

Capital Markets Day

London, 6 September 2012

DNB



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DNB assumes no obligation to update any forward-looking statement.

Cost and capital efficient growth - benefiting from a strong Norwegian economy

Rune Bjerke, CEO

DNB



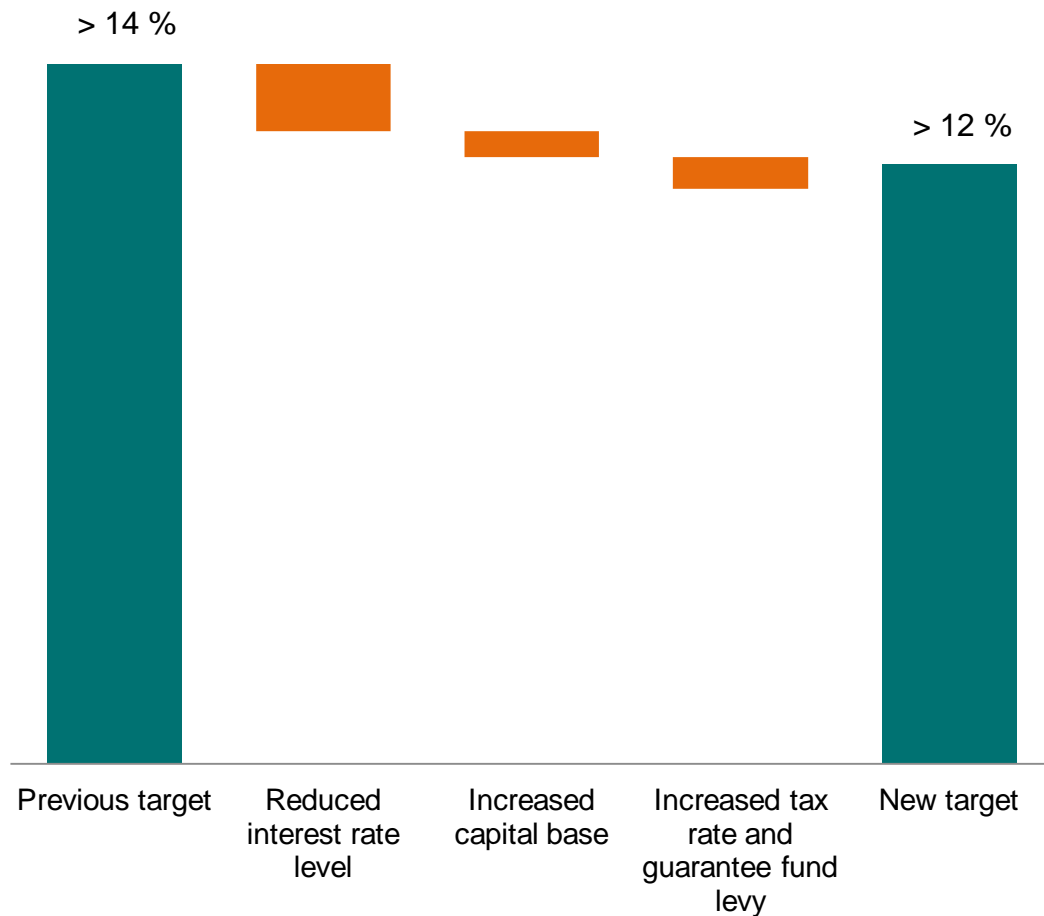
Financial targets towards 2015

NII	Annual NII growth above 6 per cent
Cost	Maximum 2 per cent average annual growth in nominal costs including restructuring costs Cost/income ratio below 45 per cent in 2015
RoE	RoE above 12 per cent in 2015
Capitalisation	CET1 ratio (Basel III) at 12.0 – 12.5 per cent in 2015
Dividend	Unchanged long-term dividend policy at 50 per cent Temporary payout ratio 25-50 per cent 2012-2014

Our ambitions

- Softer on paper, but bolder in reality

Return on equity



- Average interest rate level reduced by 175 basis points
- Increased CET 1 ratio (reduced leverage)
- Tax rate increased from 24 to 26%
- Mandatory guarantee fund levy

Financial guiding 2012

- *Pre-tax operating profit 22 – 25 billion NOK ✓*
- *Annual effect of cost saving measures of NOK 2.3 billion from year-end ✓*
- *Write-downs in line with 2011 ✓*
- *Ordinary Cost/income ratio below 46 per cent*

The most important drivers to achieve financial targets

1

A strong Norwegian economy

2

Prudent growth in quality earnings

3

Rebalancing our portfolio

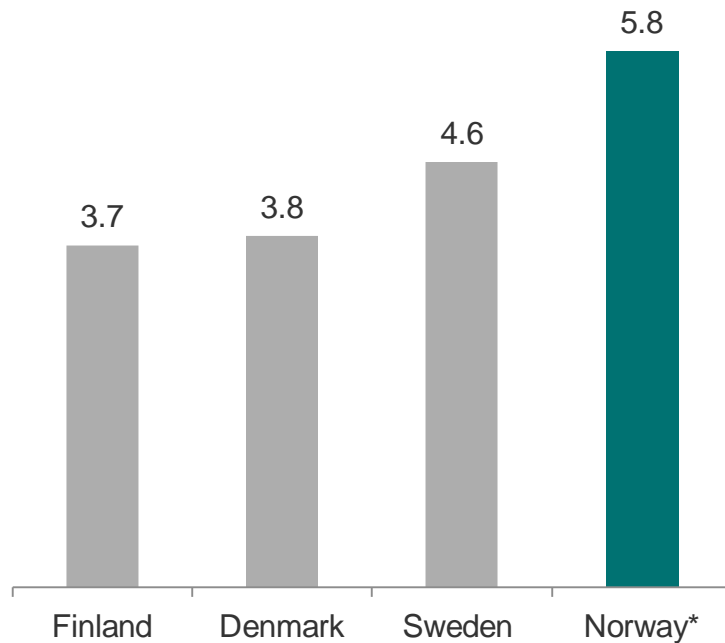
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Capital efficiency and cost control

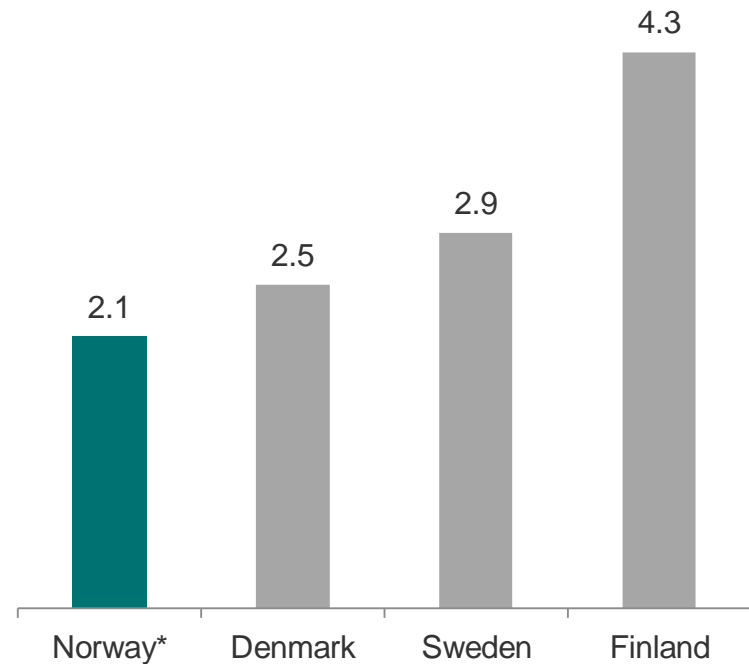
Norway is a very attractive banking market

