



# Results DNB Group

Third quarter 2019

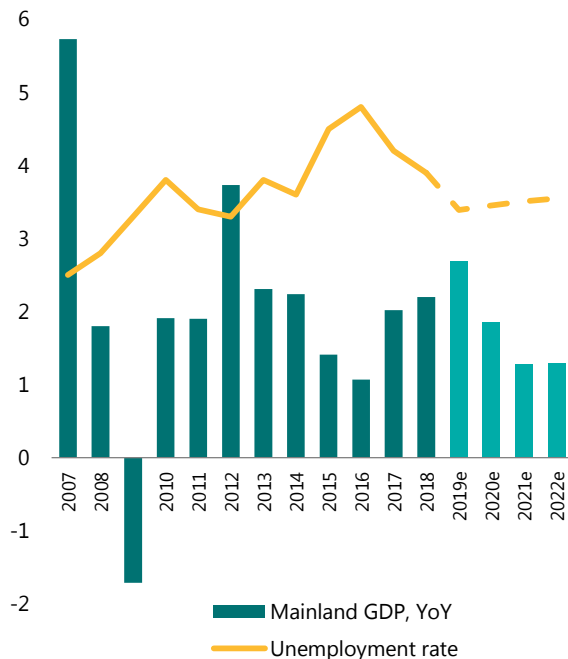
Kjerstin R. Braathen (CEO)  
Ottar Ertzeid (CFO)

