



Results DNB Group

First quarter 2020

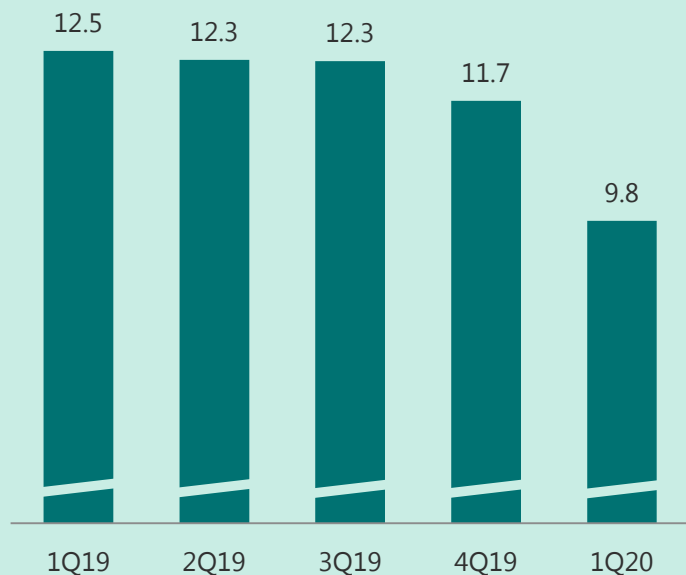
Kjerstin R. Braathen (CEO)
Ida Lerner (CRO)
Ottar Ertzeid (CFO)

Q1

Continued solid underlying operating performance. Results affected by COVID-19 and high impairment provisions

Return on equity

Per cent, trailing 12-month figures



Return on equity of 6.5 per cent in 1Q20

Negatively impacted by COVID-19 and oil price effects

Net interest income up 11.9 per cent from 1Q19 and 0.5 per cent from 4Q19

Positively affected by repricing and increased volumes

Net commissions and fees up 0.8 per cent compared with 1Q19

Strong January/February offset by COVID-19 effects in March

Strong other operating income

Positively affected by AT1¹⁾ and basis swaps, negatively by CVA/DVA/FVA²⁾, credit spreads on bonds and financial result from insurance

Impairment provisions of NOK 5.8 billion

A combination of COVID-19 and fall in the oil price with negative impact on forecast for IFRS 9 key macro variables

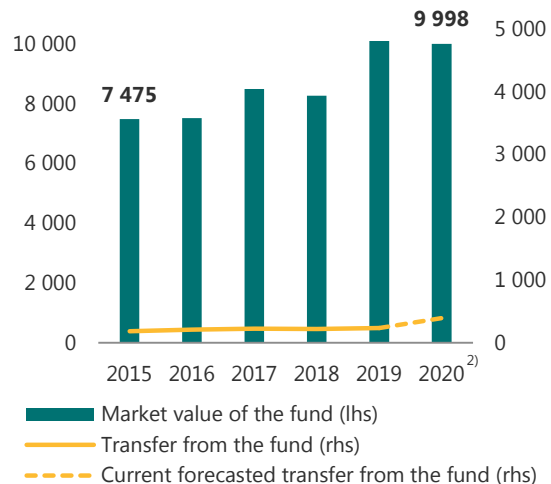
1) AT1: Additional Tier 1 capital.

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

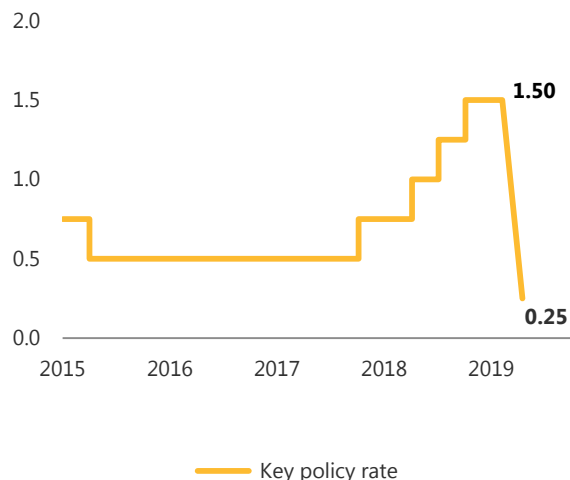
The Norwegian economy is well-equipped to handle the challenging conditions

- Three built-in stabilisers in the economy provide ample room for measures from the Government and Norges Bank
- A solid underlying macro environment ahead of the pandemic
- Current expected use of the Norwegian oil fund in the national budget for 2020 is 3.9 per cent ¹⁾, leaving significant room for additional measures

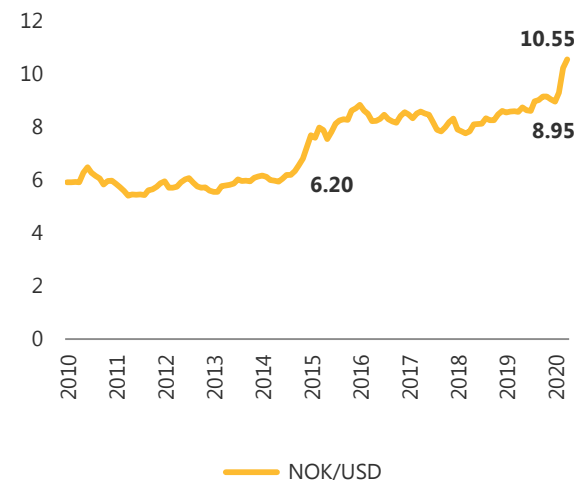
Fiscal policy
Norway's oil fund, NOK billion



Monetary policy
Key policy rate, per cent



Floating currency
Exchange rate NOK/USD



1) The fiscal rule states that transfers over time from the Norwegian Government Global Pension Fund (the oil fund) to the annual 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).

2) Market value of the fund at end of 1Q.

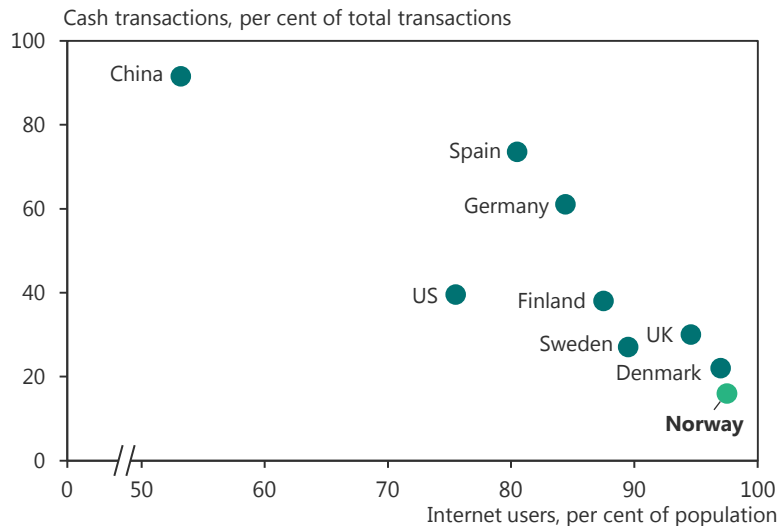
Sources: DNB Markets, Statistics Norway, Norges Bank, exchange rates as of 31 March

Digital society limits impact of pandemic on day-to-day business operations

- Scandinavian countries are among the world's most digitised societies, reducing the impact of lockdowns on day-to-day operations
- Most customer interactions take place digitally – less than 1 per cent of interactions are physical
- Digital and automated processes provide scalability and flexibility for quickly adapting to new developments