- Strong growth and low volatility

Annual nominal GDP growth
1990-2010

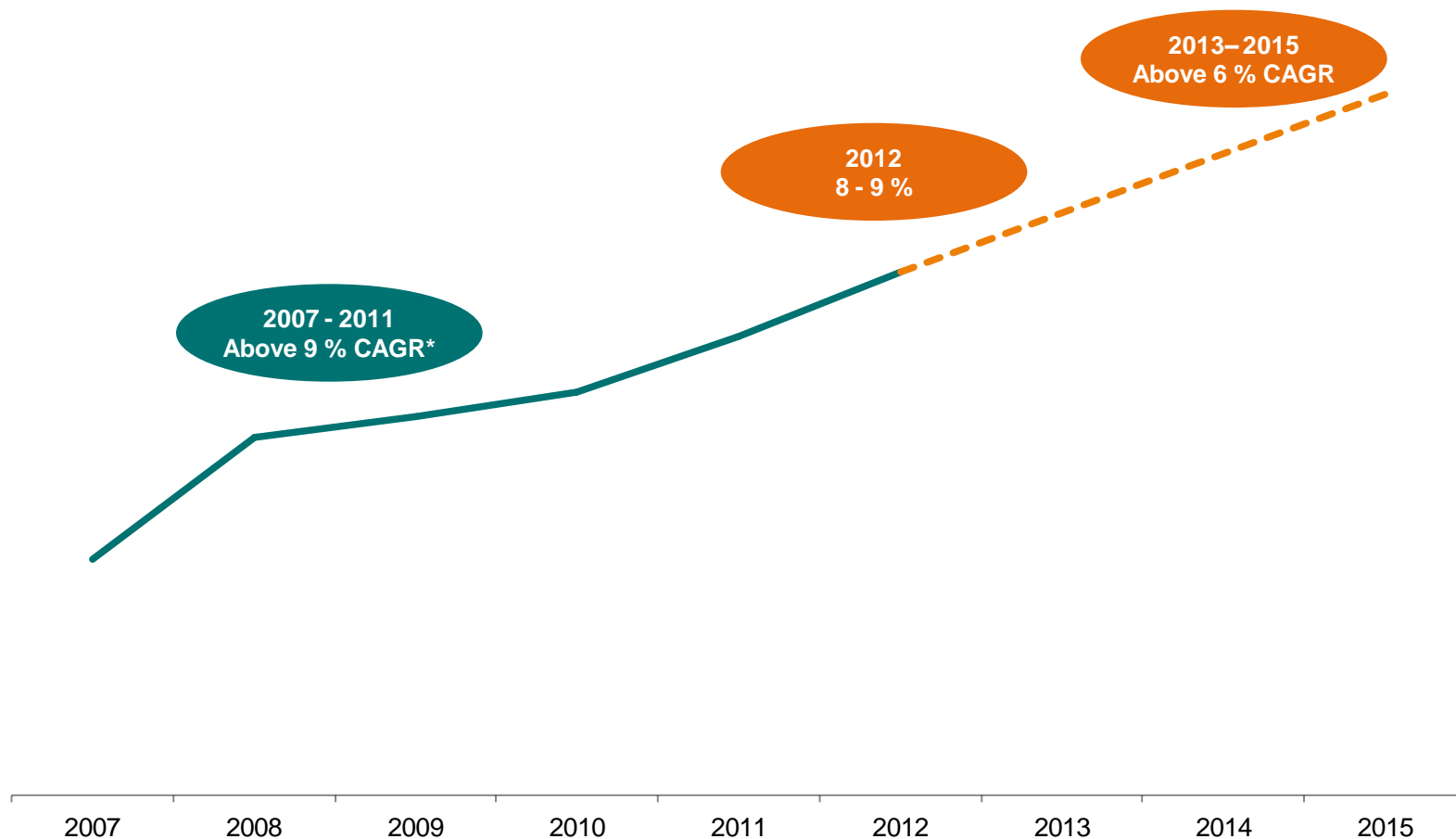


Standard deviation
1990-2010



NII will underpin prudent growth in quality earnings

Net interest income development

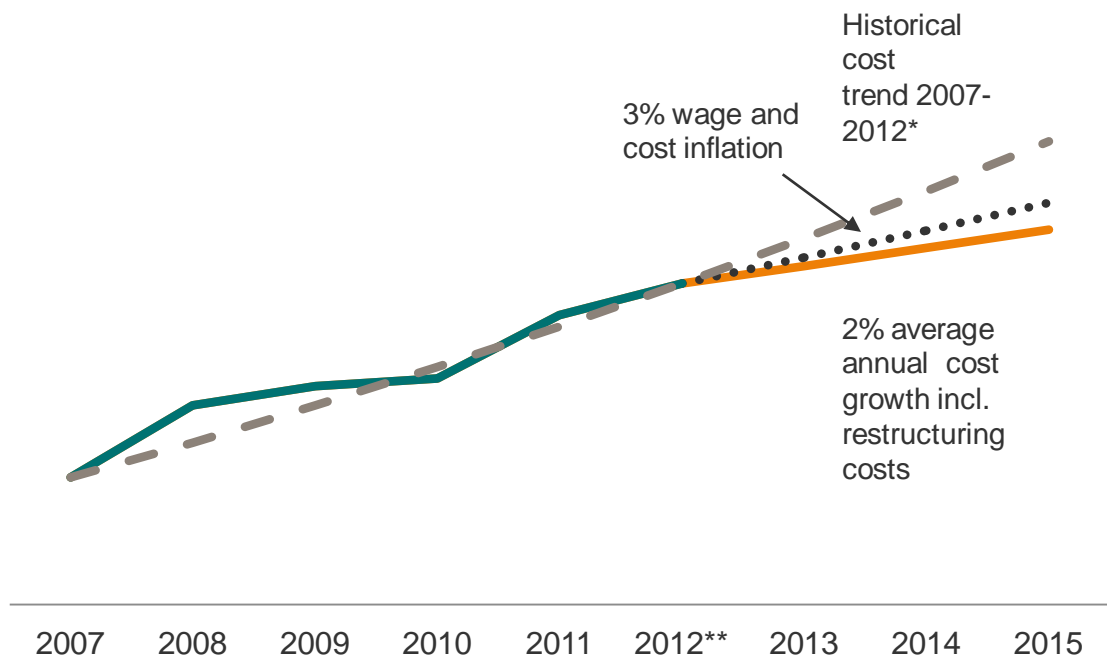


Restructuring cost base to curb cost inflation

Targeted development in operating costs

Maximum 2 per cent average annual growth in nominal costs including restructuring costs

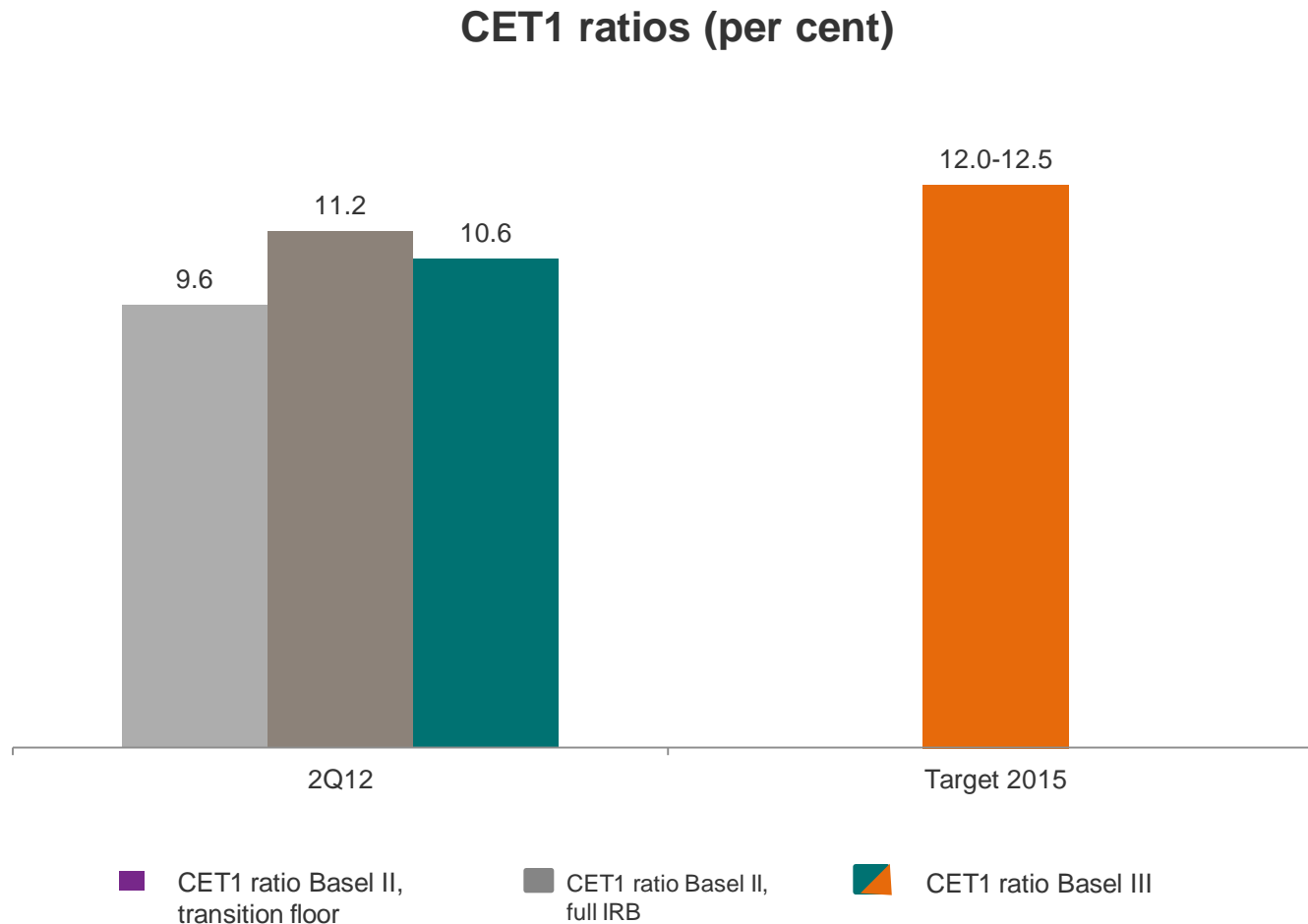
Cost/income ratio below 45 per cent in 2015



* Excluding impairment losses for goodwill and intangible assets and reversals of provisions for contractual early retirement pensions ** Annualised 1H12

Well positioned to comply with Basel III requirements

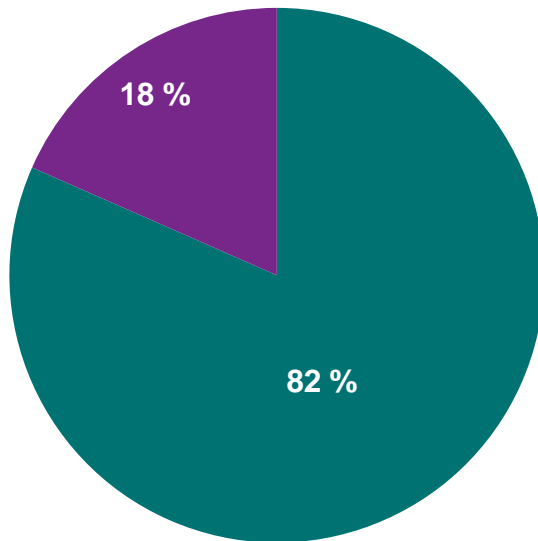
- In spite of higher Norwegian risk weights



Rebalancing our portfolio

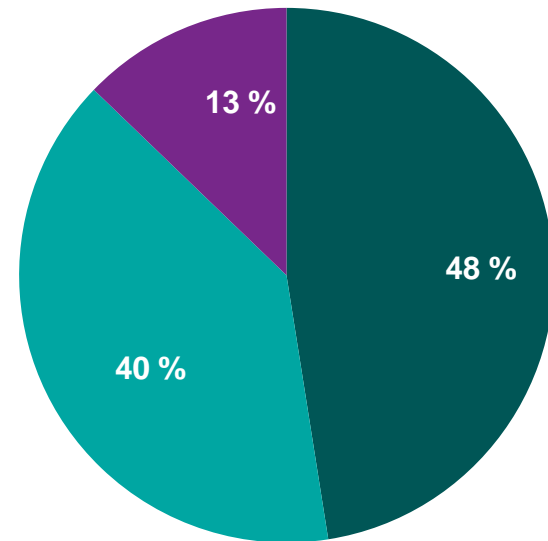
- Prioritise core activities and increase capital efficiency

Share of income Q2 2012



■ Norway ■ International

Share of net lending Q2 2012



■ Private individuals ■ Large corporates ■ SME

The most important drivers to achieve financial targets

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Norway: High growth – low volatility