# Q3

# Positive Norwegian macro outlook confirmed by a fourth interest rate hike

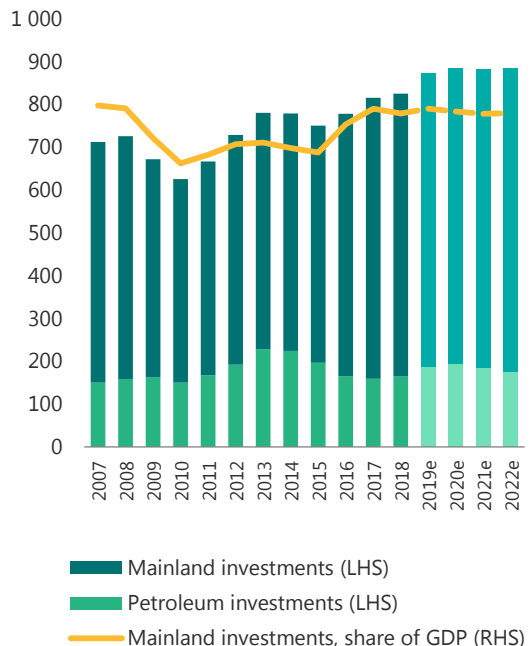
## Mainland GDP and unemployment rate

Per cent



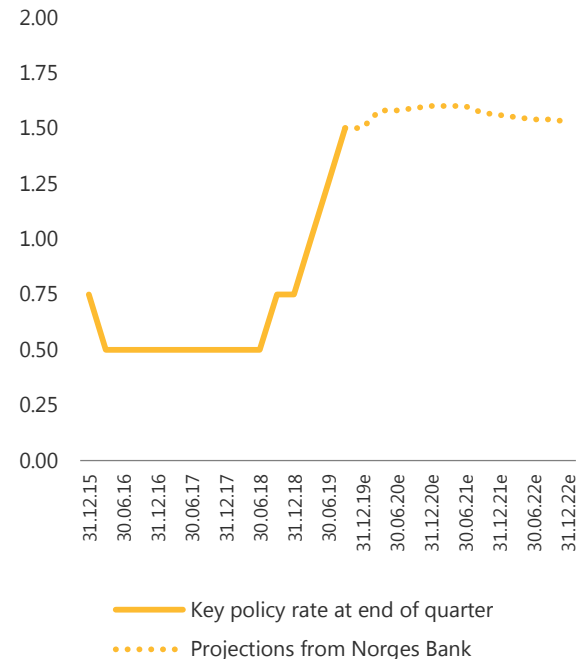
## Investments in Norway

NOK bn (constant 2016 prices), share of GDP in per cent

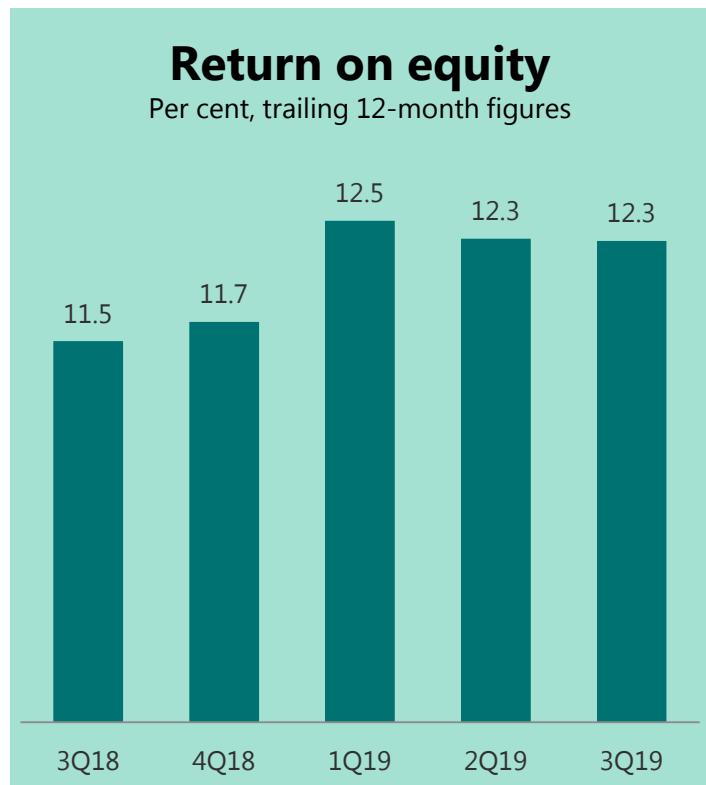


## Key policy rate

Per cent



# Strong third quarter



### Return on equity of 10.9 per cent in 3Q19

Solid performance in all segments

### Net interest income up 9.1 per cent from 3Q18 and 4.2 from 2Q19

Positively affected by repricing and increased volumes

### Net commissions and fees up 11.6 per cent from 3Q18

Positive development in investment banking, real estate broking, pensions and non-life insurance

### Earnings per share of NOK 3.64

Up 6.8 per cent from NOK 3.41 in 3Q18

### New share buy-back programme of 0.5 per cent announced

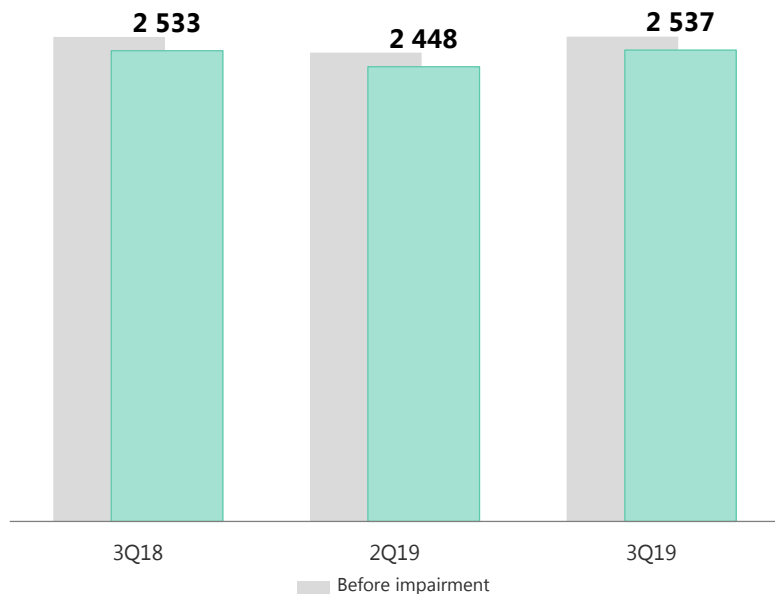
Reflecting the strong CET1 capital ratio of 18.3 per cent <sup>1)</sup>

1) Without transitional rules.

# Personal customers – healthy growth in both loans and deposits

## Pre-tax operating profit

NOK million

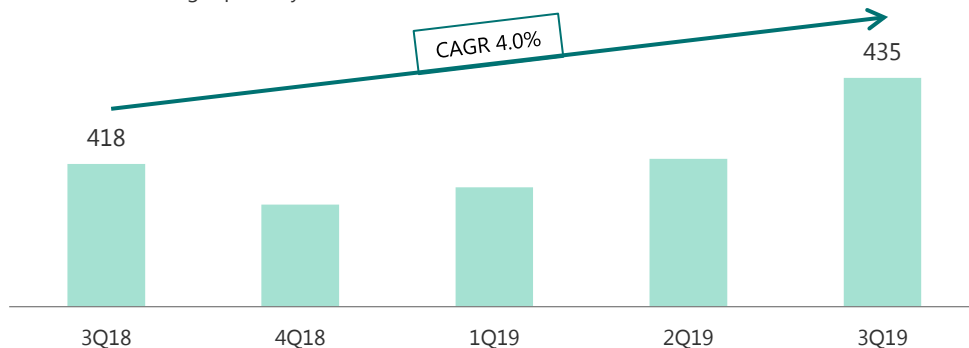


## Financial highlights

- Stable operating profit despite increased NOK interest rates and lag in repricing
- Loans to customers up 0.9 per cent from 2Q19 and 3.2 per cent from 3Q18
- Fourth interest rate hike implemented, with effect from 7 November

