

# DnB NOR Group - Results



1st quarter 2006

**DnBNOR**

# Contents



	Slide
Summary of results	3
Important events in the first quarter of 2006	4- 9
Analysis of the Group's results	10-23
Profit and loss figures for the business areas	24-35
Economic parameters and future prospects	36-41

## 1st quarter 2006 results



- Pre-tax operating profit up 37 per cent to NOK 3.7 billion (2.7)
- Profit for the period up 39 per cent to NOK 2.8 billion (2.0)
- Ordinary expenses cut back to 48.2 per cent of income (52.6)
- Return on equity was 19.2 per cent (15.8)
- Earnings per share were NOK 2.11 (1.54)

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Figures for 1st quarter 2005 in parentheses.

## High level of activity.....



19.4 per cent rise in total income

- Brisk lending growth
- High earnings for all segments in DnB NOR Markets
- 37 per cent growth in premium income in Vital
- Strong rise in sales of Save Smart



## High level of activity.....



Costs reduced to 48.2 per cent of income. Nominal growth due to increased business volume

- Realisation of 97 per cent of merger synergies
- Completion of Norway's largest IT integration process
- Consolidation of DnB NORD and Monchebank



## High level of activity...



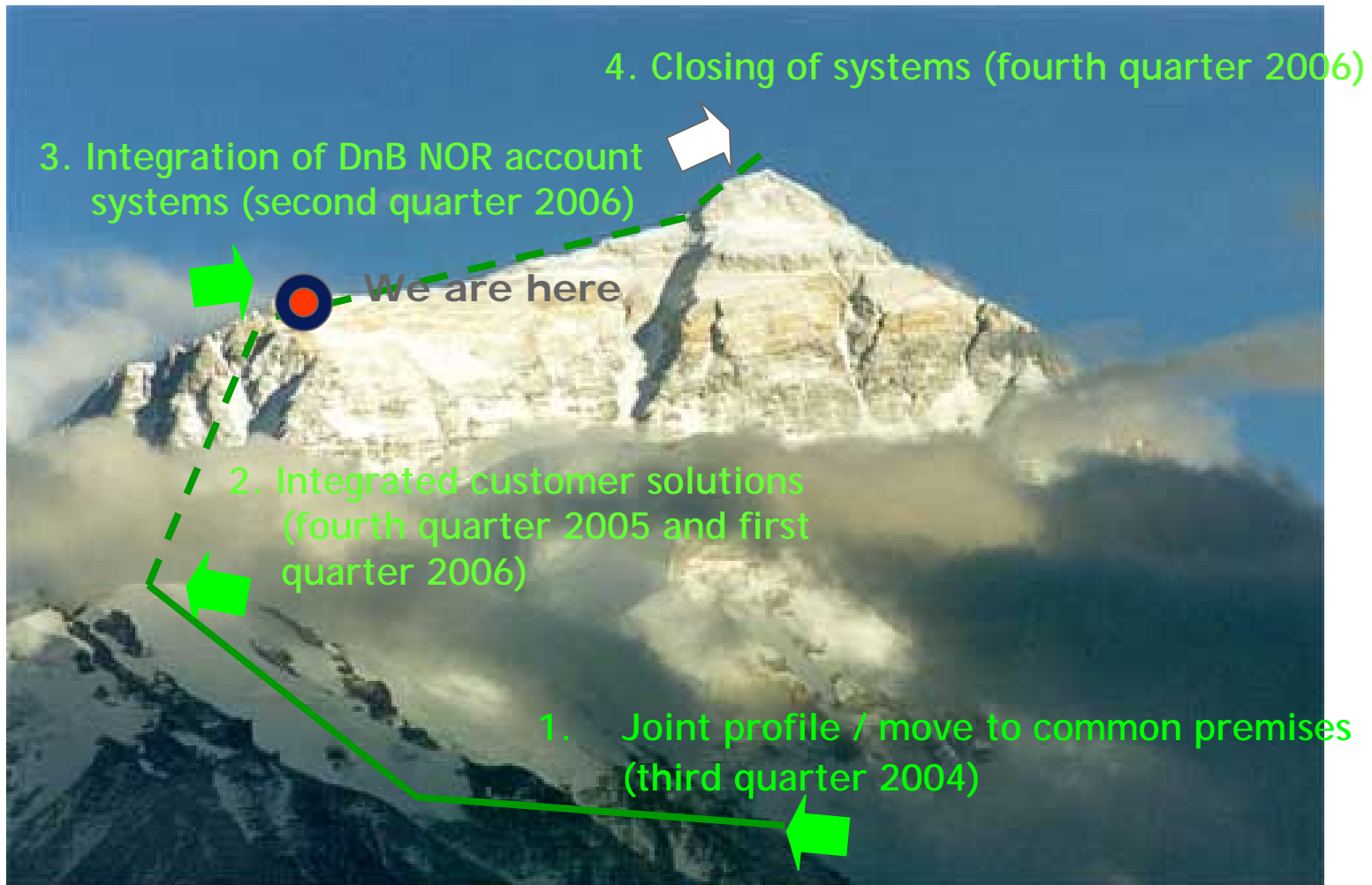
- Strong growth in shipping and offshore – same volume in Norway and abroad
  - A number of awards from the international shipping magazine Marine Money
  - Named best foreign exchange bank in Norway by Global Finance
- Strong growth in the Baltic region and Poland
  - 550 000 customers
  - 127 branch offices
  - 1 800 employees
- Escalating activity in Sweden
- Opening of office in Houston



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# IT integration programme Milestone plan



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# The IT integration process

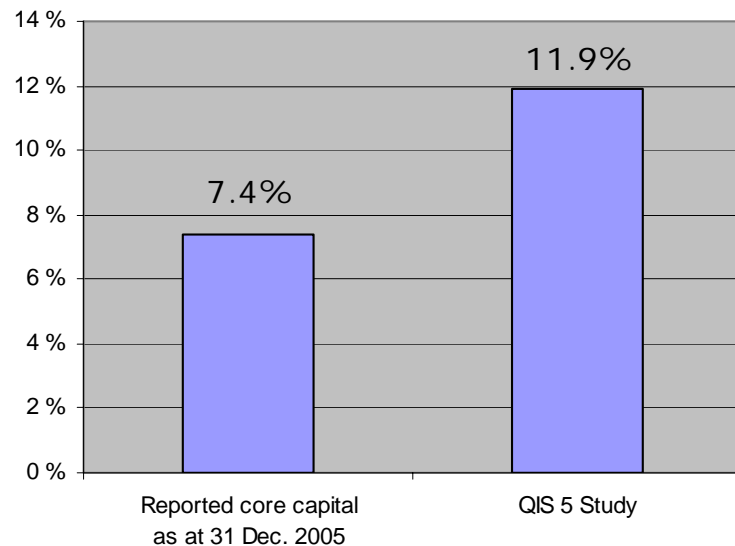


The conversion of two systems to form one core IT system was completed during Easter

- Scope – approximately two million former NOR accounts and one million NOR customers
- Extensive operation - involved about 450 employees
- No critical errors during the conversion process. Everything went according to plan
- Good performance and stability during the first few days following the integration. A record volume was processed on the first working day after Easter - approximately 17 million transactions totalling approximately NOK 1 217 billion, without any known deviations



# Capital requirements made under Basel II – the Basel Committee's impact study <sup>1)</sup>



- Full implementation would reduce risk-weighted assets in DnB NOR by approximately 38 per cent
- The core capital ratio would increase to 11.9 per cent (7.4) – greater flexibility
- Pillar 2 will increase capital requirements beyond minimum requirements according to Pillar 1 – dialogue with Kredittilsynet

1) Quantitative Impact Study (QIS 5)

# Financial highlights



<i>Amounts in NOK million</i>	<i>1Q06</i>	<i>1Q05</i>
Ordinary operating profit	<b>3 718</b>	<b>2 847</b>
Pre-tax operating profit	<b>3 743</b>	<b>2 728</b>
Profit for the period	<b>2 849</b>	<b>2 046</b>
Cost/income ratio (per cent)	<b>48.2</b>	<b>52.6</b>
Return on equity (per cent)	<b>19.2</b>	<b>15.8</b>
Earnings per share (NOK)	<b>2.11</b>	<b>1.54</b>
Total combined assets at end of period	<b>1 495</b>	<b>1 297</b>
Core capital ratio at end of period (per cent) <sup>1)</sup>	<b>7.2</b>	<b>7.6</b>

1) Including 50 per cent of profit for the period

# Profit and loss accounts



<i>Amounts in NOK million</i>	<i>1Q06</i>	<i>4Q05</i>	<i>3Q05</i>	<i>2Q05</i>	<i>1Q05</i>
Net interest income and credit commissions	<b>3 622</b>	3 473	3 426	3 412	<b>3 299</b>
Net other operating income	<b>3 555</b>	3 222	3 139	2 648	<b>2 713</b>
Total ordinary operating expenses	<b>3 459</b>	3 183	3 160	3 203	<b>3 165</b>
Ordinary operating profit	<b>3 718</b>	3 512	3 404	2 857	<b>2 847</b>
Other expenses	<b>0</b>	153	0	0	<b>0</b>
Pre-tax operating profit before write-downs	<b>3 718</b>	3 359	3 404	2 857	<b>2 847</b>
Net gains on fixed and intangible assets	<b>12</b>	172	130	455	<b>17</b>
Write-downs on loans and guarantees	<b>(12)</b>	(48)	(79)	123	<b>136</b>
Pre-tax operating profit	<b>3 743</b>	3 578	3 613	3 190	<b>2 728</b>
Taxes	<b>894</b>	582	903	797	<b>682</b>
Profit for the period	<b>2 849</b>	2 996	2 710	2 392	<b>2 046</b>