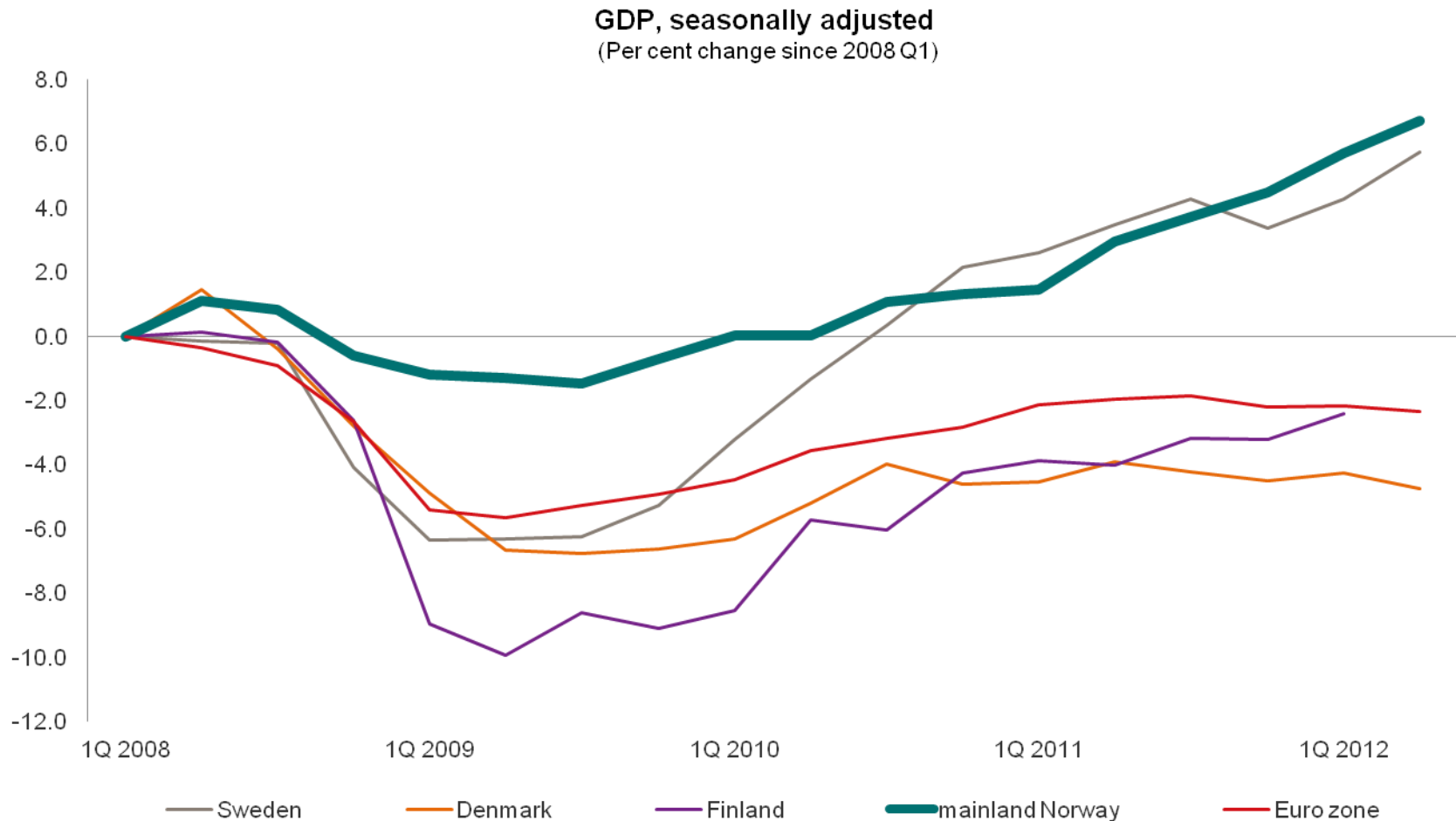
Kjersti Haugland, Senior economist

DNB



Norwegian economy hit mildly by the financial crisis

- Impetus from oil activity, fiscal leeway, favourable export structure



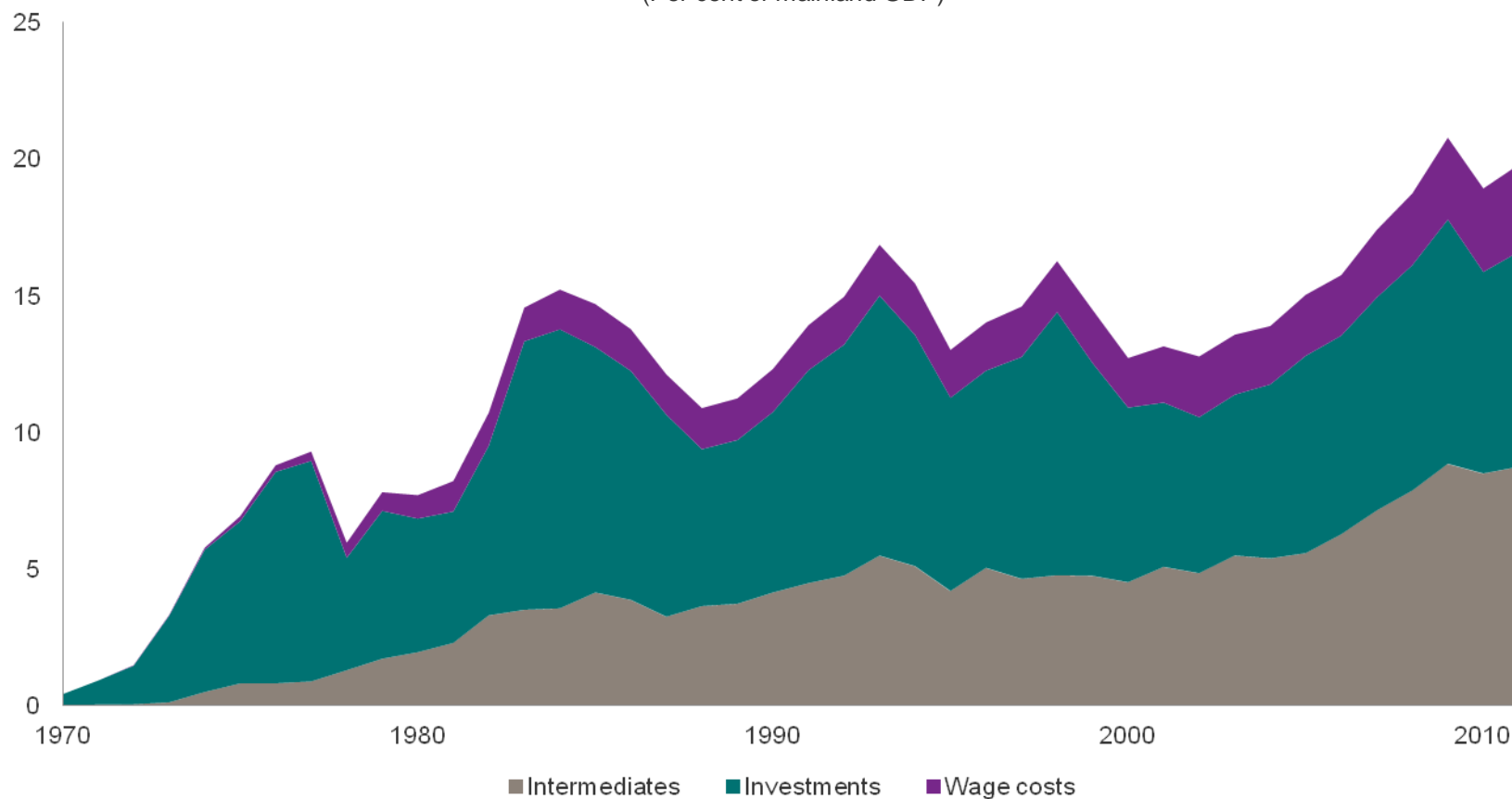
Not the average economy: 1/3 of annual central government revenues generated from petroleum activity

Oil and gas activity
(Percentage shares)



Important demand impetus to the mainland economy

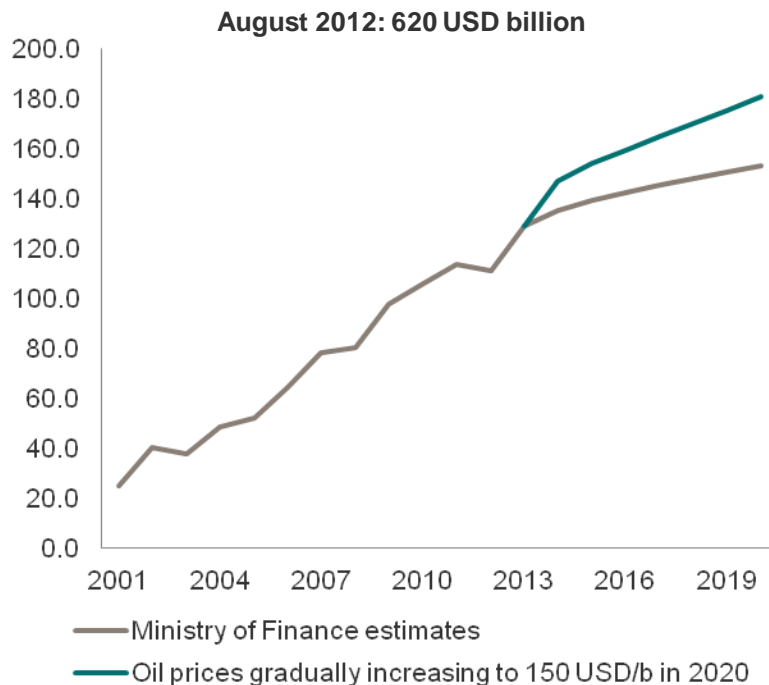
Oil sector use of resources
(Per cent of mainland GDP)



Fund shields economy from oil price fluctuations

Fiscal rule smoothes business cycles

Government Pension Fund – Global (Per cent of GDP)



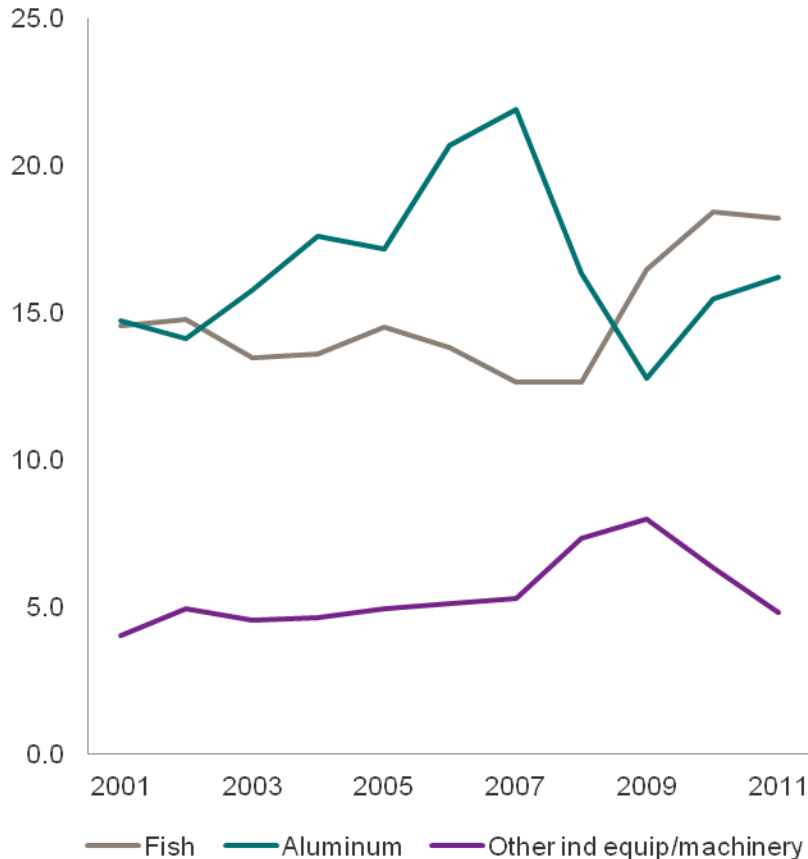
Fiscal leeway

- **Fund** is buffer between current petroleum revenues and the use of revenues in the economy
- **Fiscal rule:** In "normal times" the spending of oil revenues through government budgets is limited to the expected return (4%) of the fund
- **Motivation:** Petroleum revenues gradually phased into economy at a level that can be sustained over time
- **Smoothes business cycles:** Spend more in bad times, less in good times

