-tax operating profit before write-downs	<b>3 408</b>	<b>2 857</b>	7 126	5 704
Net gains on fixed and intangible assets	<b>151</b>	<b>455</b>	163	472
Write-downs on loans and guarantees	<b>(145)</b>	<b>123</b>	(158)	259
Pre-tax operating profit	<b>3 704</b>	<b>3 190</b>	7 447	5 917
Taxes	<b>853</b>	<b>797</b>	1 747	1 479
Profit for the period	<b>2 851</b>	<b>2 392</b>	5 700	4 438



# Income statements

<i>Amounts in NOK million</i>	<b>2Q06</b>	1Q06	4Q05	3Q05	<b>2Q05</b>
Net interest income and credit commissions	<b>3 781</b>	3 622	3 473	3 426	<b>3 412</b>
Net other operating income	<b>3 110</b>	3 555	3 222	3 139	<b>2 648</b>
Total ordinary operating expenses	<b>3 483</b>	3 459	3 183	3 160	<b>3 203</b>
Ordinary operating profit	<b>3 408</b>	3 718	3 512	3 404	<b>2 857</b>
Other expenses	<b>0</b>	0	153	0	<b>0</b>
Pre-tax operating profit before write-downs	<b>3 408</b>	3 718	3 359	3 404	<b>2 857</b>
Net gains on fixed and intangible assets	<b>151</b>	12	172	130	<b>455</b>
Write-downs on loans and guarantees	<b>(145)</b>	(12)	(48)	(79)	<b>123</b>
Pre-tax operating profit	<b>3 704</b>	3 743	3 578	3 613	<b>3 190</b>
Taxes	<b>853</b>	894	582	903	<b>797</b>
Profit for the period	<b>2 851</b>	2 849	2 996	2 710	<b>2 392</b>





# Changes in net interest income

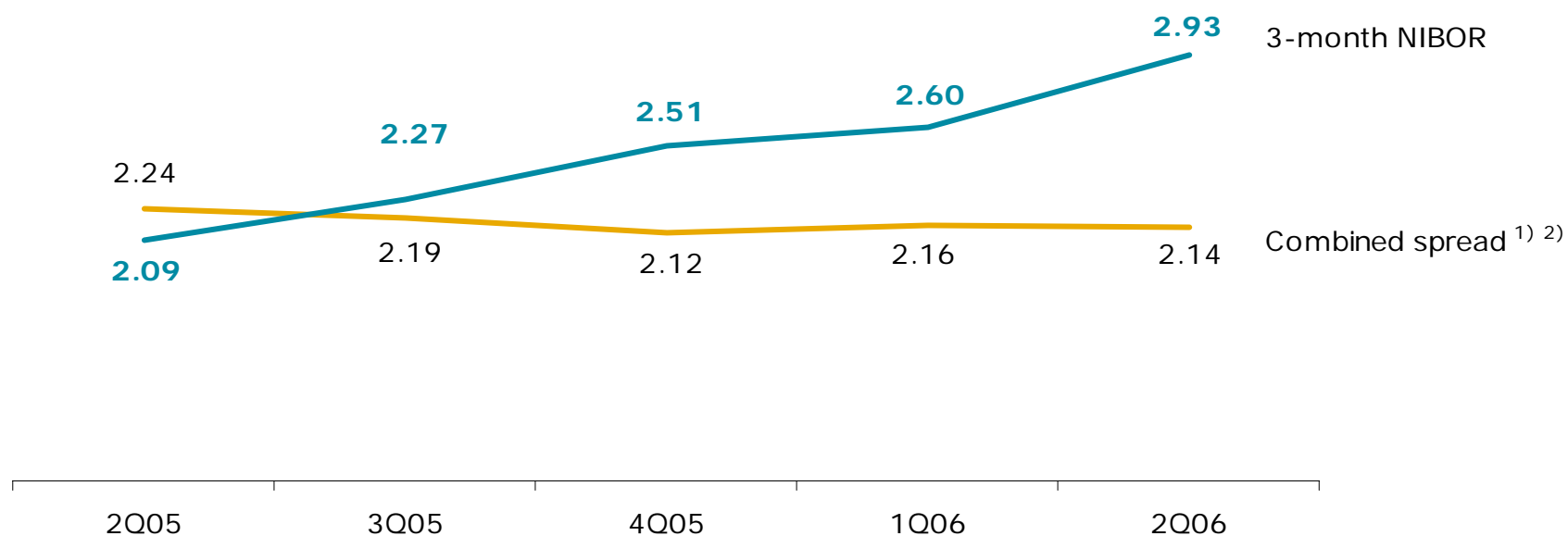
*Amounts in NOK million*

	2Q06	Change	2Q05
<b>Net interest income</b>	<b>3 781</b>	<b>369</b>	<b>3 412</b>
DnB NORD	156	156	-
Monchebank	5	5	-
Lending and deposit volumes		425	
Lending and deposit spreads		(201)	
Other		(16)	

# Developments in average interest rate spreads



Per cent

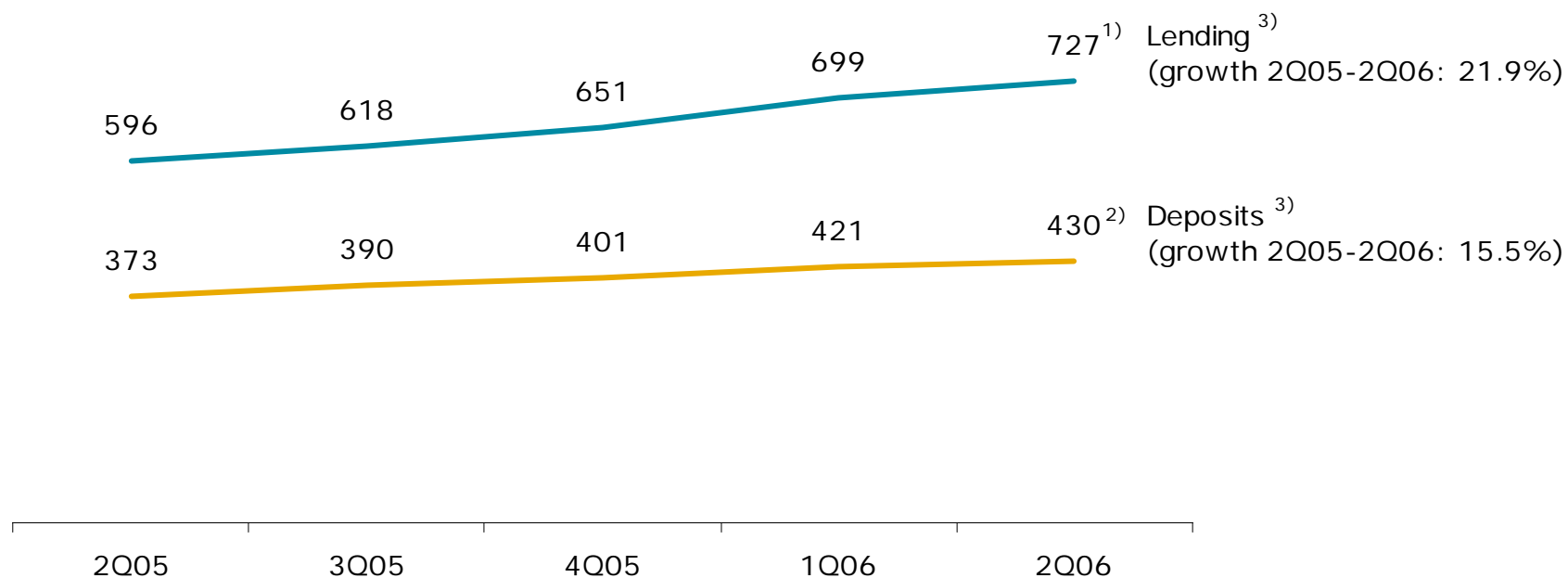


1) Combined spread for lending and deposits

2) Based on nominal values, excluding credit institutions and non-performing loans