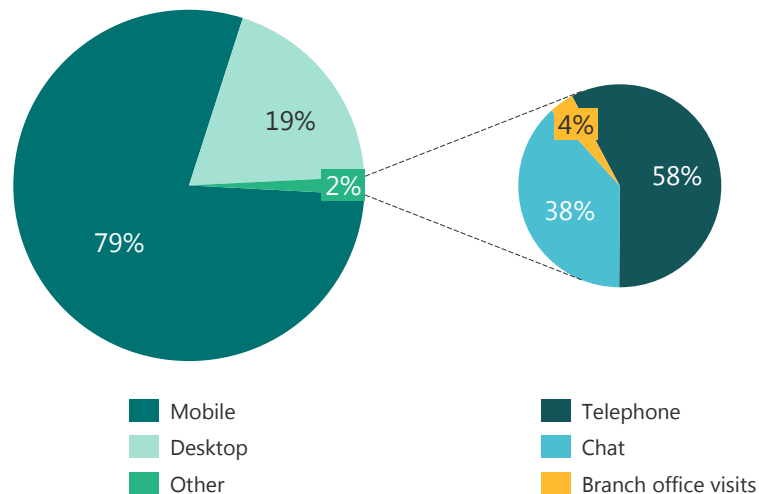
Digital society

Internet users and cash transactions, per cent



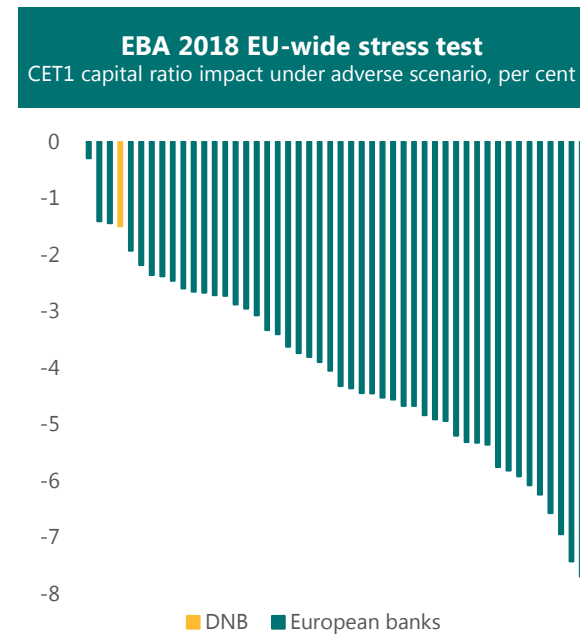
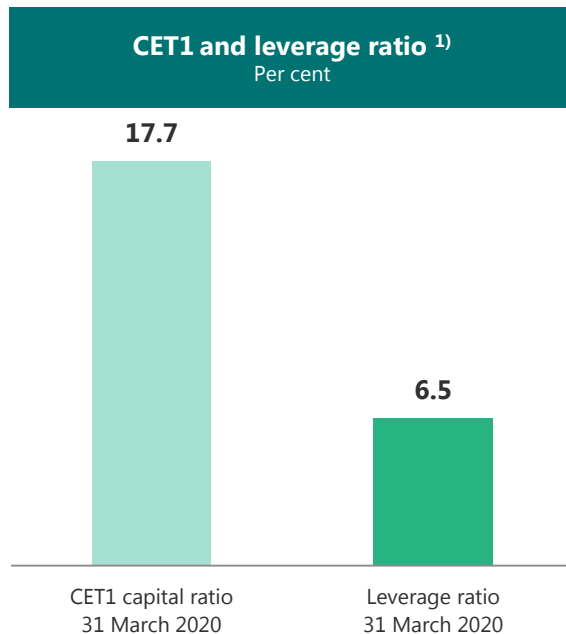
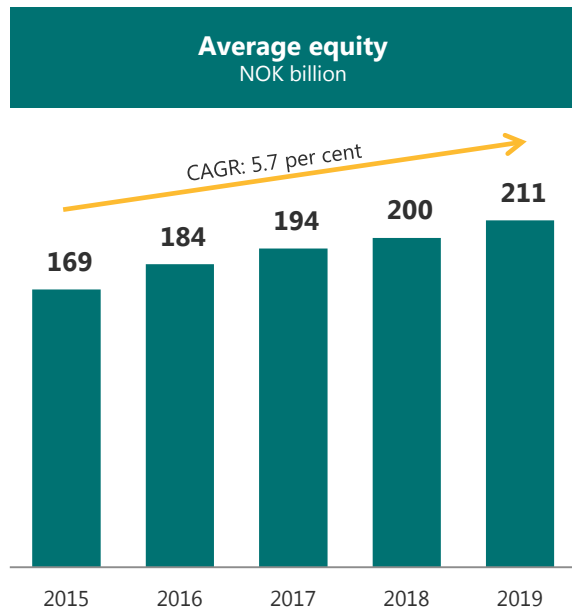
Customer interactions are mainly digital

Personal customer interactions by channel, per cent



DNB has a solid foundation

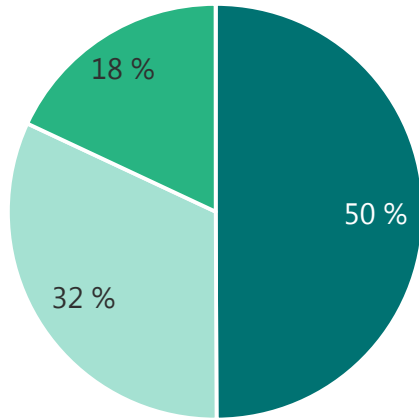
- Equity base is 2.5 times higher than before the financial crisis
- DNB is among the most solid and best-capitalised banks in Europe, confirmed by EU-wide bank stress tests
- Proven ability to build capital through a crisis, substantial loss absorbance through results
- Strong long-term credit rating, with highest possible short-term ratings from S&P and Moody's



1) CET1 capital ratio requirement: 15.6 per cent including management buffer. Leverage ratio requirement: 6.0 per cent.

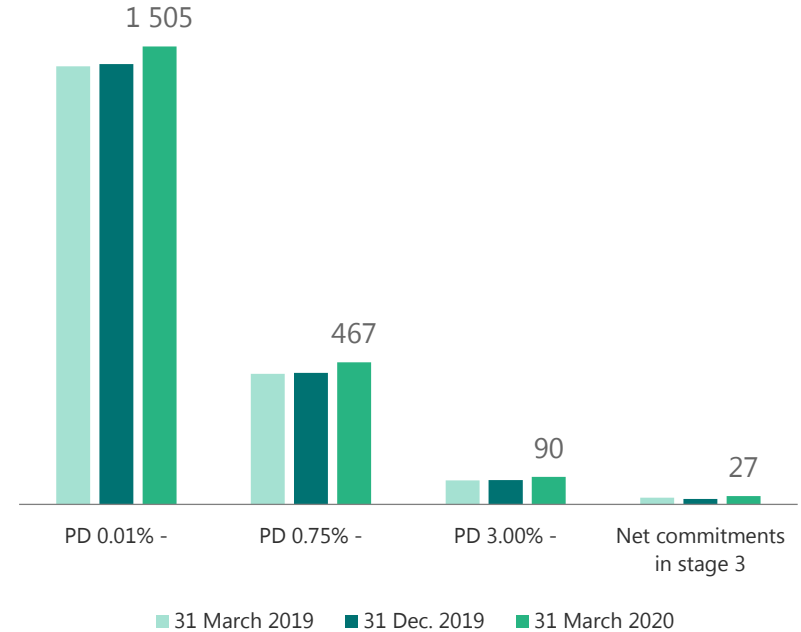
Well-diversified portfolio with consistent low probability of default (PD)

Total loan portfolio
Net exposure at default (EAD) NOK 2 089 billion



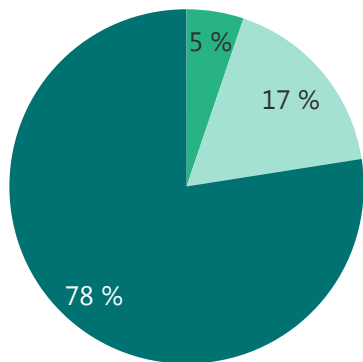
- Personal customers
- Large corporates
- Small and medium-sized customers

Risk classification of total loan portfolio
NOK billion



Lower oil price and COVID-19 have limited impact on 78 per cent of the portfolio

Total loan portfolio
Net EAD – NOK 2 089 billion



Oil price impact

- Oil, gas and offshore

Partial COVID-19 impact

- Shipping
- Services
- Tourism and cruise industry
- Hotel and retail-related commercial real estate
- Retail industries
- Manufacturing

Limited impact

- Personal customers
- Healthcare
- Technology, media and telecom
- Fishing, fish farming and farming
- Commercial real estate excl. Hotel and retail-related
- Other corporate segments

Limited impact

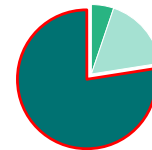
- Solid personal customer portfolio
- Sectors within Corporate Banking assessed to be resilient to both COVID-19 effects and a lower oil price

Partial COVID-19 impact

- Some sub-segments have been negatively impacted while others have had a positive development
- Compensation schemes will help in the short term
- The planned gradual lifting of infection control measures are positive for these segments

Oil price impact

- Offshore remains the most challenging part of the portfolio
- Other oil-related segments are more robust

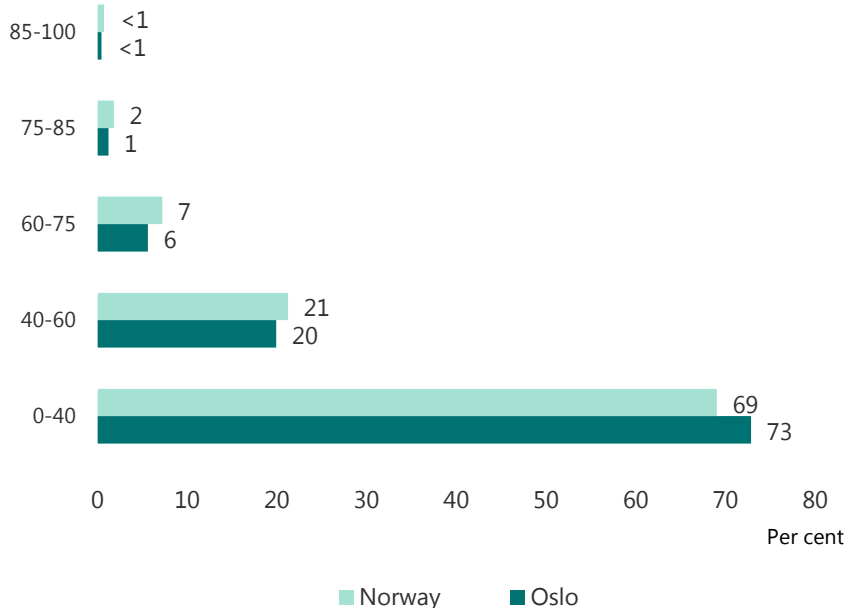


High-quality personal customer portfolio constitute 50 per cent of total net EAD

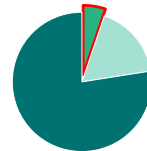
Marginal LTV ratio distribution of mortgages

Per cent

Collateral categories



- Personal customer portfolio consists of 87 per cent home mortgages
- Limited exposure to consumer finance with NOK 14 billion in drawn credit card facilities
- Loan-to-value (LTV) ratio provides significant buffer. Average LTV: 60.6 per cent
- Strong social security system with significant additional government initiatives supports debt-servicing capacity



Oil-related exposure limited to 5 per cent of total EAD – offshore most challenging segment

- Offshore – outlook uncertain, but manageable number of customers and total exposure. Increase in exposure from year-end due to currency effects
- Oil and gas – flexible cost base, hedged income streams throughout 2020 and strong collateral position

Oil, gas and offshore portfolio by sub-segments Net EAD NOK 109 billion – 5 per cent of total

