

# Q4

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## RESULTS DNB GROUP FOURTH QUARTER 2015

Rune Bjerke (CEO)  
Bjørn Erik Næss (CFO)

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04.02.2016



# Full year 2015

Pre-tax operating profit before impairment in NOK billion

**34.1 (28.7)**

Cost/income ratio in per cent

**36.9 (41.9)**

Return on equity in per cent

**14.5 (13.8)**

Earnings per share in NOK

**14.98 (12.67)**

Common equity Tier 1 capital ratio in per cent (transitional rules)

**14.4 (12.7)**

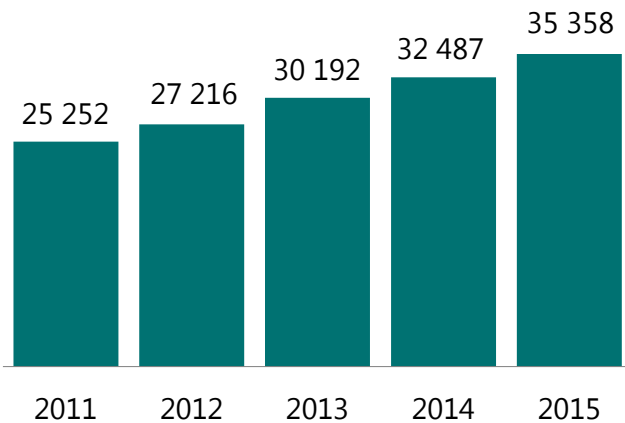
Proposed dividend in NOK

**4.50 (3.80)**

# Profit figures

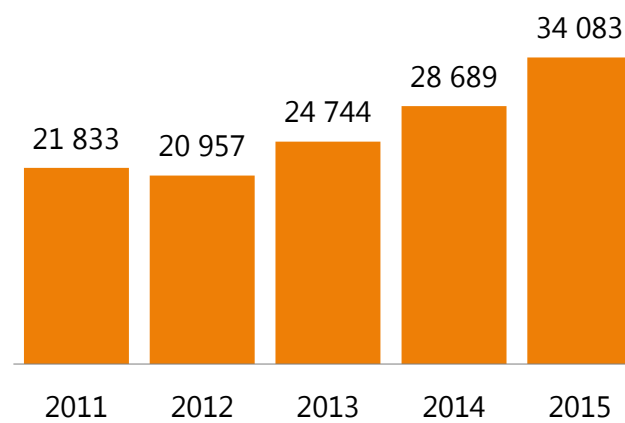
## Net interest income

NOK million



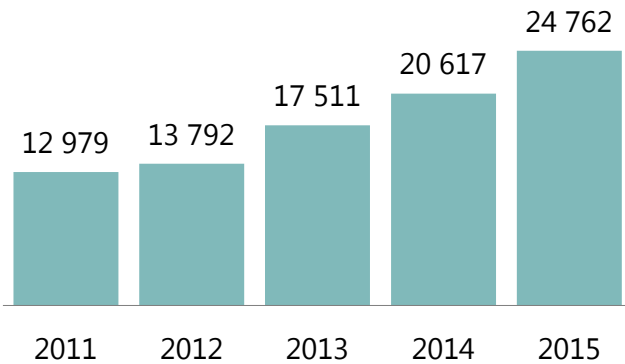
## Pre-tax operating profit before impairment

NOK million



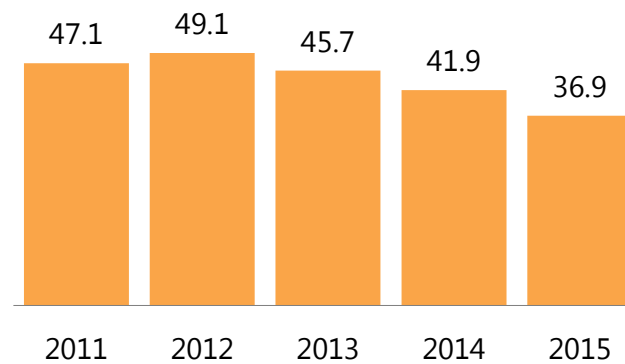
## Profit for the period

NOK million



## Cost/income ratio

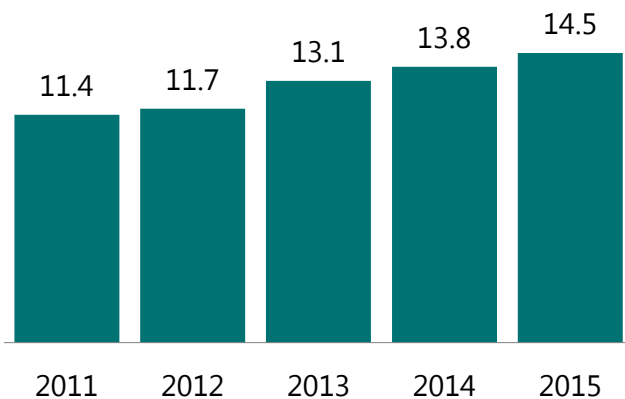
Per cent



# Financial strength

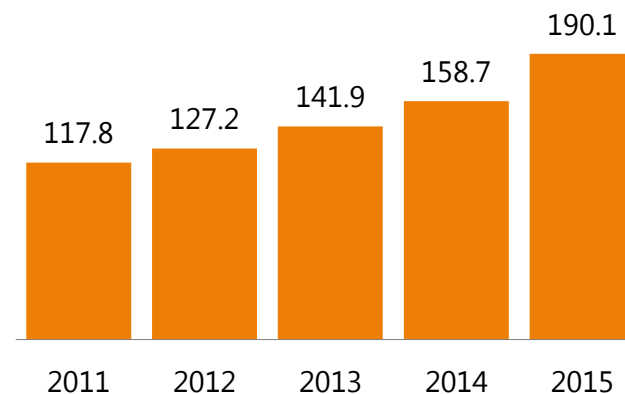
### Return on equity <sup>1)</sup>

Per cent



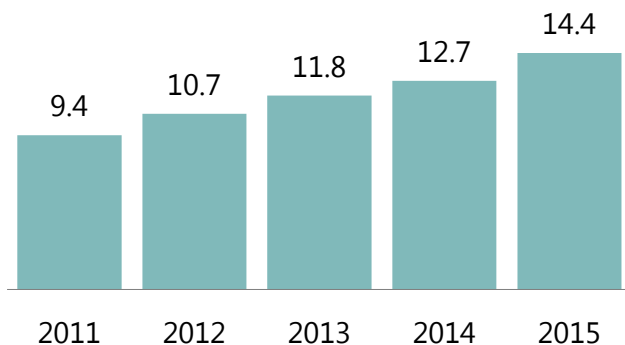
### Equity

NOK billion



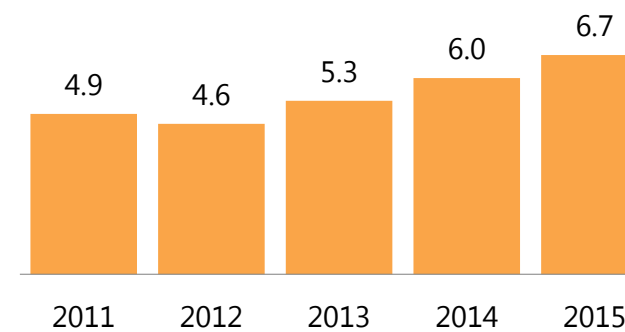
### CET 1 capital adequacy

Per cent



### Leverage ratio <sup>2)</sup>

Per cent

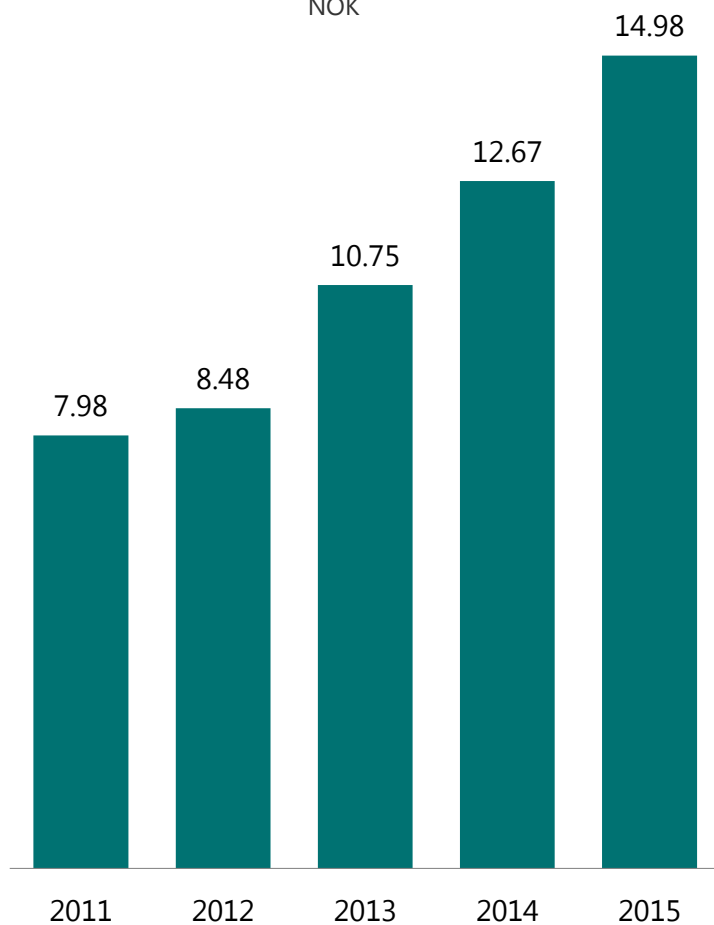


1) Return on equity is calculated on the assumption that additional Tier 1 capital is classified as a liability  
2) Regulations for the calculation of Leverage Ratio changed during 2015