## Deposits from customers

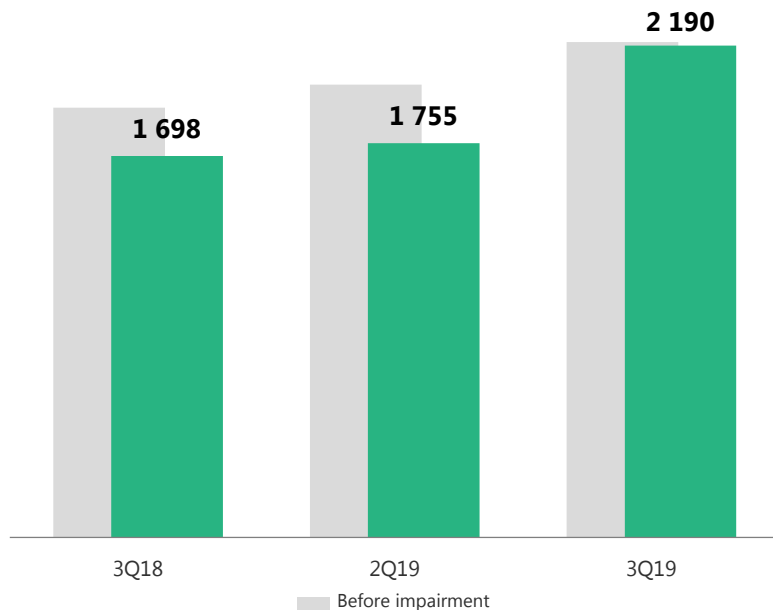
NOK billion, average quarterly volumes



# Small and medium-sized enterprises – profitable growth continues

## Pre-tax operating profit

NOK million

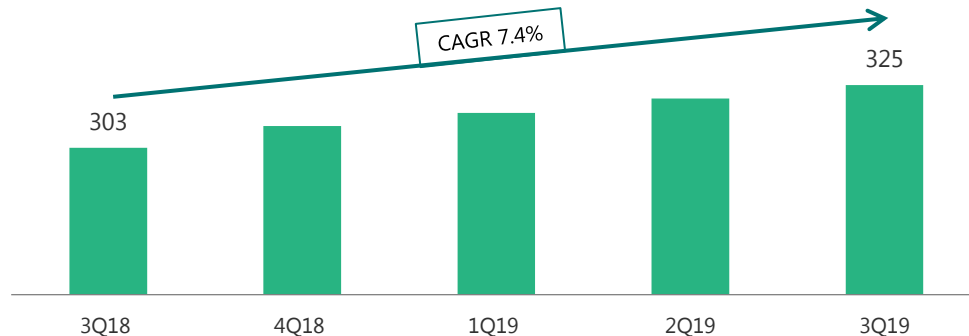


## Financial highlights

- Pre-tax operating profit up 29.0 per cent from 3Q18, partly due to low impairment losses in the quarter
- Net interest income up 14.0 per cent from 3Q18, driven by increased volumes and wider deposit spreads
- Fourth interest rate hike implemented, with effect from 18 October

## Loans to customers

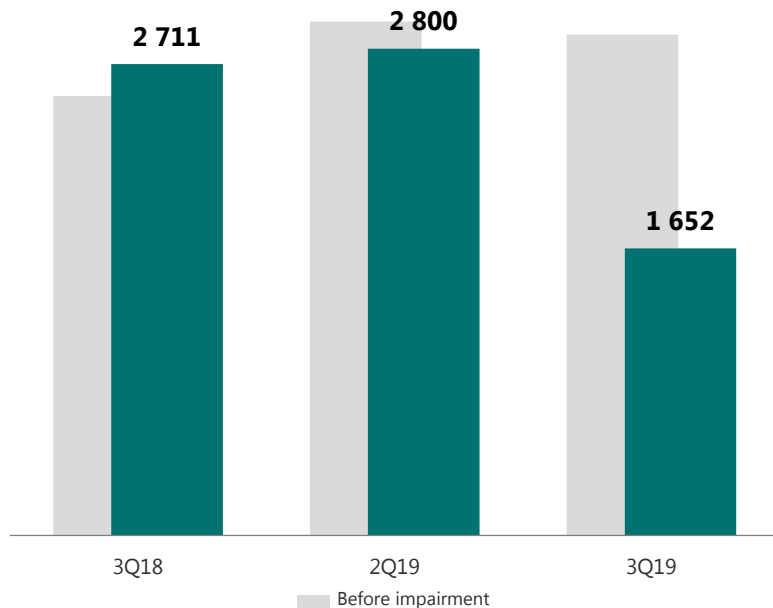
NOK billion, average quarterly volumes



# Large corporates and international customers – solid underlying performance

## Pre-tax operating profit

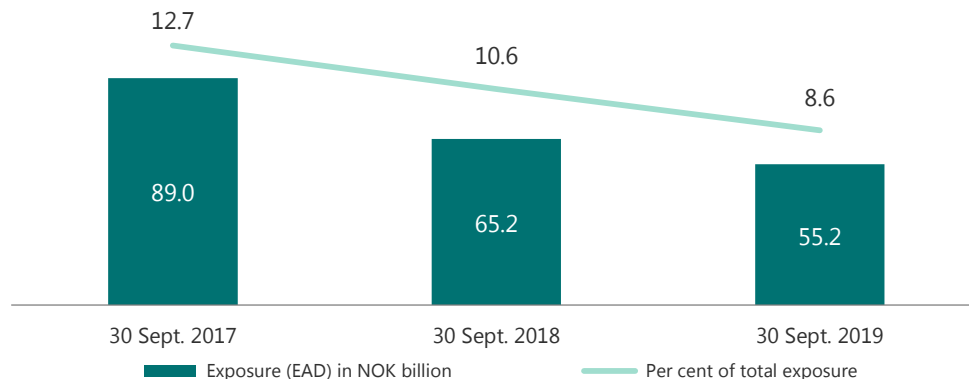
NOK million



## Financial highlights

- Net interest income up 10.0 per cent from 3Q18 and 2.9 per cent from 2Q19
- Healthy net other operating income from Markets in a seasonally slow quarter
- Pre-tax operating profit affected by a single large impairment loss
- Sound and diversified credit portfolio