Offshore service vessels

Rig

Other offshore

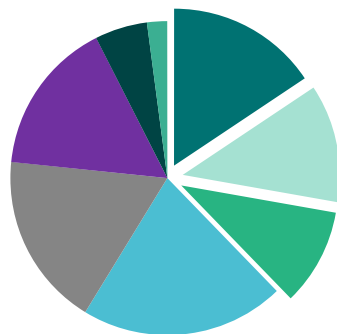
Exploration/production

Reserve-based lending

Oilfield services

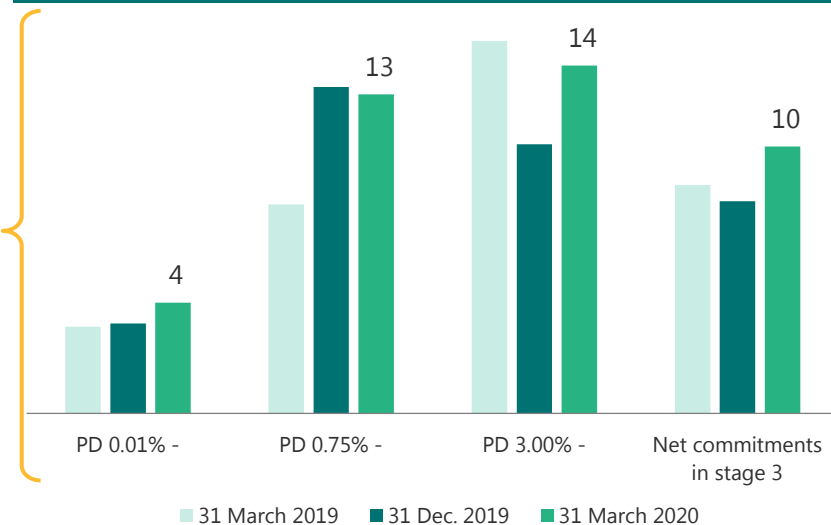
Midstream

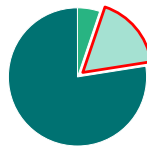
Downstream/petrochemical



Net EAD
NOK 41
billion
as at
31 March
2020

Offshore by risk classification NOK billion





Identified segments affected to a varying degree
 – companies eligible for compensation schemes will benefit from gradual lifting of infection control measures

Services, Tourism and cruise industry, Manufacturing and Retail industries segments
Net EAD NOK 230 billion – 11 per cent of total

Services

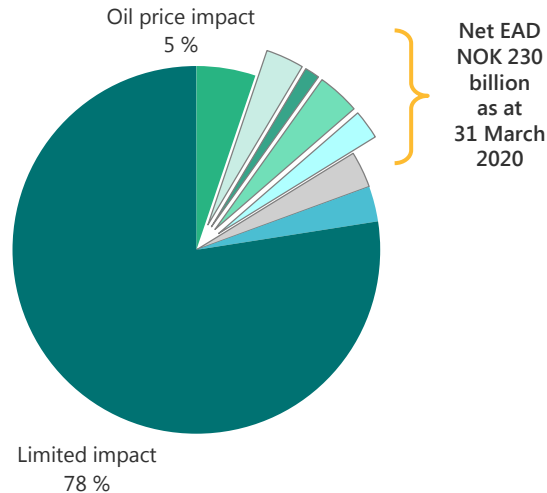
Tourism and cruise industry

Manufacturing

Retail industries

Shipping

Hotels and retail-related commercial real estate



■ **Services (net EAD NOK 70 billion)**

- Diverse service portfolio with good mix of B2C and B2B ²⁾ customers, predominantly Nordic
- Decreased activity in some smaller sub-segments such as restaurants, fitness centres and facility management

■ **Tourism and cruise industry (net EAD NOK 27 billion)**

- Tourism segment mainly includes large Nordic hotel operators with acceptable liquidity reserves and adequate actions taken
- Cruise segment mainly includes large cruise companies/lines where approx. 50 per cent of exposure is covered by Export Credit Agency guarantees

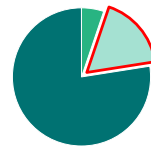
■ **Manufacturing (net EAD NOK 78 billion)**

- Affected by negative development in demand and challenges in supply chains, benefits from lower oil price and favourable exchange rates
- Diverse portfolio – 77 per cent low risk exposure

■ **Retail industries (net EAD NOK 54 billion)**

- Fashion is the most impacted sub-segment. Government compensation scheme and reduction of infection control measures will support this sector medium term
- Fast-moving consumer goods, incl. groceries, home improvement products and electronics, holding up well

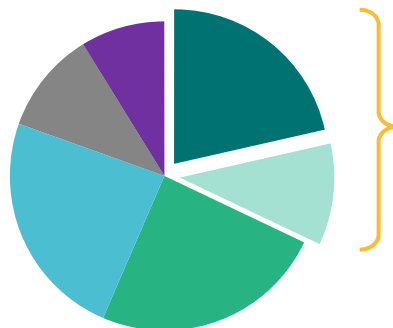
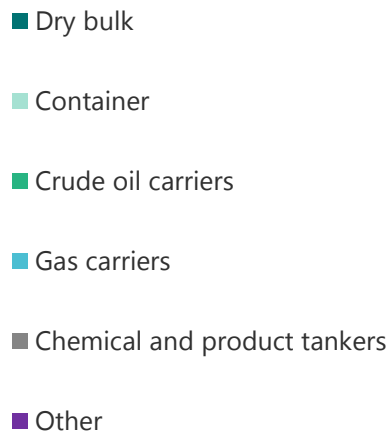
1) B2C: Business to consumer. B2B: Business to business.



Shipping portfolio of large companies with financially strong owners

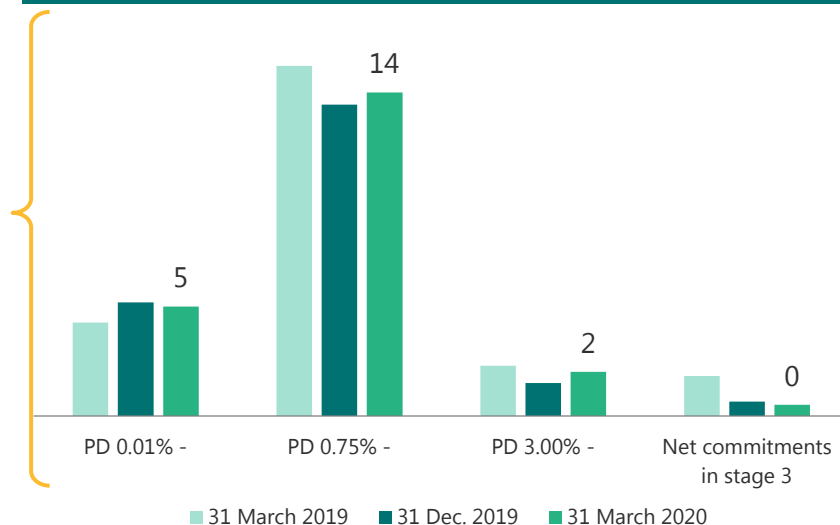
- Dry bulk and Container segments affected by lower international trade and demand
- Low dry bulk rate levels compensated by stimulus packages from China
- Exposure towards Container segment reduced by 70 per cent since 2015

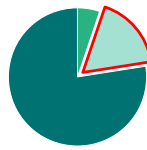
Shipping portfolio by sub-segments Net EAD NOK 67 billion – 3 per cent of total



Net EAD
NOK 21
billion
as at
31 March
2020

Dry bulk and Container by risk classification NOK billion



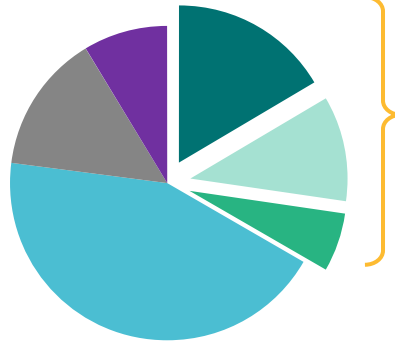


Robust portfolio in Commercial real estate with considerable buffers

- High occupancy rates and sound loan-to-value ratio
- Government compensation scheme, which includes rent payments, together with lower interest rates supports all subsegments
- Hotel, retail store facilities and shopping centres most impacted sub-segments – 83 per cent low risk exposure

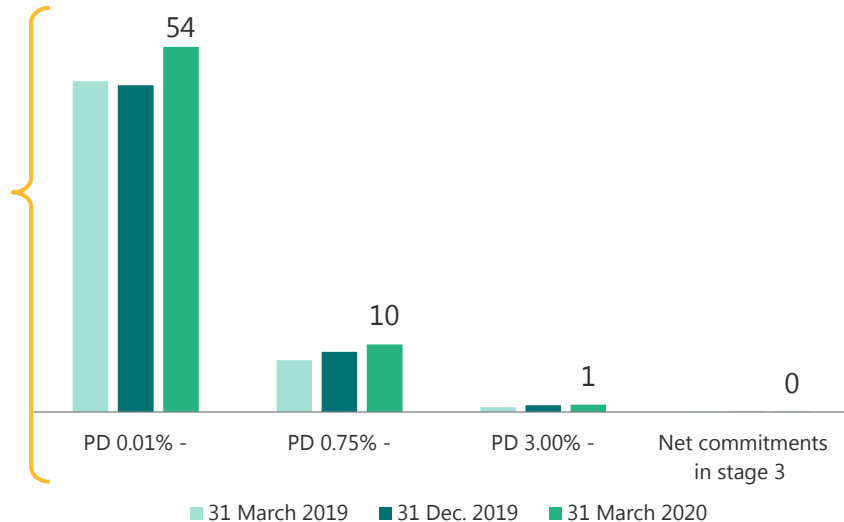
Commercial real estate by sub-segments
Net EAD NOK 194 billion – 9 per cent of total

- Hotels
- Retail store facilities
- Shopping centres
- Office premises
- Warehouse and logistics
- Other



Net EAD
NOK 65
billion
as at
31 March
2020

Hotels, retail store facilities and shopping centres by risk classification



Ongoing uncertainty in economic outlook increases impairment provisions

- Increase in IFRS 9 expected credit losses in stages 1 and 2, mainly driven by forward-looking macro-economic factors
- Assumes a larger decrease in Norwegian GDP in 2020 than in 2008-2009, and oil price below the lowest levels in 2016