# Earnings and dividend per share

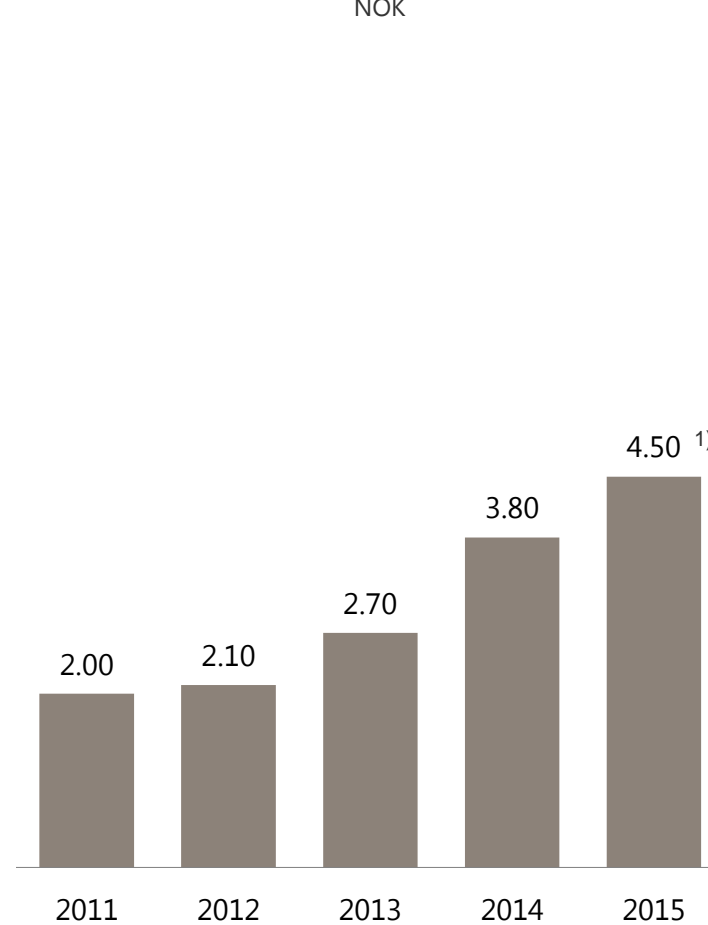
**Earnings per share**

NOK



**Dividend per share**

NOK



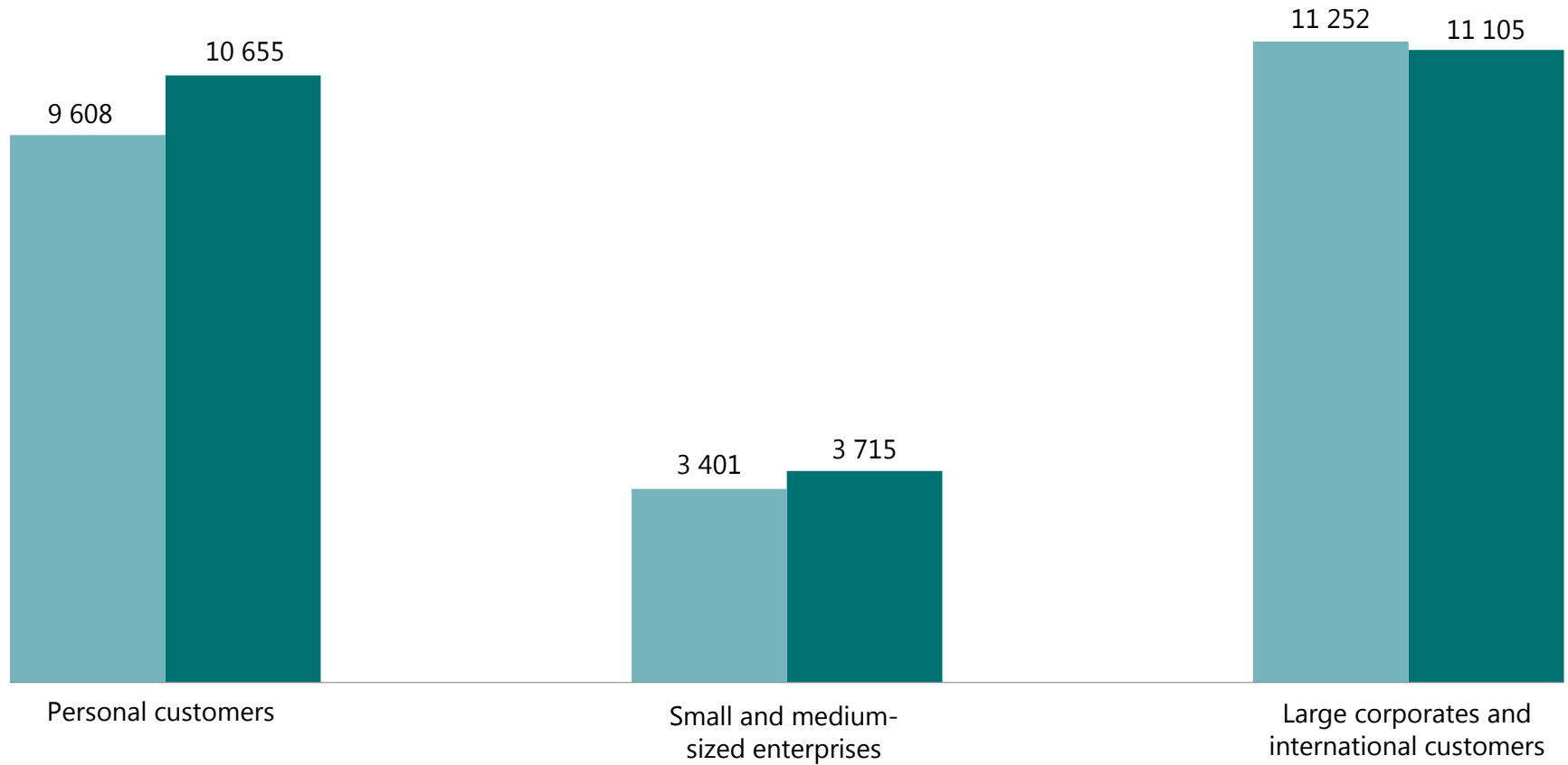
# Customer segments

NOK million

## Pre-tax operating profit after impairment

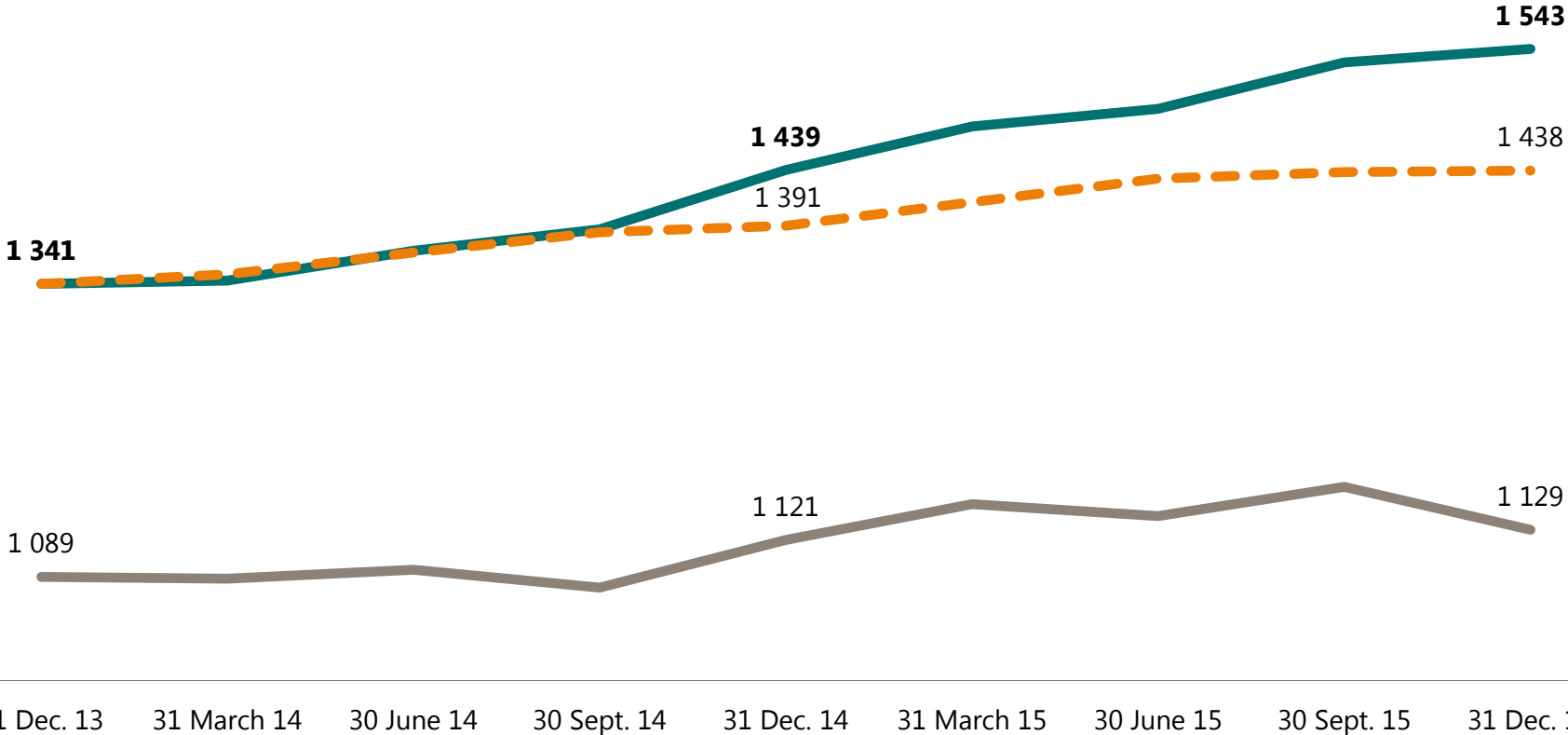
■ Full year 2015

■ Full year 2014



# Development in loans and risk weighted assets

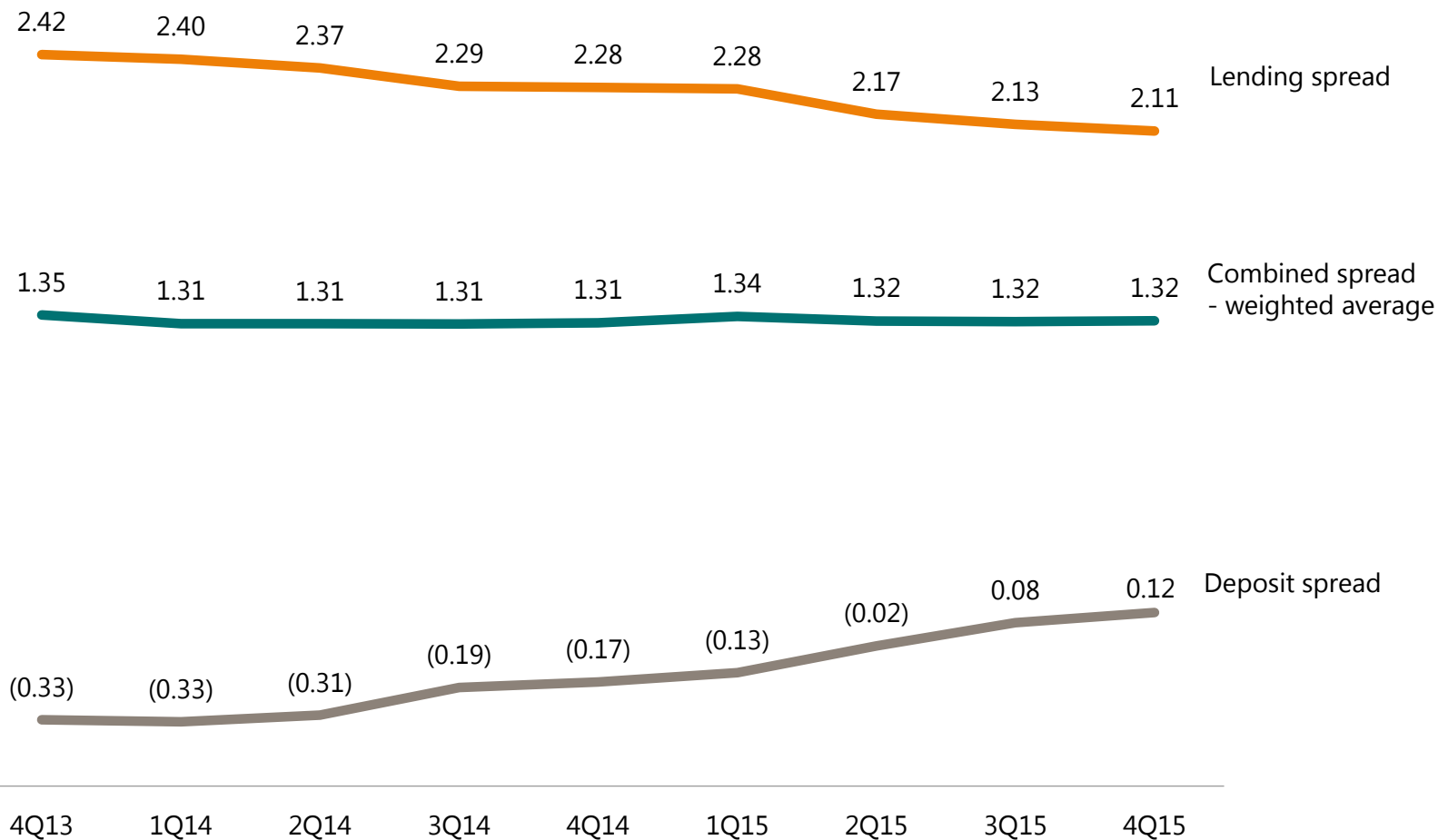
NOK billion



Loans at end of period    Loans adjusted for exchange rate movements    RWA

# Development in average interest rate spreads – customer segments

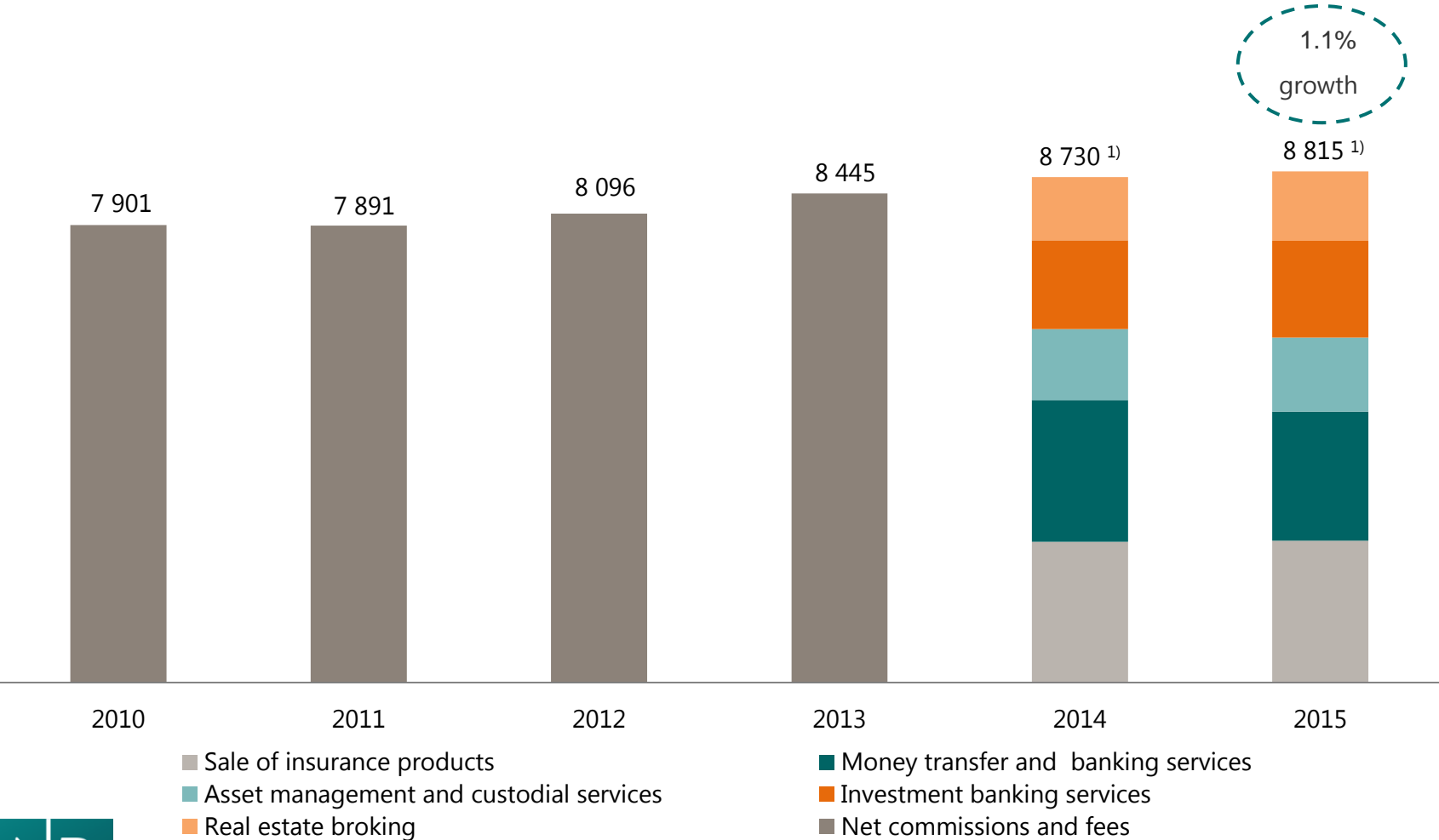
Per cent





# Development in commissions and fees

NOK million

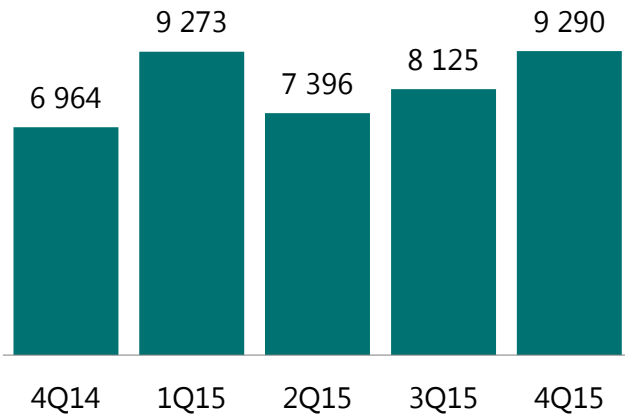


1) The figures for 2014 and 2015 are adjusted for income from public sector activities within life insurance that are in the process of being wound up

# Profit development per quarter

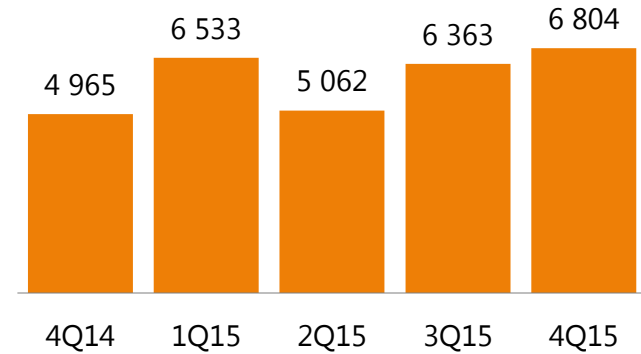
## Pre-tax operating profit before impairment

NOK million



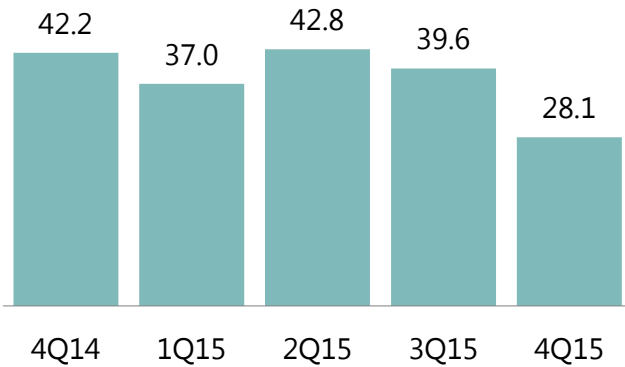
## Profit for the period

NOK million



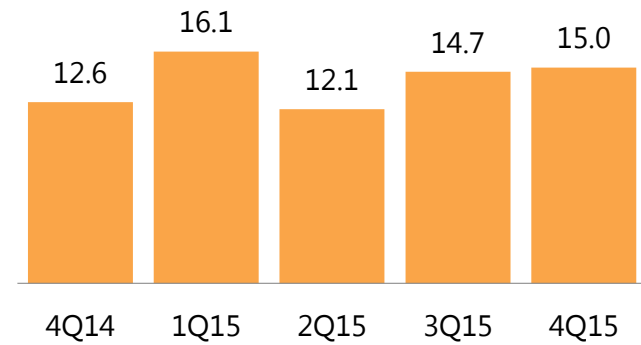
## Cost/income ratio

Per cent



## Return on equity <sup>1)</sup>

Per cent



1) Return on equity is calculated on the assumption that additional Tier 1 capital is classified as a liability

# Income statement

Amounts in NOK million	4Q15	3Q15	2Q15	1Q15	4Q14	Full year 2015	Full year 2014
Net interest income	<b>9 062</b>	8 981	8 728	8 587	<b>8 700</b>	35 358	32 487
<i>Net commissions and fees</i>	<b>2 082</b>	2 080	2 489	2 212	<b>2 313</b>	8 862	8 969
<i>Net gains on financial instruments at fair value</i>	<b>2 164</b>	1 945	1 174	3 400	<b>279</b>	8 683	5 317
<i>Net financial and risk result, DNB Livsforsikring</i>	<sup>1)</sup> <b>(662)</b>	64	158	52	<b>185</b>	(390)	609
<i>Net insurance result, DNB Forsikring</i>	<b>141</b>	128	153	99	<b>129</b>	521	491
<i>Other operating income</i>	<b>129</b>	247	221	361	<b>446</b>	959	1 490