# Developments in average volumes

NOK billion



1) Excluding DnB NORD and Monchebank: 699

2) Excluding DnB NORD and Monchebank: 420

3) Based on nominal values, excluding credit institutions and non-performing loans

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# Average volumes <sup>1)</sup>



<i>Amounts in NOK billion</i>	<i>Growth 2Q05-2Q06</i>	<i>Growth 2Q05-2Q06</i>	<i>2Q06</i>	<i>2Q05</i>
Mortgage loans within 60 per cent of collateral value	11%	31	306	275
Mortgage loans above 60 per cent of collateral value	9%	3	40	37
DnB NOR Kort	6%	1	11	10
Other Retail Banking	21%	4	25	21
<b>Total Retail Banking</b>	<b>12%</b>	<b>39</b>	<b>382</b>	<b>342</b>
Nordic Corporate Division and International				
Corporate and Institutions Division	34%	29	113	85
Shipping, Offshore and Logistics Division	31%	16	67	51
Regional Division East and Regional Division Coast	19%	20	126	106
Nordlandsbanken	2%	0	10	10
DnB NOR Finans	18%	4	23	20
<b>Total Corporate Banking</b>	<b>25%</b>	<b>69</b>	<b>340</b>	<b>271</b>
DnB NORD		28	28	-
Other		5	4	(2)
<b>Total average lending</b>	<b>23%</b>	<b>142</b>	<b>754</b>	<b>612</b>

1) Based on IFRS, including credit institutions and non-performing loans

# Changes in net other operating income



<i>Amounts in NOK million</i>	<i>2Q06</i>	<i>Change</i>	<i>2Q05</i>
<b>Net other operating income</b>	<b>3 110</b>	<b>462</b>	<b>2 648</b>
DnB NORD	80	80	-
Monchebank	5	5	-
Net commissions and fees		203	
Net gains on equity investments <sup>1)</sup>		(117)	
Net gains on other financial instruments		246	
Net financial and risk result from Vital <sup>2)</sup>		74	
Other income		(29)	

1) Including gains on the sale of Storebrand shares in 2005

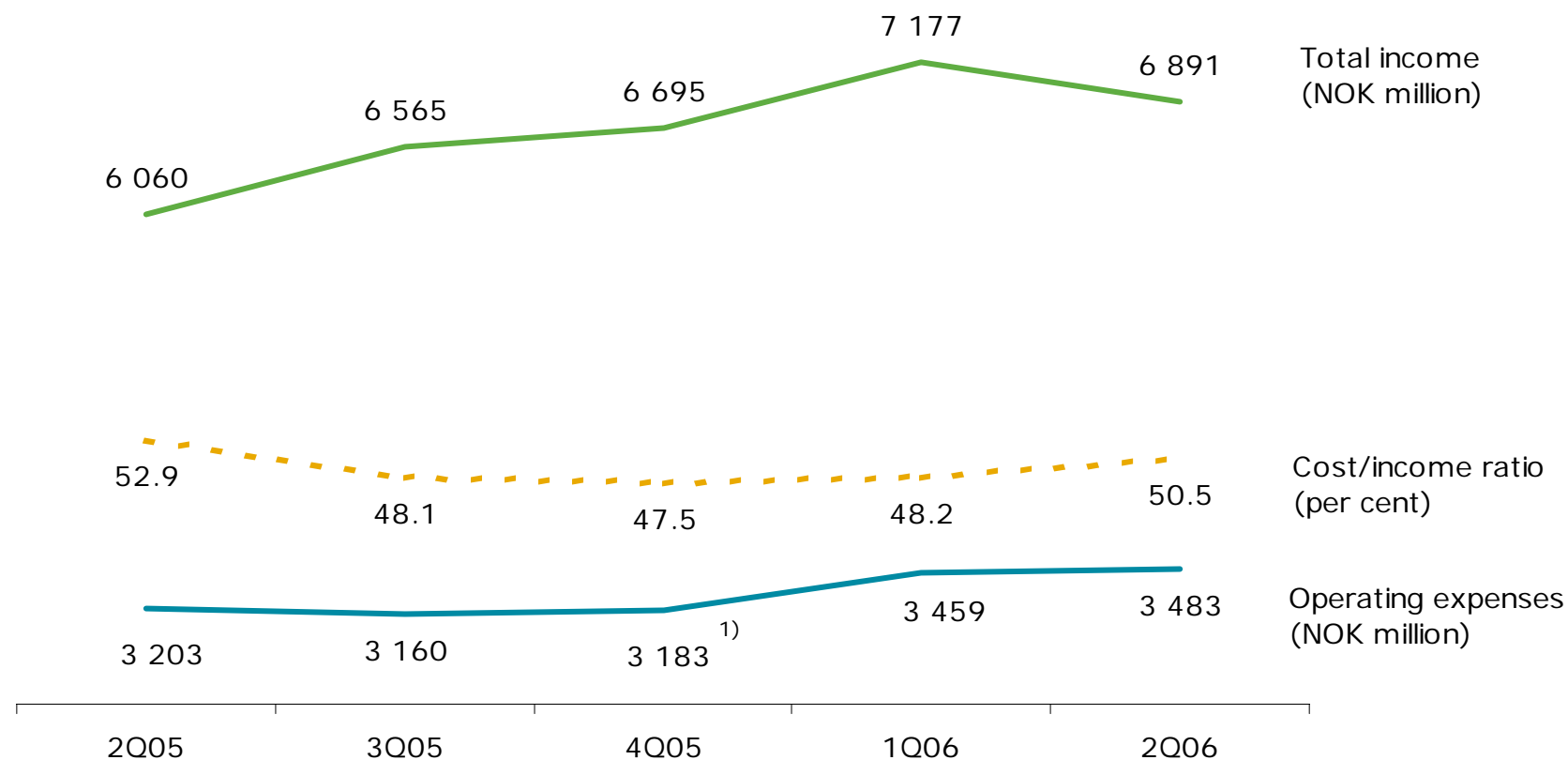
2) Excluding guaranteed returns and allocations to policyholders, after eliminations



# Changes in total operating expenses

<i>Amounts in NOK million</i>	<i>2Q06</i>	<i>Change</i>	<i>2Q05</i>
<b>Total operating expenses</b>	<b>3 483</b>	<b>280</b>	<b>3 203</b>
DnB NORD	173	173	-
Monchebank	9	9	-
Performance-based pay		68	
Pension expenses		81	
IT investments		23	
Wage settlements		19	
Merger synergies		(111)	
Other		19	