Impairment of financial instruments per industry segment

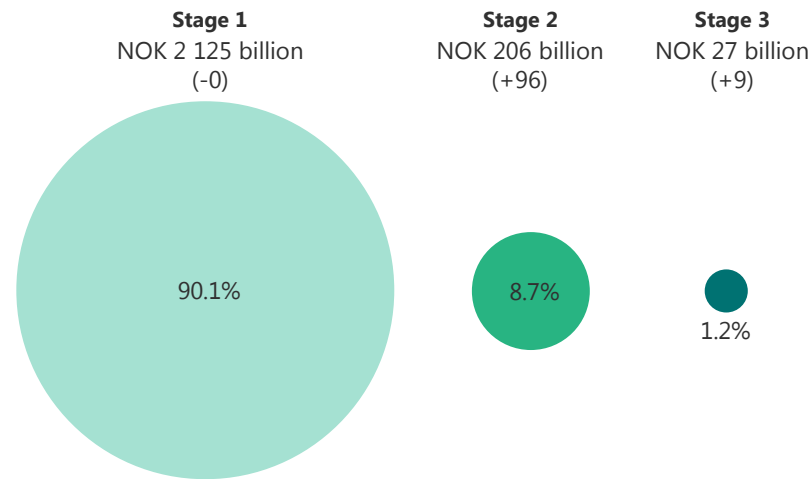
NOK million

| | 1Q20 | 4Q19 | 1Q19 |
|----------------------------|----------------|--------------|--------------|
| Personal customers | | | |
| - Stages 1 and 2 | (405) | 23 | (24) |
| - Stage 3 | (117) | (104) | (84) |
| Corporate customers | | | |
| - Stages 1 and 2 | (2 403) | 426 | 92 |
| - Stage 3 | (2 847) | (522) | (300) |
| Total ^{*)} | (5 771) | (178) | (316) |

^{*)} Of which Oil, gas and offshore:

| | | | |
|------------------|---------|-------|-------|
| - Stages 1 and 2 | (1 050) | 221 | 106 |
| - Stage 3 | (1 555) | (580) | (152) |

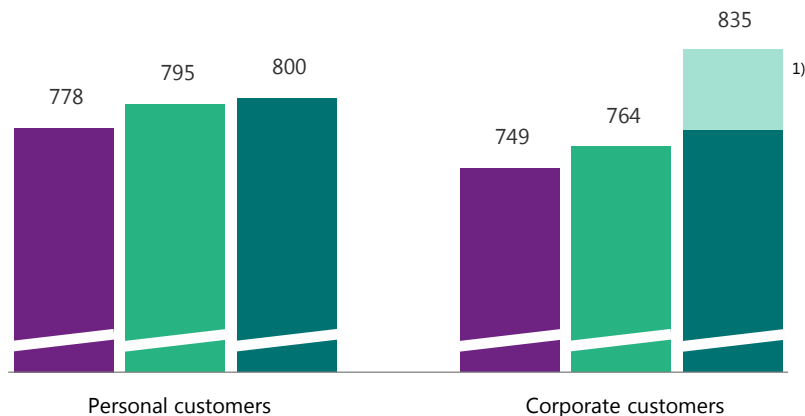
Maximum exposure (on and off-balance sheet items), net of accumulated impairment losses



Underlying growth in the segments in line with expectations

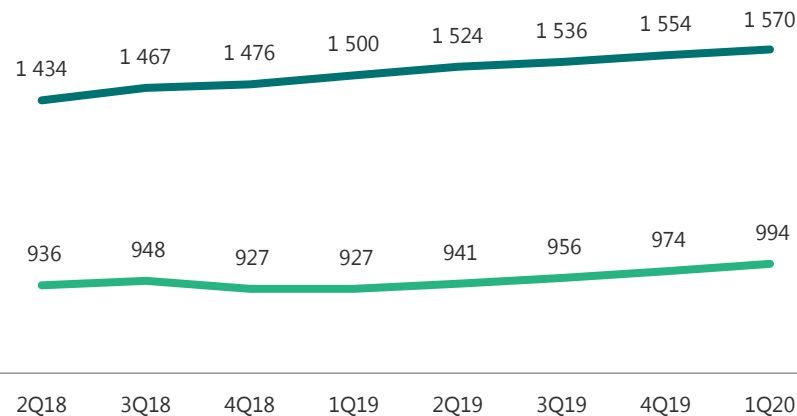
- Loan growth from year-end 4.8 per cent (0.9 per cent currency adjusted)
- Growth in loans to Personal customers 0.6 per cent and to Corporate customers 9.3 per cent (1.6 per cent currency adjusted)
- Deposit growth from year-end 8.5 per cent (4.9 per cent currency adjusted)
- Growth in deposits from Personal customers 5.3 per cent and from Corporate customers 11.0 per cent (5.3 per cent currency adjusted)

Loans per customer segment
NOK billion



■ 31 March 2019 ■ 31 Dec. 2019 ■ 31 March 2020

Average loans and deposits in the customer segments
NOK billion



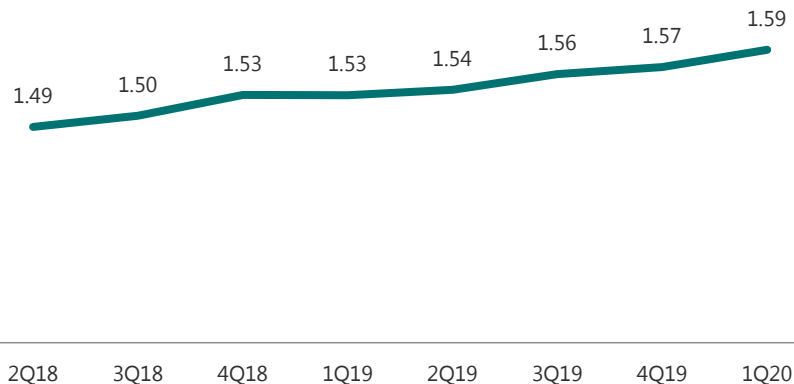
— Performing loans — Deposits

1) NOK 59 billion growth due to currency effects.

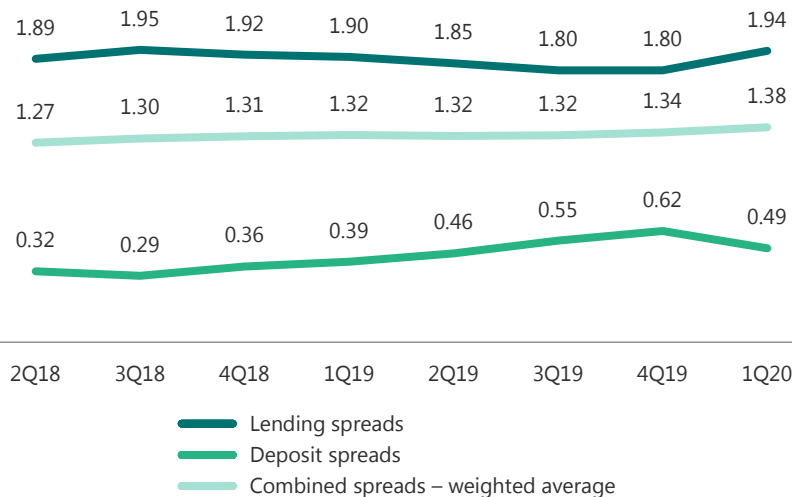
Net interest income increased as a result of repricing

- Net interest income and combined spreads boosted by the full effect of the interest rate hikes in 2019
- Norges Bank reduced the key policy rate from 1.50 to 0.25 per cent in March
- Announced lower customer interest rates on loans from April and deposits from late May