## Development in high-risk and stage 3 exposures in LCI portfolio <sup>1)</sup>



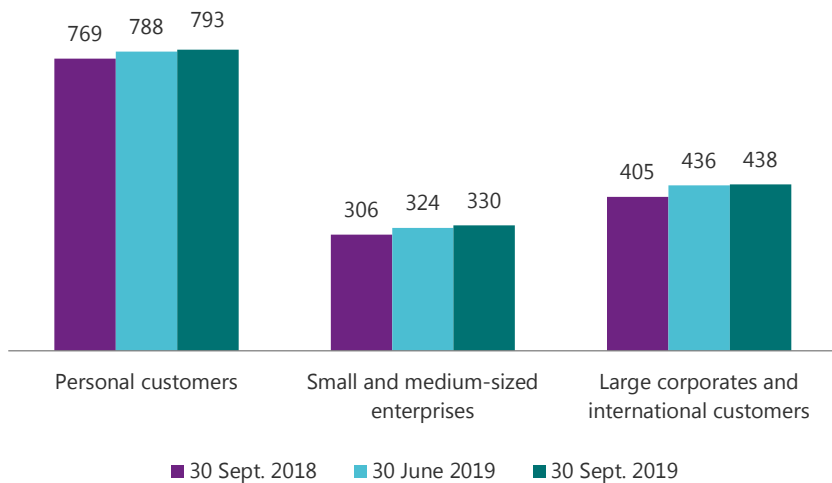
1) «High-risk» is defined as probability of default (PD)  $\geq 3$  per cent. «Stage 3» is defined as non-performing and doubtful portfolio.

# Growth in the segments in line with expectations

- Loans in the customer segments increased by 0.9 per cent and customer deposits by 1.3 per cent in 3Q19
- Average loans increased by 0.8 per cent and average deposits by 1.6 per cent in the quarter
- Year-to-date growth in loans to customers ended at 3.4 per cent and in customer deposits at 6.1 per cent

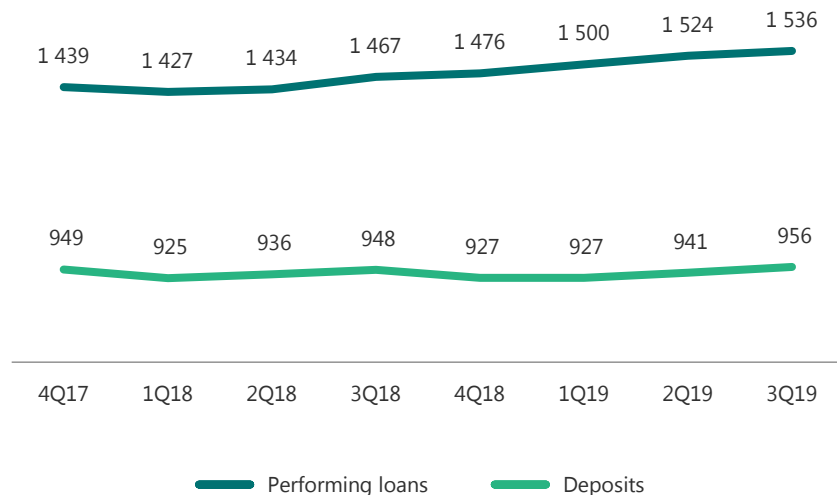
## Loans per customer segment

NOK billion



## Average loans and deposits in the customer segments

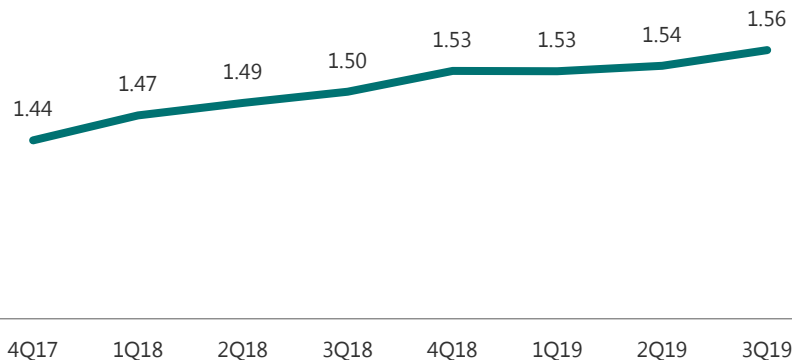
NOK billion



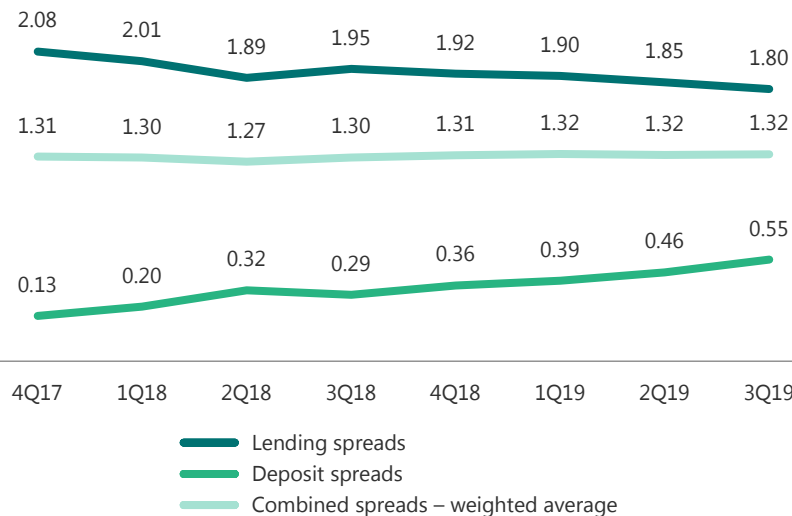
# Net interest margin increased as a result of repricing

- Stable development in combined spreads despite lag effects, with wider deposit spreads compensating for narrower lending spreads
- Further increase in net interest margin from announced repricing expected in 4Q19, with full effect from 1Q20
- Final 2019 resolution fund fee and guarantee fund levy of NOK 170 million higher than expected, will reduce net interest income in 4Q19