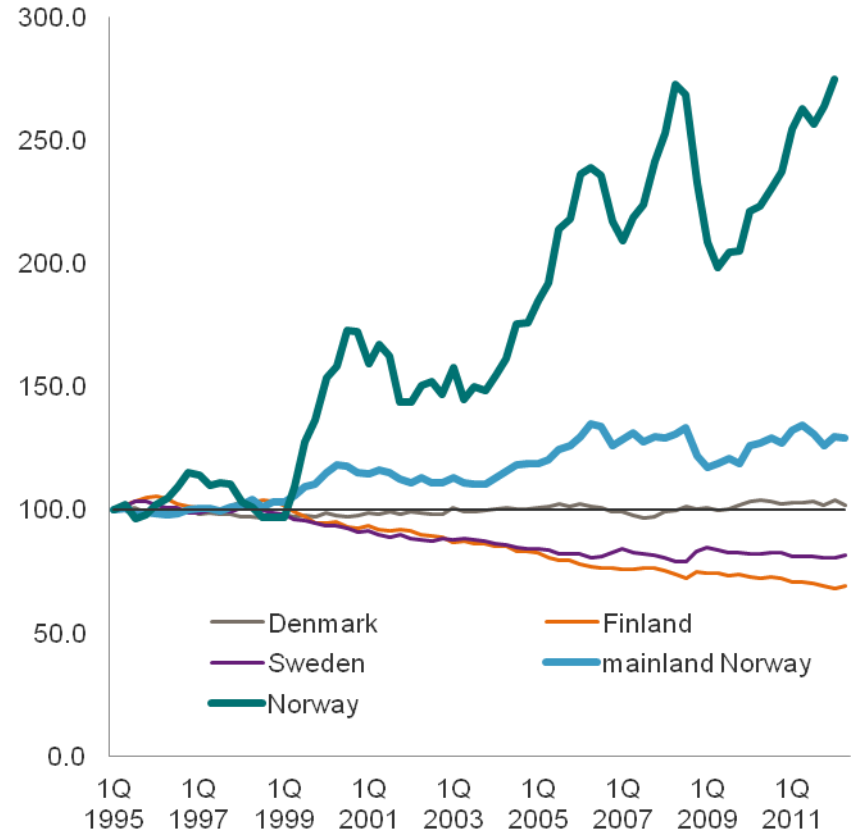
Norwegian economy is more than oil and gas

Beneficial terms of trade - with or without oil

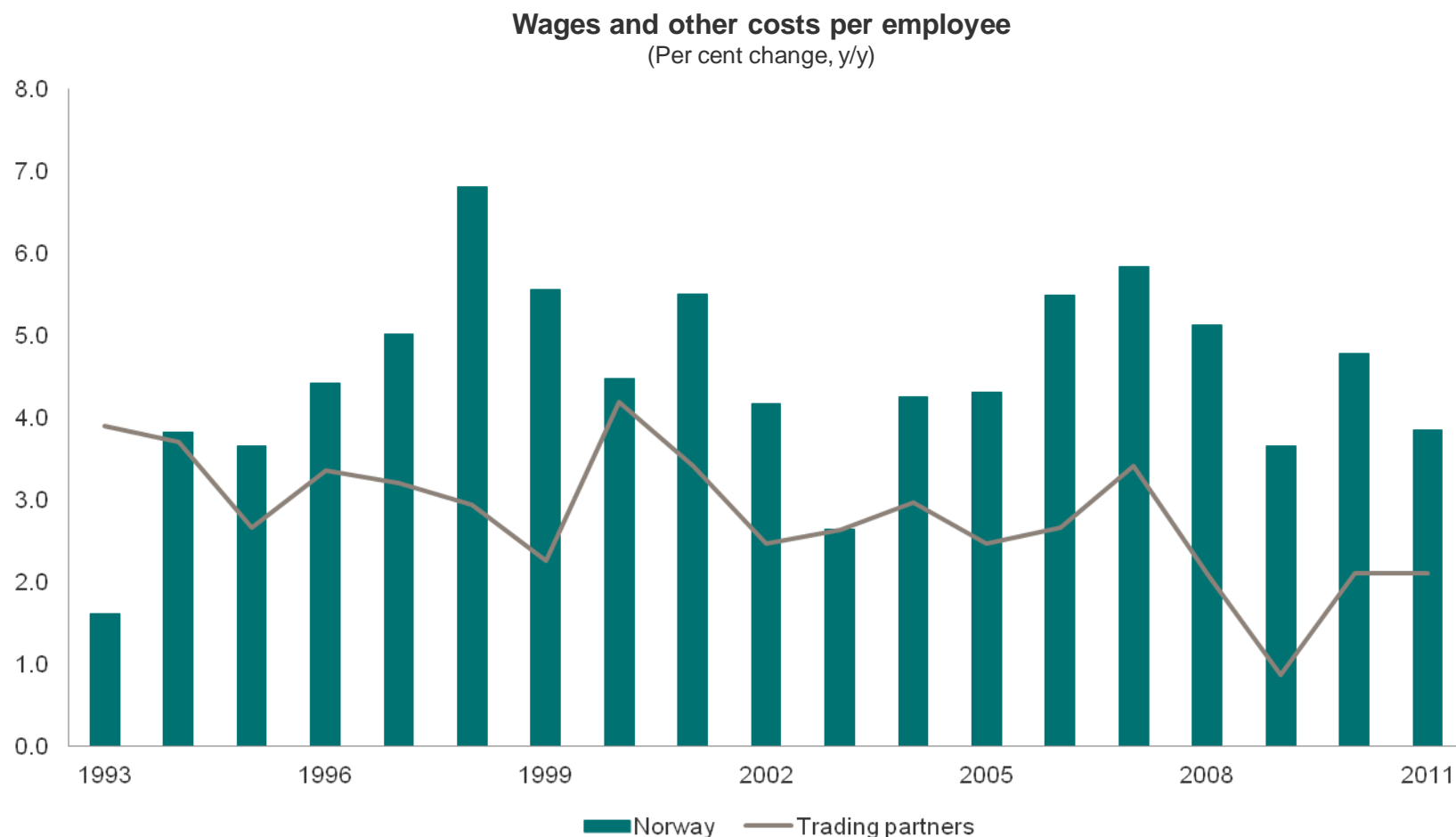
Top three traditional export goods
(Per cent of total export value)



Terms of trade. Exports/import prices
(Index, Q1 95=100)



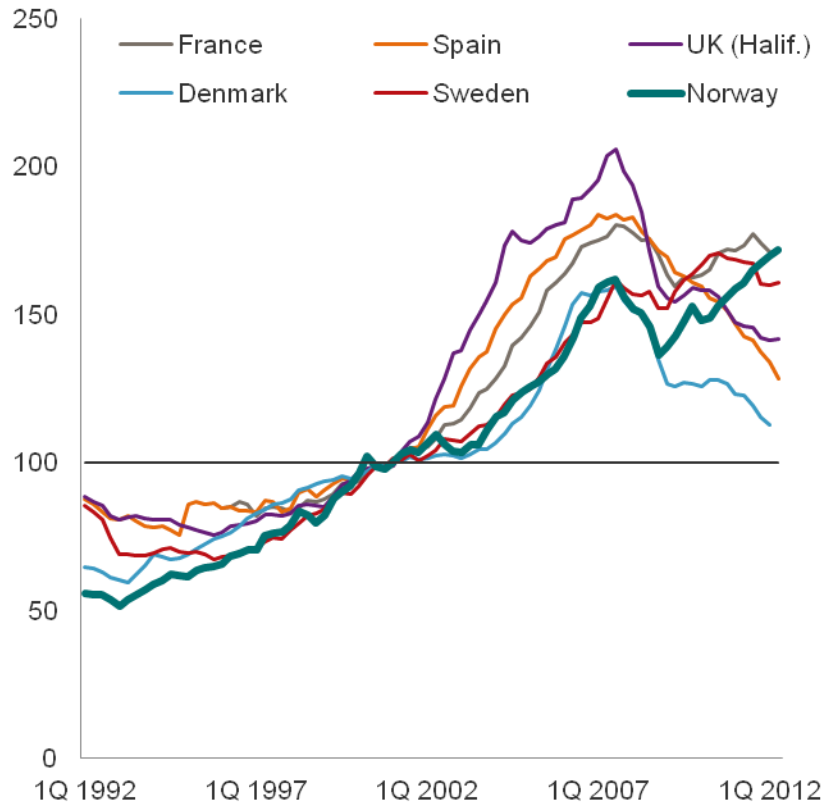
Beneficial terms of trade have supported income growth



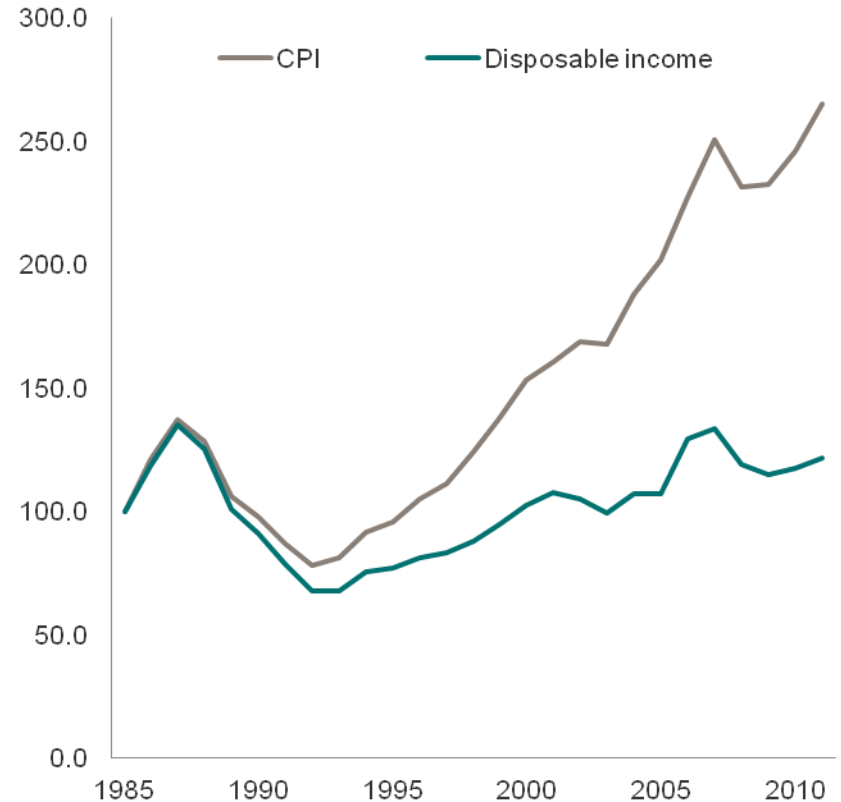
Norwegian house prices continue to grow (I)