Net interest margin ¹⁾
Per cent, trailing 12-month figures



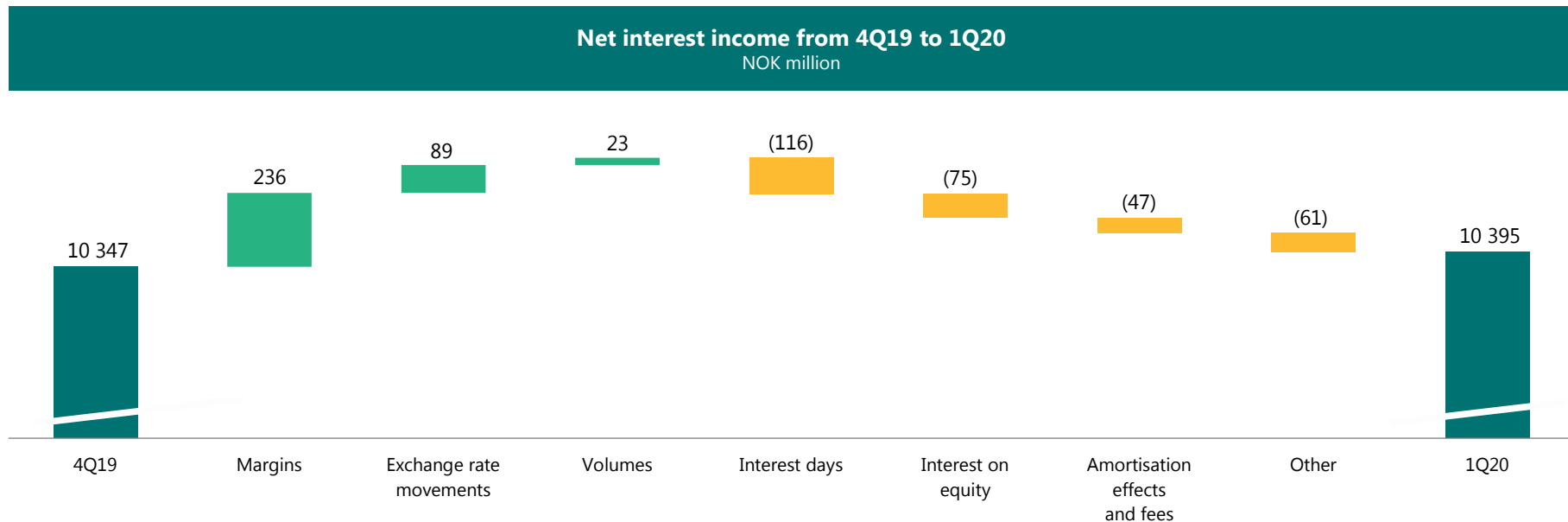
Spreads in customer segments
Per cent



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

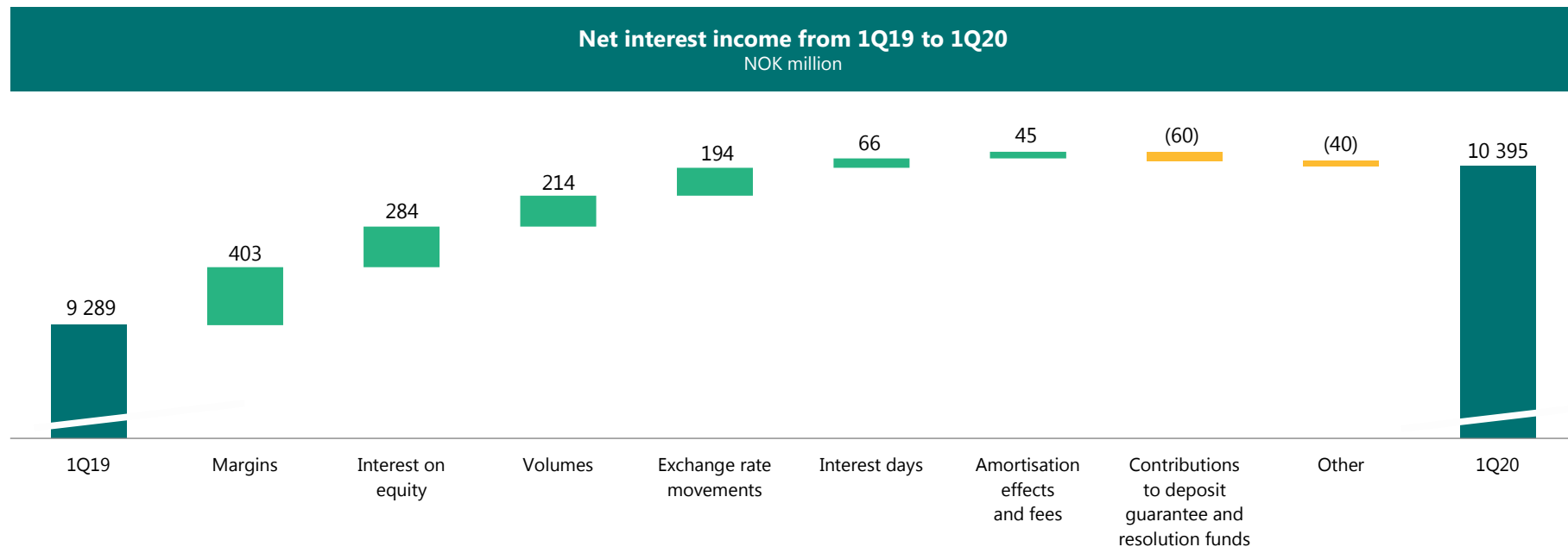
Net interest income up 0.5 per cent from 4Q19

- Full effect of November 2019 repricing



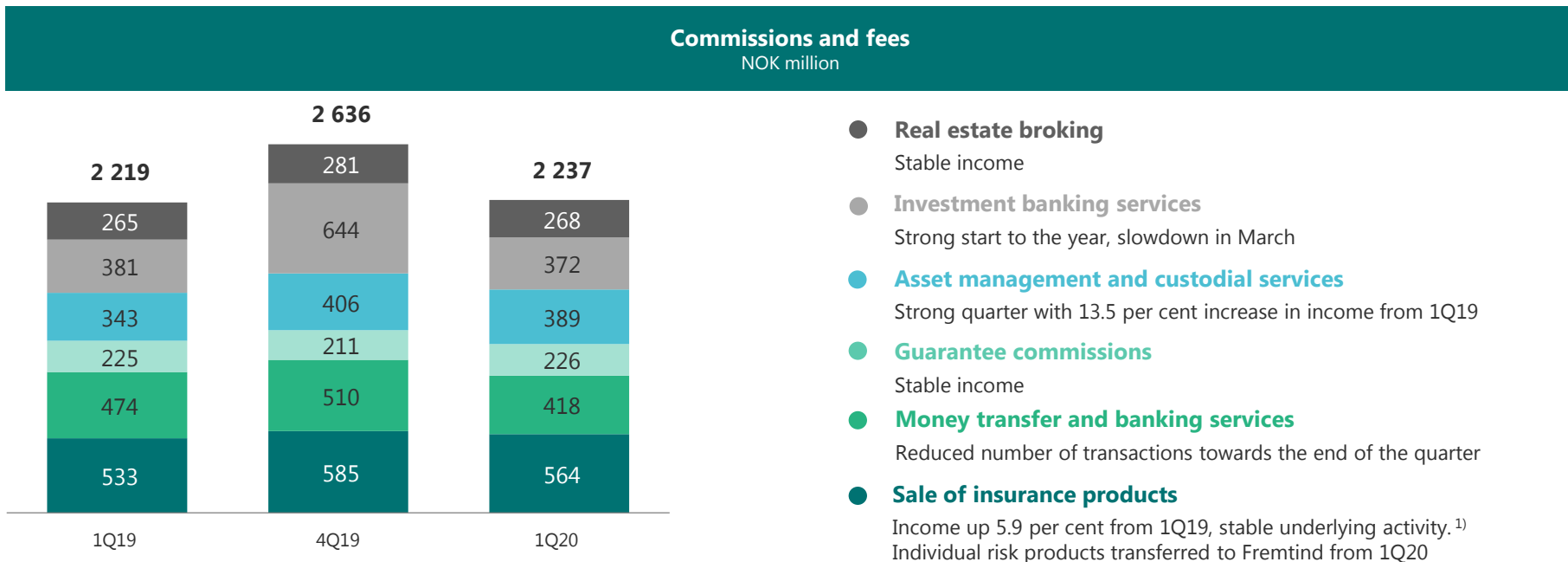
Net interest income up 11.9 per cent from corresponding quarter last year

- Volume growth and full effect of the 2019 rate hikes



Income from commissions and fees up 0.8 per cent from 1Q19 despite negative COVID-19 effects

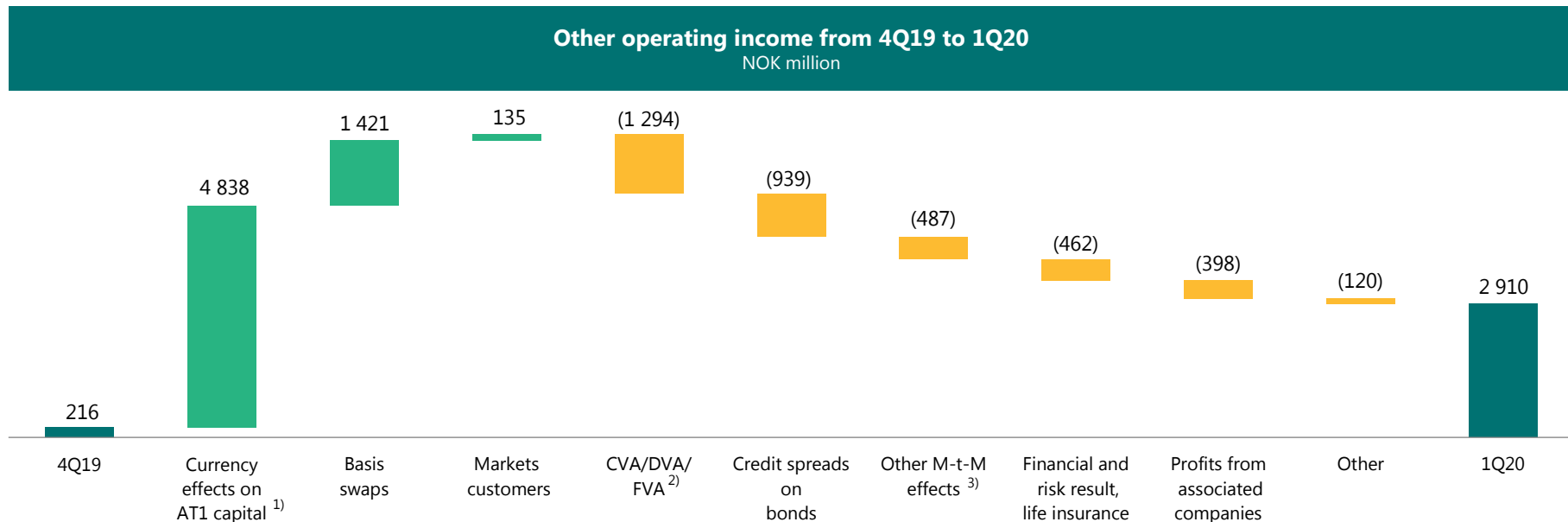
- Strong start to the year, before COVID-19 led to a slowdown in March. The slowdown is expected to continue in 2Q20
- Transaction-based income (real estate broking, money transfers, IBD) expected to be lower in the next quarter
- Market value-based income (asset management and pension products) will be impacted by lower market values



1) NOK 25 million income from Fremtind related to 1Q19 was booked in 2Q19.