**Net interest margin <sup>1)</sup>**  
Per cent, trailing 12-month figures

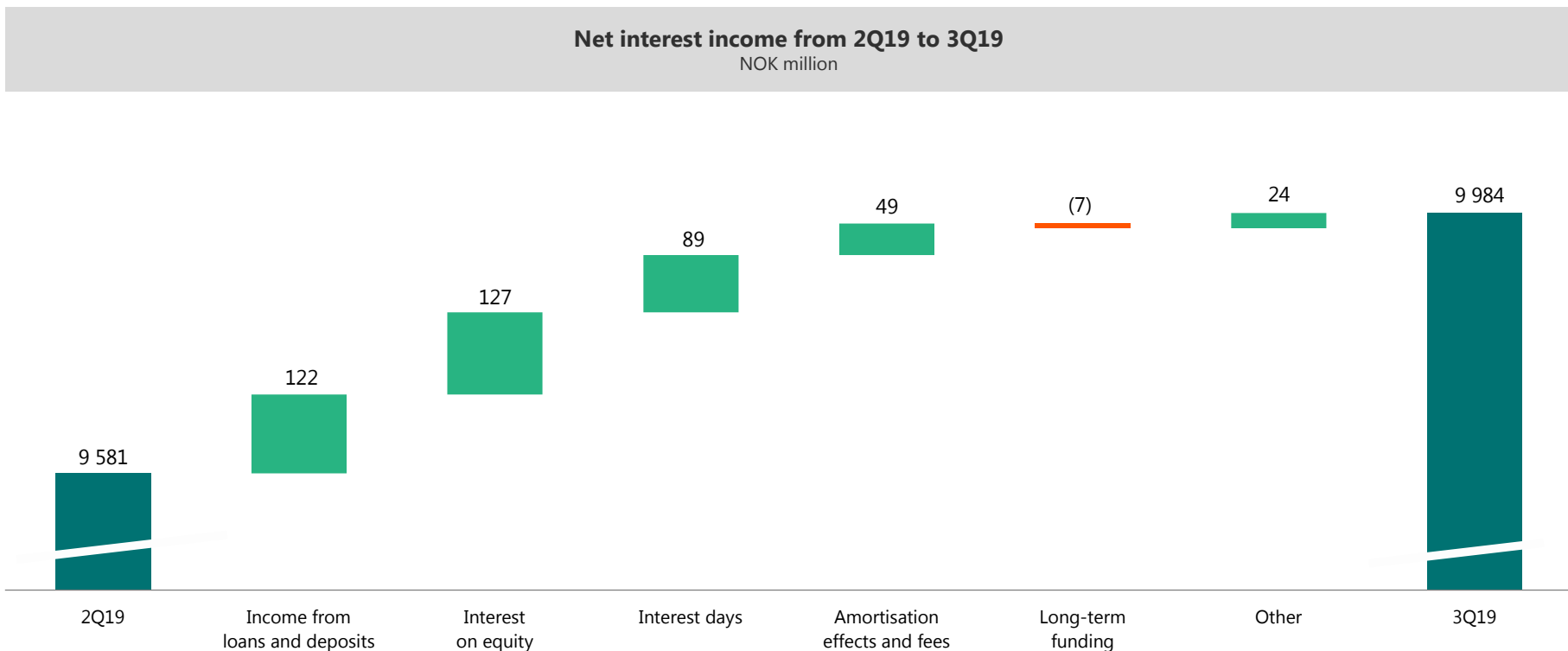


**Spreads in customer segments**  
Per cent



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

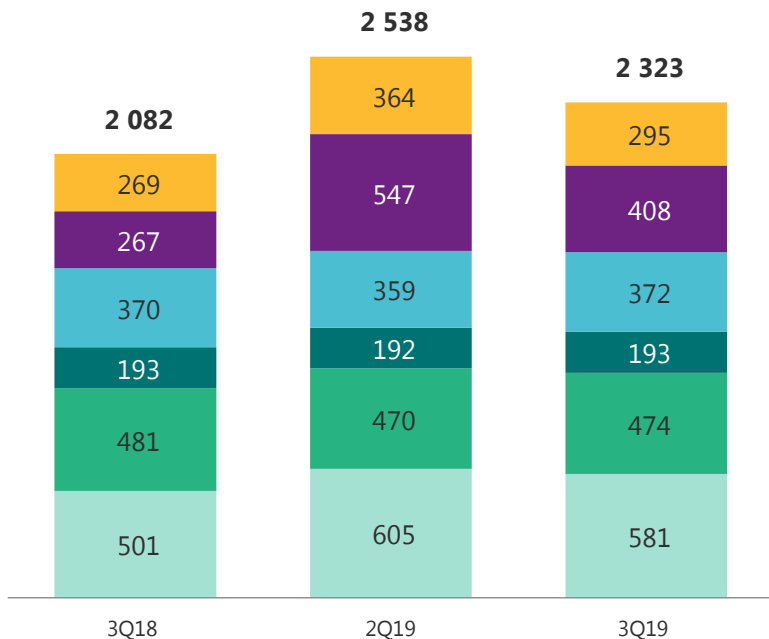
## Continued profitable growth and further positive effects from repricing – net interest income up 4.2 per cent



# Income from commissions and fees up 11.6 per cent from 3Q18

## Commissions and fees

NOK million



- **Real estate broking**

Income up 9.5 per cent from 3Q18 driven by residential real estate broking

- **Investment banking services**

High activity and income up 52.7 per cent from 3Q18 due to DCM, ECM and M&A <sup>1)</sup>