Net other operating income, total	<b>3 853</b>	4 463	4 194	6 124	<b>3 352</b>	18 635	16 877
Total income	<b>12 915</b>	13 444	12 923	14 711	<b>12 052</b>	53 993	49 363
Operating expenses	<b>(5 437)</b>	(5 103)	(5 312)	(5 215)	<b>(5 045)</b>	(21 068)	(20 452)
Restructuring costs and non-recurring effects	<sup>2)</sup> <b>(1 811)</b>	(216)	(215)	(223)	<b>(42)</b>	1 157	(223)
Pre-tax operating profit before impairment	<b>9 290</b>	8 125	7 396	9 273	<b>6 964</b>	34 083	28 689
Net gains on fixed and intangible assets	<b>(9)</b>	(3)	45	12	<b>42</b>	45	52
Impairment of loans and guarantees	<b>(1 420)</b>	392	(667)	(575)	<b>(821)</b>	(2 270)	(1 639)
Pre-tax operating profit	<b>7 860</b>	8 514	6 774	8 710	<b>6 184</b>	31 858	27 102
Tax expense	<sup>3)</sup> <b>(1 084)</b>	(2 136)	(1 695)	(2 130)	<b>(1 236)</b>	(7 045)	(6 463)
Profit from operations held for sale, after taxes	<b>28</b>	(14)	(17)	(47)	<b>16</b>	(51)	(22)
Profit for the period	<b>6 804</b>	6 363	5 062	6 533	<b>4 965</b>	24 762	20 617
Profit attributable to shareholders	<b>6 679</b>	6 238	4 952	6 519	<b>4 965</b>	24 388	20 617

1) Transfer from risk equalisation fund: (980)

2) Transition from defined-benefit to defined-contribution pension scheme: 1 969

3) Sale under the exemption model and lower tax rates

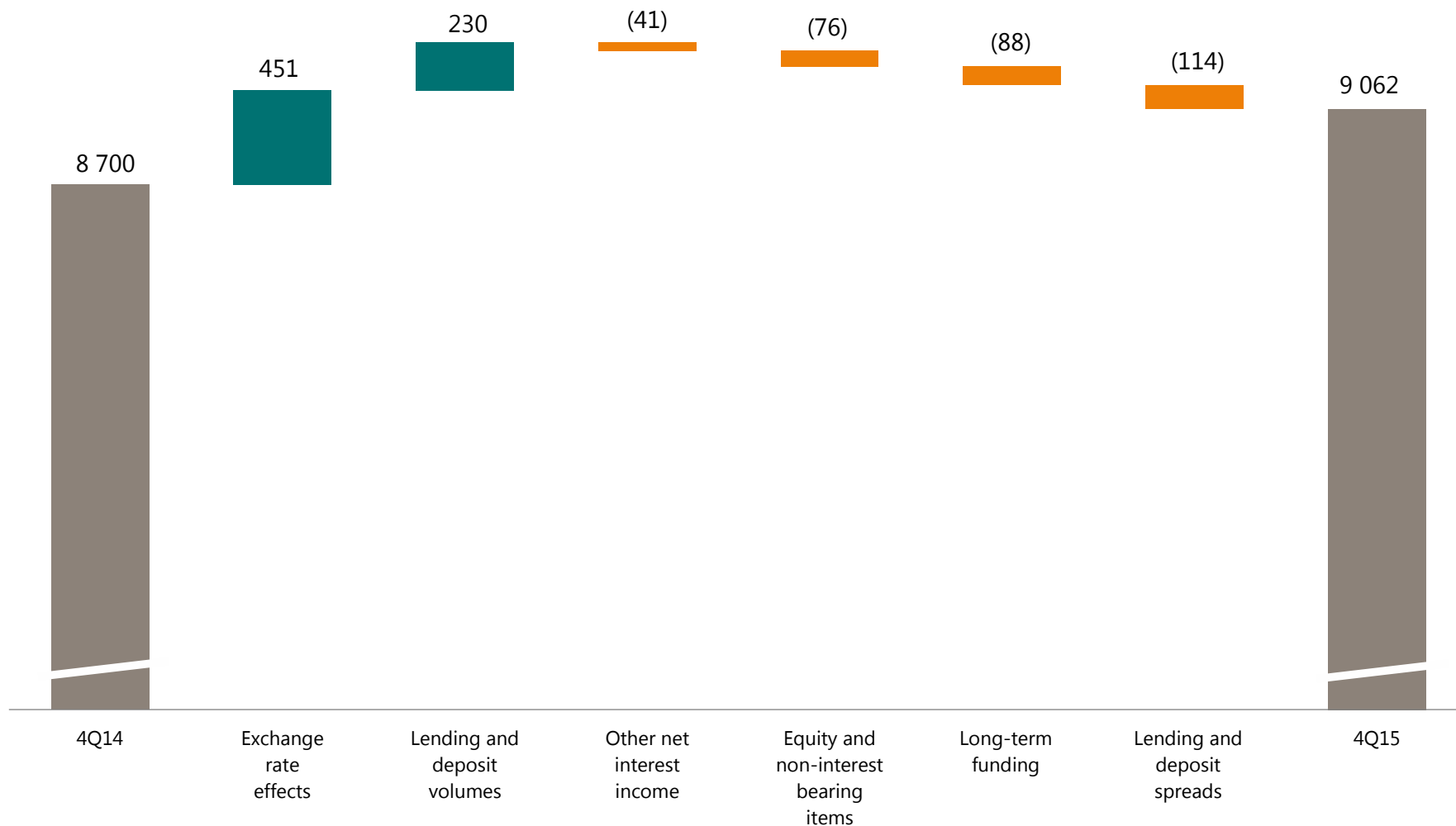
# Net gains on financial instruments

Amounts in NOK million	4Q15	3Q15	4Q14	Change	
				3Q15 - 4Q15	4Q14 - 4Q15
Customer revenues in DNB Markets	<b>628</b>	508	<b>549</b>	121	80
Trading revenues in DNB Markets (excl. CVA/DVA)	<b>782</b>	474	<b>94</b>	308	688
Credit spread effects on bonds in DNB Markets	<b>(235)</b>	(582)	<b>(196)</b>	347	(39)
Financial guarantees	<b>187</b>	228	<b>232</b>	(41)	(45)
Basis swaps	<b>(4)</b>	933	<b>508</b>	(937)	(512)
CVA/DVA	<b>367</b>	(414)	<b>(489)</b>	781	855
Other mark-to-market adjustments	<b>439</b>	798	<b>(419)</b>	(359)	858
Net gains on financial instruments at fair value	<b>2 164</b>	1 945	<b>279</b>	219	1 885