# Cost/income ratio



1) Excluding allocations to employee fund



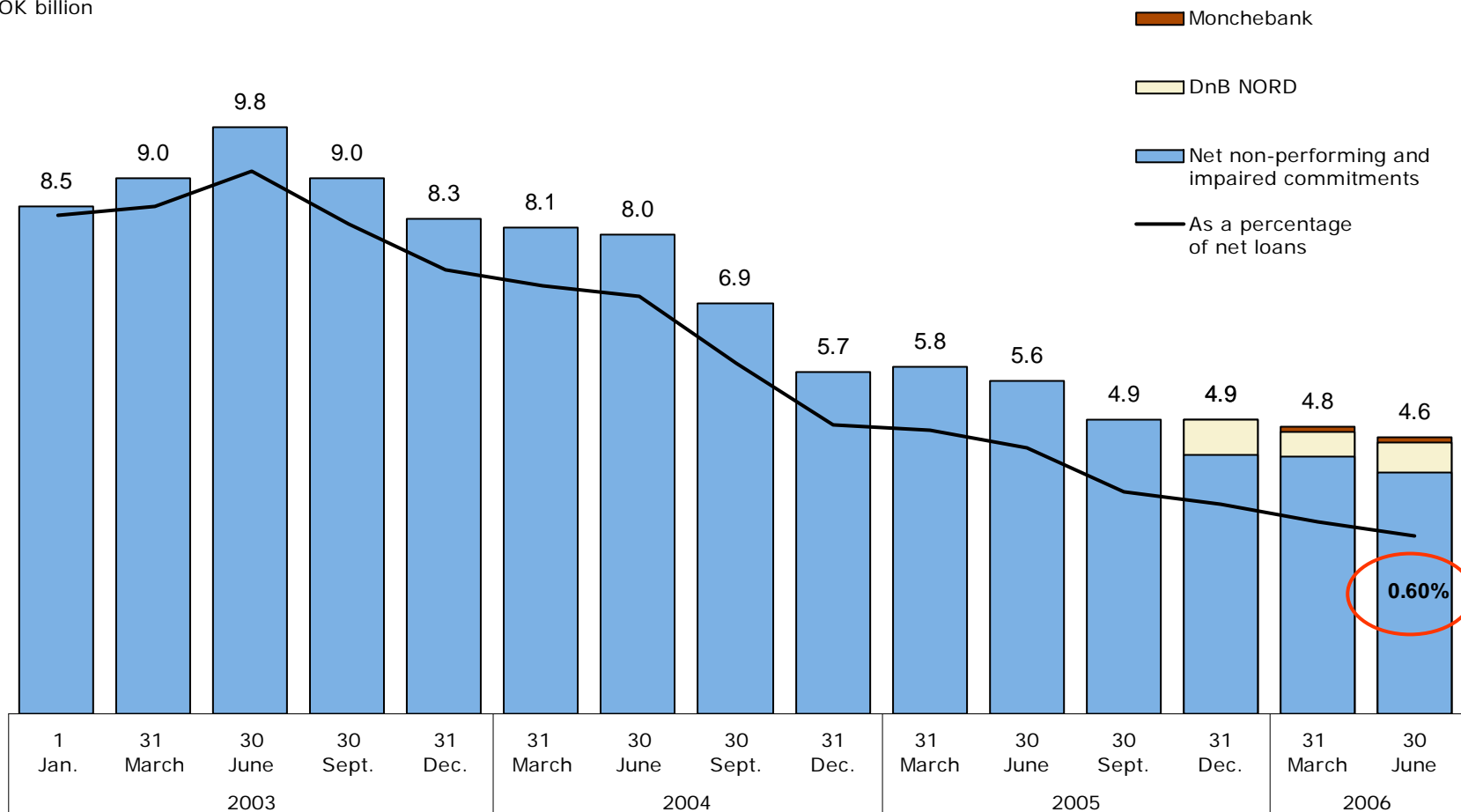
## Write-downs on loans and guarantees

<i>Income statement</i>						<i>1st half</i>	<i>1st half</i>
<i>Amounts in NOK million</i>	<i>2Q06</i>	<i>1Q06</i>	<i>4Q05</i>	<i>3Q05</i>	<i>2Q05</i>	<i>2006</i>	<i>2005</i>
New individual write-downs	<b>251</b>	257	43	173	<b>275</b>	508	588
Reassessments and recoveries	<b>193</b>	186	122	230	<b>92</b>	379	219
Individual write-downs	<b>58</b>	71	(79)	(57)	<b>183</b>	129	369
Group write-downs	<b>(204)</b>	(83)	31	(22)	<b>(60)</b>	(287)	(110)
Total write-downs	<b>(145)</b>	(12)	(48)	(79)	<b>123</b>	(158)	259



# Net non-performing and impaired commitments

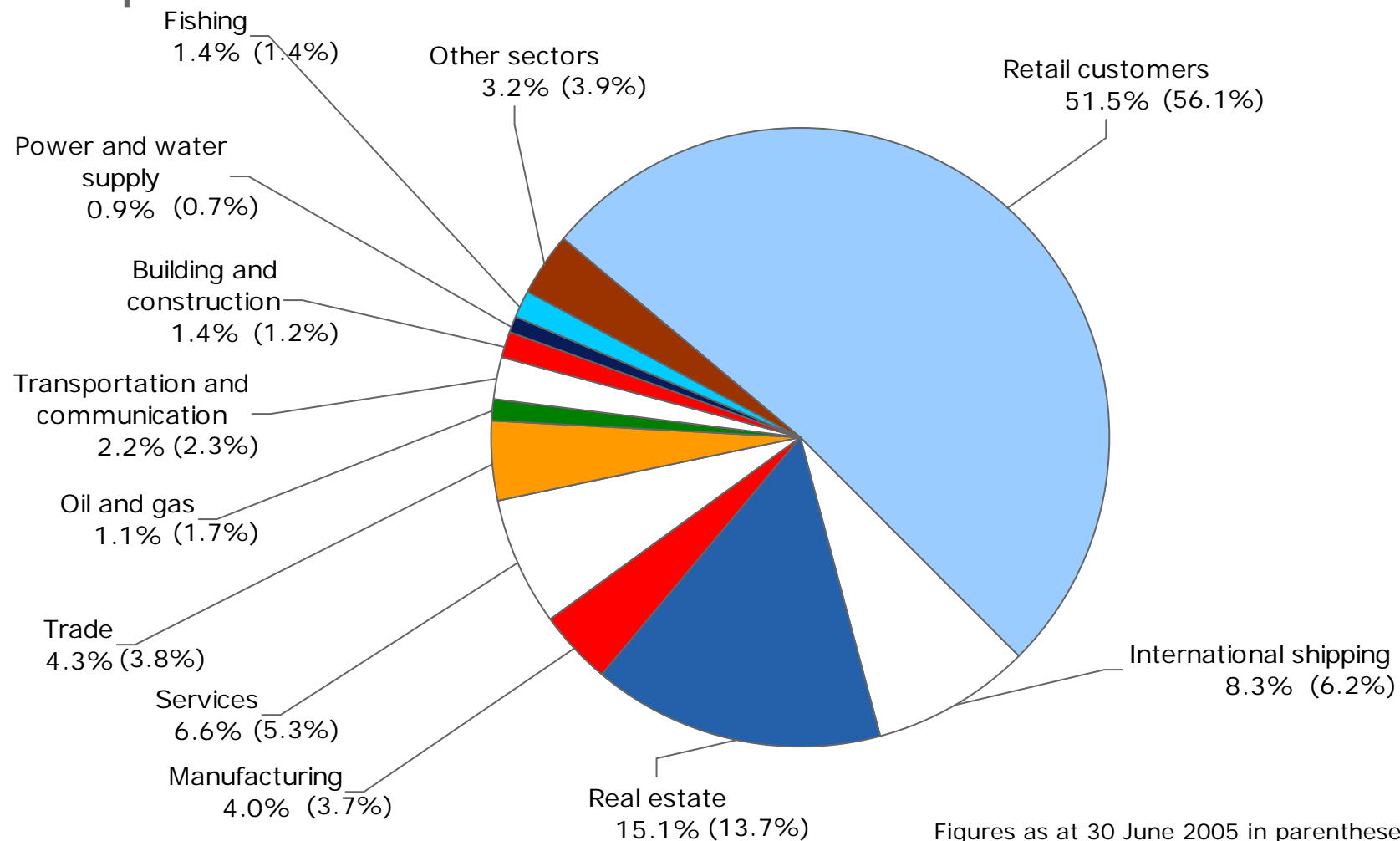
NOK billion



Pro forma accounting figures prior to 2005.