# Changes in net interest income

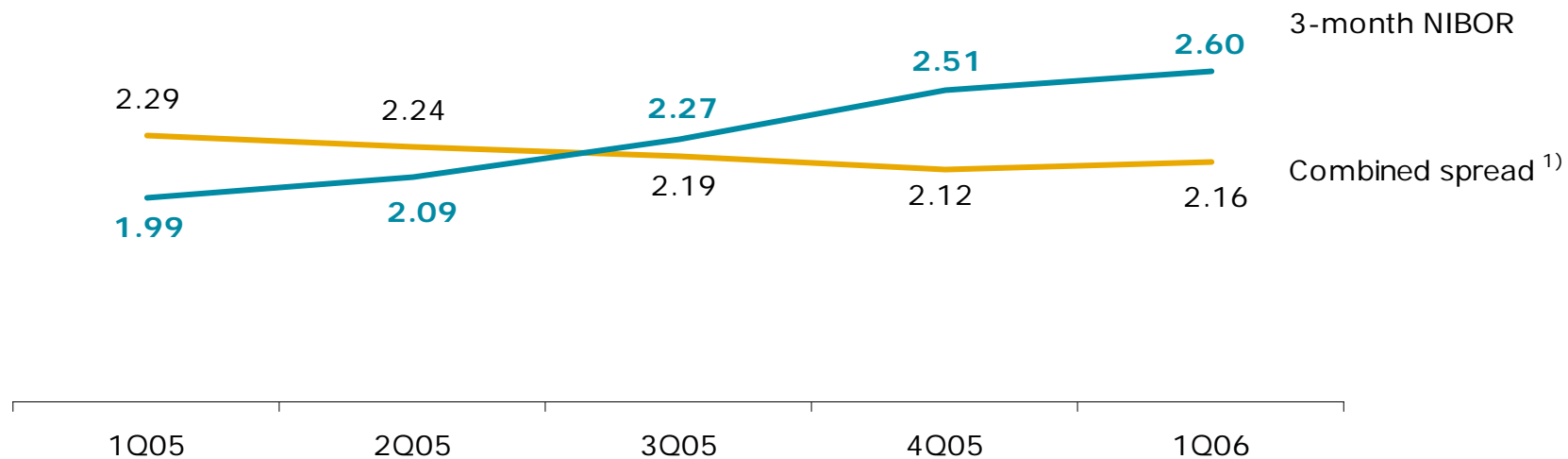


<i>Amounts in NOK million</i>	<i>1Q06</i>	<i>Change</i>	<i>1Q05</i>
<b>Net interest income</b>	<b>3 622</b>	<b>323</b>	<b>3 299</b>
DnB NORD	166	166	-
Monchebank	6	6	-
Lending and deposit volumes		404	
Lending and deposit spreads		(232)	
Other		(21)	

# Developments in average interest rate spreads



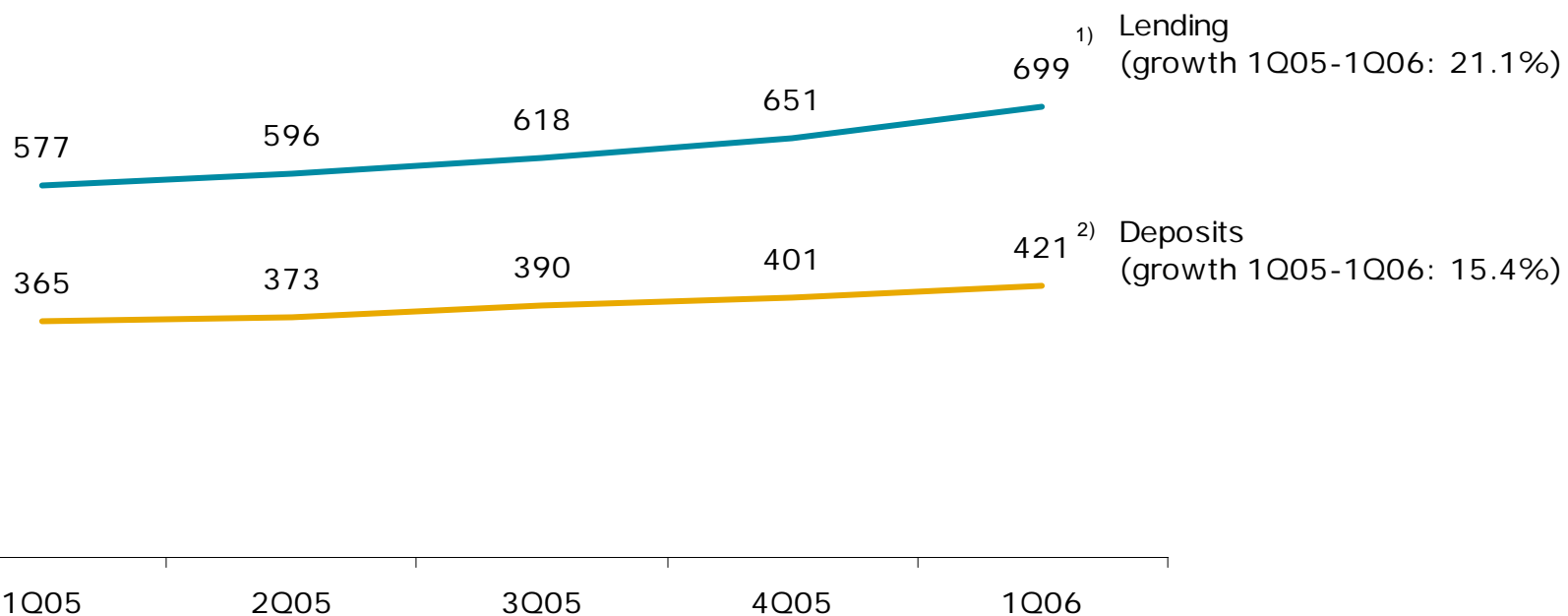
Per cent



1) Combined spread for lending and deposits

# Developments in average volumes

NOK billion



1) Excluding DnB NORD and Monchebank: 675

2) Excluding DnB NORD and Monchebank: 411



# Changes in net other operating income



<i>Amounts in NOK million</i>	1Q06	Change	1Q05
<b>Net other operating income</b>	<b>3 555</b>	<b>842</b>	<b>2 713</b>
DnB NORD	71	71	-
Monchebank	6	6	-
Net commissions and fees		367	
Net gains on equity investments		100	
Net gains on other financial instruments		248	
Net financial and risk result from Vital <sup>1)</sup>		85	
Other income		(34)	

1) Deducted guaranteed returns and allocations to policyholders, after eliminations

# Changes in total operating expenses

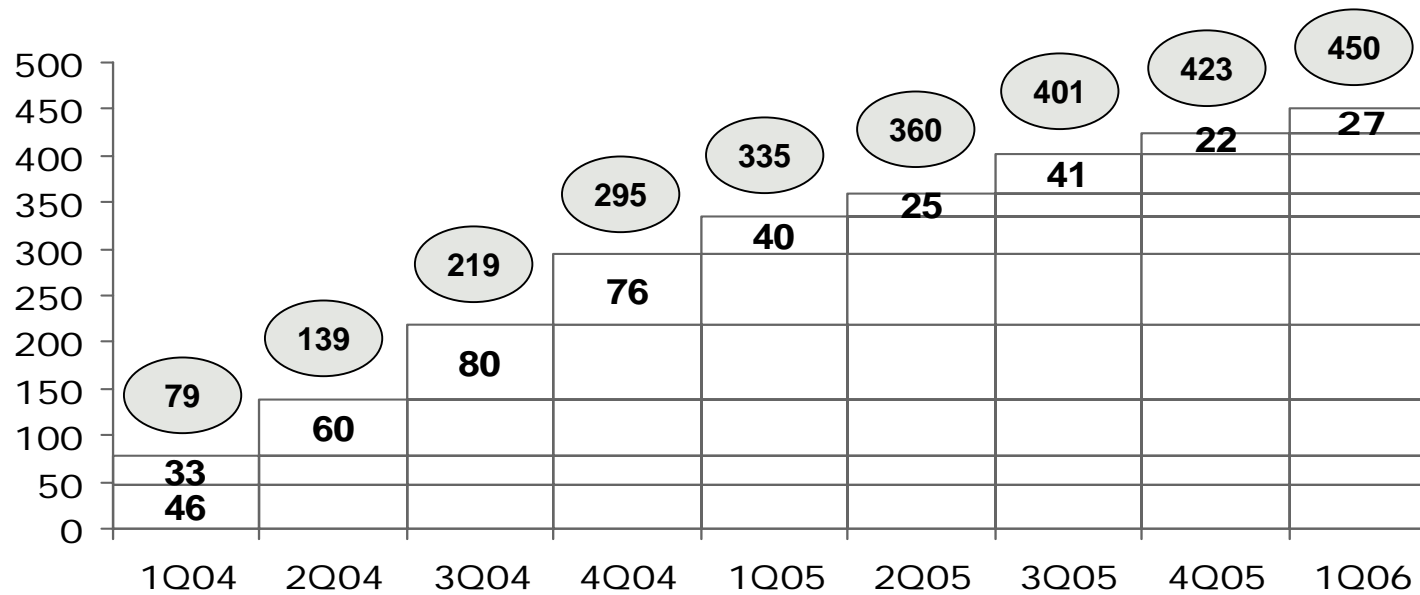


<i>Amounts in NOK million</i>	<i>1Q06</i>	<i>Change</i>	<i>1Q05</i>
<b>Total operating expenses</b>	<b>3 459</b>	<b>294</b>	<b>3 165</b>
DnB NORD	151	151	-
Monchebank	7	7	-
Performance-based pay		111	
Pension expenses		41	
IT investments		29	
Wage settlements		27	
Merger synergies		(115)	
New activities		43	