# Changes in net interest income

NOK million

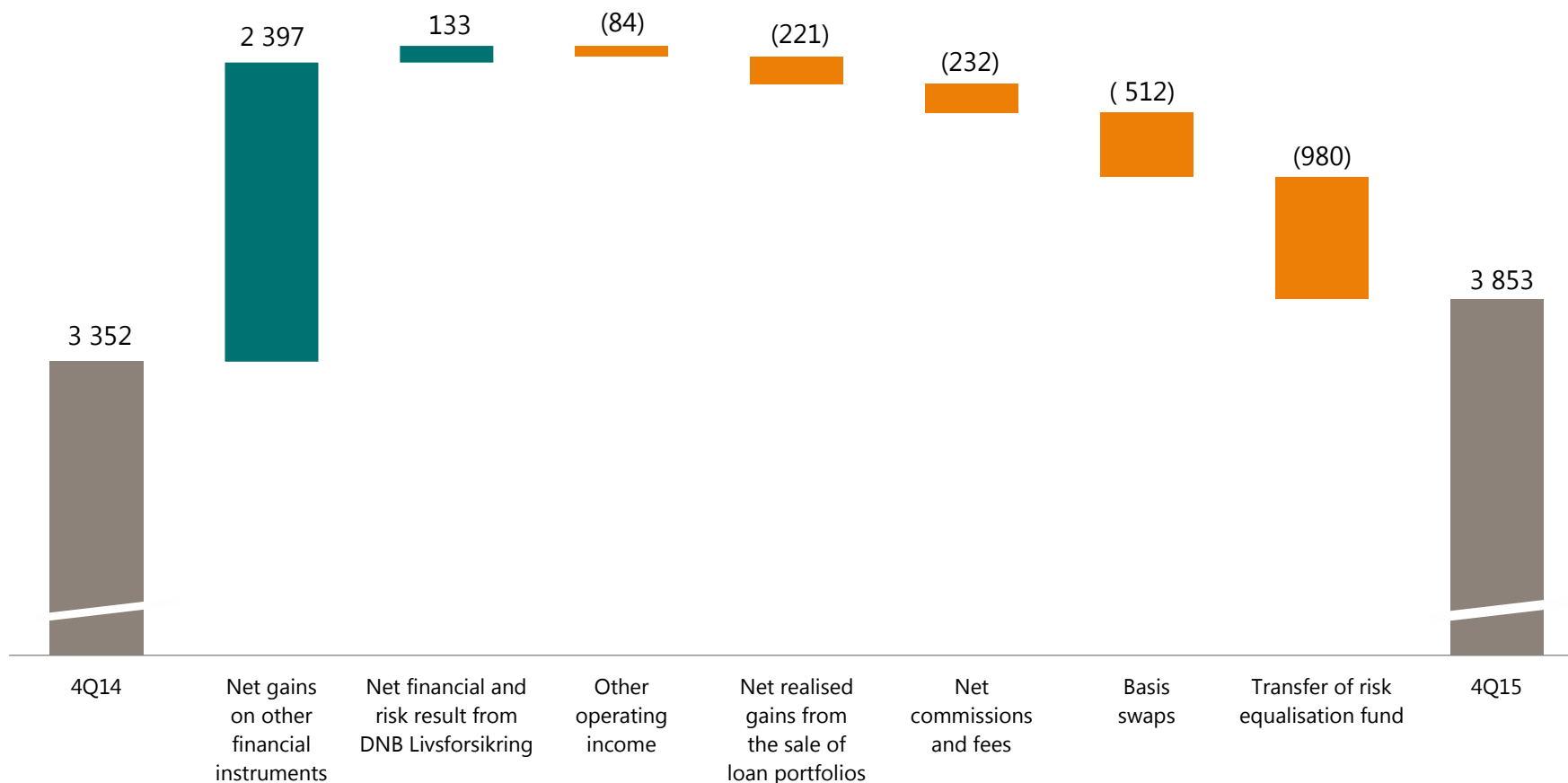
From 4th quarter 2014 to 4th quarter 2015



# Changes in net other operating income

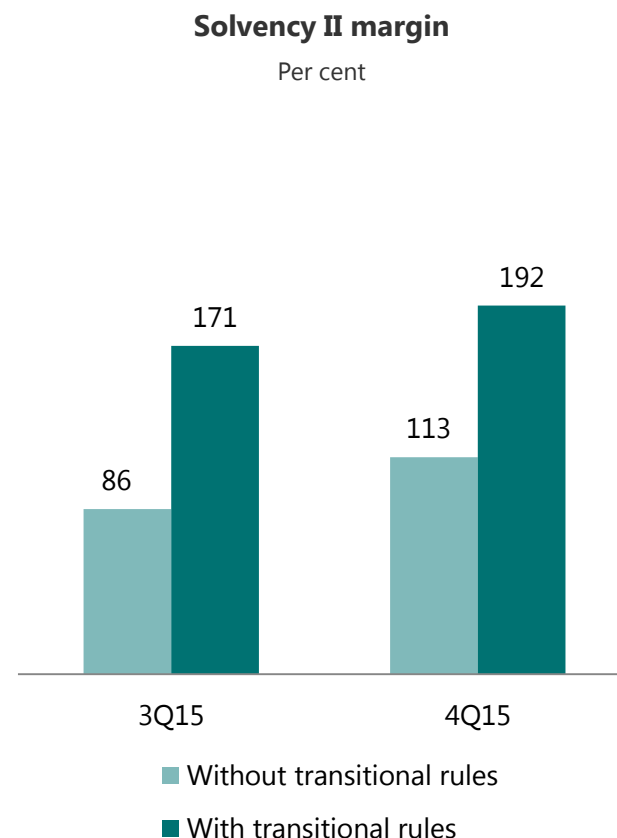
NOK million

From 4th quarter 2014 to 4th quarter 2015



# DNB Livsforsikring – profit development and Solvency II

Amounts in NOK million	4Q15	4Q14	Full year 2015	Full year 2014
Upfront pricing of risk and guaranteed rate of return	169	202	658	751
Return on corporate portfolio	117	99	548	707
Owner's share of administration result	133	84	347	224
Owner's share of risk result	147	215	518	520
Transferred from/(to) security reserve	19	3	(0)	(18)
Owner's share of interest result	456	43	572	511
Pre-tax operating profit before provisions for higher life expectancy	1 041	646	2 643	2 696
Provisions for higher life expectancy <sup>1)</sup>	(440)	(124)	(820)	(852)
Transfer of risk equalisation fund	(980)	-	(980)	-
Pre-tax operating profit	(379)	522	843	1 844
Tax expense	730	65	692	(252)
Profit for the period	351	587	1 535	1 592



# Changes in operating expenses – full year

Amounts in NOK million	Full year 2015	Change	Full year 2014	Change in per cent
<b>Total adjusted operating expenses</b>	<b>(21 068)</b>	<b>(616)</b>	<b>(20 452)</b>	<b>(3.0)</b>
Of which:				
Exchange rate effects for units outside Norway		(507)		
Currency-adjusted operating expenses	(20 560)	(109)	(20 452)	(0.5)
<b>Total adjusted operating expenses</b>	<b>(21 068)</b>	<b>(616)</b>	<b>(20 452)</b>	
<b>Income-related costs</b>				
Ordinary depreciation on operational leasing		(81)		
<b>Expenses directly related to operations</b>				
Other costs		251		
Properties and premises		177		
Fees		(77)		
Pension expenses		(187)		
Salaries and other personnel expenses		(191)		
Exchange rate effects for units outside Norway		(507)		
<b>Non-recurring effects</b>	<b>1 157</b>	<b>1 380</b>	<b>(223)</b>	
Restructuring costs, employees	(390)	(150)	(239)	
Other restructuring costs and non-recurring effects <sup>1)</sup>	1 781	1 695	86	
IT restructuring	(234)	(164)	(70)	
<b>Operating expenses</b>	<b>(19 910)</b>	<b>764</b>	<b>(20 675)</b>	<b>3.7</b>

1) Primarily due to the transition from a defined-benefit pension scheme to a defined-contribution pension scheme