Other operating income affected by market volatility

- Gains from currency effects on basis swaps and USD AT1 capital partly offset by CVA/DVA/FVA and increased credit spreads on bonds
- Lower financial results in life insurance, non-life insurance and other associated companies due to developments in financial markets



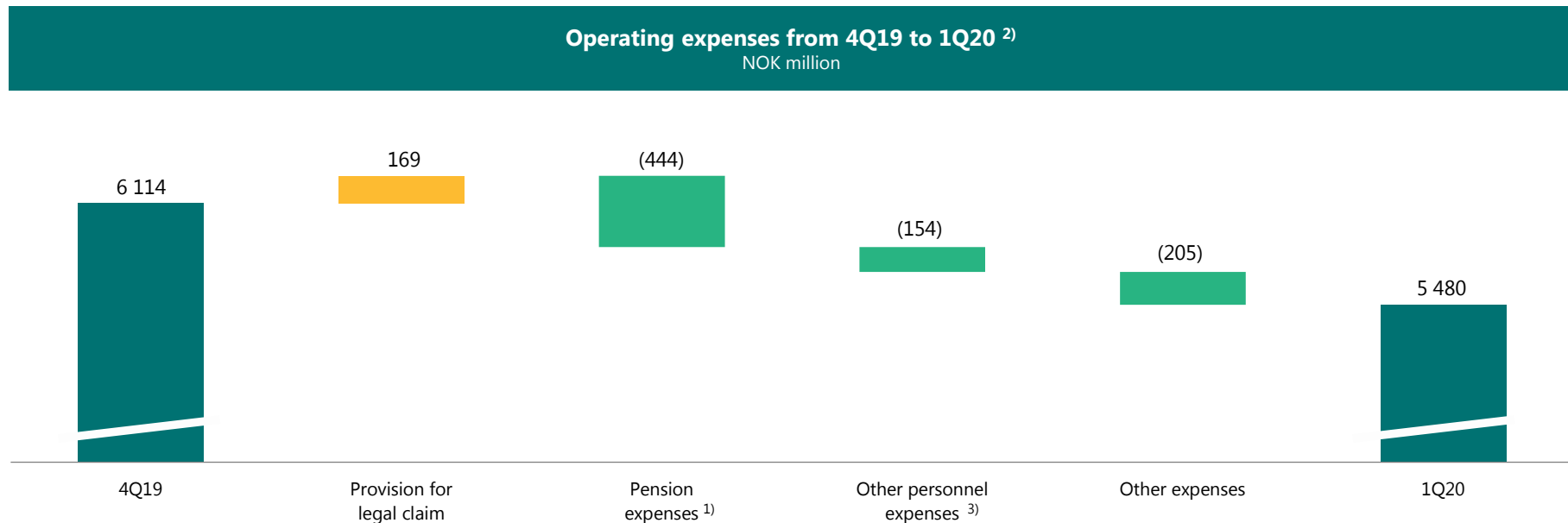
1) AT1: Additional Tier 1.

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

3) M-t-M: Mark to Market.

Operating expenses affected by lower activity

- Reduced expenses related to pensions in the closed defined benefits scheme due to low return in the stock market ¹⁾
- Lower performance-based salaries in Markets and real estate broking
- Other expenses affected by seasonally low activity



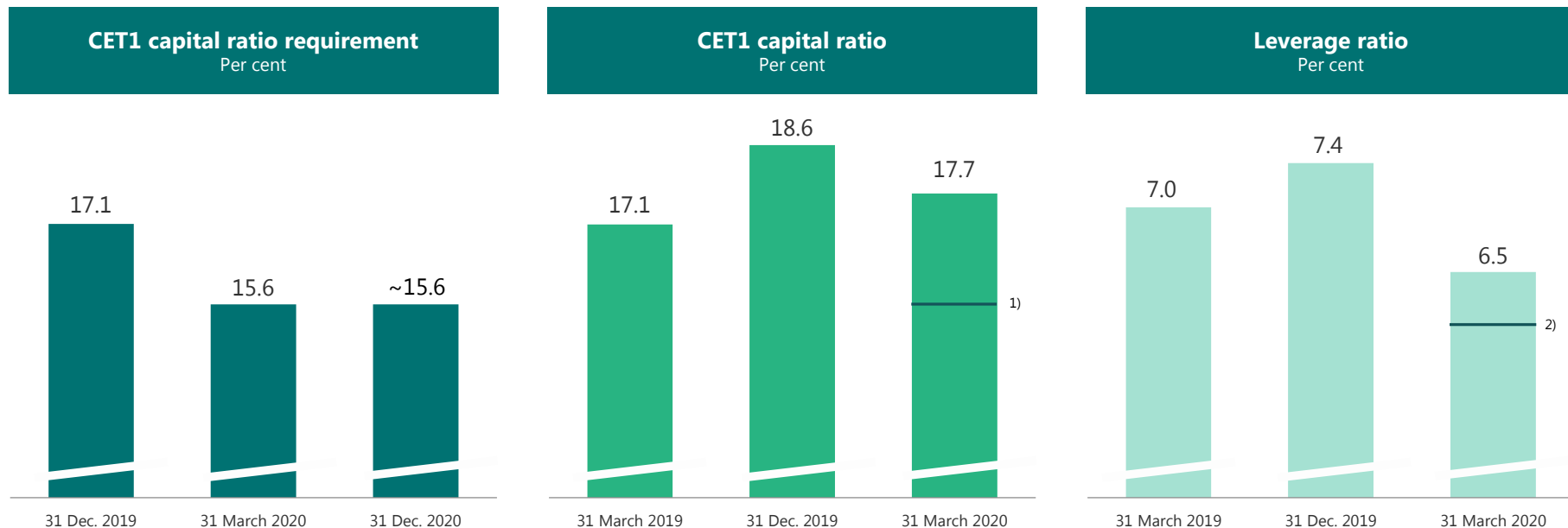
1) ~NOK 300 million below expected average. Closed defined benefits scheme hedged, corresponding negative result recognised in M-t-M in net gains on financial instruments.

2) Currency effects increased expenses by NOK 35 million from 4Q19, mainly driven by effects in March.

3) ~NOK 125 million due to decrease in variable salaries.

CET1 capital and leverage ratio impacted by currency effects

- CET1 capital ratio based on dividend payout of NOK 9.00 per share and 50 per cent of profit from 1Q20
- New CET1 capital ratio requirement reflecting reduced countercyclical buffer requirement
- Leverage ratio impacted by central banks (-47 bps), currency effects on lending (-16 bps), counterparty exposure (-12 bps) and redemption of AT1 capital (-26 bps)



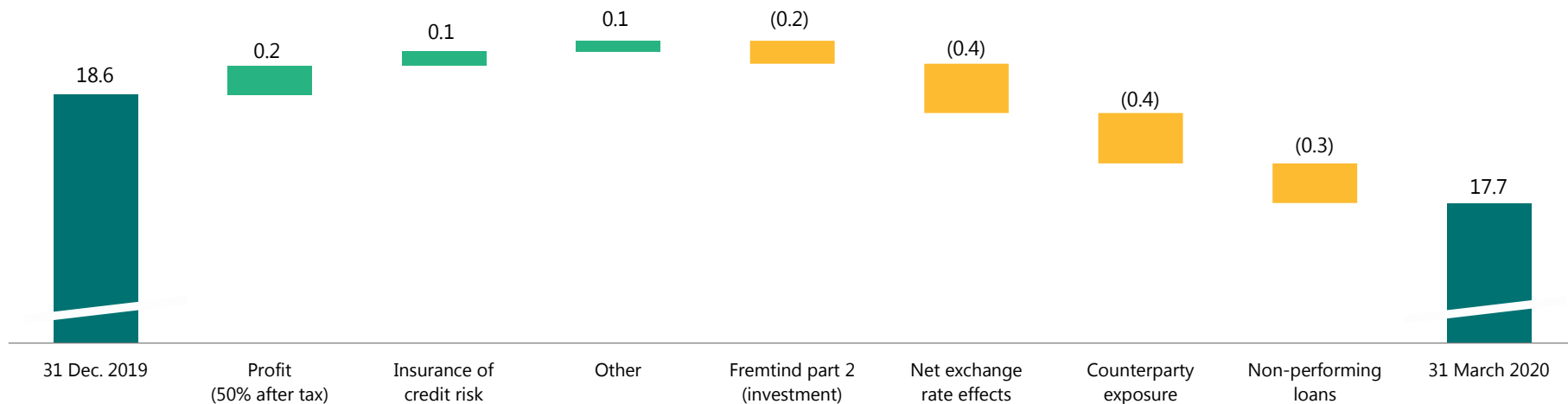
1) CET1 capital ratio requirement of 15.6 per cent including management buffer. CCyB reduced by 1.4 percentage points and Pillar 2 floor reduced by ~0.1 percentage point.

2) Requirement of 6.0 per cent.

CET1 capital ratio affected by currency effects and counterparty risk

- CET1 capital ratio well above requirement of 15.6 per cent
- Temporary increase in counterparty exposure due to changes in exchange rates and interest rates

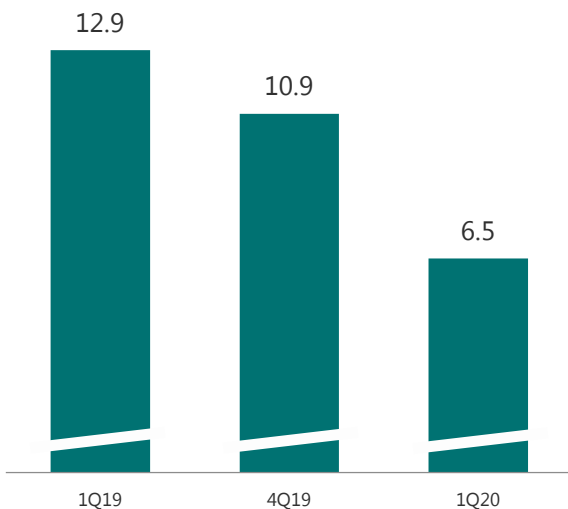
Development in CET1 capital ratio from 31 Dec. 2019 to 31 March 2020
Per cent



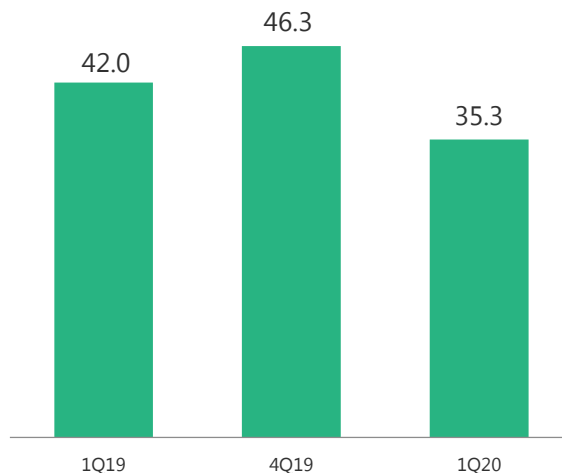
Strong underlying operating performance in a quarter affected by COVID-19 and high impairment provisions