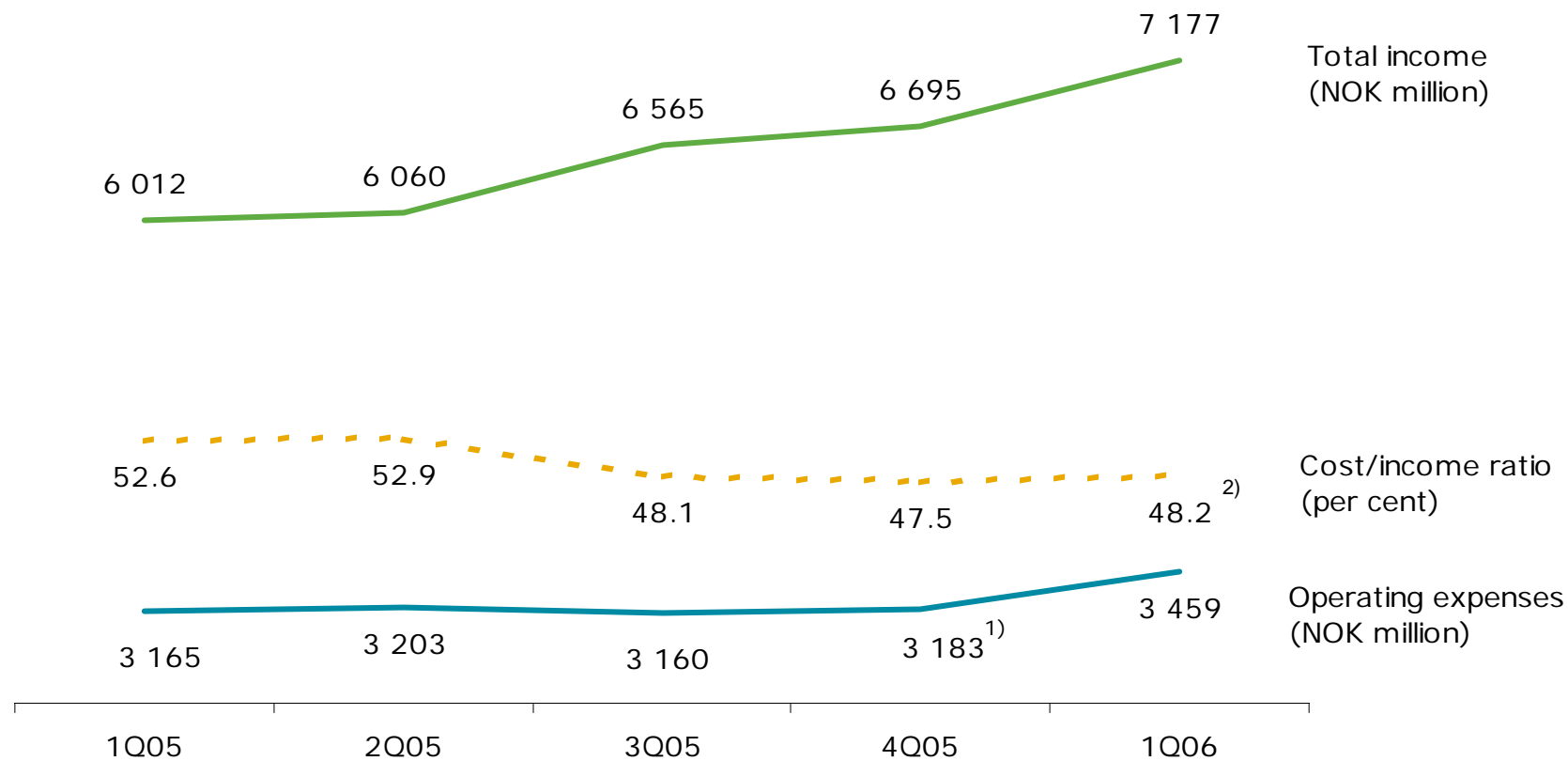
# 97 per cent of cost synergies attained