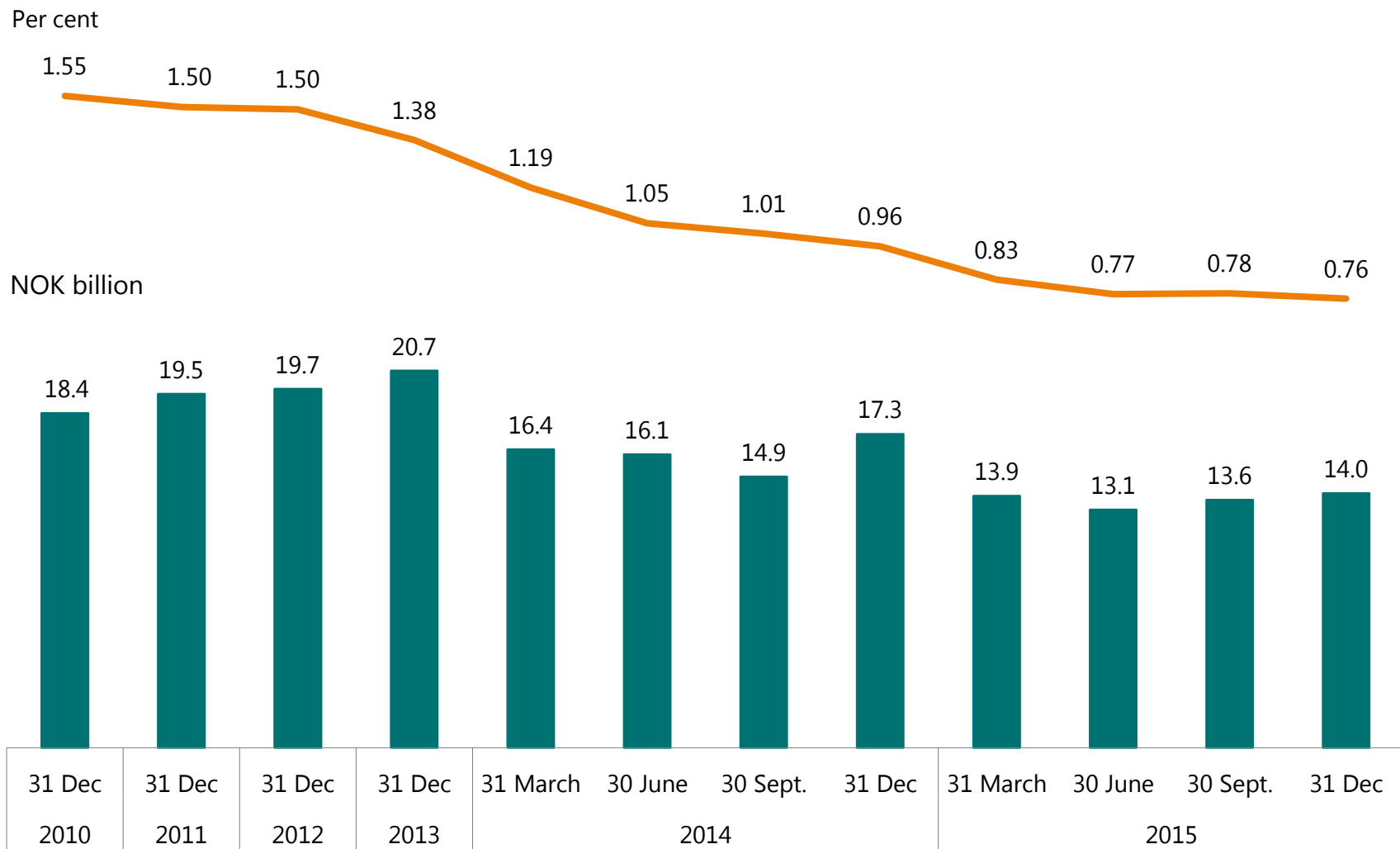


# Impairment of loans and guarantees

Amounts in NOK million	4Q15	3Q15	2Q15	1Q15	4Q14	Full year 2015	Full year 2014
<b>Personal customers</b>	<b>24</b>	<b>942</b>	<b>(58)</b>	<b>34</b>	<b>67</b>	<b>942</b>	<b>(118)</b>
- Mortgage loans	116	10	17	81	141	223	129
- Consumer finance	(92)	932	(75)	(46)	(74)	719	(247)
<b>Small and medium-sized enterprises</b>	<b>(341)</b>	<b>(129)</b>	<b>(284)</b>	<b>(308)</b>	<b>(450)</b>	<b>(1 062)</b>	<b>(838)</b>
<b>Large corporates and international customers</b>	<b>(686)</b>	<b>(527)</b>	<b>(425)</b>	<b>(256)</b>	<b>(496)</b>	<b>(1 895)</b>	<b>(1 024)</b>
- Nordic Corporates Division	12	(6)	5	15	(333)	25	(370)
- International Corporates Division	(72)	(22)	(93)	39	(166)	(149)	(291)
- Shipping, Offshore and Logistics Division	(382)	(379)	(302)	(242)	21	(1 305)	(166)
- Energy Division	(173)	(88)	(43)	(12)	(5)	(317)	(31)
- Baltics and Poland	(58)	(12)	(47)	(50)	(1)	(168)	(124)
- Other units	(12)	(19)	56	(7)	(13)	18	(42)
<b>Total individual impairment</b>	<b>(1 002)</b>	<b>285</b>	<b>(767)</b>	<b>(530)</b>	<b>(879)</b>	<b>(2 015)</b>	<b>(1 980)</b>
Total collective impairment of loans	(418)	106	101	(44)	58	(255)	341
<b>Impairment of loans and guarantees</b>	<b>(1 420)</b>	<b>392</b>	<b>(667)</b>	<b>(575)</b>	<b>(821)</b>	<b>(2 270)</b>	<b>(1 639)</b>
Total impairment in relation to average volumes (annualised) <sup>1)</sup>	(0.37)	0.10	(0.18)	(0.16)	(0.23)	(0.15)	(0.12)

1) Excluding the sale of non-performing loan portfolios, the ratio was (0.22) for 2015

# Net non-performing and net doubtful loans and guarantees <sup>1)</sup>



■ DNB Group      — As a percentage of net loans

1) Includes non-performing commitments and commitments subject to individual impairment. Accumulated individual impairment is deducted.

# Balance sheets

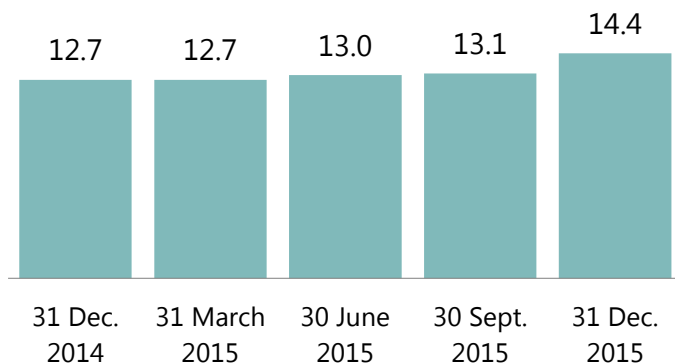
Amounts in NOK billion	DNB Group		DNB Bank ASA	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Deposits with central banks	19	59	16	54
Due from credit institutions	301	373	631	608
Loans to customers	1 543	1 439	706	723
Other assets	735	779	613	613
<b>Total assets</b>	<b>2 599</b>	<b>2 649</b>	<b>1 965</b>	<b>1 998</b>
Due to credit institutions	162	214	262	269
Deposits from customers	944	942	896	903
Short-term debt securities issued	160	207	160	207
Long-term debt securities issued	645	605	180	160
Other liabilities and provisions	498	523	315	332
Additional Tier 1 capital	8		8	
Other equity	182	159	143	128
<b>Total liabilities and equity</b>	<b>2 599</b>	<b>2 649</b>	<b>1 965</b>	<b>1 998</b>
Ratio of deposits to net loans (%)	61.2	65.4	127.1	124.8
Adjusted ratio of deposits to net loans (%) <sup>1)</sup>	60.5	63.5	125.5	121.0
Total combined assets	2 901	2 936	1 965	1 998
Currency-adjusted loans to customers	1 486		671	
Currency-adjusted deposits from customers	904		859	

1) Excluding short-term money market deposits

# Common equity Tier 1 capital ratio <sup>1)</sup>

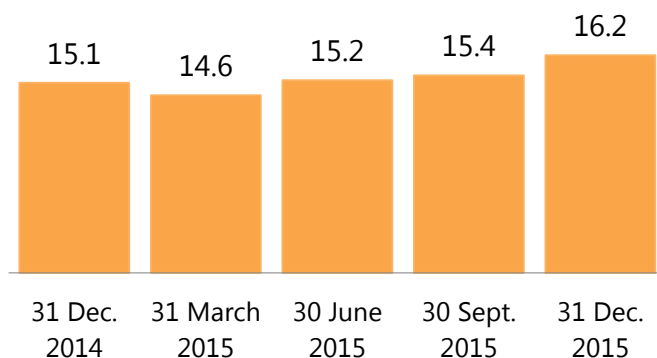
## Transitional rules

Per cent



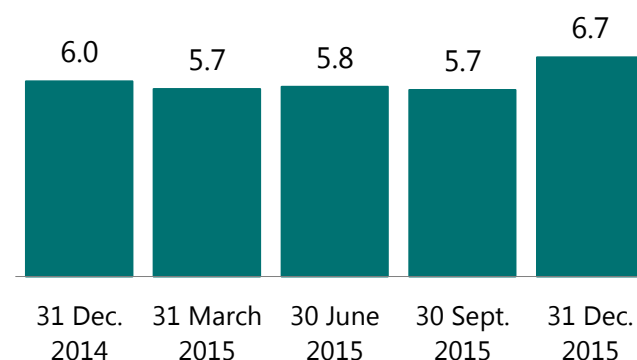
## Future Basel III estimate <sup>2)</sup>

Per cent



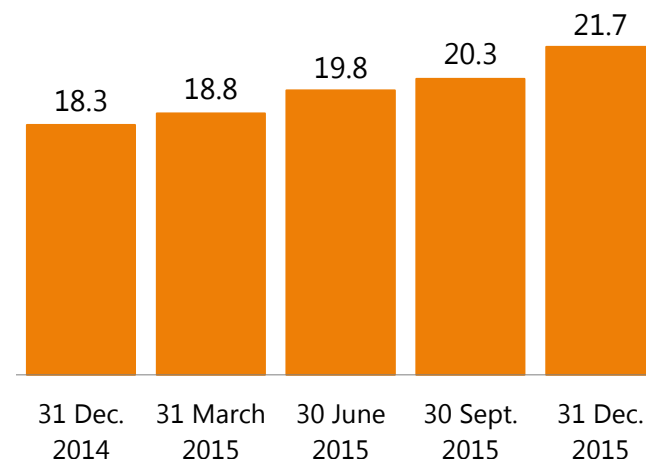
## Leverage ratio <sup>2)</sup>

Per cent



## Estimate applying average weights used by Swedish banks <sup>2) 3)</sup>

Per cent

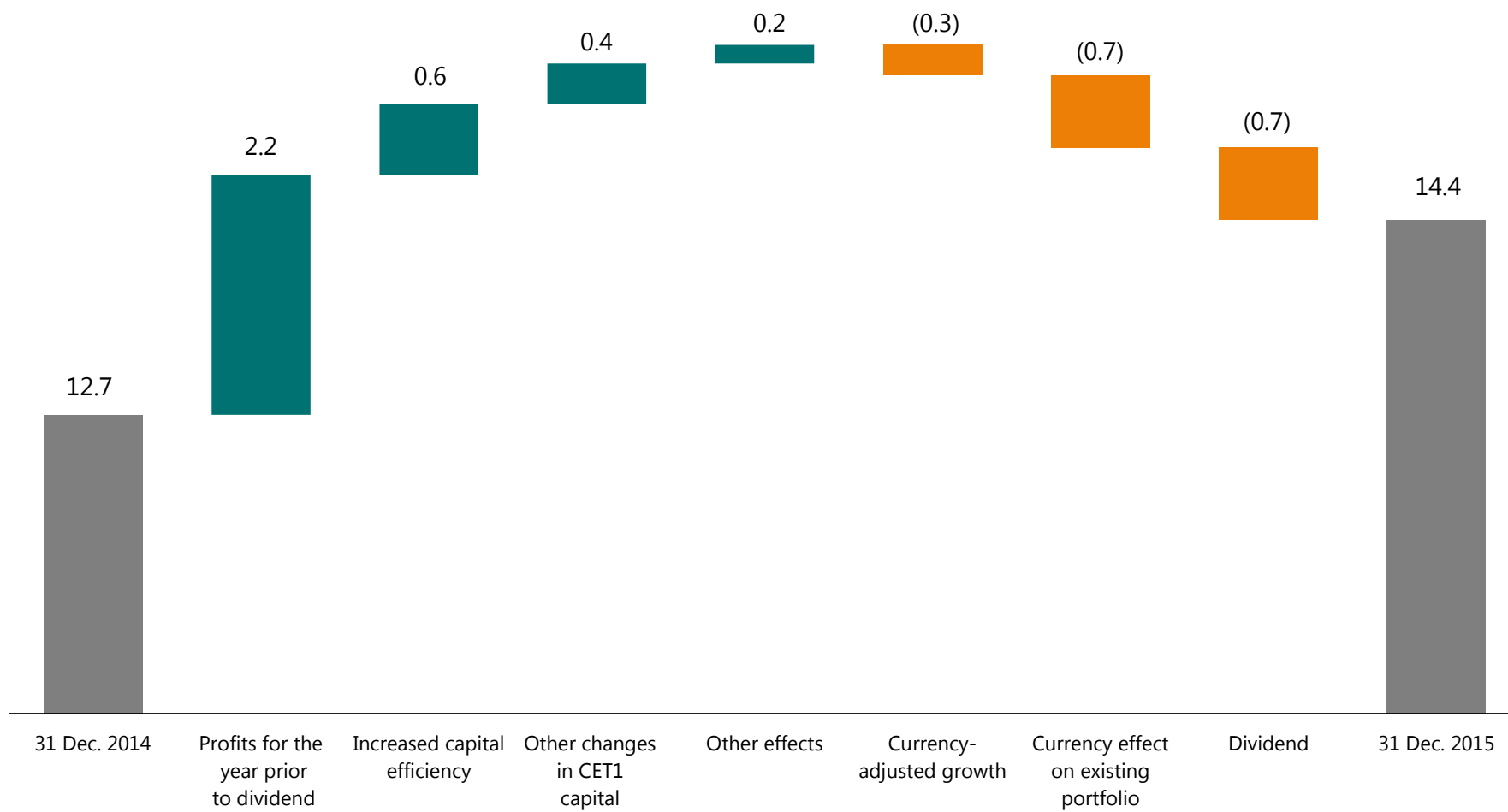


- 1) Common equity Tier 1 capital includes 50 per cent of interim profits in all quarters, apart from the leverage ratio figures. Annual figures are exclusive of dividend payments.
- 2) The calculations from end-June 2015 have been altered in accordance with the proposed new rules
- 3) Average weights used by Swedish banks on corporate loans and loans secured by real estate