- Cost/income ratio of 35.3 per cent affected by net gains on financial instruments
- 2019 share buy-back programme completed in March with a total buy-back of 1.89 per cent
- Dividends for 2019 and share buy-back authorisation to be decided at an Annual General Meeting no later than December 2020

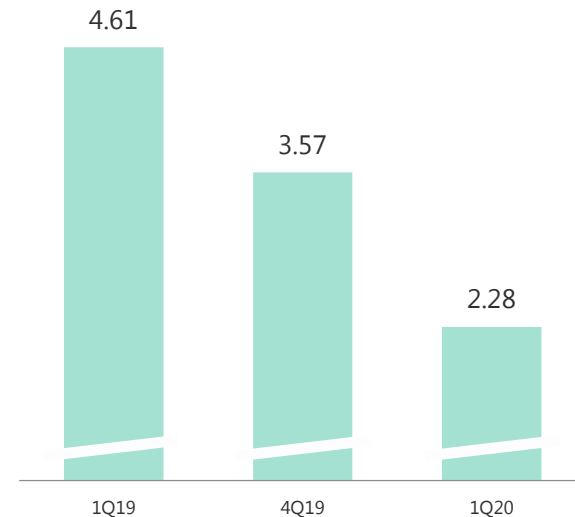
Return on equity
Per cent



Cost/income ratio
Per cent



Earnings per share
NOK

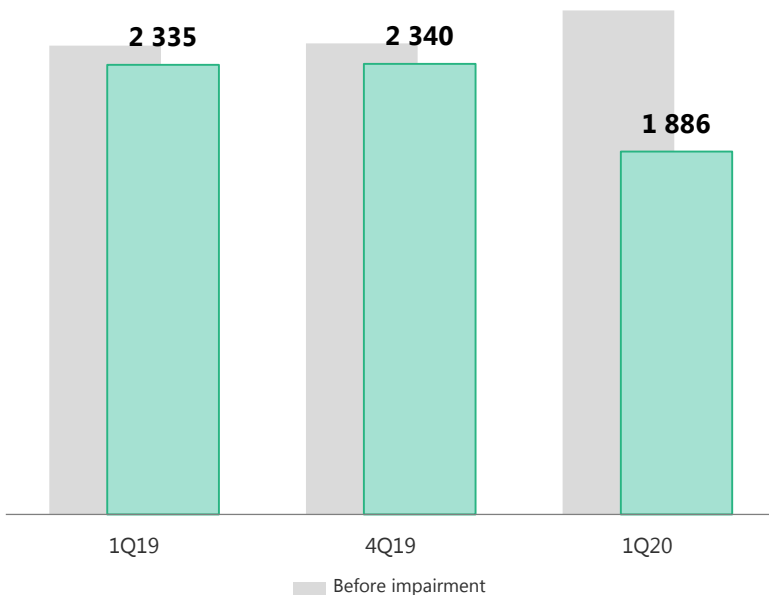


APPENDIX

Personal customers – solid underlying performance offset by impairment provisions

Pre-tax operating profit

NOK million

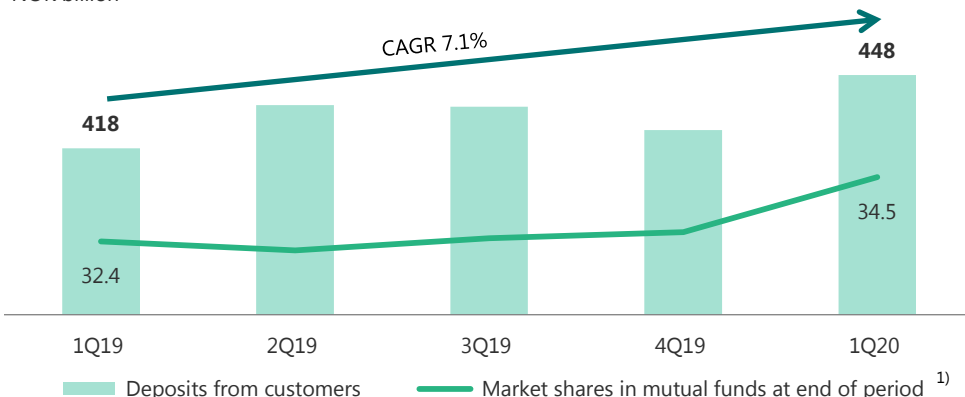


Financial highlights

- Net interest income up 9.6 per cent from 1Q19 and 5.2 from 4Q19
- Pre-tax operating profit up 7.5 per cent from 1Q19 and 7.0 from 4Q19
- Increased impairment provisions of NOK 630 million due to IFRS9 macro indicators and one customer in Private Banking

Positive development in deposits

NOK billion

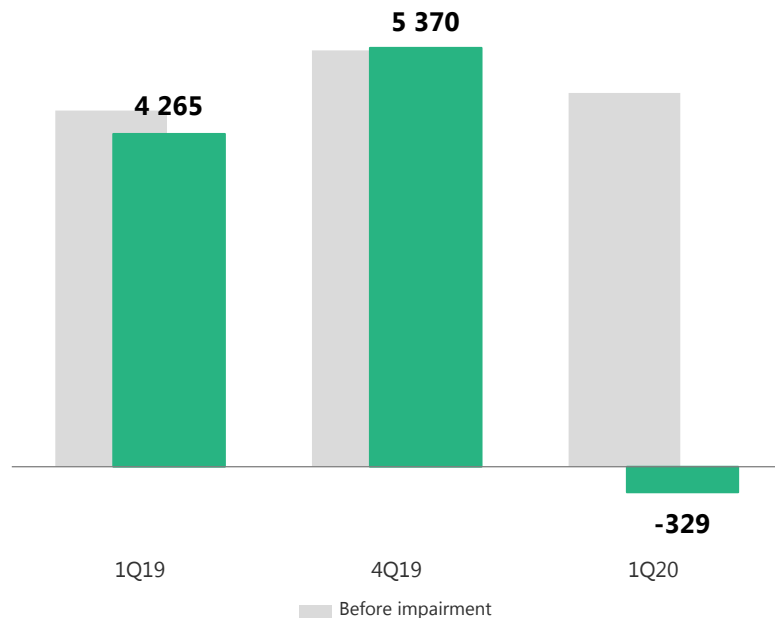


1) Source: Fund and Asset Management Association, Norway

Corporate customers – pre-tax operating profit affected by COVID-19 and effects of the fall in the oil price

Pre-tax operating profit

NOK million

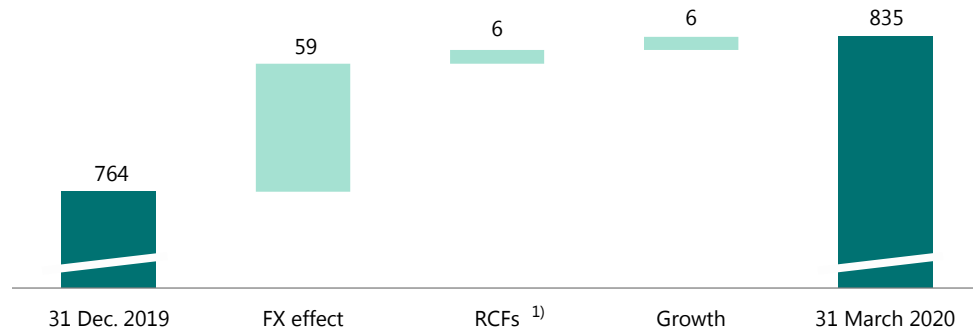


Financial highlights

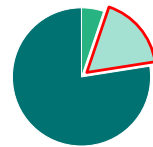
- Pre-tax operating profit up 5.0 per cent from 1Q19
- Impairment provisions of NOK 5.0 billion, in line with IFRS 9 and expected credit loss model

Development in net loans

NOK million



1) RCFs – Revolving Credit Facilities. Other overdraft facilities included in the figures.

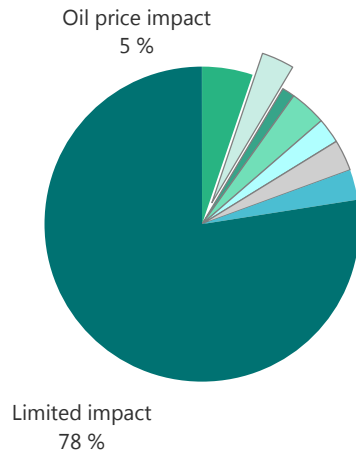


Services – diverse portfolio

- Good mix of B2B (business to business) and B2C (business to consumer)
- Predominantly Nordic
- Decreased activity in some sub-segments (restaurants, fitness centres, facility management), increased risk limited by Government support packages

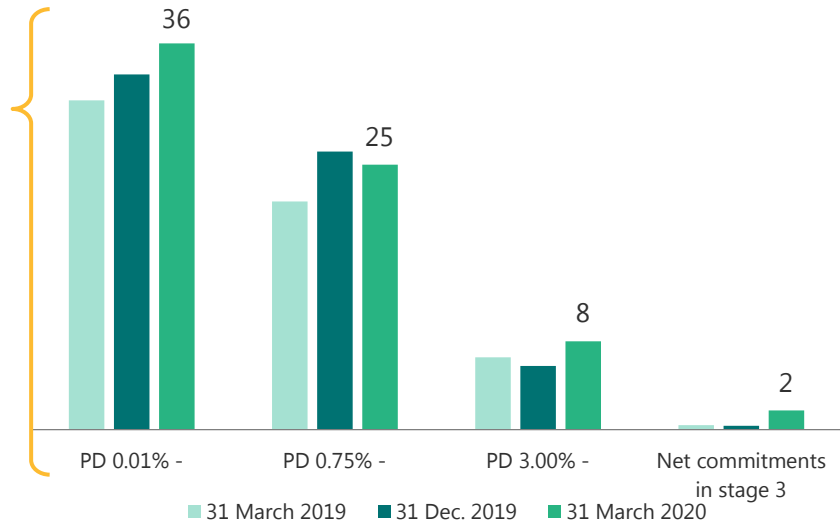
Services Net EAD NOK 70 billion – 3 per cent of total