NOK million



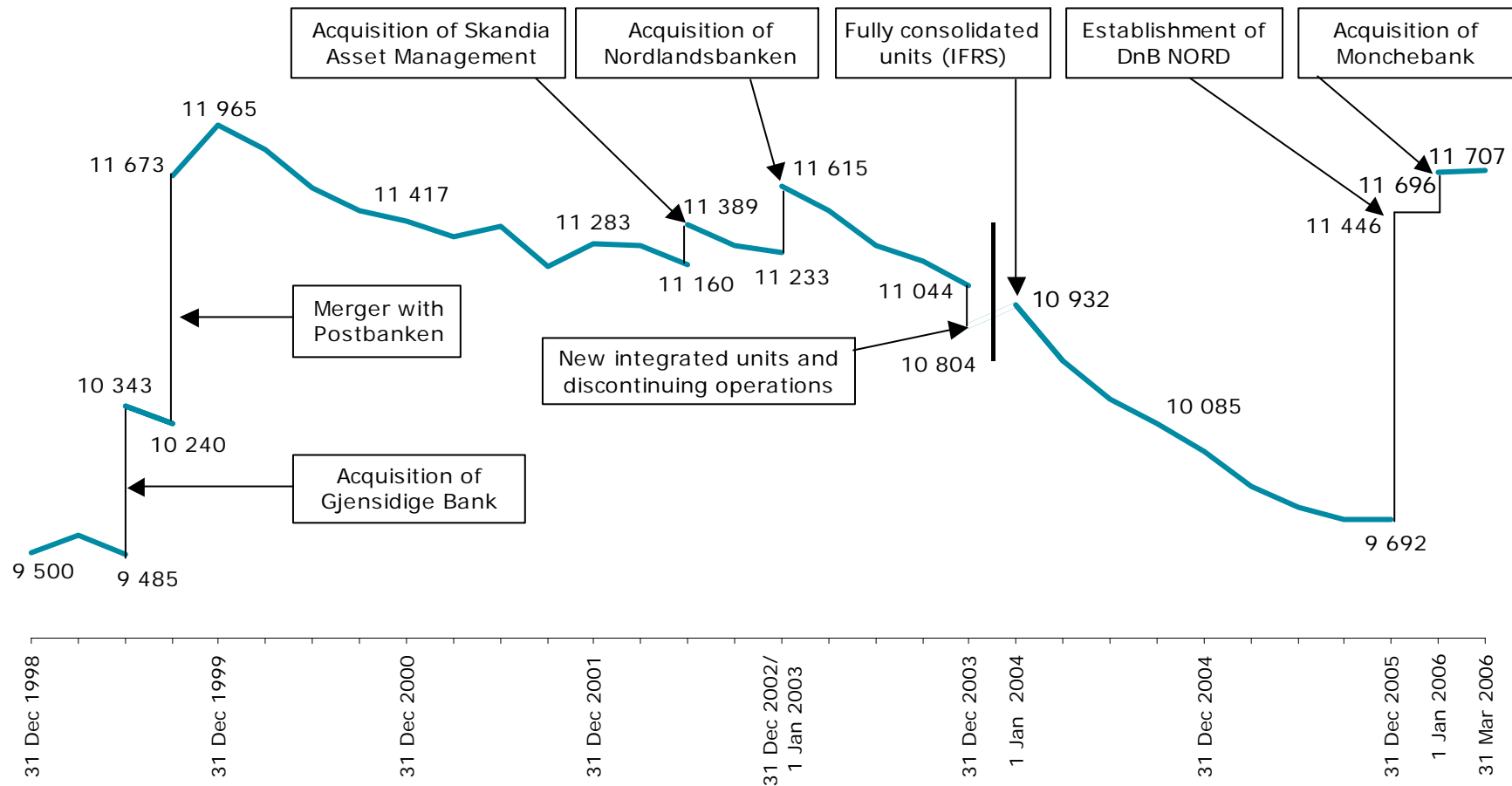
# Cost/income ratio



1) Excluding allocations to employee funds

2) Cost/income ratio excluding DnB NOR and Monchebank was 47.6

# Full-time employees



# Write-downs on loans and guarantees

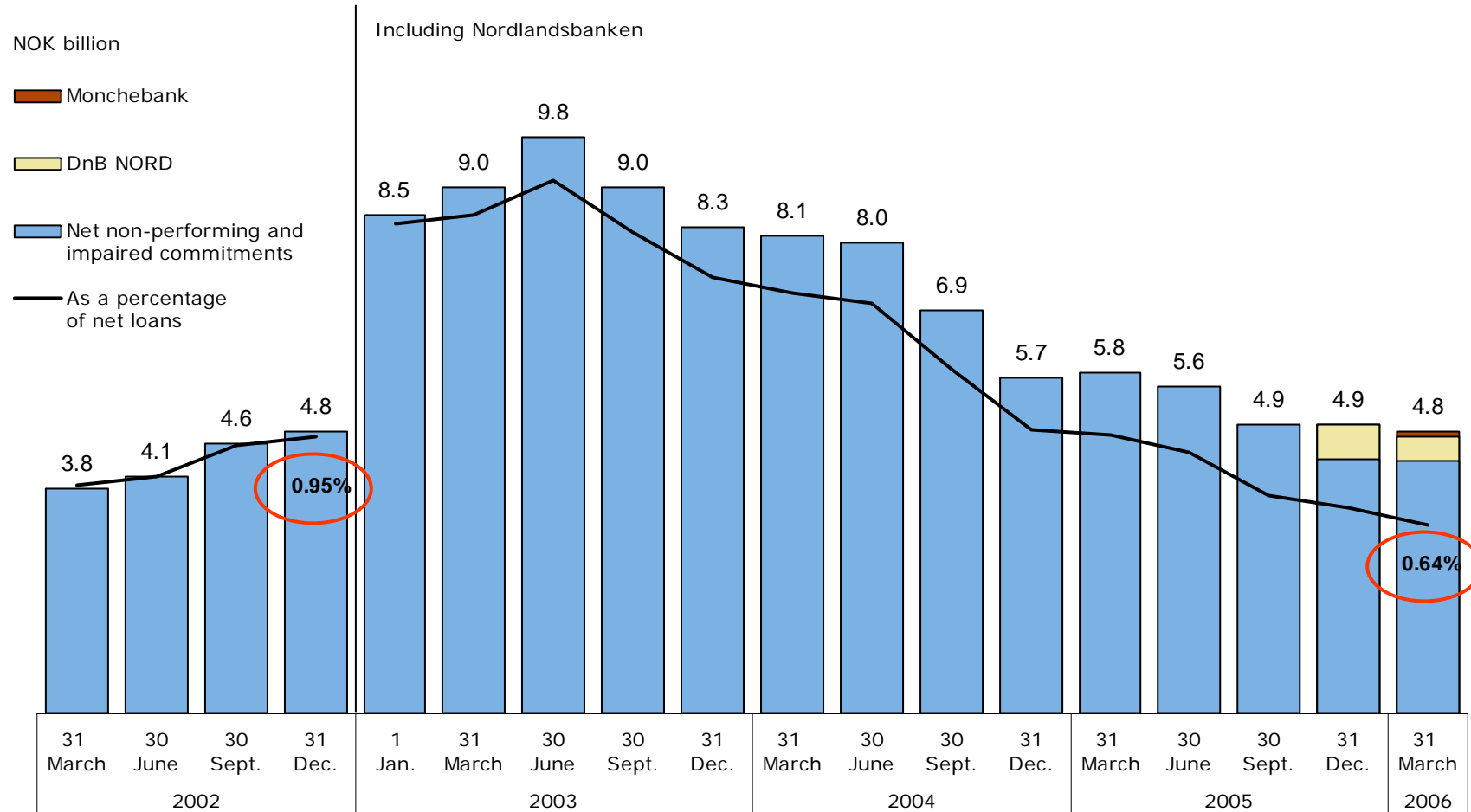


<i>Profit and loss accounts</i>						<i>Full year</i>	<i>Full year</i>
<i>Amounts in NOK million</i>	<i>1Q06</i>	<i>4Q05</i>	<i>3Q05</i>	<i>2Q05</i>	<i>1Q05</i>	<i>2005</i>	<i>2004</i>
New individual write-downs	<b>257</b>	43	246	202	<b>386</b>	877	1 333
Reassessments and recoveries	<b>186</b>	122	303	19	<b>200</b>	643	1 236
Individual write-downs	<b>71</b>	(79)	(57)	183	<b>186</b>	234	97
Group write-downs	<b>(83)</b>	31	(22)	(60)	<b>(50)</b>	(101)	(276)
Total write-downs	<b>(12)</b>	(48)	(79)	123	<b>136</b>	133	(179)

Pro forma accounting figures prior to 2005.



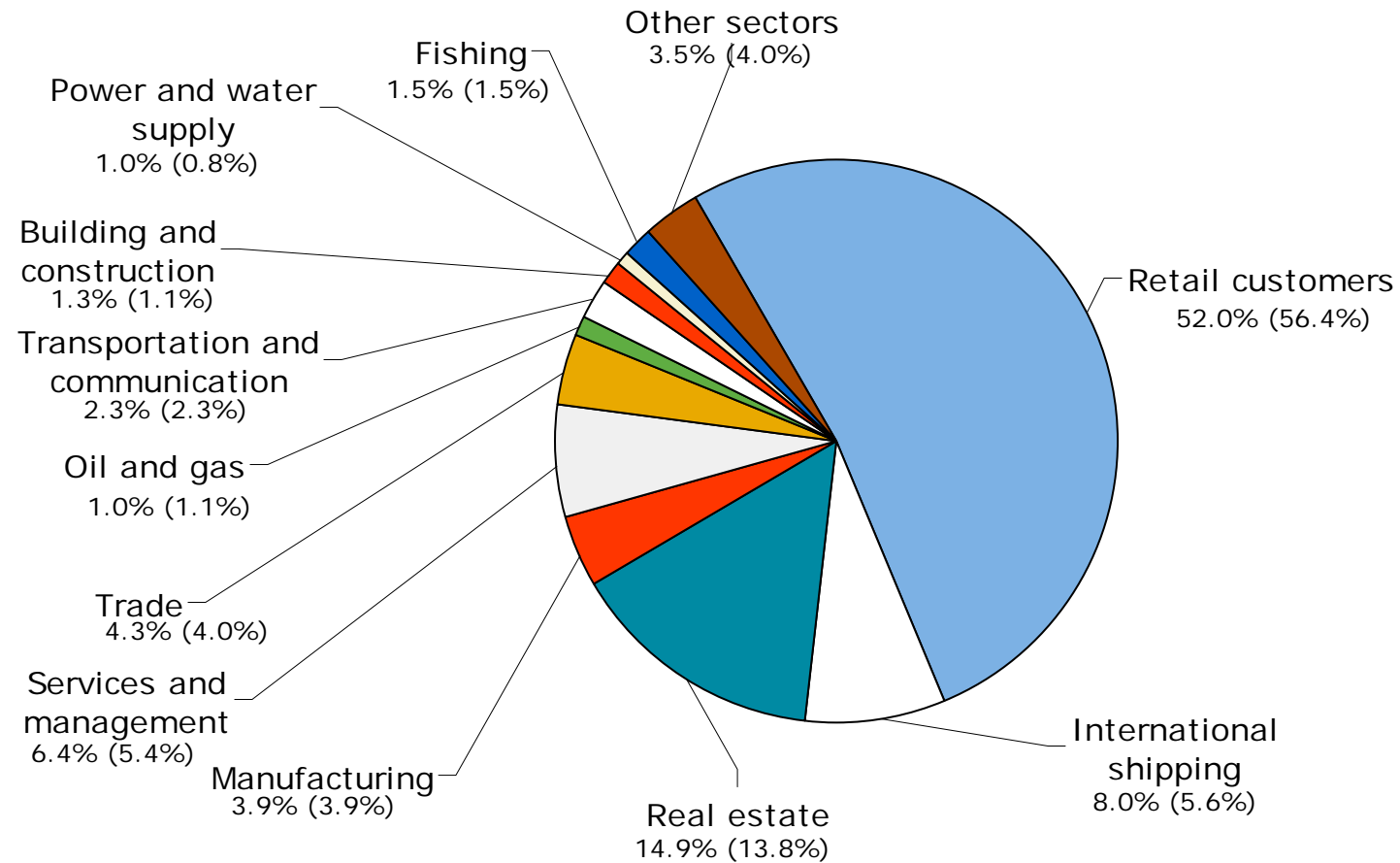
# Net non-performing and impaired commitments



Pro forma accounting figures prior to 2005.

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# Loan-portfolio as at 31 March 2006