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# Loan-portfolio as at 30 June 2006





# Balance sheets

<i>Amounts in NOK billion</i>	<i>30 June 2006</i>	<i>31 March 2006</i>	<i>31 December 2005</i>	<i>30 June 2005</i>
Cash and lending to/deposits with credit institutions	<b>104</b>	71	62	<b>66</b>
Net lending to customers	<b>765</b>	727	698	<b>622</b>
Commercial paper, bonds etc.	<b>216</b>	208	198	<b>184</b>
Shareholdings, etc.	<b>44</b>	45	37	<b>32</b>
Fixed and intangible assets	<b>35</b>	35	34	<b>30</b>
Financial assets - customers bearing the risk	<b>15</b>	15	13	<b>11</b>
Other assets	<b>43</b>	37	39	<b>47</b>
<b>Total assets</b>	<b>1 223</b>	1 139	1 081	<b>992</b>
Loans and deposits from credit institutions	<b>133</b>	111	108	<b>94</b>
Deposits from customers	<b>460</b>	421	411	<b>383</b>
Borrowings through the issue of securities	<b>282</b>	262	237	<b>207</b>
Insurance liabilities - customers bearing the risk	<b>15</b>	15	13	<b>11</b>
Liabilities to life insurance policyholders	<b>182</b>	183	175	<b>162</b>
Other liabilities and provisions	<b>60</b>	57	53	<b>58</b>
Primary capital	<b>91</b>	90	84	<b>76</b>
<b>Total liabilities and equity</b>	<b>1 223</b>	1 139	1 081	<b>992</b>
Ratio of deposits to net lending (per cent)	<b>60.1</b>	57.8	58.9	<b>61.6</b>

# Corporate Banking



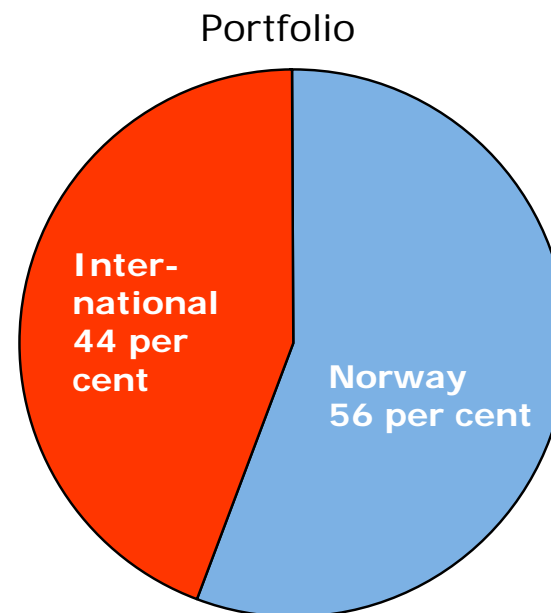
<i>Amounts in NOK million</i>	<i>1st half 2006</i>	<i>1st half 2005</i>
Net interest income - ordinary operations	3 126	2 729
Interest on allocated capital	364	230
Net interest income	3 490	2 959
Net other operating income	1 306	1 207
Total income	4 796	4 166
Operating expenses	1 748	1 607
Pre-tax operating profit before write-downs	3 049	2 559
Net gains on fixed and intangible assets	43	389
Net write-downs on loans	(1)	194
Pre-tax operating profit	3 092	2 754
Net lending to customers (NOK billion)	330	267
Deposits from customers (NOK billion)	235	192
Cost/income ratio (per cent)	36.4	38.6
Ratio of deposits to lending (per cent)	71.3	71.9
Return on capital BIS (per cent)	17.0	17.9

- Ranked as best Norwegian bank for large corporates by Greenwich Associates (November 2005)
- Increased market shares
- Strong increase in syndicated loan volume
  - Loans totalling NOK 47 billion underwritten in first half, with NOK 26 billion syndicated

# Strong performance in an active shipping market



- Profits of NOK 627 million in first half of 2006
  - More than 50 per cent increase from the year-earlier period
- 110 new transactions and credit commitments of NOK 55 billion in the first half of 2006
- Syndication of 29 loans totalling NOK 23 billion in the first half of 2006
- Competes for top position as the arranger of syndicated loans to the shipping market (Dealogic)



# Retail Banking



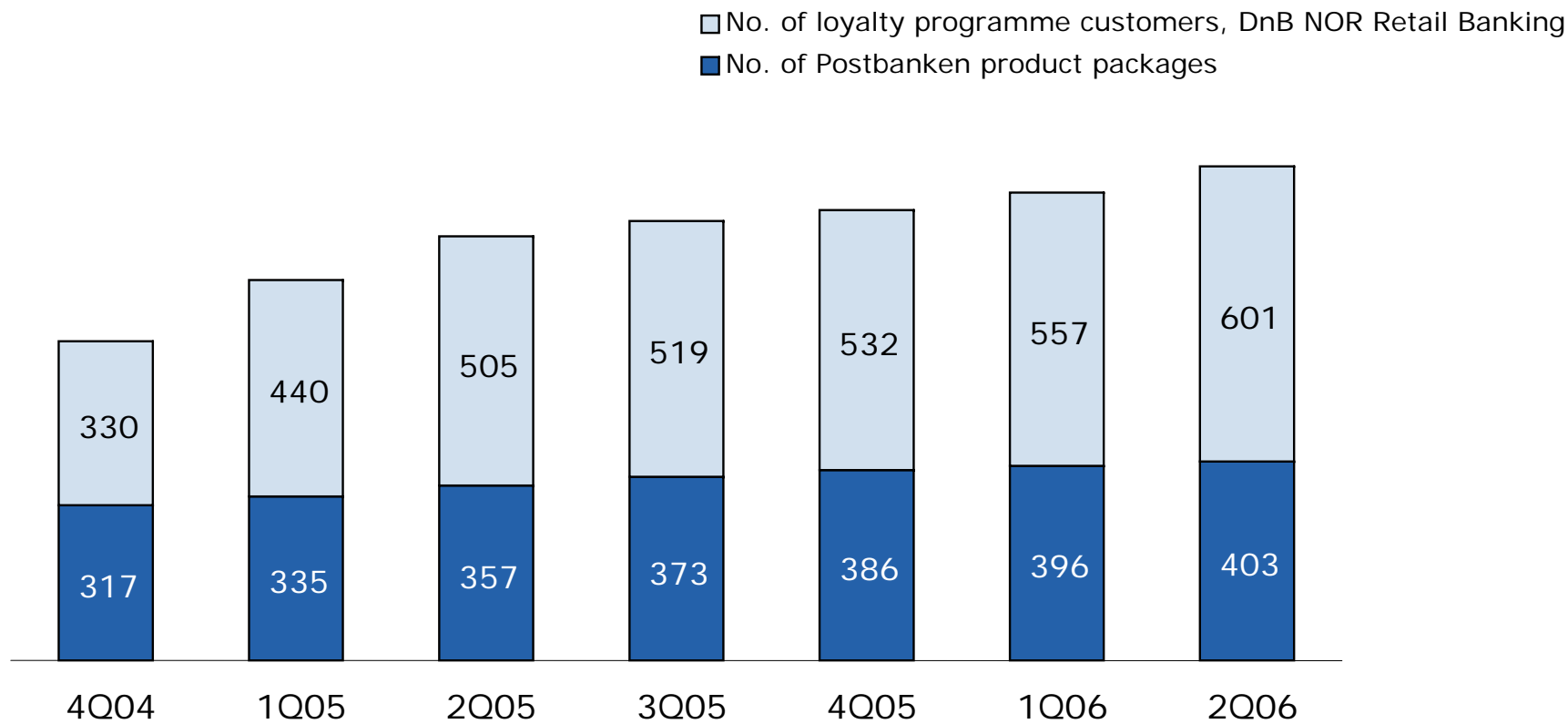
<i>Amounts in NOK million</i>	<i>1st half 2006</i>	<i>1st half 2005</i>
Net interest income - ordinary operations	3 647	3 641
Interest on allocated capital	207	133
Net interest income	3 854	3 774
Net other operating income	1 560	1 405
Total income	5 414	5 179
Operating expenses	2 992	3 054
Pre-tax operating profit before write-downs	2 421	2 125
Net gains on fixed and intangible assets	0	(1)
Write-downs on loans	119	175
Pre-tax operating profit	2 302	1 950
Net lending to customers (NOK billion)	376	338
Deposits from customers (NOK billion)	197	193
Cost/income ratio (per cent)	55.3	59.0
Ratio of deposits to lending (per cent)	52.4	57.0
Return on capital BIS (per cent)	22.3	21.9