- Demand side: Strong income growth, low interest rates

CPI-deflated house prices
(Index 2000=100)

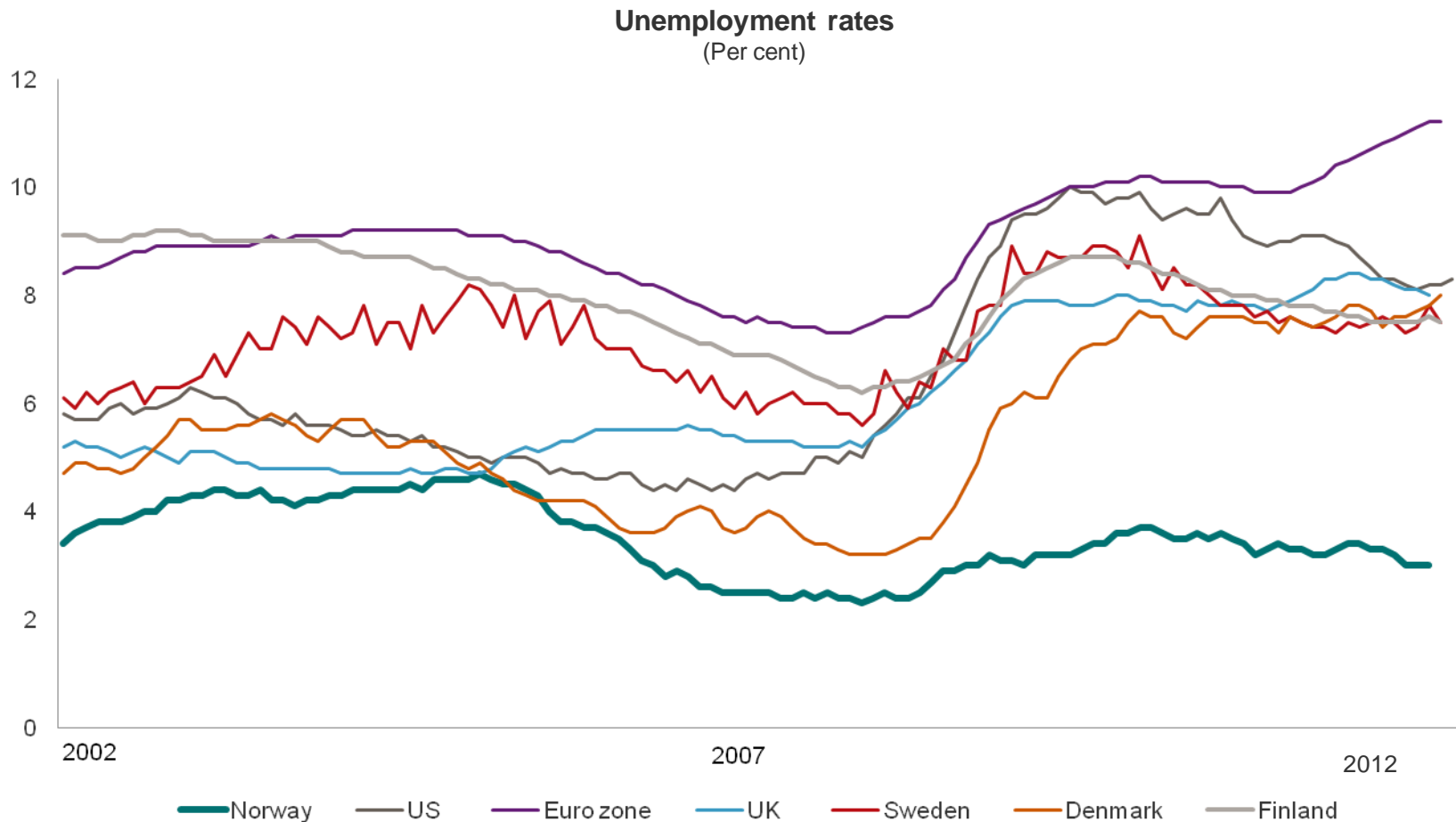


Norway: Real house prices
(Index 1985=100 selected deflators)



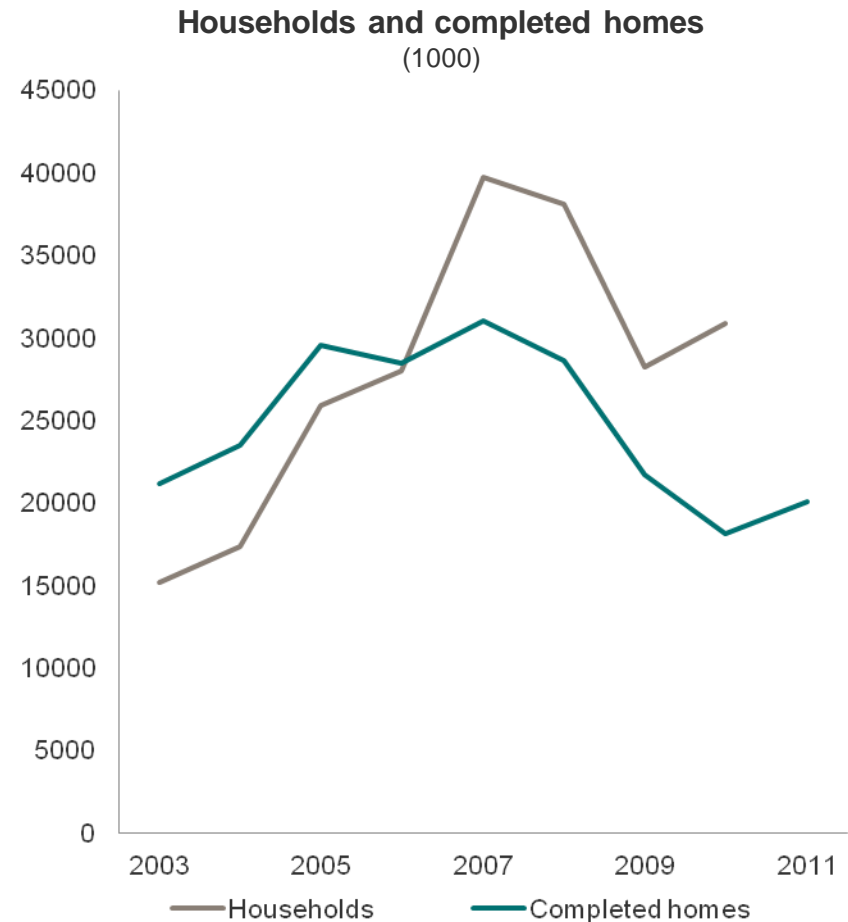
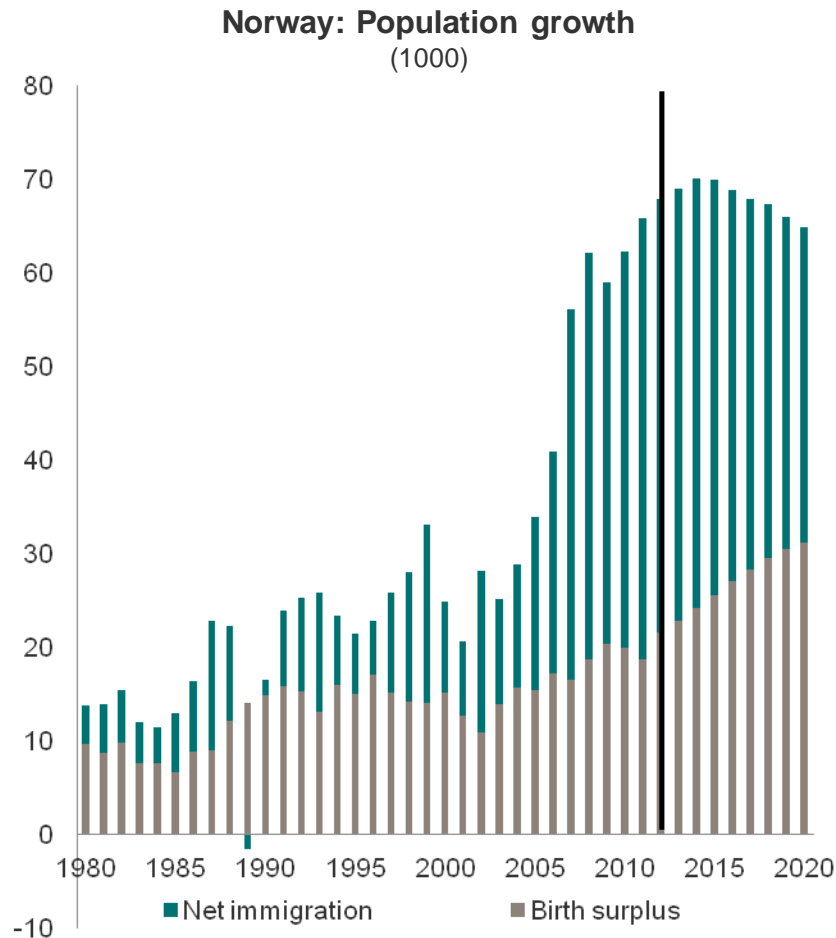
Norwegian house prices continue to grow (II)