Figures as at 31 March 2005 in parentheses

# Balance sheets



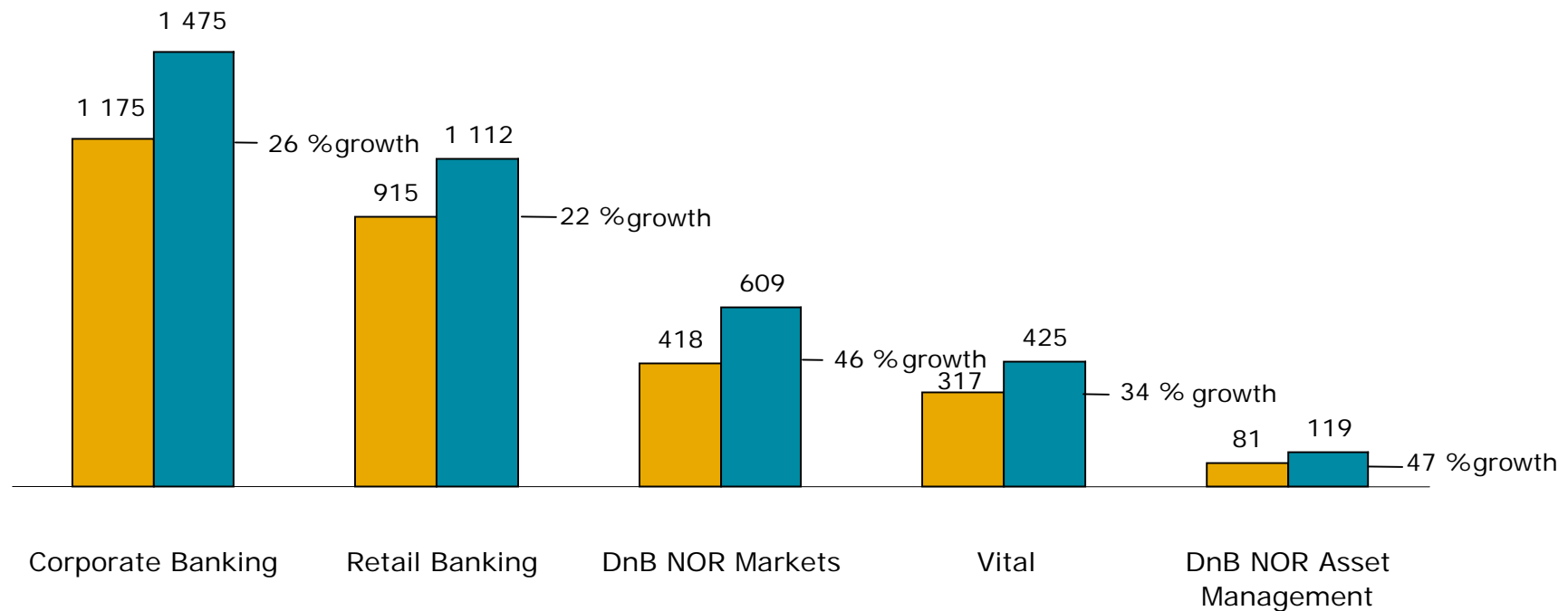
<i>Amounts in NOK billion</i>	<i>31 March 2006</i>	<i>31 December 2005</i>	<i>31 March 2005</i>
Cash and lending to/deposits with credit institutions	71	62	59
Net lending to customers	727	698	601
Commercial paper, bonds etc.	208	198	183
Shareholdings, etc.	45	37	32
Fixed and intangible assets	35	34	31
Financial assets - customers bearing the risk	15	13	10
Other assets	37	39	44
<b>Total assets</b>	<b>1 139</b>	<b>1 081</b>	<b>961</b>
Loans and deposits from credit institutions	111	108	87
Deposits from customers	421	411	369
Borrowings through the issue of securities	262	237	200
Insurance liabilities - customers bearing the risk	15	13	10
Liabilities to life insurance policyholders	183	175	158
Other liabilities and provisions	57	53	59
Primary capital	90	84	78
<b>Total liabilities and equity</b>	<b>1 139</b>	<b>1 081</b>	<b>961</b>
Ratio of deposits to net lending (per cent)	57.8	58.9	61.4

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



NOK million

■ 1st quarter 2005  
■ 1st quarter 2006



# Corporate Banking



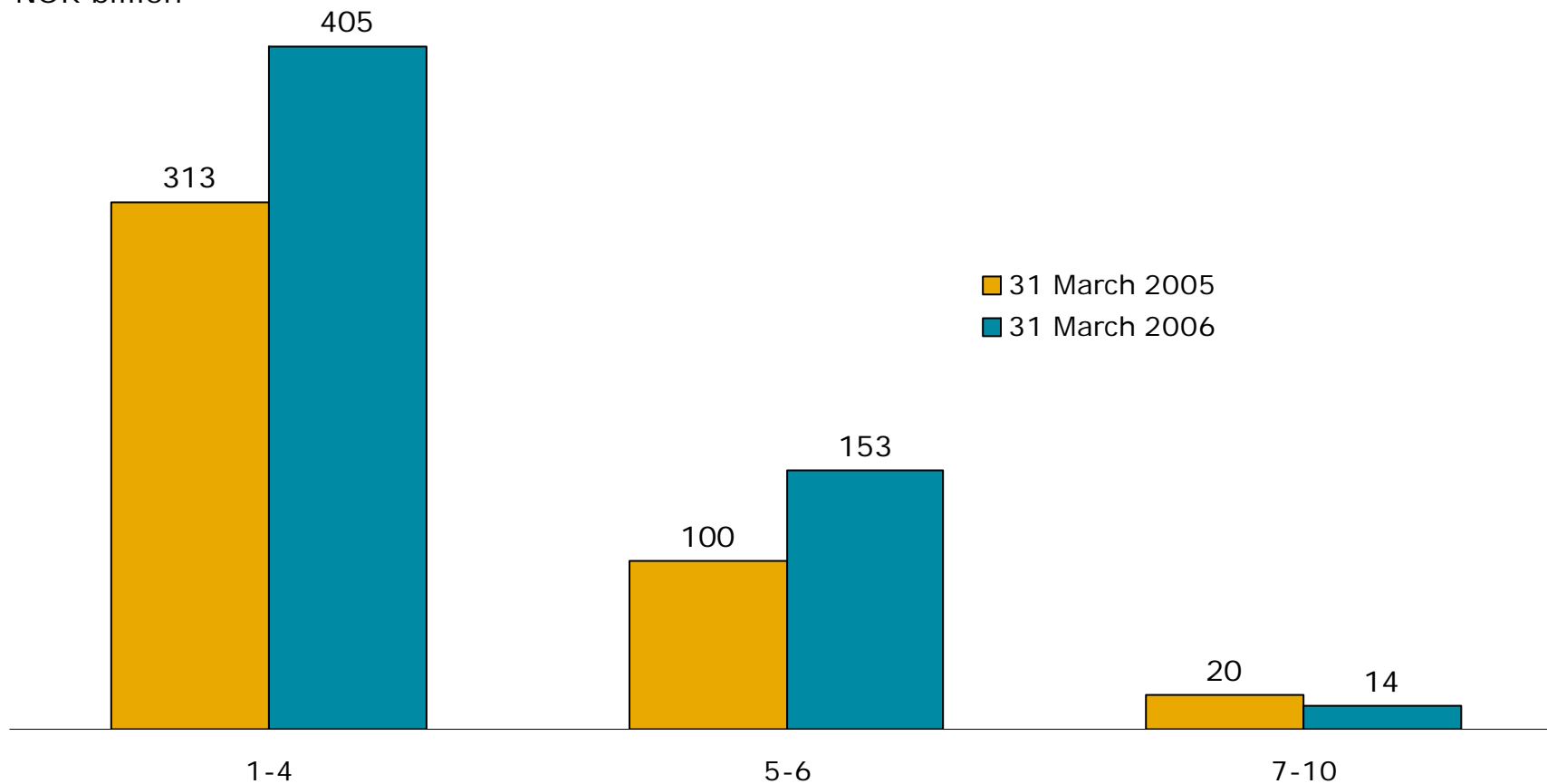
<i>Amounts in NOK million</i>	1Q06	1Q05
Net interest income - ordinary operations	1 499	1 332
Interest on allocated capital	166	109
Net interest income	1 665	1 441
Net other operating income	663	646
Total income	2 328	2 087
Operating expenses	864	800
Pre-tax operating profit before write-downs	1 465	1 287
Net gains on fixed and intangible assets	7	4
Net write-downs on loans	(4)	117
Pre-tax operating profit	1 475	1 175
Net lending to customers (NOK billion)	320	262
Deposits from customers (NOK billion)	231	190
Cost/income ratio (per cent)	37.1	38.3
Ratio of deposits to lending (per cent)	72.1	72.2
Return on capital BIS (per cent)	16.8	15.5

- Enhanced market position in all areas
- New growth areas: Russia, the Baltic region and Poland
- Extensive cross-sales
  - Vital (mandatory occupational pensions)
  - DnB NOR Markets
  - DnB NOR Finance
- Further improvement in portfolio quality

# Corporate Banking – portfolio quality



NOK billion



Based on DnB NOR's risk classification system, where 1 represents the lowest risk and 10 the highest risk