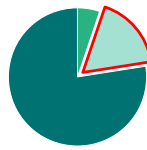
- Services
- Tourism and cruise industry
- Manufacturing
- Retail industries
- Shipping
- Hotels and retail-related commercial real estate



Net EAD
NOK 70
billion
as at
31 March
2020

Risk classification NOK billion



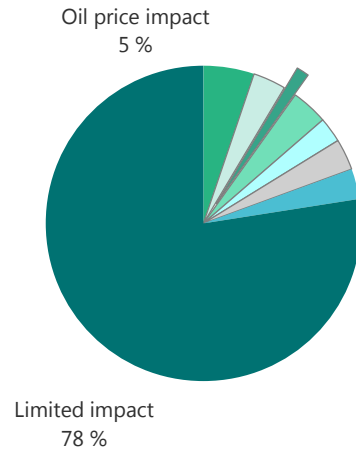


Tourism and cruise industry

- ~50 per cent of the exposure towards each of the two sub-segments
- Tourism segment mainly includes large Nordic hotel operators with acceptable liquidity reserves
- Cruise segment mainly includes large cruise companies/lines where ~50 per cent of the exposure is covered by Export Credit Agency guarantees

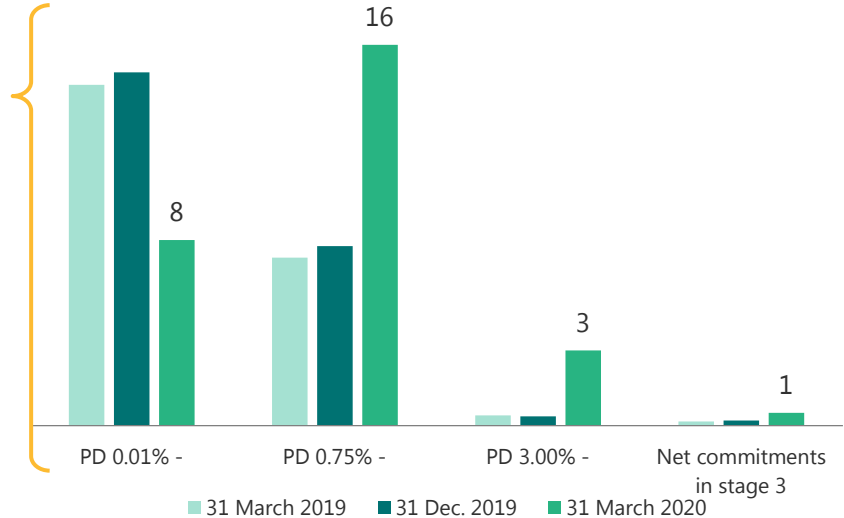
Tourism and cruise industry Net EAD NOK 27 billion – 1 per cent of total

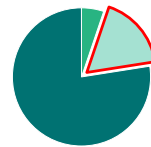
- Services
- Tourism and cruise industry
- Manufacturing
- Retail industries
- Shipping
- Hotels and retail-related commercial real estate



Net EAD
NOK 27
billion
as at
31 March
2020

Risk classification NOK billion



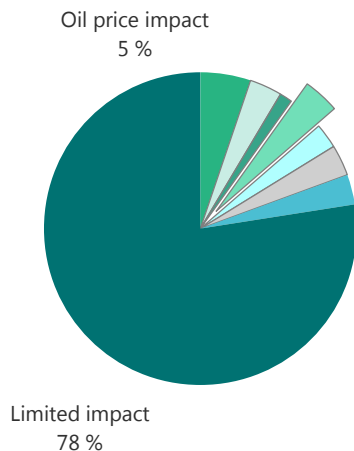


Manufacturing – diverse and low-risk portfolio

- Affected by negative development in demand and challenges in supply chains
- Benefits from lower oil price
- Diverse portfolio – 77 per cent low risk exposure

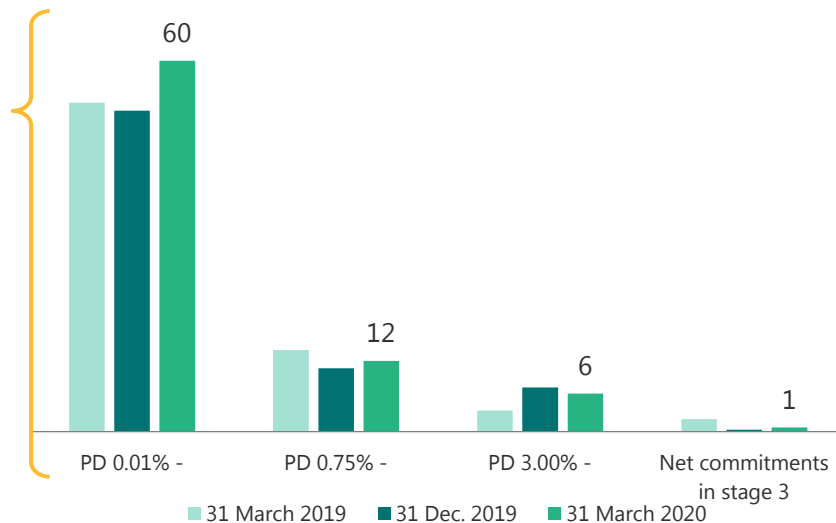
Manufacturing Net EAD NOK 78 billion – 4 per cent of total

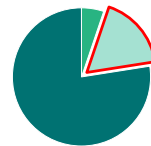
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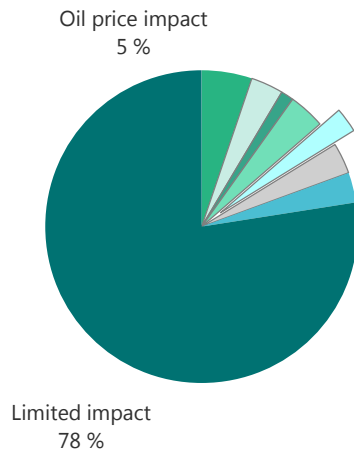


Retail industries

- Fashion is the most impacted sub-segment. Government compensation scheme and reduction of infection control measures will support this sector medium term
- Fast-moving consumer goods, incl. groceries, home improvement products and electronics, holding up well

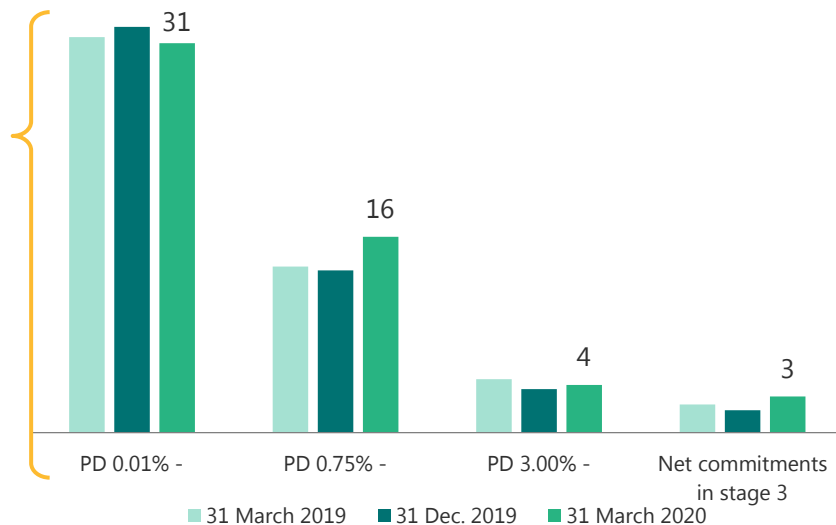
Retail industries Net EAD NOK 54 billion – 3 per cent of total

- Services
- Tourism and cruise industry
- Manufacturing
- Retail industries
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- Hotels and retail-related commercial real estate



Net EAD
NOK 54
billion
as at
31 March
2020

Risk classification NOK billion



Government measures counter negative effects on the economy

- Targeted stimulus packages aimed at members of the working population and corporate segments
- Significant packages negotiated and agreed upon by a broad coalition and strong majority in parliament (Stortinget)
- Banks highlighted by the Ministry of Finance as 'part of the solution' and acting as distributor of Government funds

Measures aimed at businesses

- **Government loan programme**
 - NOK 50 billion enabling loan financing to businesses. The Government guarantees 90 per cent of each bank loan
- **Government Bond Fund**
 - The Government Bond Fund has been reinstated with an investment budget of NOK 50 billion to increase liquidity and access to capital in the Norwegian bond market
- **Government compensation scheme for businesses**
 - Offers compensation to cover fixed costs for businesses losing revenue due to COVID-19 – up to NOK 20 billion per month
- **Reduced countercyclical buffer from 2.5 to 1.0 per cent**
 - Allows for higher lending capacity in the banking sector

Measures aimed at members of the working population and personal customers

- **Changes in benefit schemes for unemployed/temporarily laid-off members of the working population**
 - An extension of the scheme by granting benefits from the first day and increasing the daily allowance, and offering 80 per cent compensation to self-employed entrepreneurs
 - The scheme leads to higher registered unemployment as businesses lay off employees to save costs
- **Temporary changes in the Home Mortgage Regulation**
 - More flexibility for banks to deviate from the regulation, allowing increased use of deferred amortisation
- **Lowered key policy rate**
 - Lower loan costs for personal customers and businesses

DISCLAIMER

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this presentation may include forward-looking statements, such as statements of future expectations. These statements are based on the management's current views and assumptions, and involve both known and unknown risks and uncertainties.

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.

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.



Results DNB Group

First quarter 2020

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