- Demand side: Low and stable unemployment



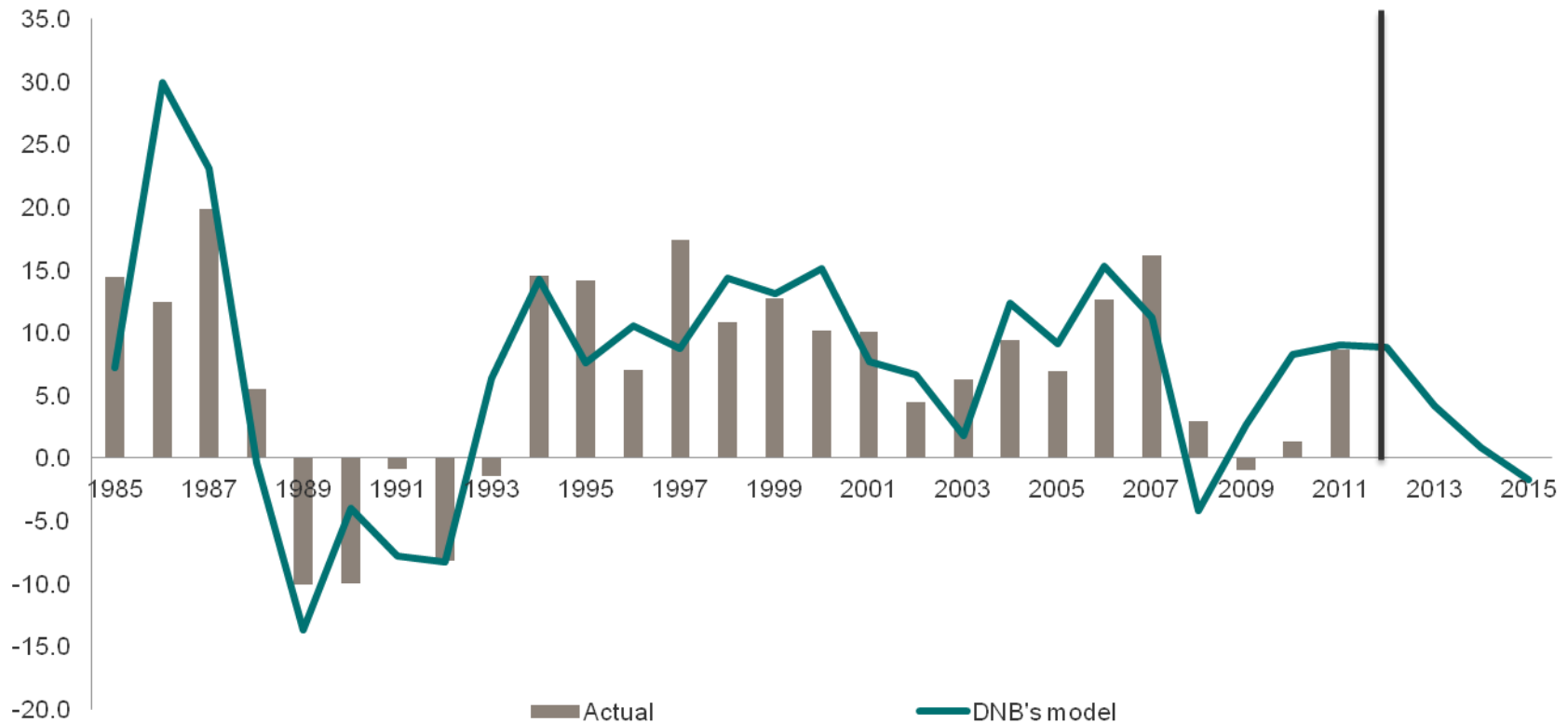
Norwegian house prices continue to grow (III)

- Supply side: Construction has not kept up with population



Expect house price growth to slow down: higher interest rate, slower income growth, more homes completed

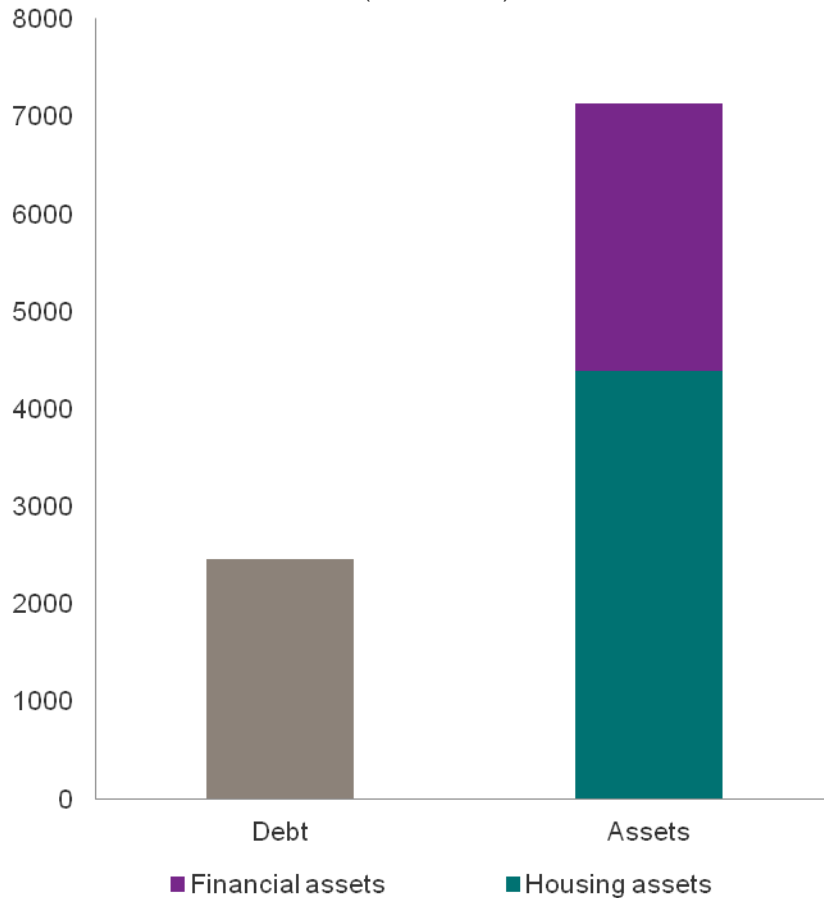
Housing prices
(Per cent, y/y)



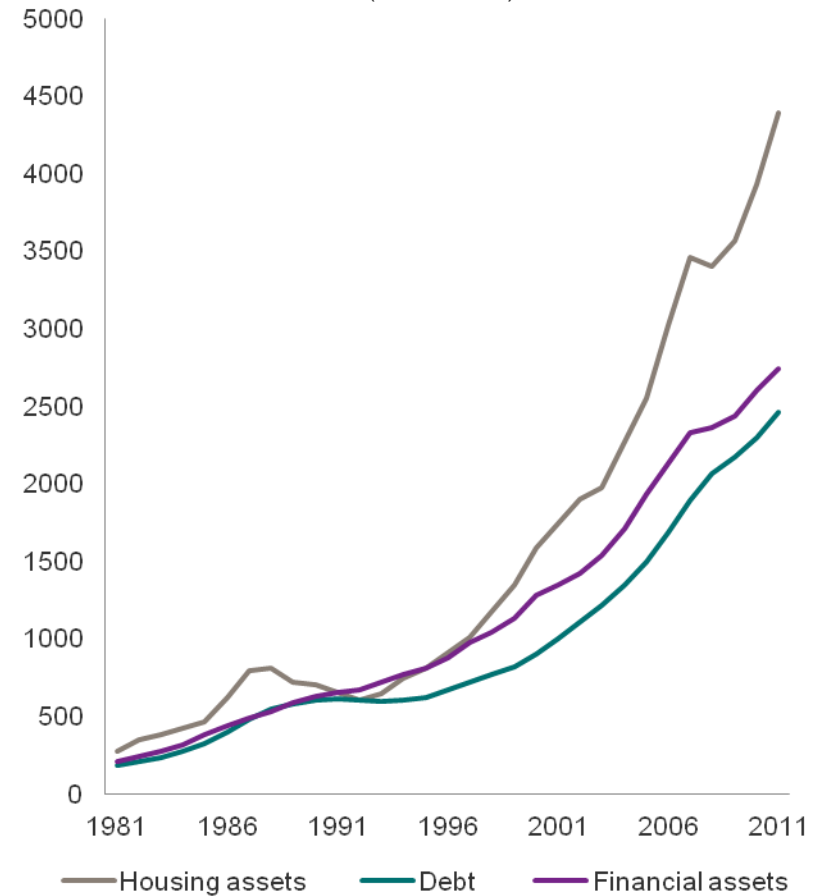
Norwegian households are solid

- Prefer home ownership (>80 per cent)

Household assets and debt 2011
(NOK billion)



Household assets and debt
(NOK billion)



Norwegian economy well positioned towards 2015

Solid and stabilising government finances

No negative impact on mainland GDP from oil price expectations

Relatively stable export demand

Solid households

The most important drivers to achieve financial targets

1

A solid Norwegian economy

2

Prudent growth in quality earnings

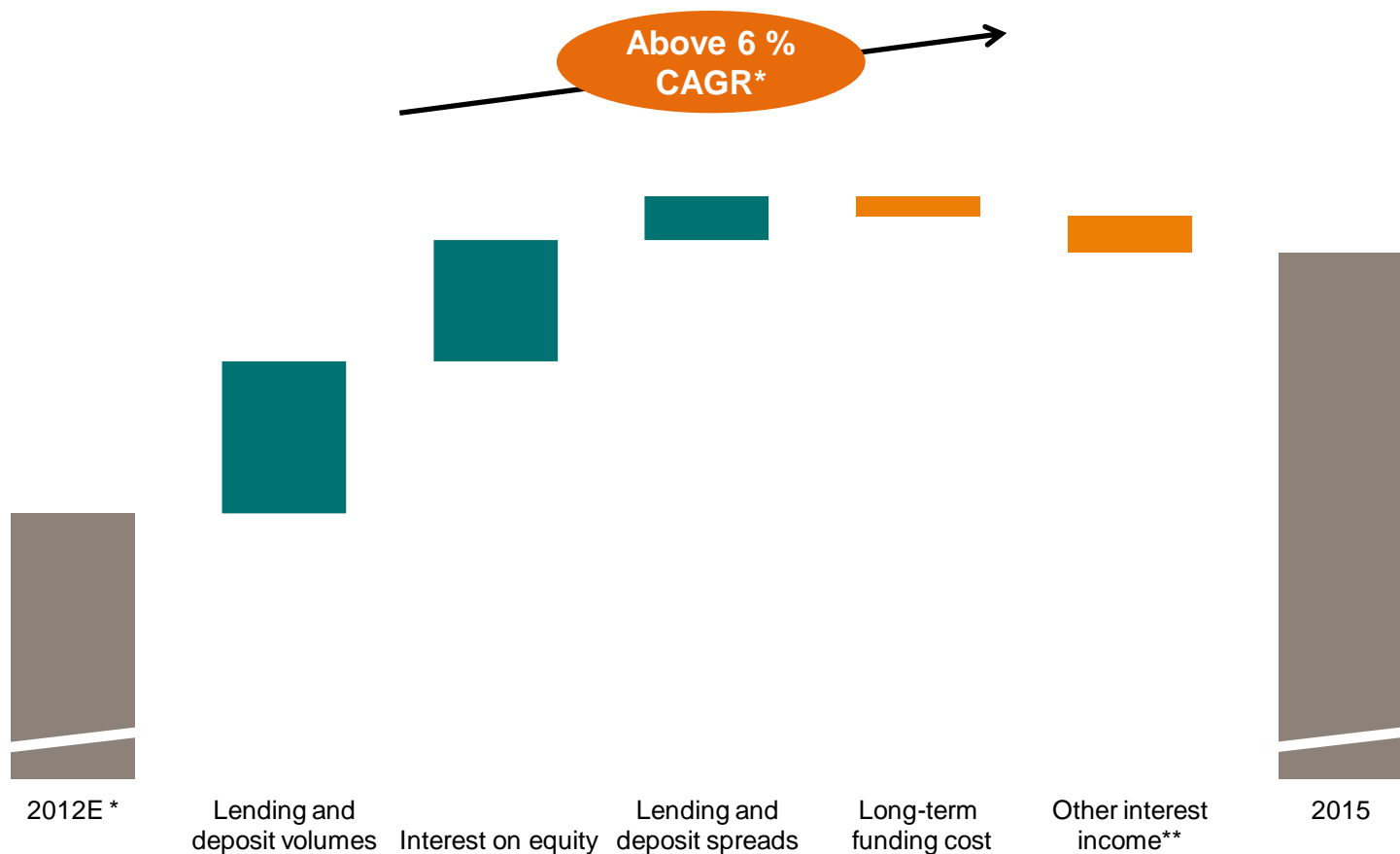
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Rebalancing our portfolio