- More than 1 million customers subscribe to DnB NOR loyalty programmes and Postbanken product packages
- Four-year extension of the agreement with the Federation of Norwegian Professional Associations (around 130 000 members)
- New products introduced
  - Credit, savings and insurance
- Mobile bank launched

# Retail Banking - increase in number of loyalty programme customers



Numbers in 1000



# DnB NOR Markets



<i>Amounts in NOK million</i>	<i>1st half 2006</i>	<i>1st half 2005</i>
Net interest income - ordinary operations	124	111
Interest on allocated capital	41	23
Net interest income	166	134
Net other operating income	1 783	1 245
Total income	1 948	1 379
Operating expenses	768	591
Pre-tax operating profit before write-downs	1 181	788
Net gains on fixed and intangible assets	0	0
Write-downs on loans	0	0
Pre-tax operating profit	1 181	788
Cost/income ratio (per cent)	39.4	42.8
Return on capital BIS (per cent)	57.4	52.2

- Rise in income in all areas, especially within equities trading, share issues and securities services
- "DnB NOR Eiendomsfond" launched (property investments)
- Increase in performance-based expenses and investments in information technology

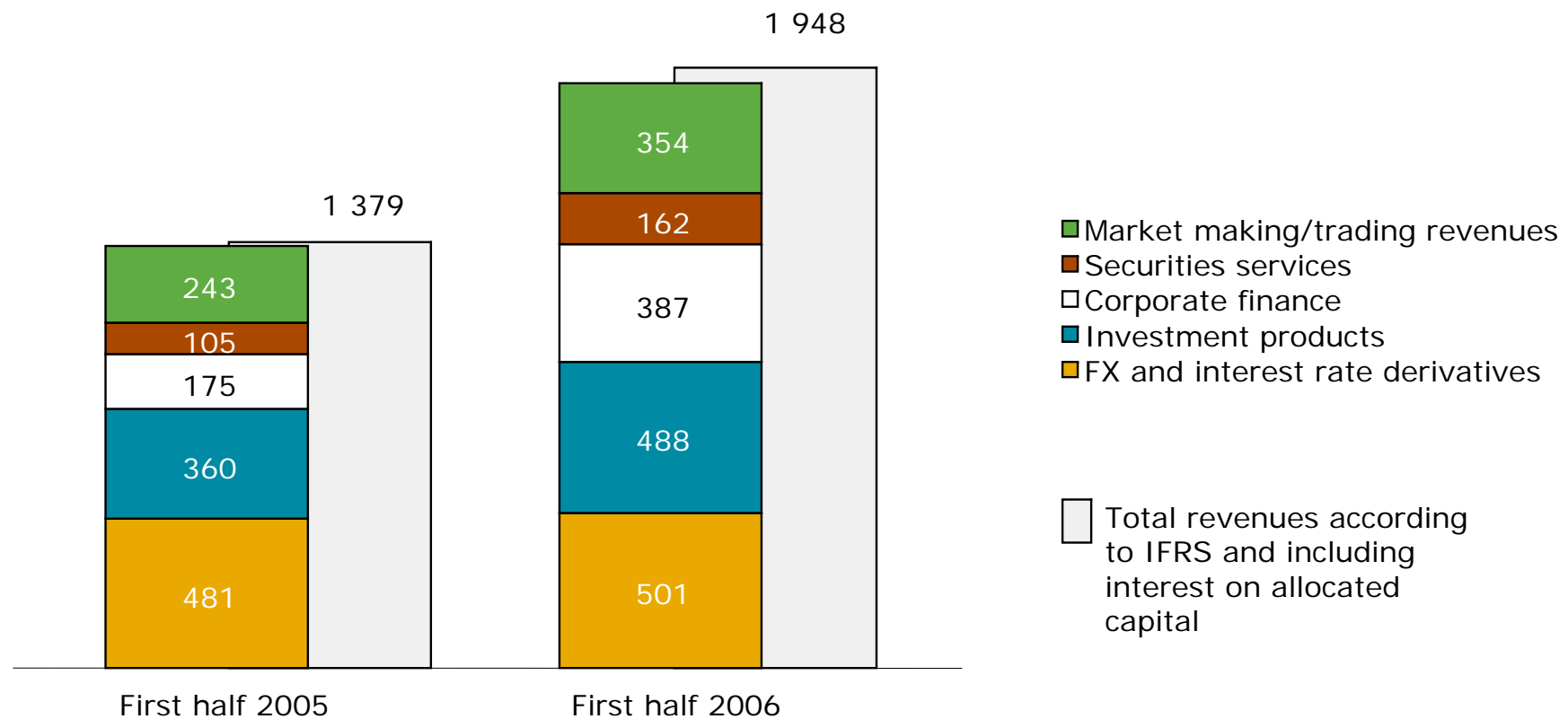


# DnB NOR Markets

## - a broad income base



NOK million



# Vital



<i>Amounts in NOK million</i>	<i>1st half 2006</i>	<i>1st half 2005</i>
Interest result	3 765	2 178
Risk result	(96)	7
Administration result	(44)	(67)
Transferred to security reserve	0	(1)
Profit for distribution in life insurance	3 625	2 119
Funds transferred to policyholders	2 862	1 536
Tax charge	0	(17)
Profit in life insurance	763	601
+ Profit in unit linked	(10)	(1)
+ Reversal of goodwill amortisation	11	0
= Profit for the period	764	600
Total assets (NOK billion) <sup>1)</sup>	214	186
Return on capital (per cent) <sup>2)</sup>	17.2	15.4