# Retail Banking



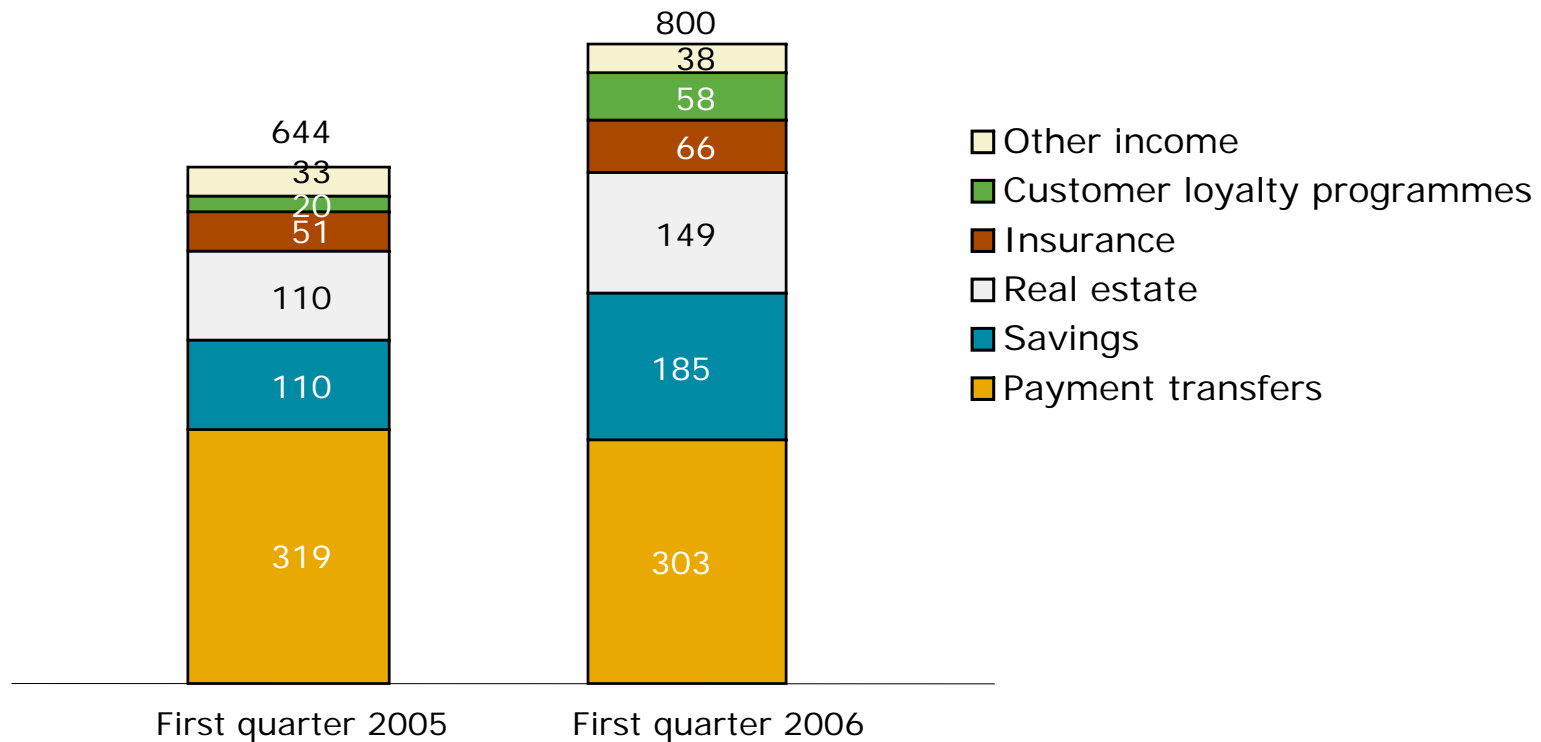
<i>Amounts in NOK million</i>	1Q06	1Q05
Net interest income - ordinary operations	1 789	1 785
Interest on allocated capital	94	63
Net interest income	1 883	1 848
Net other operating income	800	644
Total income	2 683	2 492
Operating expenses	1 500	1 507
Pre-tax operating profit before write-downs	1 183	985
Net gains on fixed and intangible assets	0	(1)
Write-downs on loans	71	69
Pre-tax operating profit	1 112	915
Net lending to customers (NOK billion)	371	333
Deposits from customers (NOK billion)	194	191
Cost/income ratio (per cent)	55.9	60.5
Ratio of deposits to lending (per cent)	52.4	57.3
Return on capital BIS (per cent)	22.3	20.9

- Rise in number of Internet banking customers from 1 million to 1.3 million
- New price discounts for loyalty programme members from 1 March
- 35 per cent rise in income from real estate broking
- 20 per cent increase in credit card sales

# Retail Banking – healthy growth in other income



NOK million



# DnB NOR Markets



<i>Amounts in NOK million</i>	1Q06	1Q05
Net interest income - ordinary operations	59	49
Interest on allocated capital	18	10
Net interest income	77	59
Net other operating income	947	656
Total income	1 024	715
Operating expenses	415	297
Pre-tax operating profit before write-downs	609	418
Net gains on fixed and intangible assets	0	0
Write-downs on loans	0	0
Pre-tax operating profit	609	418
Cost/income ratio (per cent)	40.6	41.6
Return on capital BIS (per cent)	63.5	60.5

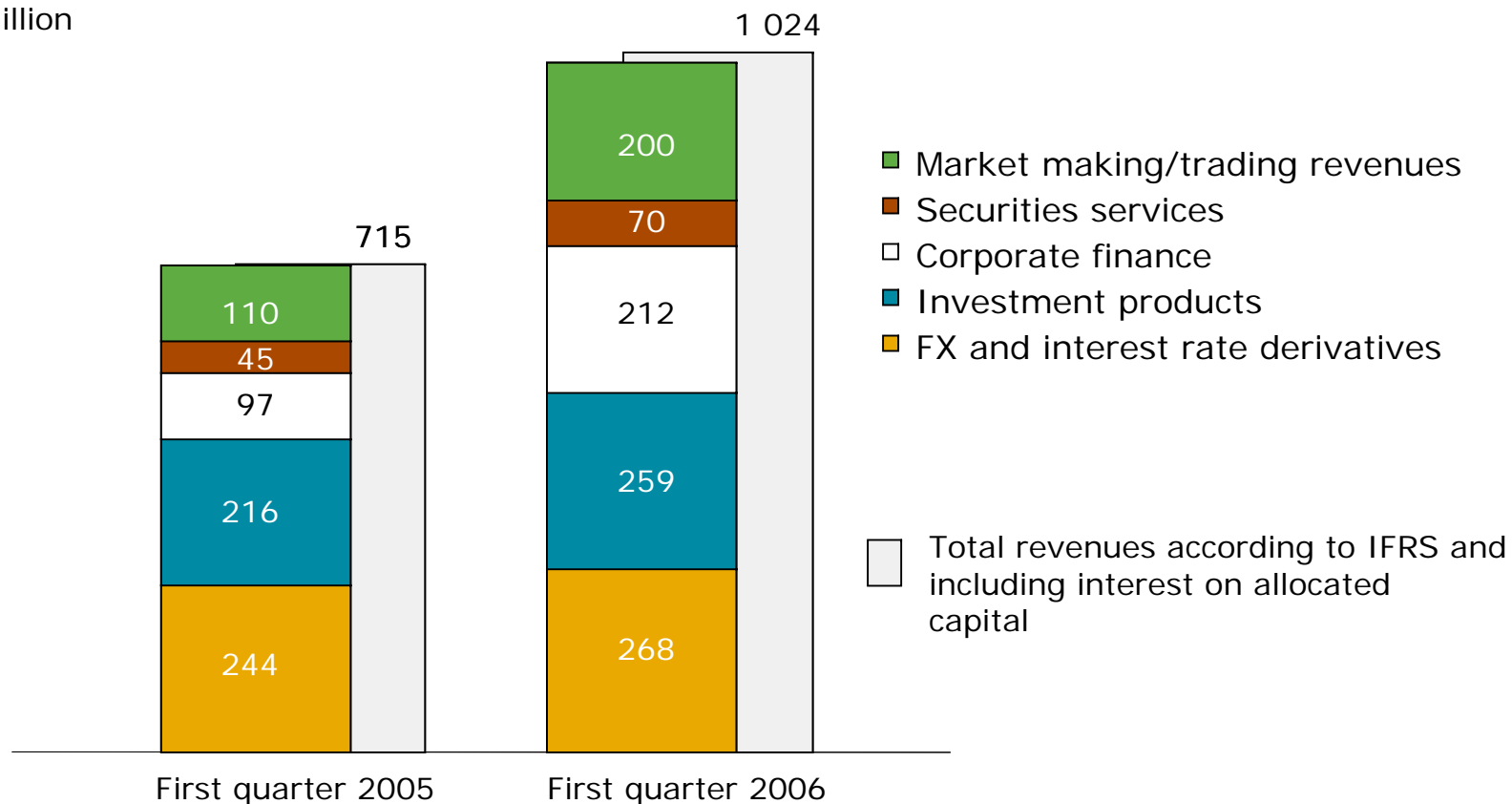
- Sound income growth in all areas
- Rise in performance-based costs
- Considerable investment in information technology

# DnB NOR Markets

## - a broad income base



NOK million



# Vital



<i>Amounts in NOK million</i>	<i>1Q06</i>	<i>1Q05</i>
Interest result	2 157	1 635
Risk result	(34)	(31)
Administration result	(21)	(38)
Transferred to security reserve		(1)
Profit for distribution in life insurance	2 102	1 567
Funds transferred to policyholders	1 677	1 247
Tax charge	0	(10)
Profit in life insurance	425	330
+ Profit in unit linked	(4)	(2)
+ Reversal of goodwill amortisation	6	0
= Profit for the period	426	328
Total assets (NOK billion) <sup>1)</sup>	216	183
Return on capital (per cent) <sup>2)</sup>	18.8	17.3

1) Assets at end of period

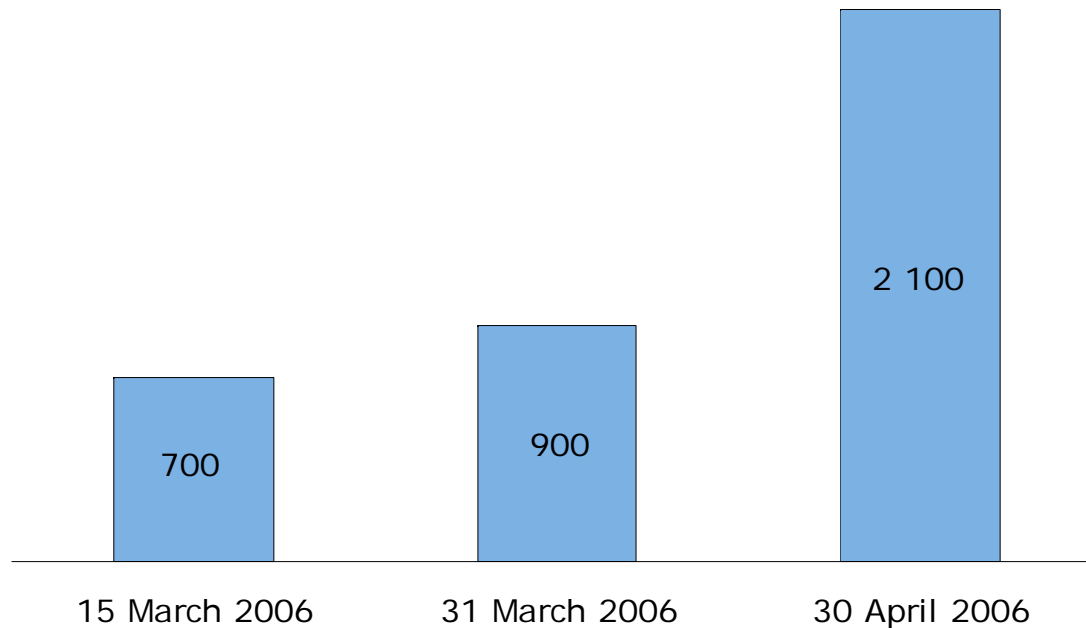
2) Calculated on the basis of recorded equity