4

Capital efficiency and cost control

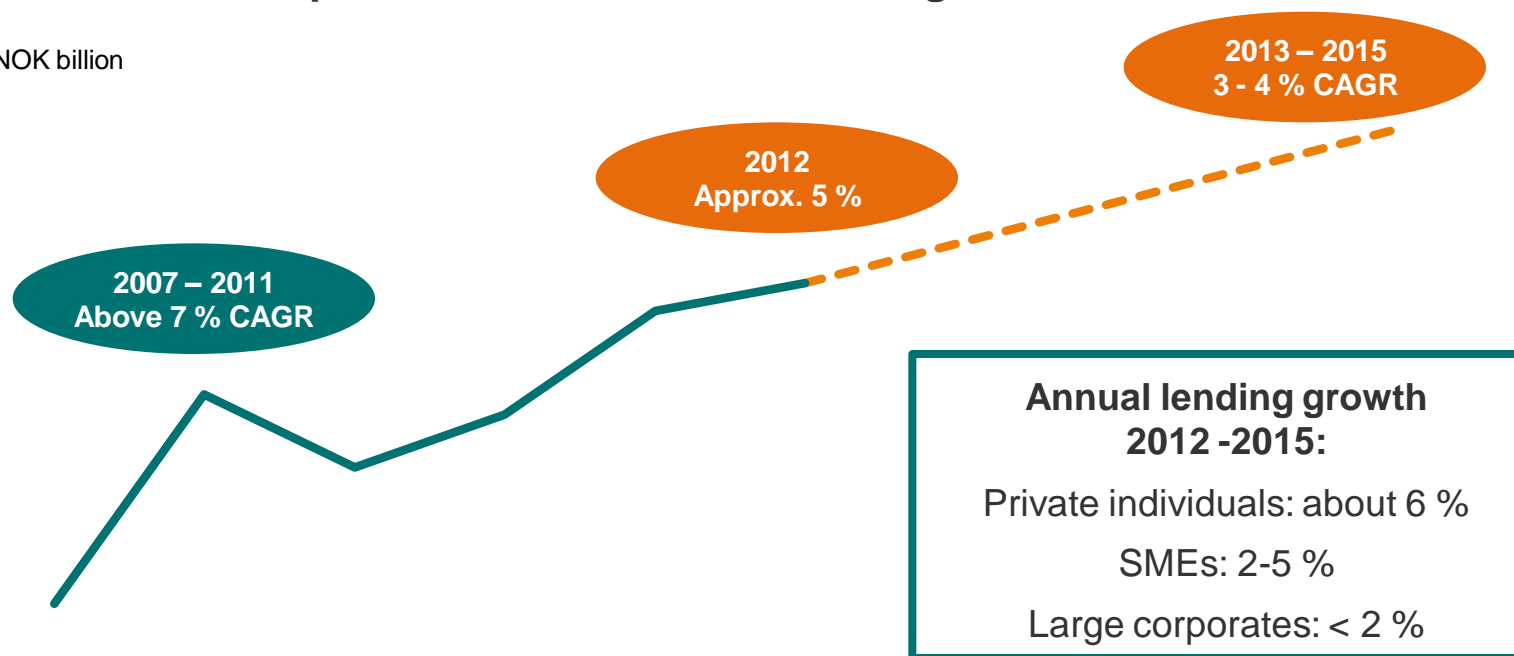
Prudent growth in net interest income



One of the few banks with lending growth ambitions

Development in volumes - net lending to customers

NOK billion

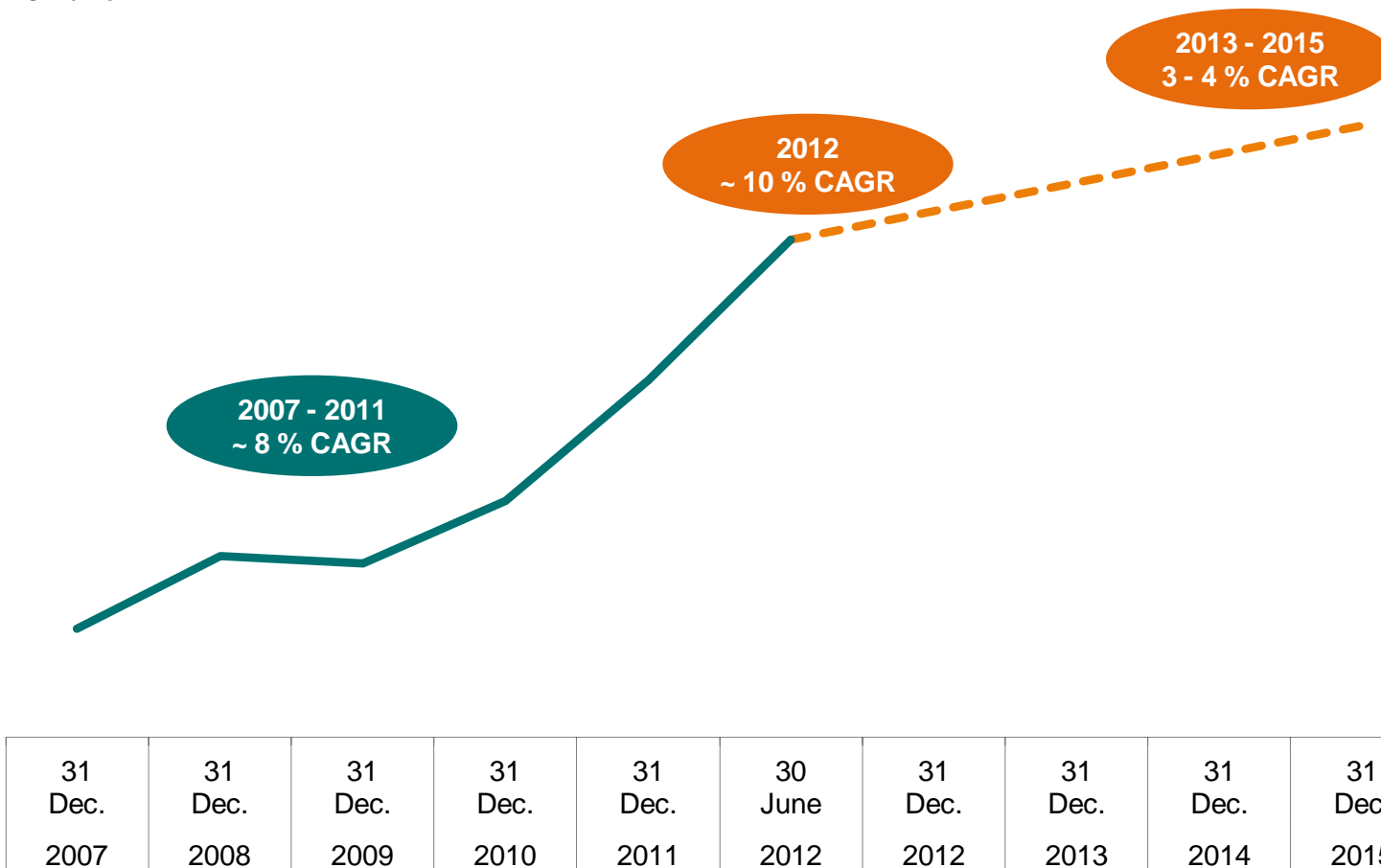


31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	30 June	31 Dec.	31 Dec.	31 Dec.	31 Dec.
2007	2008	2009	2010	2011	2012	2012	2013	2014	2015