1) Assets at end of period

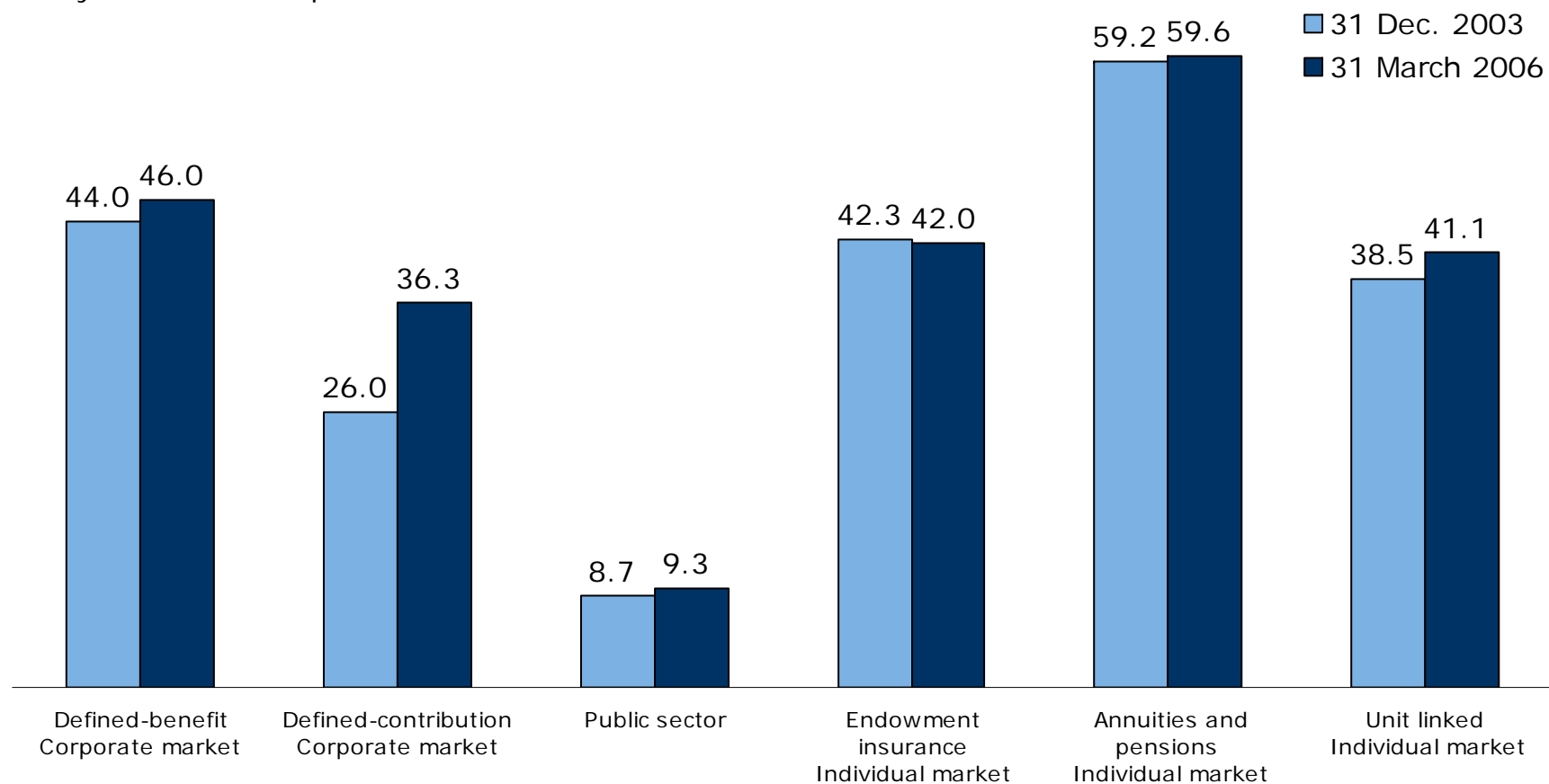
2) Calculated on the basis of recorded equity

- Leading position in mandatory occupational pension market
- High level of premium income; 42 per cent growth in individual market
- Strengthened market position

# Vital: Healthy trend in market shares in all segments



Policyholders funds in per cent



# DnB NOR Asset Management



<i>Amounts in NOK million</i>	<i>1st half 2006</i>	<i>1st half 2005</i>
Commission income	553	474
Other income	32	17
Total income	585	491
Operating expenses	355	333
Pre-tax operating profit before write-downs	229	158
Net gains on fixed and intangible assets	0	0
Pre-tax operating profit	229	158
Assets under management (NOK billion) <sup>1)</sup>	534	488
Assets under management (NOK billion) <sup>2)</sup>	522	491
Cost/income ratio (per cent)	60.8	67.9
Return on capital (per cent) <sup>3)</sup>	22.2	18.5

1) Average assets for the period

2) Assets at end of period

3) Calculated on the basis of recorded equity

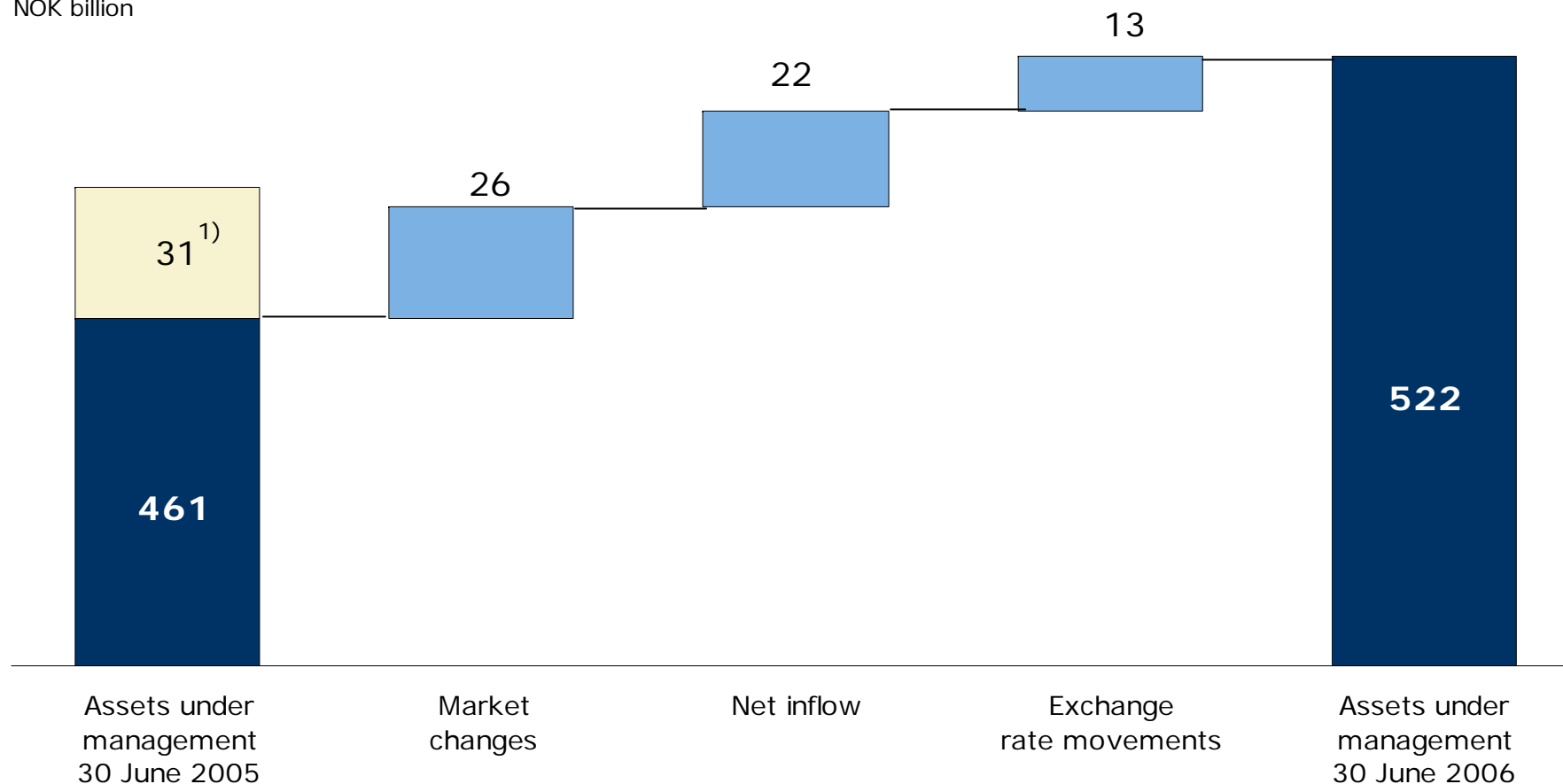
- Strong asset management performance
- Higher market share in the Norwegian retail market in second quarter, up from 40.5 to 41.1 per cent
- 7.8 per cent increase in annual subscriptions under savings agreements
- Share of equity and balanced funds up from 31 to 36 per cent