- **Asset management and custodial services**

Stable income, somewhat changed product mix from institutional to retail clients

- **Guarantee commissions**

Stable income

- **Money transfer and banking services**

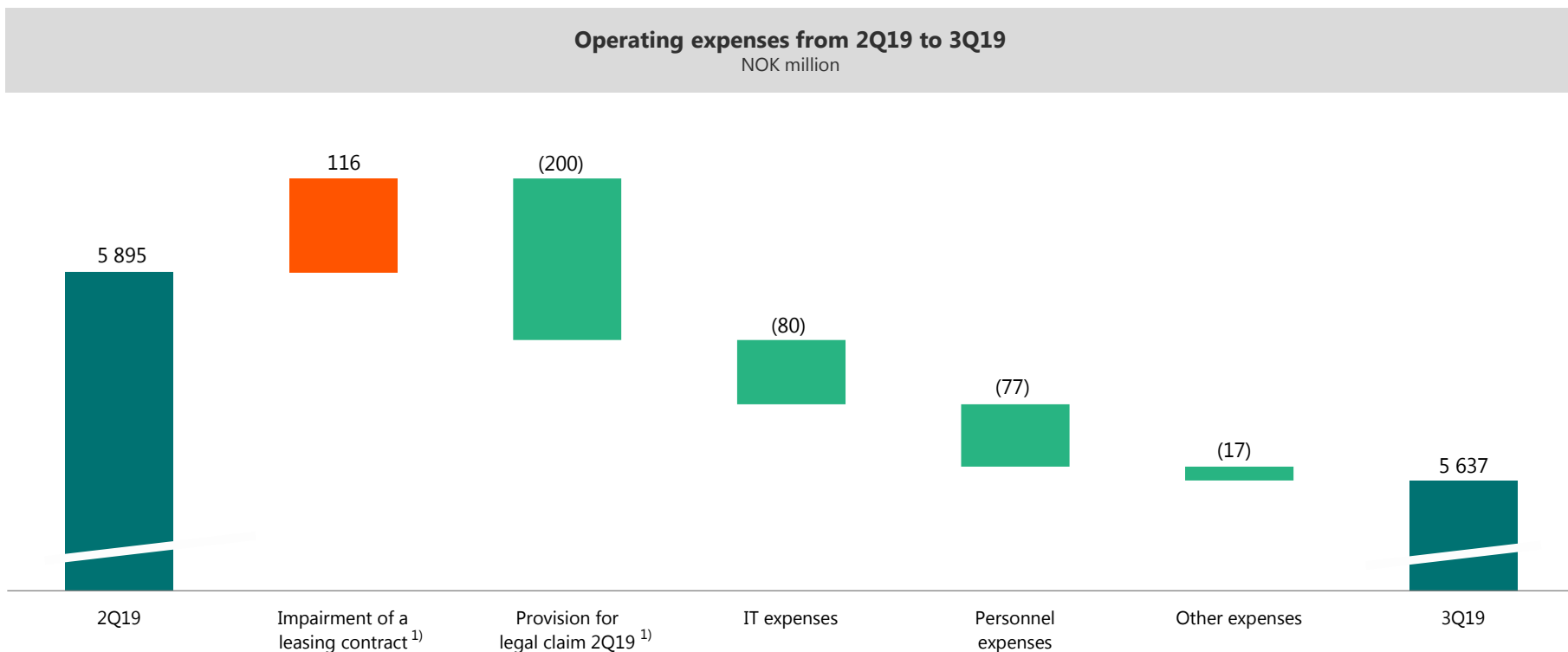
Successfully replacing traditional income sources with new services

- **Sale of insurance products**

Sales of non-life (Fremtind) and life insurance products contributed to an increase of 15.8 per cent from 3Q18

1) DCM: Debt capital markets. ECM: Equity capital markets. M&A: Mergers and acquisitions.

# Operating expenses affected by seasonally lower activity and one-offs

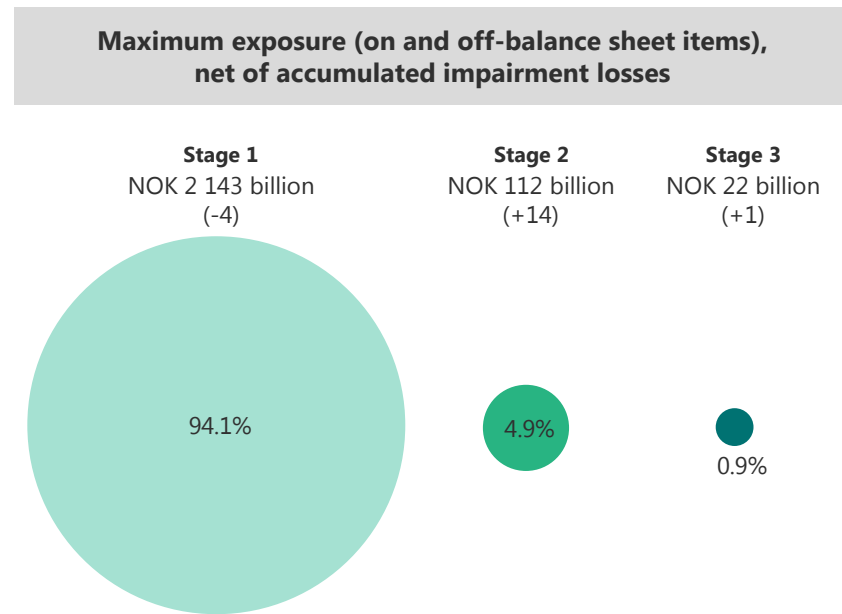


1) Non-recurring effects.