# Changes in the common equity Tier 1 capital ratio

Per cent

From 31 Dec. 2014 to 31 Dec. 2015



# Financial ambitions 2016-2018

> 12%  
ROE

Overriding target

< 40%  
C/I ratio <sup>1)</sup>

Key performance indicator



~15.5% CET1 <sup>2)</sup> in 2017

Requirement including  
management buffer

> 50% dividend

When the capital level is reached

## Guiding

Stable volume-weighted spreads

Lending growth 2-3%

Stable risk-weighted assets

Minimum 3% annual growth in commissions  
and fees

2016-2018: Normalised impairment level,  
uncertain timing

Tax rate 24% in 2016-2017, and 21% in 2018

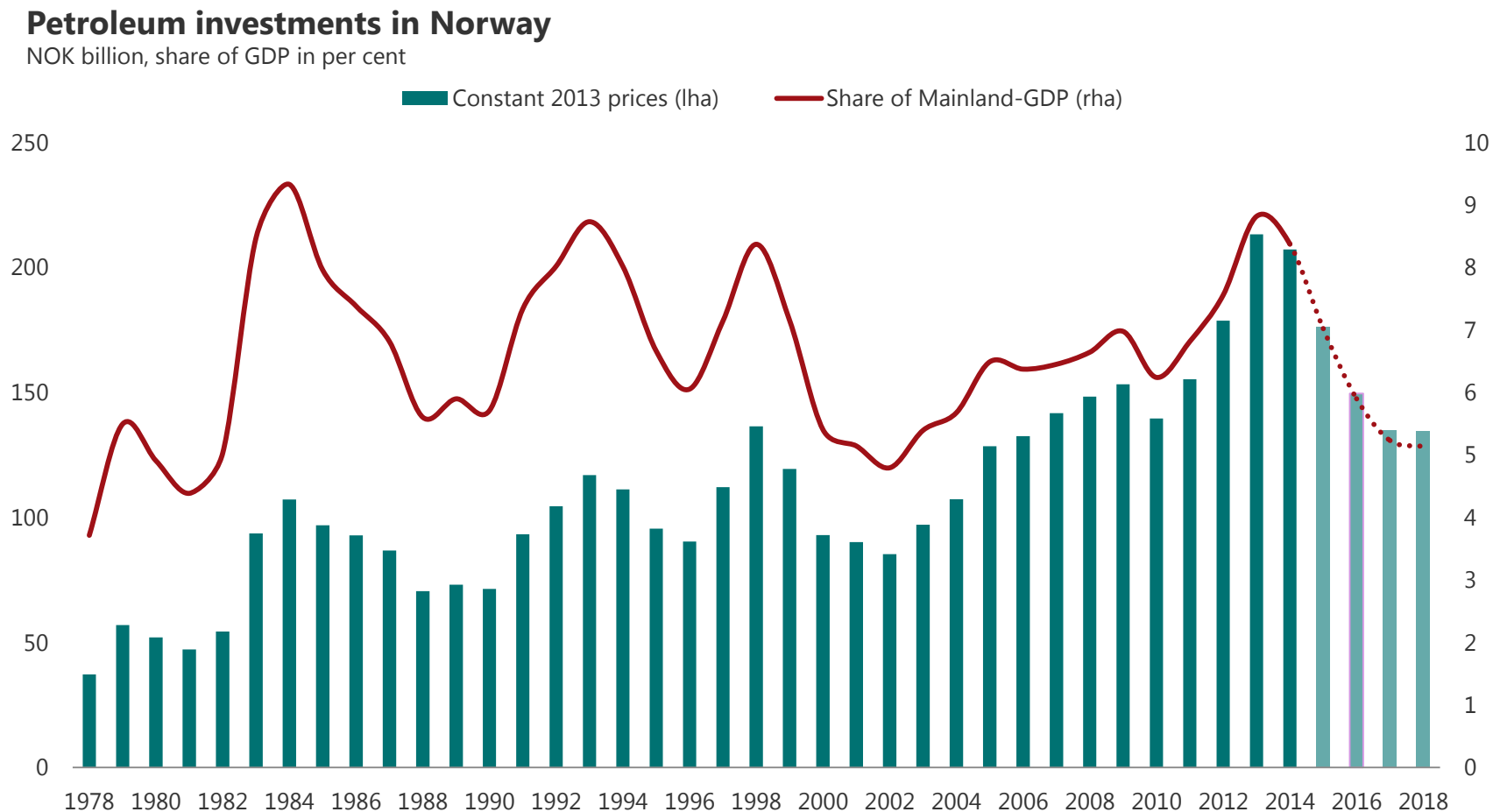
# Appendix

- **The Norwegian Economy**
- Loan book and asset quality



# Oil investments will stay high from a historical perspective

Such fluctuations are not new



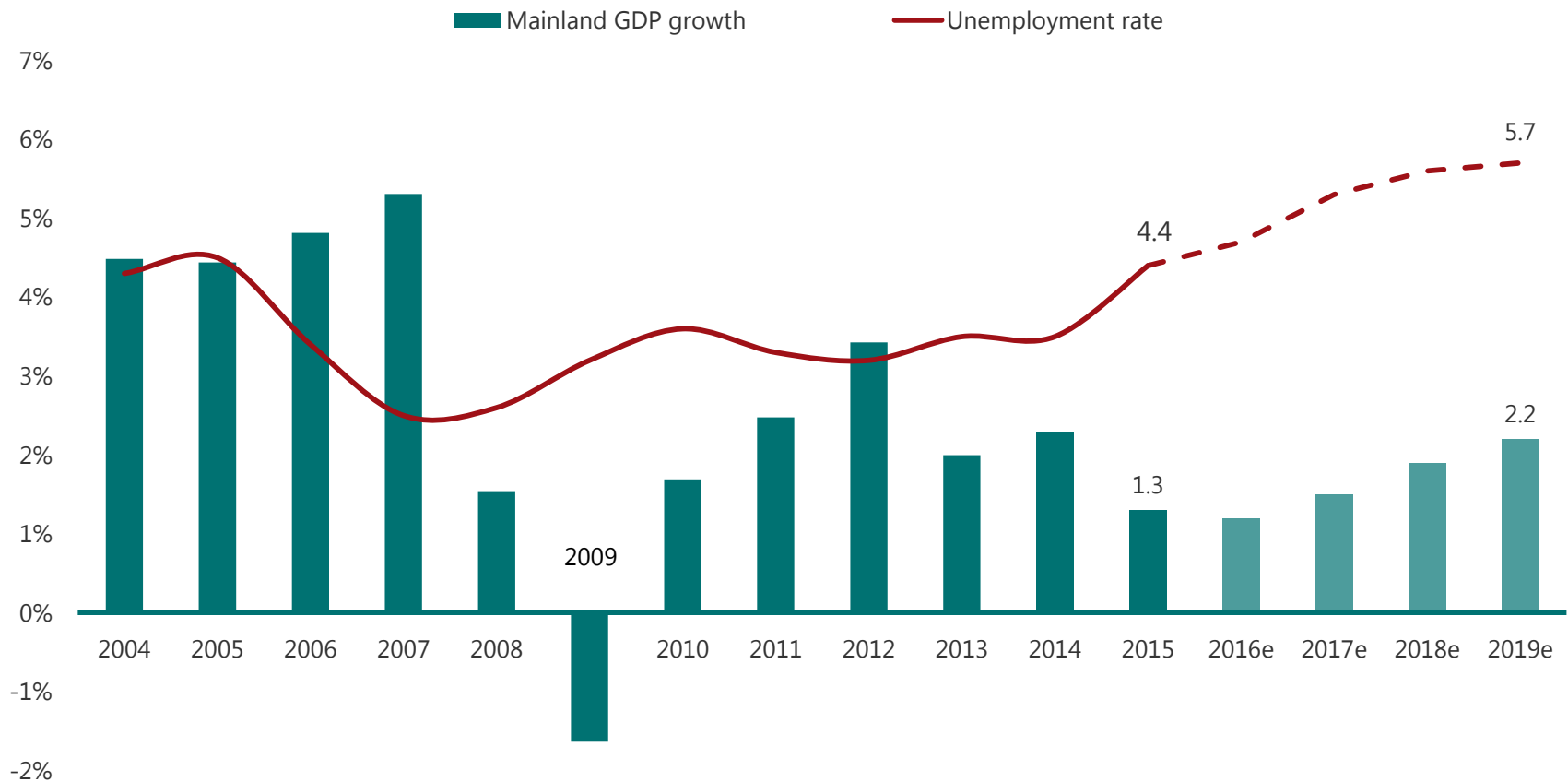


# Slower speed ahead

Increased unemployment but still growth in GDP

## GDP growth and unemployment

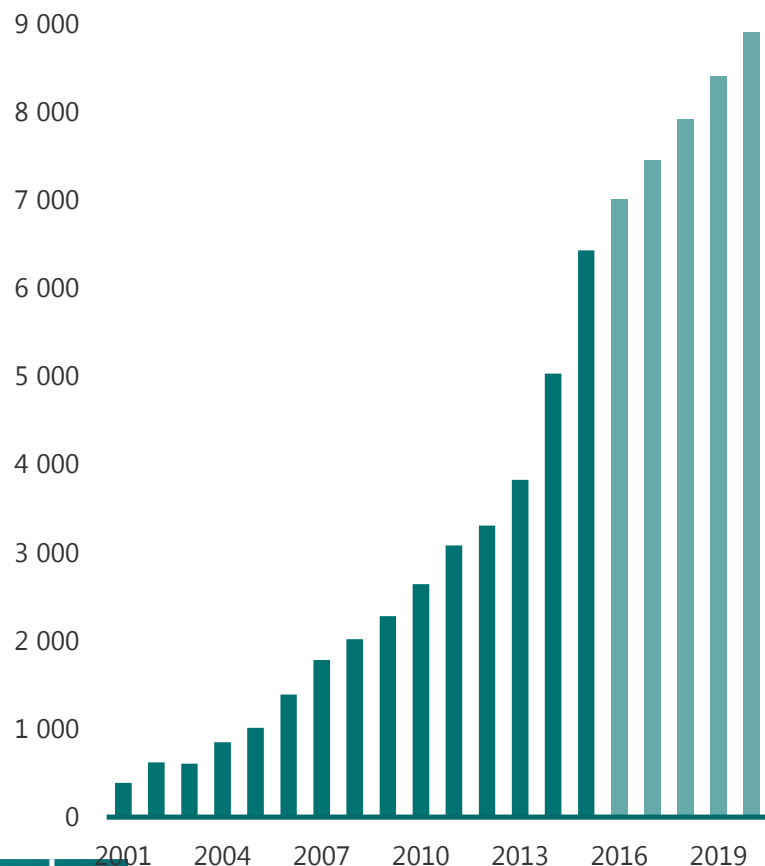
Year on year, per cent