# DnB NOR Asset Management

## – changes in assets under management



NOK billion



1) NOK 30.5 billion represented termination of one investment mandate

**DnB NOR**

# DnB NORD

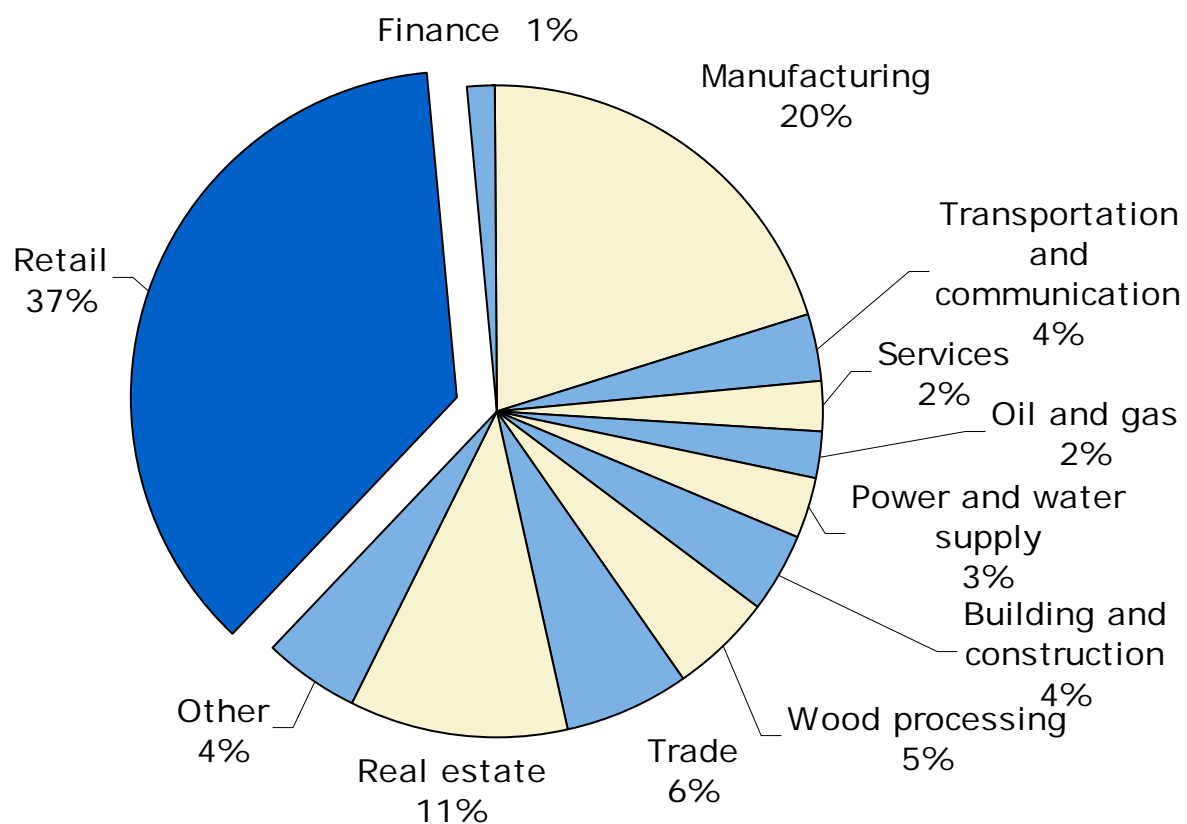


<i>Amounts in NOK million</i>	<i>1st half 2006</i>	<i>Pro forma 1st half 2005</i>
Net interest income	349	237
Net other operating income	151	122
Total income	500	359
Operating expenses	324	244
Pre-tax operating profit before write-downs	176	114
Net gains on fixed and intangible assets	5	0
Write-downs on loans	19	2
Pre-tax operating profit	162	112
Net lending to customers (NOK billion) <sup>1)</sup>	30	19
Deposits from customers (NOK billion) <sup>1)</sup>	11	8
Cost/income ratio (per cent)	64.8	68.1
Ratio of deposits to lending (per cent)	37.0	44.5
Return on capital BIS (per cent)	12.0	-

1) Balances at end-period

- All branches rebranded to **DnB NORD**
- Branch opened in Estonia
- DnB NOR's cash management system implemented in Denmark and Finland

# DnB NORD - well diversified, high-quality loan portfolio





## Good times

- The cyclical expansion in the Norwegian economy is continuing
- Profitability in the business sector is solid. Enterprises are borrowing and investing
- High oil prices are supporting strong growth in activity in Norway's coastal regions and among suppliers to the petroleum sector
- Export companies are benefiting from buoyant foreign markets
- Household demand is still on the rise and house prices are moving up
- Underlying inflation remains low

Svein Gjedrem, Governor of Norges Bank, Inflation Report 2/2006



# Good times for Norwegian manufacturing

Norway: Manufacturing Tendency Survey, next quarter



	2004Q4	2005Q1	2005Q2	2005Q4	2006Q1	2006Q2
Food, beverages, tobacco	<b>+ (-)</b>	<b>+/-</b>	<b>+</b>	<b>+</b>	<b>+</b>	<b>+</b>
Wood & products of wood	<b>++</b>	<b>++</b>	<b>++</b>	<b>++</b>	<b>++</b>	<b>++</b>
Pulp & paper	<b>++</b>	<b>-(+)</b>	<b>-</b>	<b>+/-</b>	<b>+</b>	<b>+</b>
Basic chemicals	<b>+</b>	<b>-(+)</b>	<b>+</b>	<b>+</b>	<b>+</b>	<b>+</b>
Non-ferrous metals	<b>+</b>	<b>+/-</b>	<b>-(+)</b>	<b>+(-)</b>	<b>+</b>	<b>++</b>
Engineering, total	<b>+</b>	<b>++</b>	<b>++</b>	<b>++</b>	<b>++</b>	<b>++</b>
- Metal products	<b>++</b>	<b>++</b>	<b>++</b>	<b>++</b>	<b>++</b>	<b>++</b>
- Machinery & equipment	<b>+</b>	<b>++</b>	<b>++</b>	<b>++</b>	<b>++</b>	<b>++</b>
Electrical/optical equipment	<b>+</b>	<b>++</b>	<b>++</b>	<b>++</b>	<b>++</b>	<b>++</b>
Offshore/transport goods	<b>+</b>	<b>++</b>	<b>++</b>	<b>++</b>	<b>++</b>	<b>++</b>