# Stable asset quality and macro outlook for the total portfolio

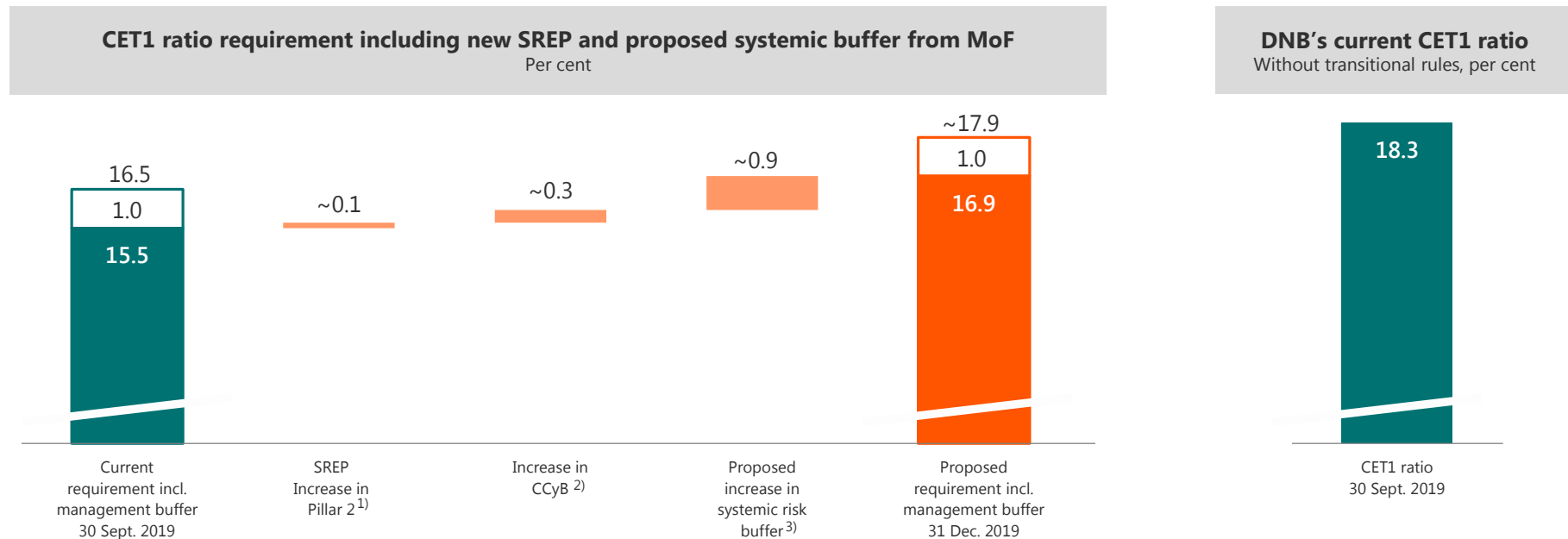
- 94.1 per cent of the exposure is low risk (stage 1), unchanged from 3Q18
- 85 per cent of the impairment losses is related to a single exposure

Impairment of financial instruments per customer segment NOK million			
	3Q19	2Q19	3Q18
Personal customers	(73)	(76)	(75)
Small and medium-sized enterprises	(16)	(261)	(217)
Large corporates and international customers	(1 159)	(110)	281
<b>Total</b>	<b>(1 247)</b>	<b>(450)</b>	<b>(11)</b>



# Update on SREP, CRR/CRD IV and draft proposal from the Ministry of Finance

- Unchanged overall buffer requirements in new SREP from Finanstilsynet (FSA)
- No updates on the increase in the systemic risk buffer proposed by the Norwegian Ministry of Finance (MoF)



1) Pillar 2 capital floor of NOK 19.4 billion introduced, implying an increased capital requirement at end 2019 of ~0.1 percentage points based on RWA at end-September.

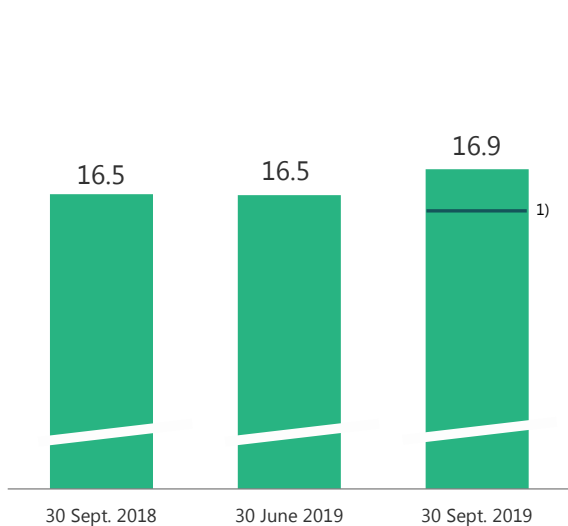
2) Countercyclical buffer (CCyB) – based on DNB's exposure and relevant local CCyB rates (already adopted, with effect from end of 2019).

3) Based on the Ministry of Finance's proposal for amendment of capital requirements published on 25 June 2019, with effect from end of 2019.