- 37 per cent growth in premium income
- 17.7 per cent growth in total assets
- Value-adjusted return 2.8 per cent and recorded return 2.1 per cent
- Strong focus on mandatory occupational pensions

# Vital – healthy progress in the sale of mandatory occupational pensions



Number of mandatory occupational pension agreements

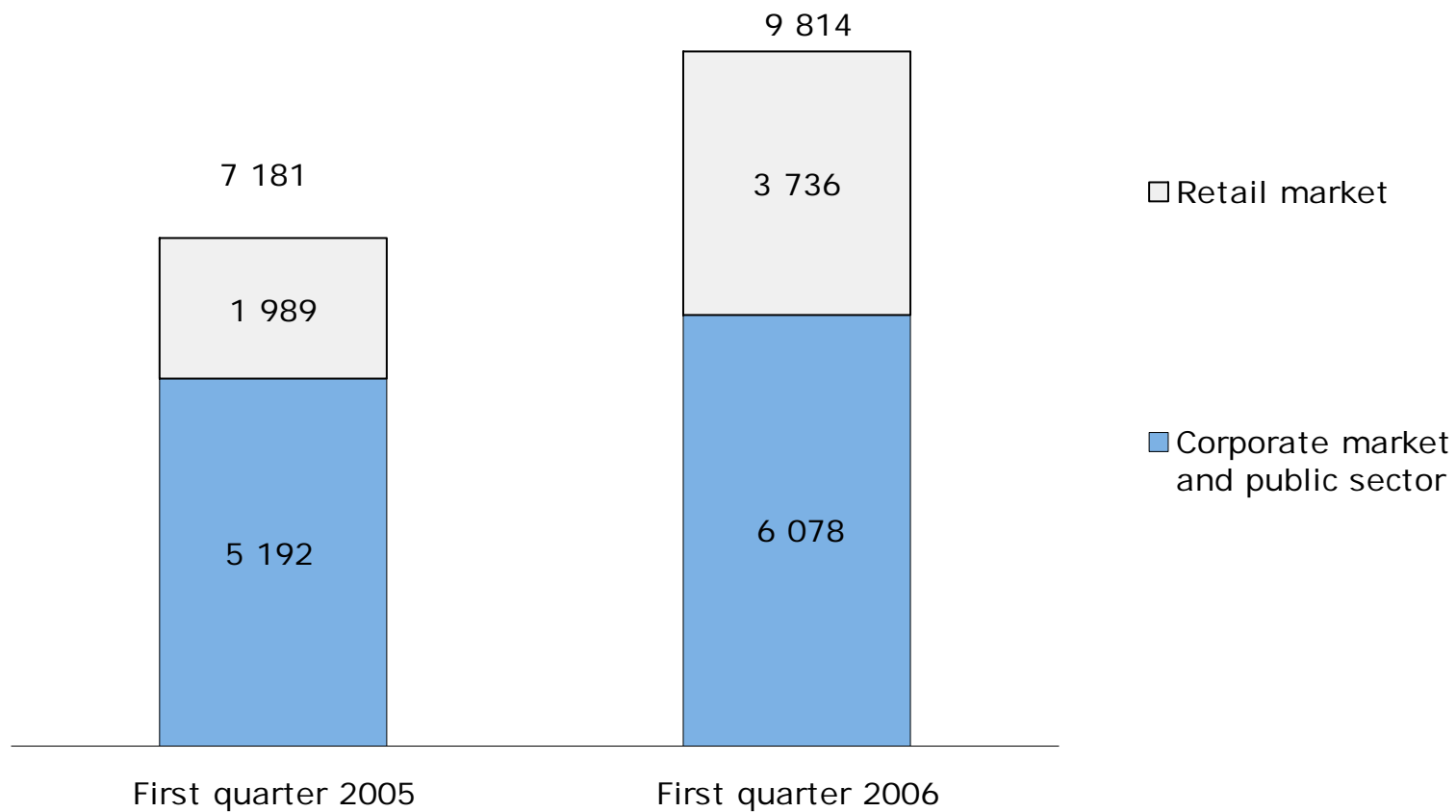


- 2 100 mandatory occupational pension agreements, with total annual contributions of NOK 140 million
- A number of large customers have chosen Vital
- Effective cross-sales through DnB NOR channels

# Vital – strong growth in total premium income



NOK million



# DnB NOR Asset Management



<i>Amounts in NOK million</i>	1Q06	1Q05
Commission income	280	242
Other income	10	8
Total income	290	250
Operating expenses	172	169
Pre-tax operating profit before write-downs	119	81
Net gains on fixed and intangible assets	0	0
Pre-tax operating profit	119	81
Assets under management (NOK billion) <sup>1)</sup>	539	487
Assets under management (NOK billion) <sup>2)</sup>	530	492
Cost/income ratio (per cent)	59.1	67.6
Return on capital (per cent) <sup>3)</sup>	23.8	20.3

1) Average assets for the period

2) Assets at end of period

3) Calculated on the basis of recorded equity

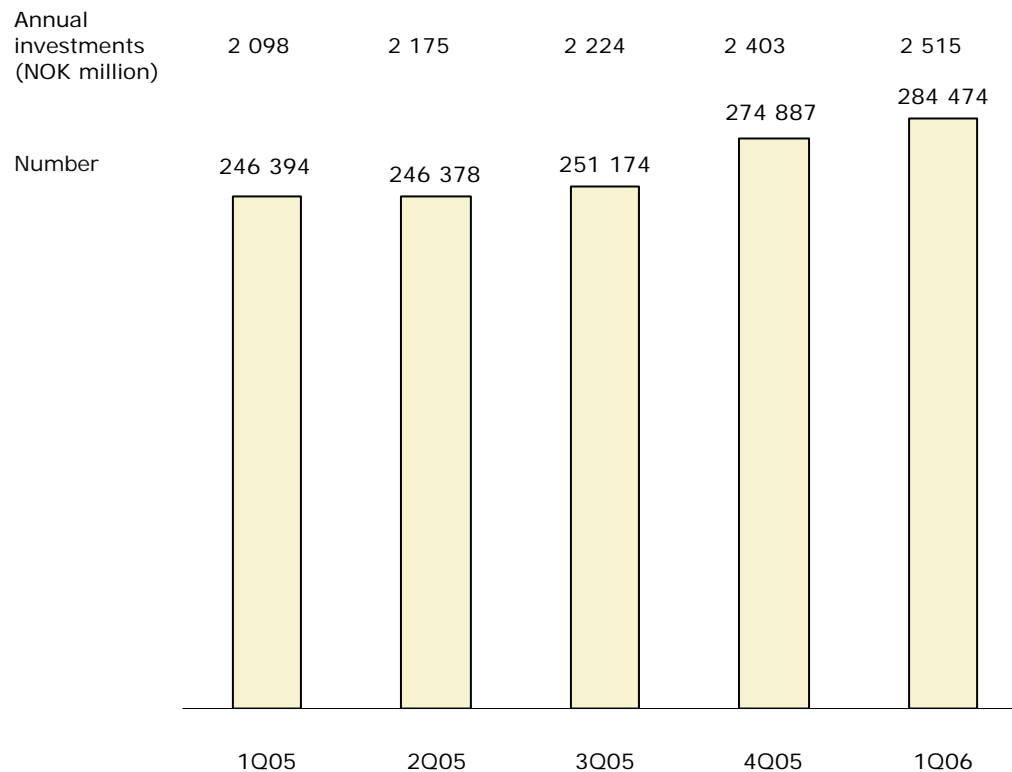
- Number one in the Norwegian retail market
- *Save Smart* a success
- Seven new funds awarded four or five stars by Morningstar
- Leading hedge fund provider in Norway



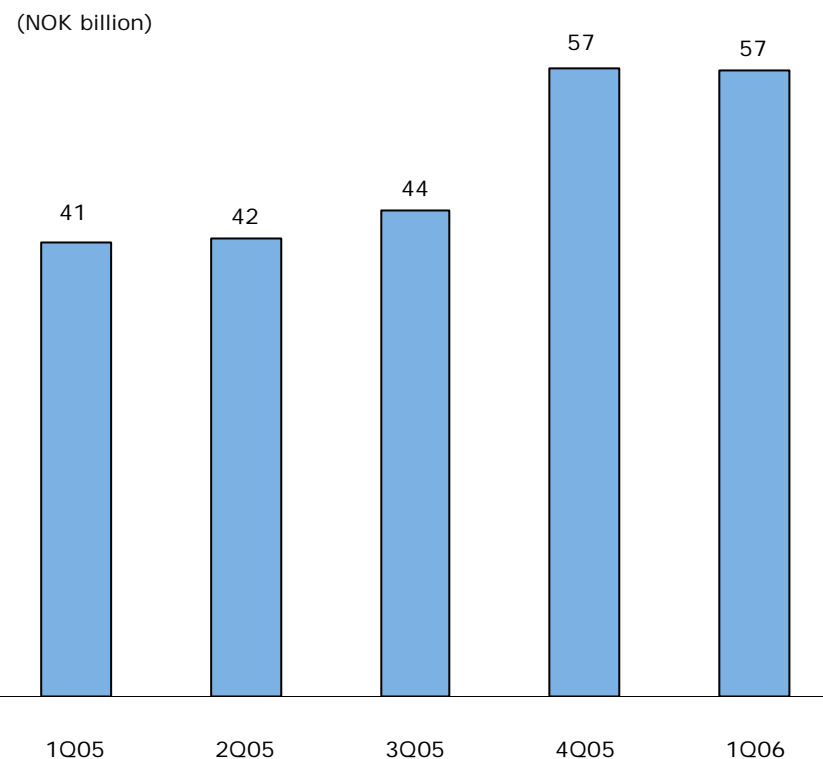
# DnB NOR Asset Management – Norwegian retail market