# The sovereign wealth fund adds flexibility

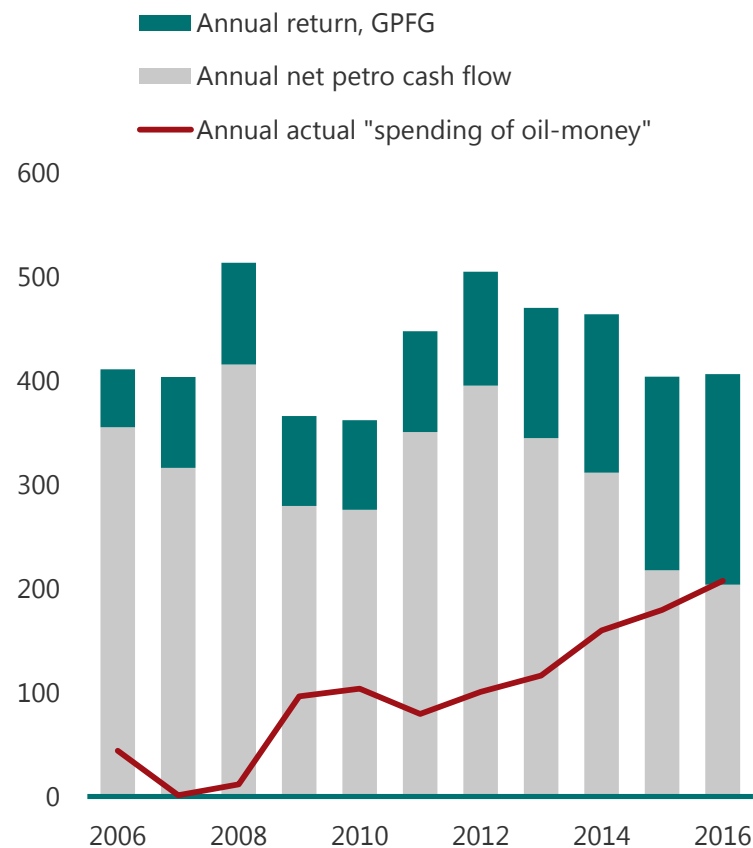
## Government Pension Fund Global

Beginning of the year, NOK billion



## Oil income versus spending

2005 – 2016, NOK billion



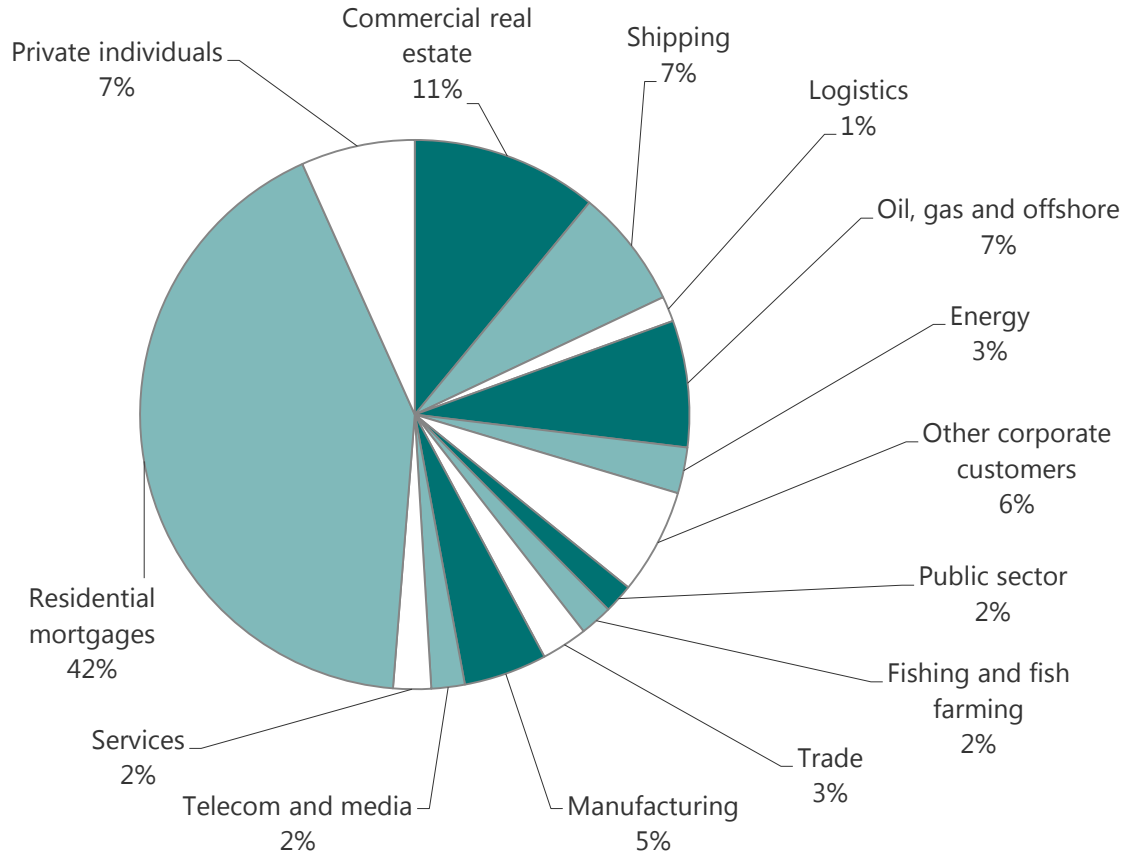
# Appendix

- The Norwegian Economy
- **Loan book and asset quality**



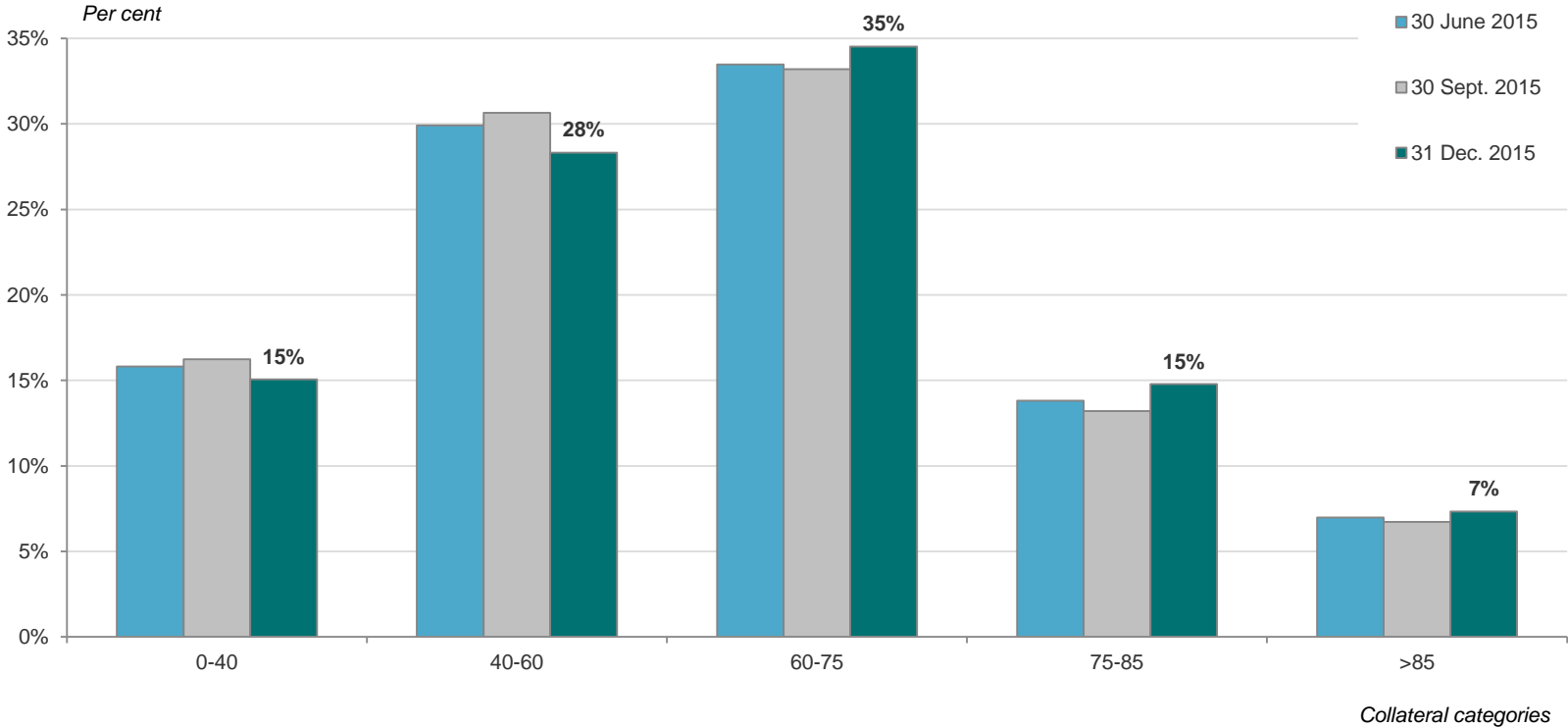
# Loan Book

EAD by segments as at 31 December 2015 <sup>1)</sup>



1) Exposure at default by customer segments as defined in DNB's management reporting including net non-performing and net doubtful loans and guarantees.

# Development in Loan to Value, Residential Mortgages

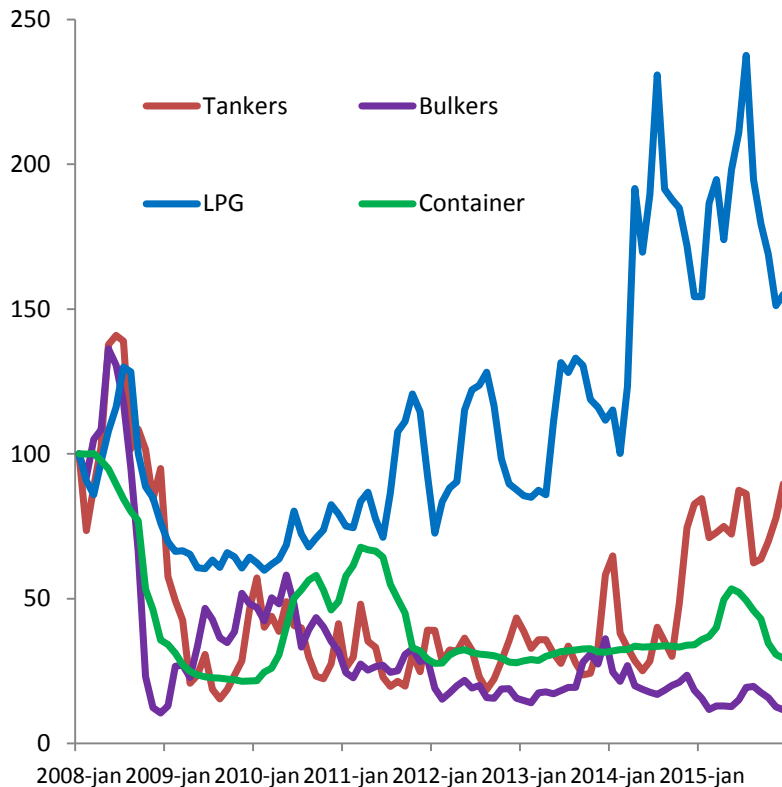


# Fragmented shipping market

Dry bulk and container at cyclical lows, other segments higher in cycle

## Dry bulk and container markets are challenging – other earnings are satisfactory

Clarkson index; rebased, average earnings

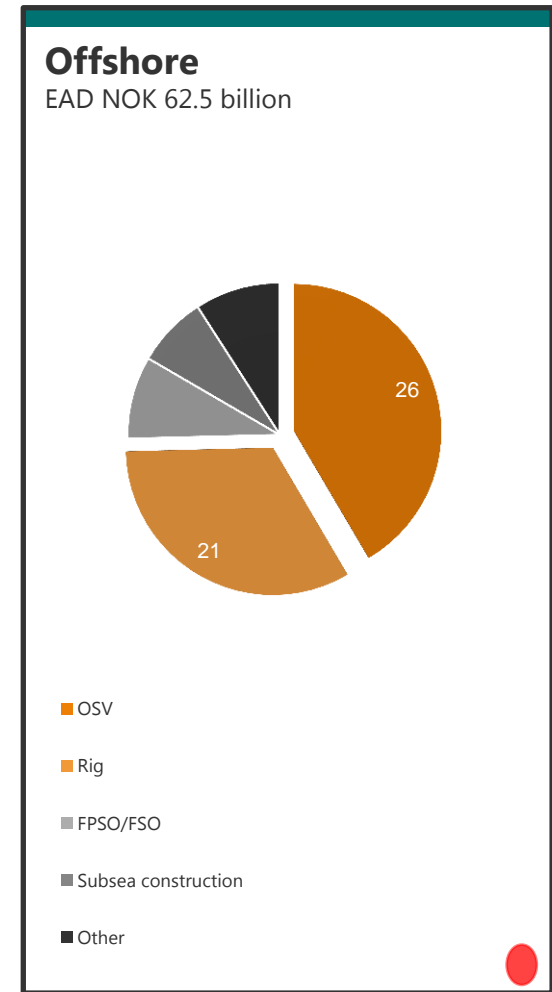
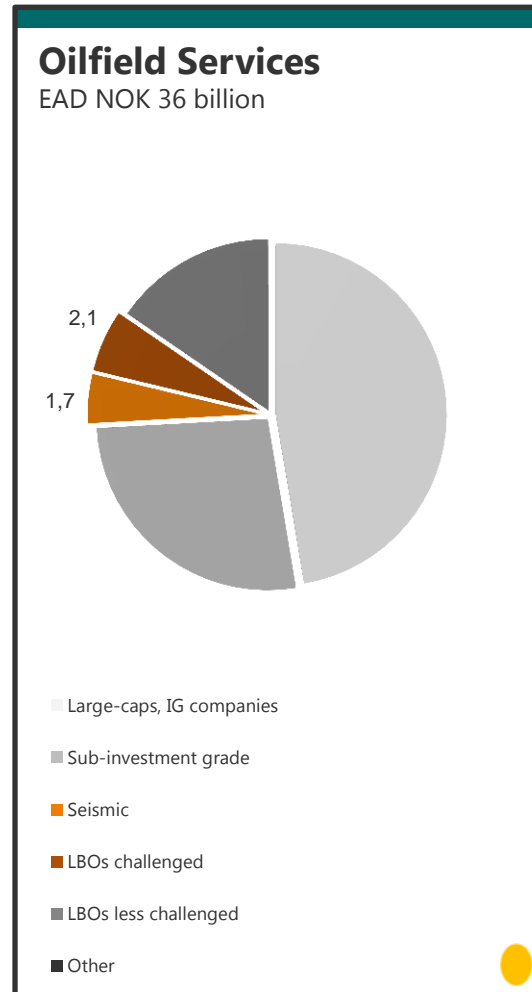
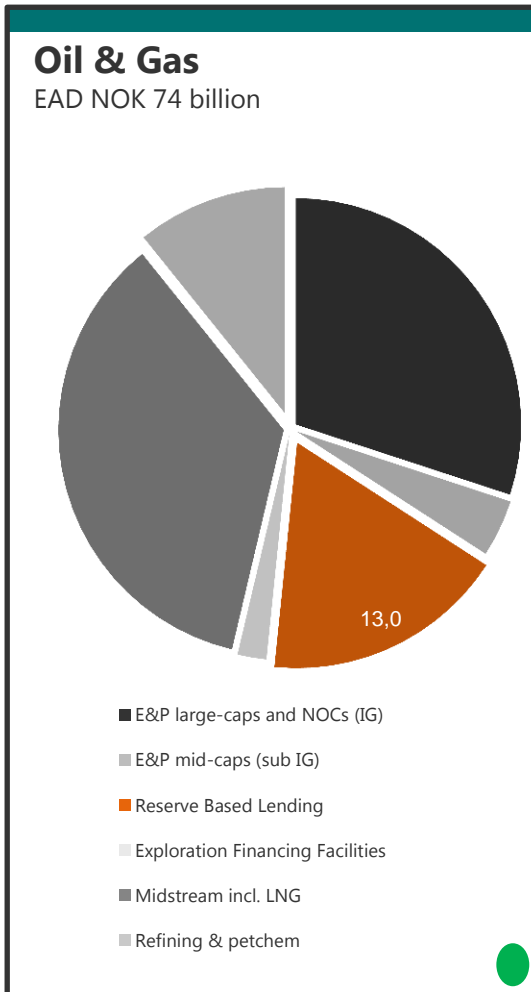