**++** Very good

**+** Good

**~** Stable

**-** Weak

**--** Quite weak

**- (+)** Weak, but with certain positive indications

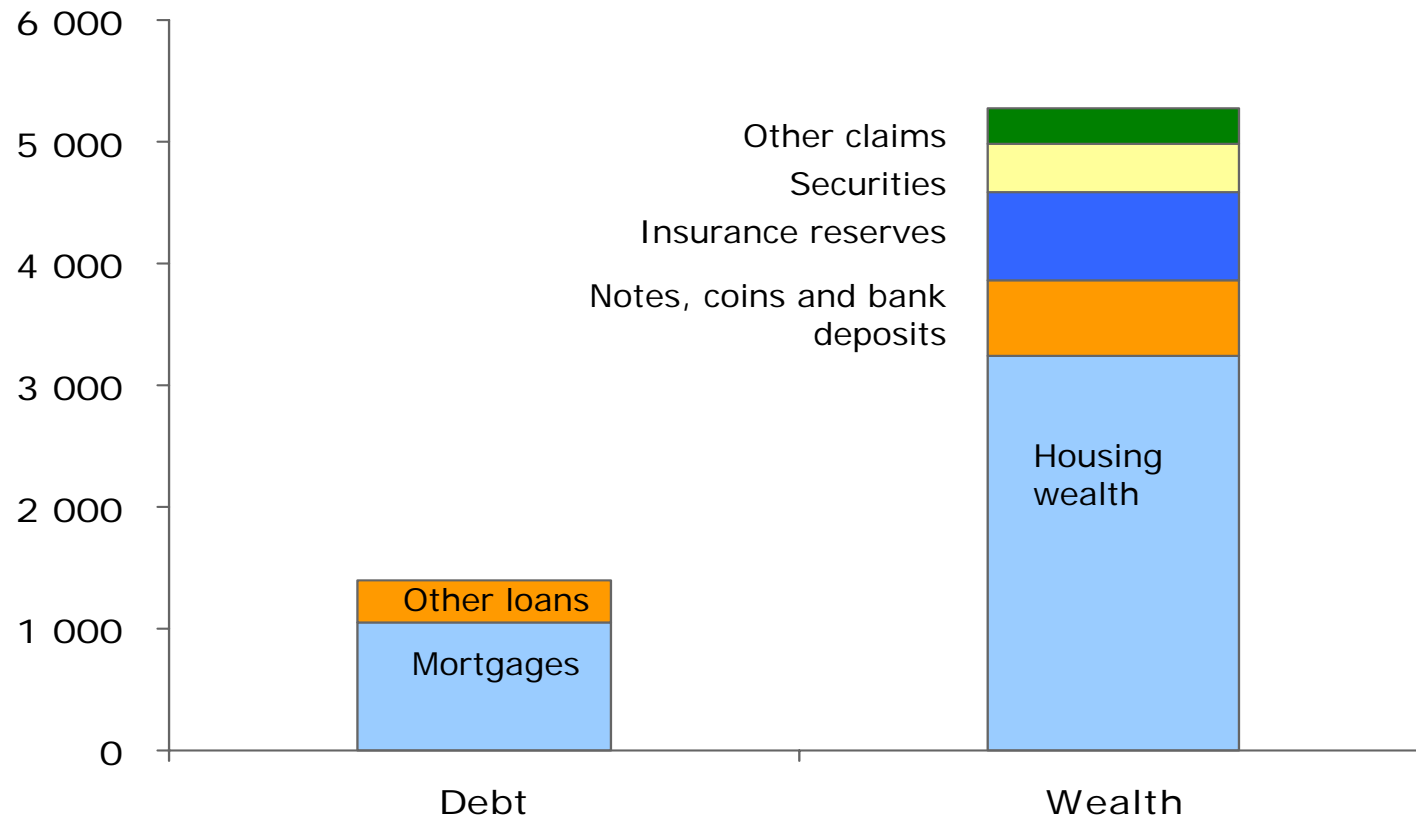
**+/-** A situation where neg/pos factors even out

Source: Statistics Norway

**DnBNOR**

# Good times for Norwegian households

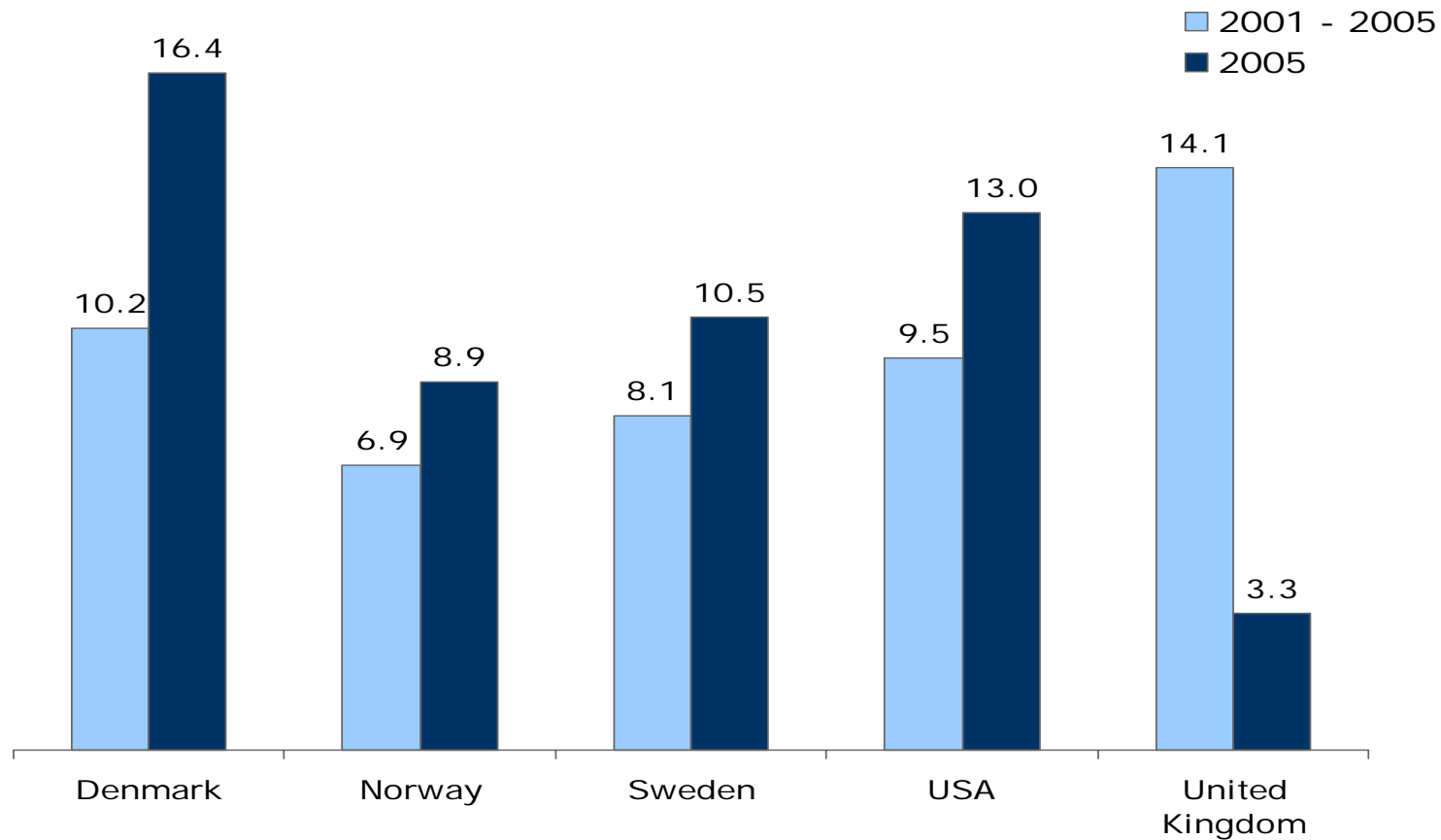
Debt and wealth in NOK billion, 2005



Sources: Statistics Norway, ECON, FINN.no, Association of Norwegian Real Estate Agents (NEF), Association of Real Estate Agency Firms (EFF) and Norges Bank

# House price growth in various countries

## Annual average percentage growth



Source: Reuters EcoWin

**DnBNOR**

## Nordic competitive terms



- Different treatment of insurance subsidiaries with respect to capital adequacy
- According to Swedish capital adequacy rules, DnB NOR would have
  - a core capital ratio of 7.9 per cent <sup>1)</sup>
  - a return on equity of 21.3 per cent (based on a core capital ratio of 7.0 per cent)
- Important that the regulations for covered bonds are implemented – clear competitive disadvantage for Norwegian banks

1) Including 50 per cent of interim profits

**DnBNOR**

## DnB NOR will



- strengthen its position through further streamlining of operations and innovation
- grow in Norway by
  - strengthening and developing customer relations
  - engaging in continuous product development
- grow internationally by
  - further developing current operations – comprising i. a. more than 700 000 retail customers outside Norway
  - continuously consider new acquisitions
- create shareholder value through high profitability and effective capital management



A local presence and a  
full range of services  
are our strengths