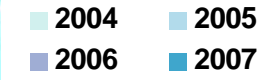
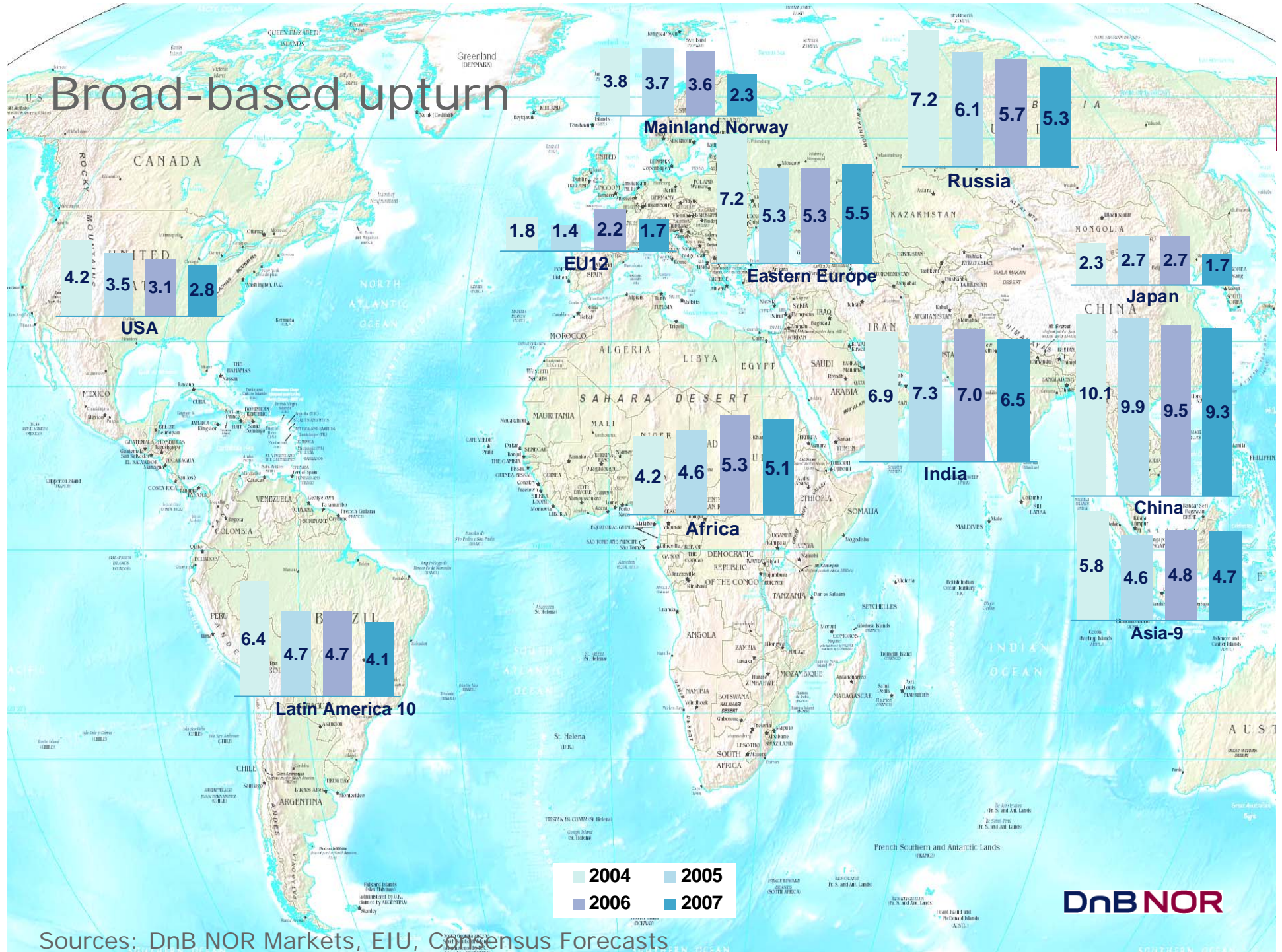
Number of aktive savings agreements



Assets under management



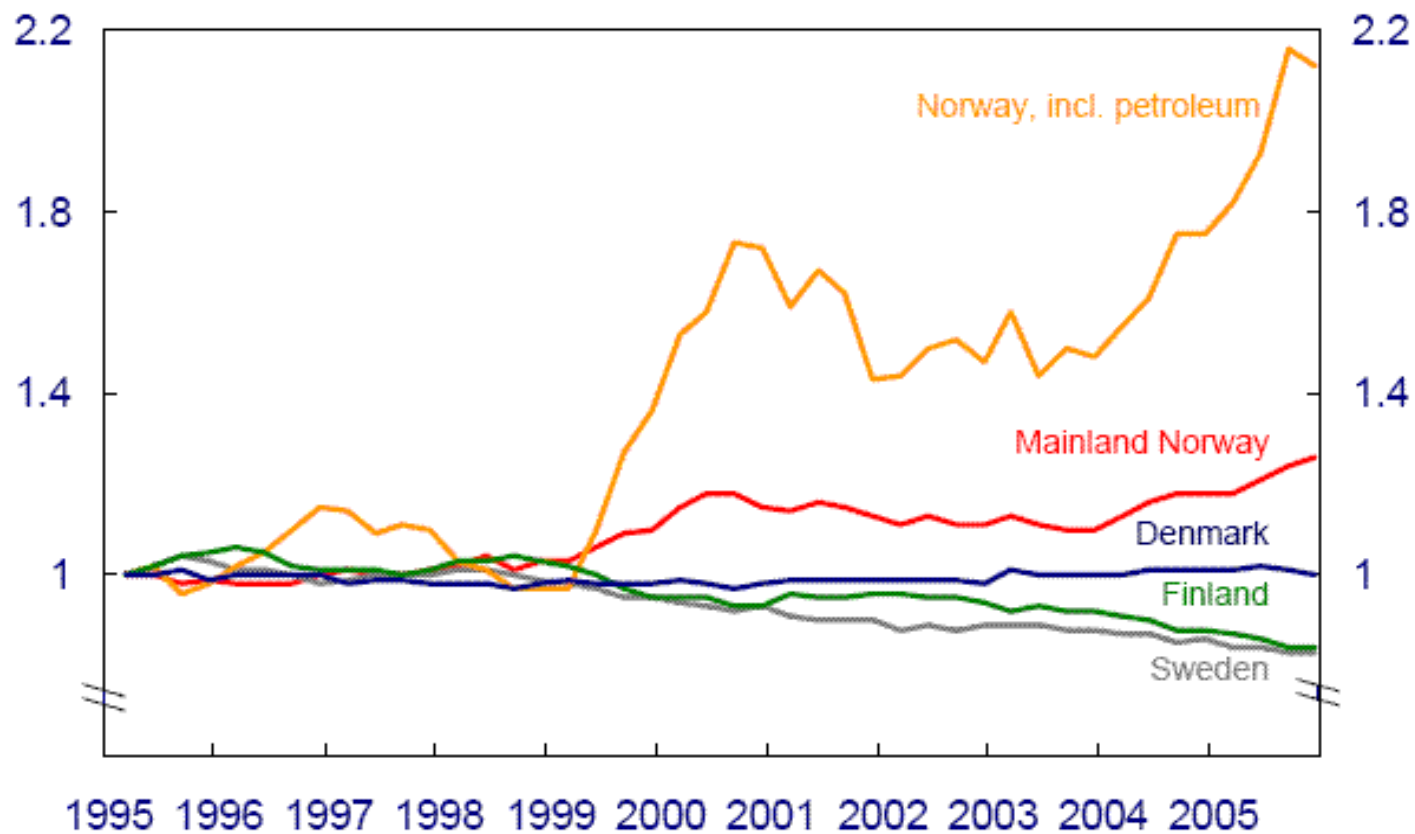
# Broad-based upturn



**DnB NOR**

Sources: DnB NOR Markets, EIU, Consensus Forecasts

# Relationship between commodity export prices and import prices (terms of trade)



Sources: Statistics Denmark, EcoWin, Statistics Finland and Statistics Norway



# Norway: Growth trend indicates continuing credit growth



<i>Credit growth in per cent according to sector</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
Domestic credit, K2	10.9	12.8	10.5	8.6
Municipalities	9.0	8.6	5.7	3.6
Companies	8.7	14.7	10.7	9.0
Households	12.3	12.1	11.0	9.0

Source : Norges Bank and DnB NOR Markets

# Future outlook



- Sound economic prospects
- Improvement in external parameters
  - Basel II
  - New operational rules for the insurance industry
- Integration completed



New opportunities for all business areas



Diversity is our strength





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