## Dry bulk recovery postponed, at least to 2017

- Dry bulk outlook adjusted down again as uncertainty increases.
  - Chinese demand is slowing down more than expected while fleet growth will exceed demand growth.
  - Scrapping and lay-ups will increase. 14% of cape fleet older than 15 years.
  - Rates below operating cost and values have fallen 20-30% since end October.
  - Many bulk clients have diversified fleets.
- Container: Overcapacity gives record low freight rates. Fleet growth slowing in 2016. Portfolio focus on leading operators.

# DNB's direct exposure to oil is manageable

OSV and rig (2.4% of group EAD) are where we see the main challenges



IG: Investment grade, E&P: Exploration & Production, LBO: Leveraged Buyout, RBL: Reserve Based Lending, OSV: Offshore Support Vessels, NOCs: National Oil Companies, F(P)SO: Floating (Production,) Storage and Offloading vessels

# Rigged for the downturn

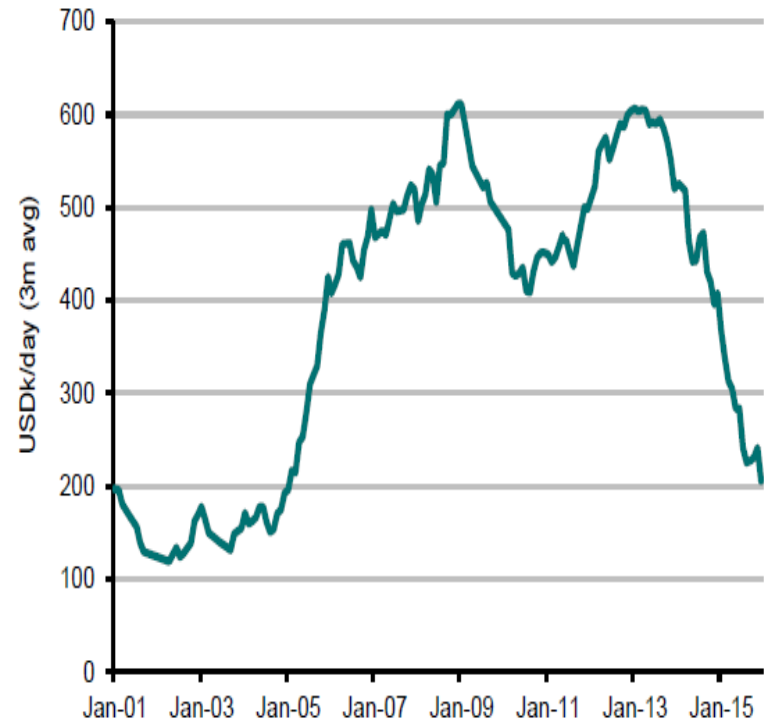
DNB's clients relatively strong; preparing for challenging 2017

## E&P spending is falling; rig fleet is growing

- Deepwater rig utilization below 80%, expected to fall below 70% in 2016.
- Many newbuilding cancellations/postponements are positive to the balance.
- No improvement in overall market balance expected until 2018. Need to see
  - Oil price at higher level
  - Results from oil co's cost cutting
  - Capacity (rigs) taken out
- 53 floaters older than 30 years
- DNB's clients well equipped for 2016; a number of restructurings required in 2017

## Day rates have fallen

Average for deepwater rigs around USD 200k per day



Source: DNB Markets, ODS

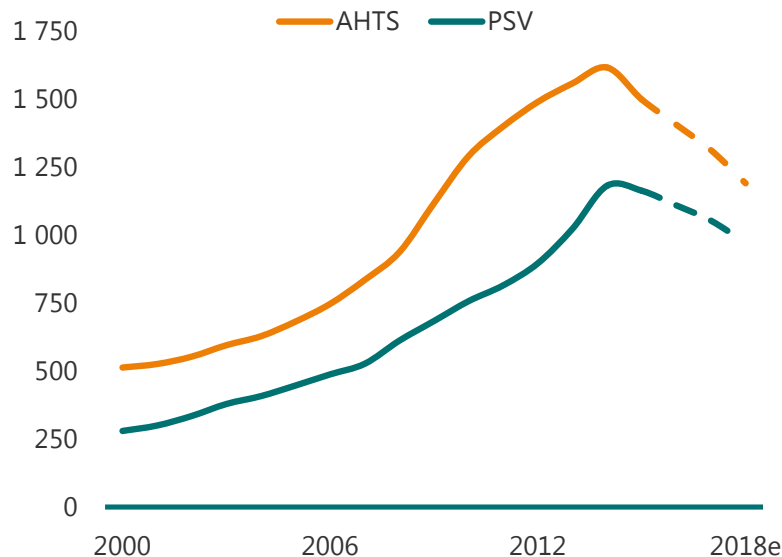


# OSV needs to restructure from 2016

Ongoing discussions to find balanced solutions

## OSV demand is falling towards 2010 level

Historical and expected demand; number of ships 2000-2018e



## Downturn hits earlier for OSV than for rigs

- Reduced rig activity leads to reduced OSV demand.
- Estimated utilisation 2016-18 around 60% for AHTSs and below 50% for PSVs. Around 9-10% of the fleet is lay-up.
- Weaker balance sheets and shorter contracts.
- Primarily leading operators with a long history with DNB and a modern and flexible fleet.
- Most of our clients will encounter covenant issues over next two years. Advanced discussions and negotiations ongoing with clients facing cash flow and financing issues in 2016.
- Individual differences with regard to war chests and equity reserves.

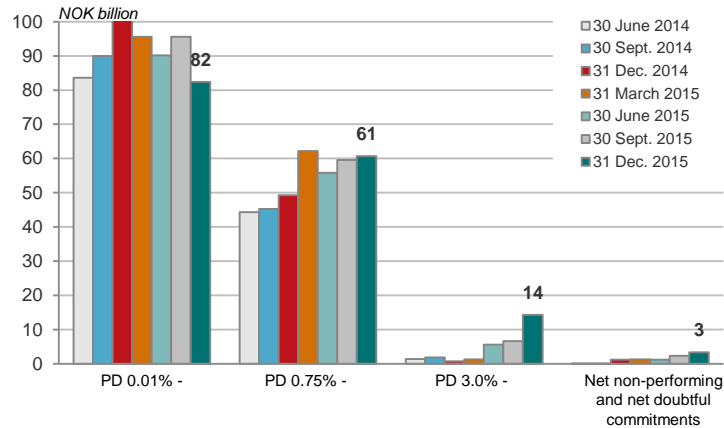
# Oil-related portfolio

51 % is low risk, 38 % is medium risk and 9% is high risk

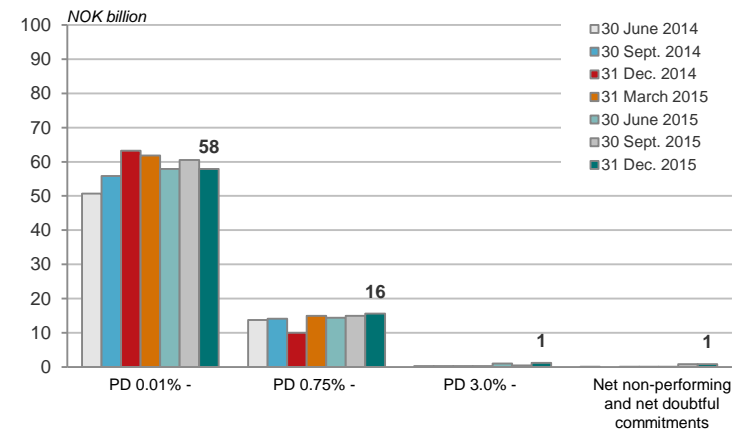
## DNB's oil-related portfolio split by sub-segment

By exposure (EaD) and risk grade

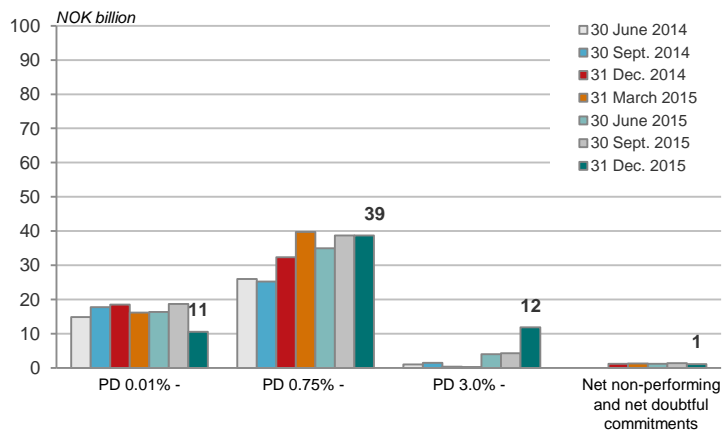
### Total oil related segments



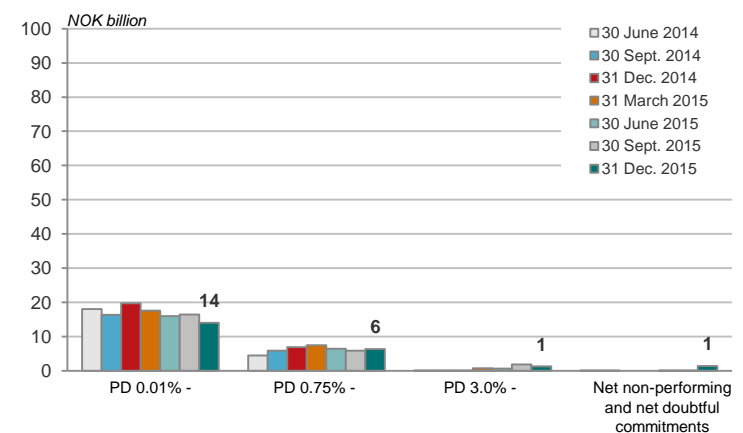
### Oil and Gas



### Offshore



### Oilfield services



EaD: Exposure at Default, PD: Probability of default. Risk grade system, please see backup slide for details. DNB's risk classification system, where 1 represents the lowest risk and 10 the highest risk. Figures from Fact book as at 31 Dec 2015.

# Q4

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HERE FOR YOU.  
EVERY DAY.  
WHEN IT MATTERS  
THE MOST.

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