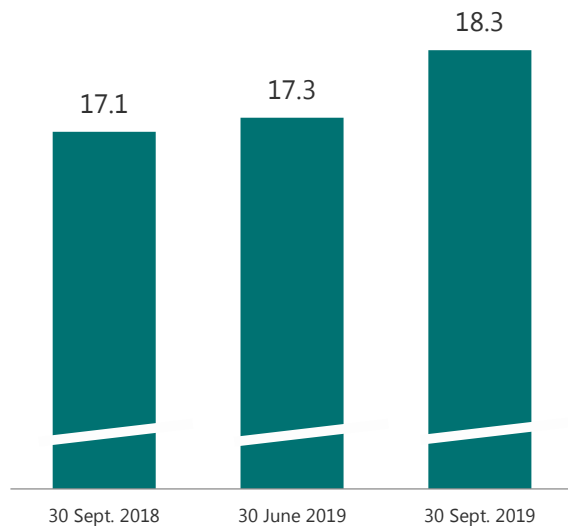
# DNB delivers strong results and is well positioned for future regulatory requirements

- The closing of the Luminor transaction and retained earnings contributed to a strengthened CET1 capital ratio
- Share buy-back programme of 0.5 per cent announced

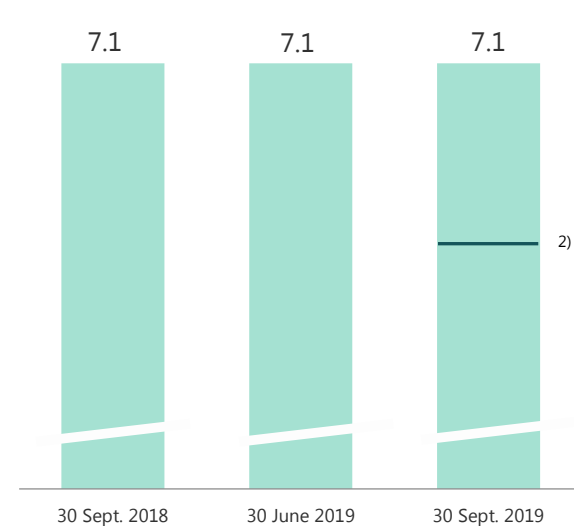
**CET1 capital ratio  
– transitional rules**  
Per cent



**CET1 capital ratio  
– without transitional rules**  
Per cent



**Leverage ratio**  
Per cent

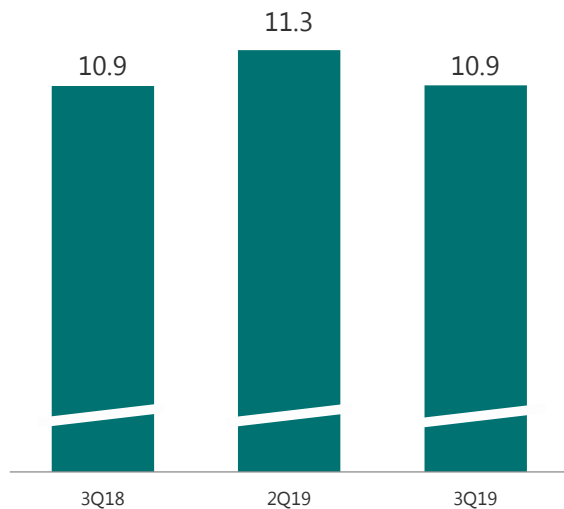


1) CET1 capital ratio requirement of 15.5 per cent. Management buffer of approx. 1.0 per cent.

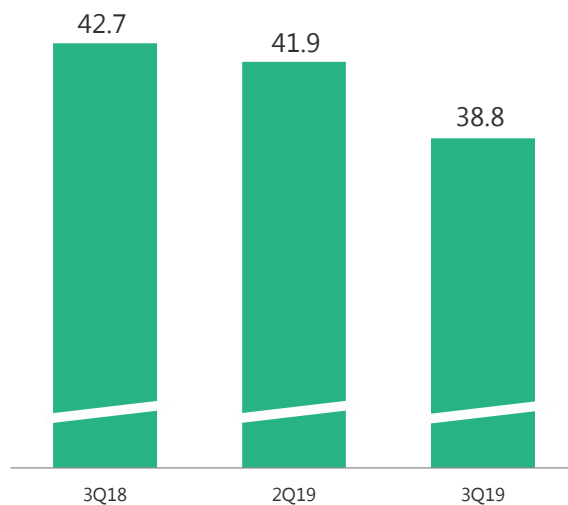
2) Leverage ratio requirement of 6.0 per cent.

## Strong third quarter

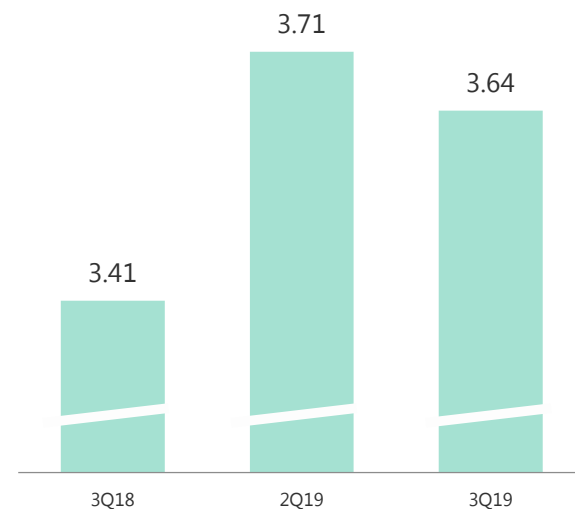
**Return on equity**  
Per cent



**Cost/income ratio**  
Per cent



**Earnings per share**  
NOK



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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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



## **Results DNB Group**

Third quarter 2019

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