Deposit growth in line with GDP growth

Development in volumes - deposits from customers

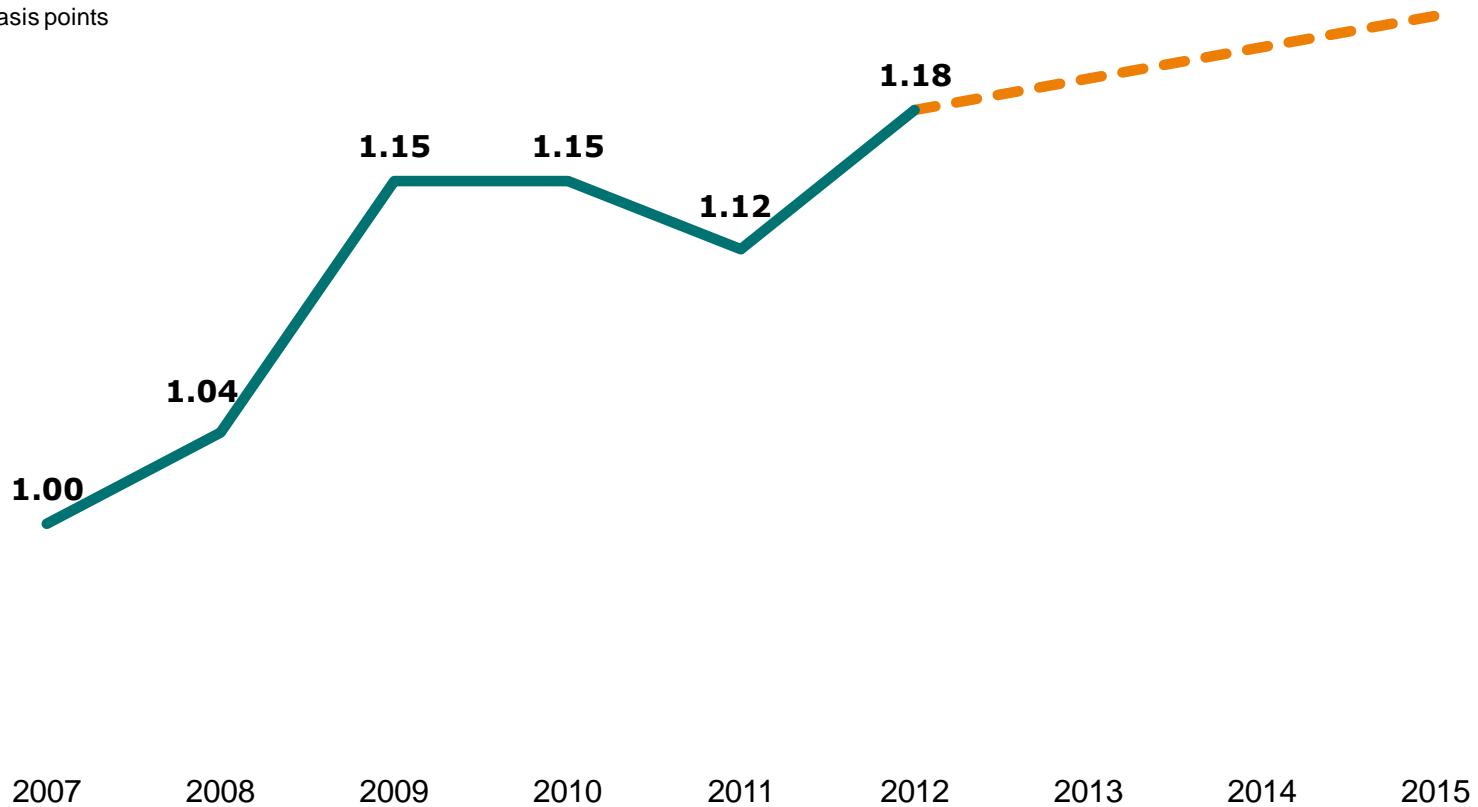
NOK billion



Continuous improvement in margins

Development in weighted average interest rate spreads – DNB Group

Basis points



Lower impact from funding costs

Stable funding costs in the short term

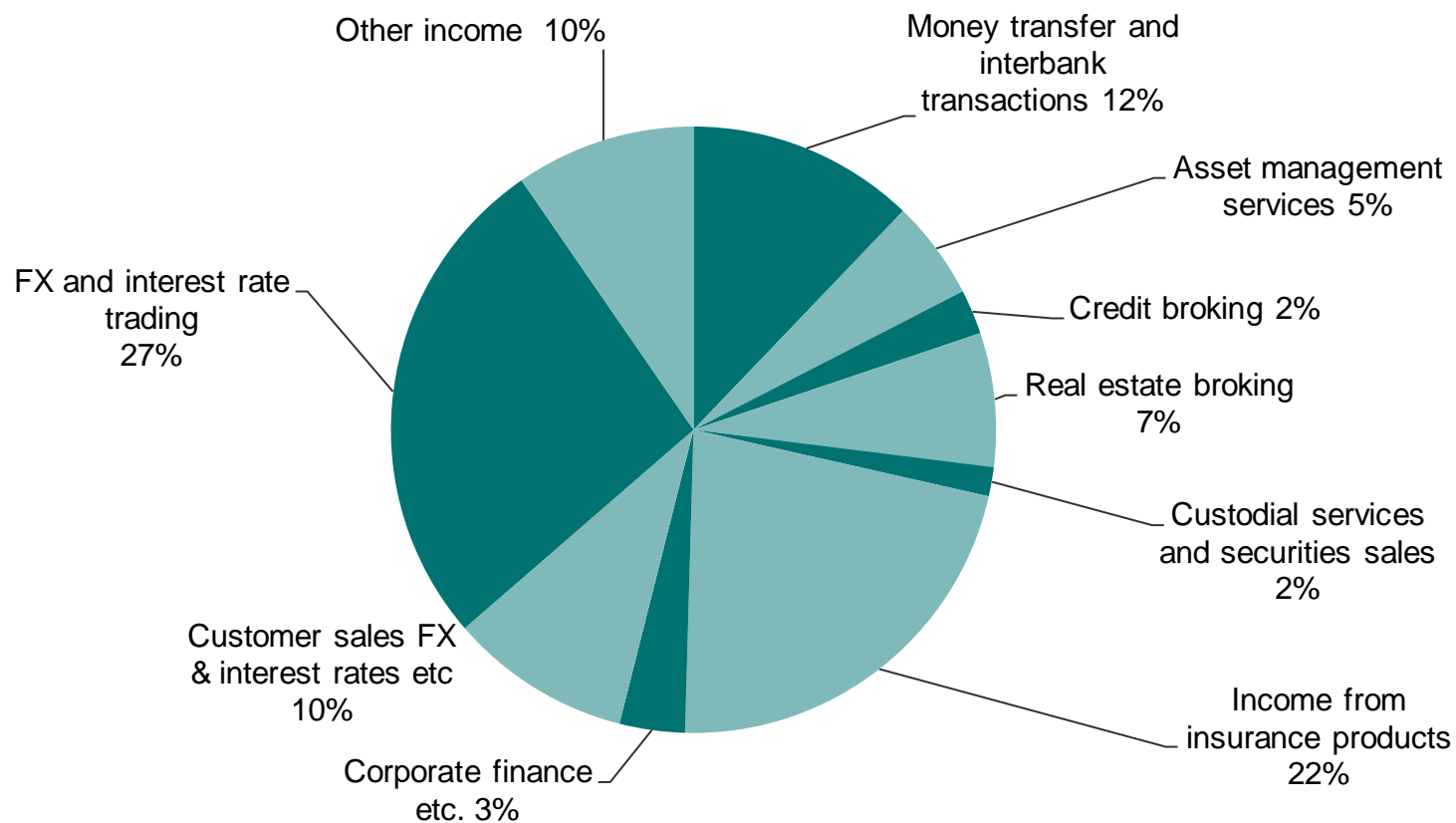
- Most of the inexpensive funding raised before the start of the financial turmoil is already refinanced
- The average margin for the current funding portfolio almost equals current market levels for covered bonds
- Most of the funding requirements are expected to be covered by customer deposits and covered bonds

Funding costs in the long term

- Future changes in liquidity and funding costs to be absorbed by customer margins

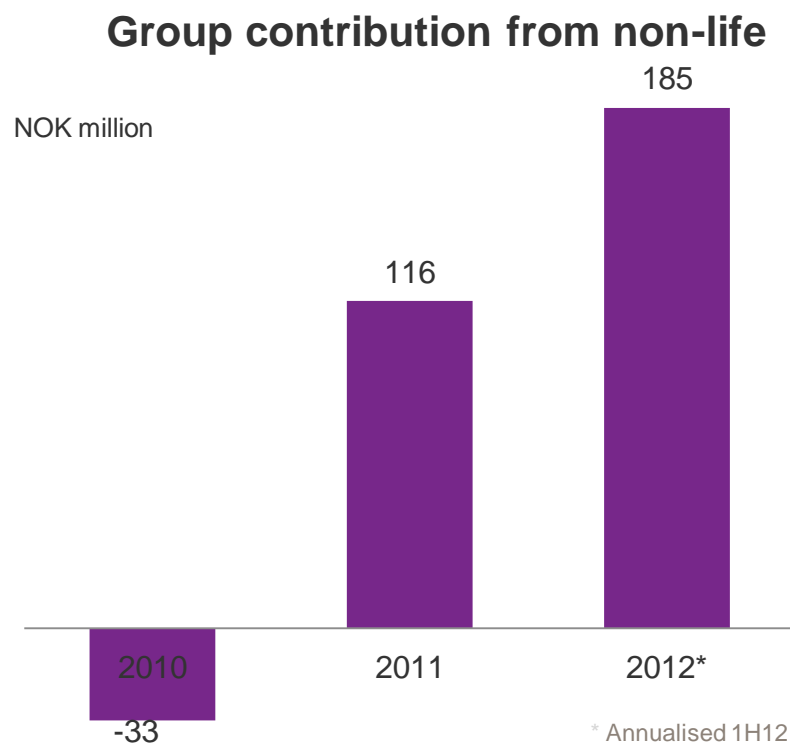
Other operating income is also benefiting from a strong Norwegian economy

Other operating income minus basis swaps 1H 2012

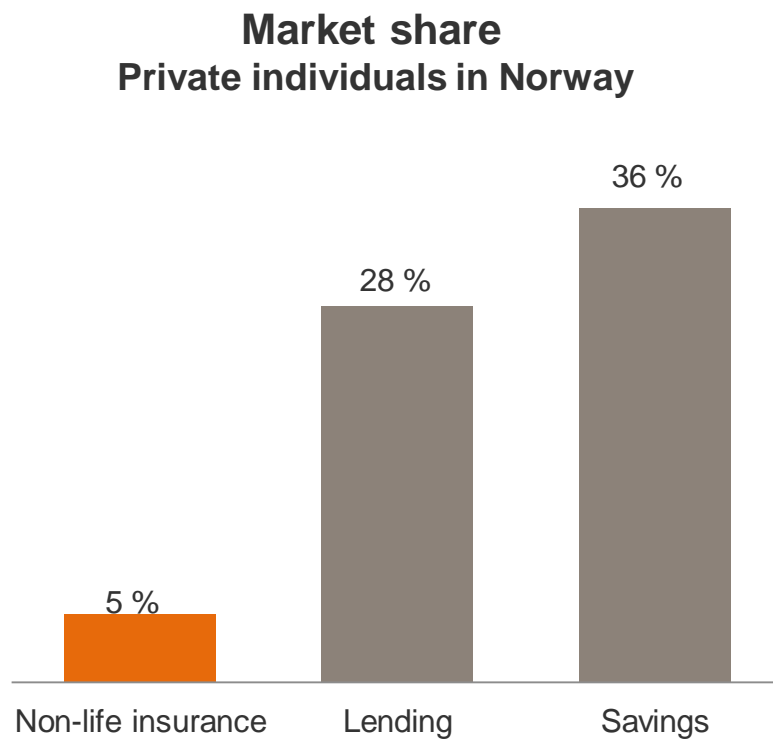


High growth potential in non-life insurance operations

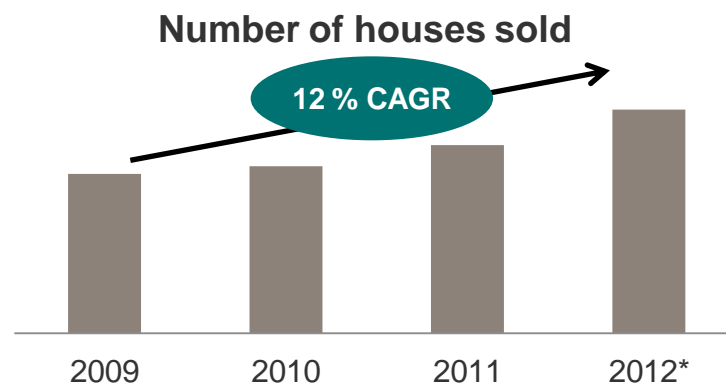
Strong increase in profits



Potential for continued high growth



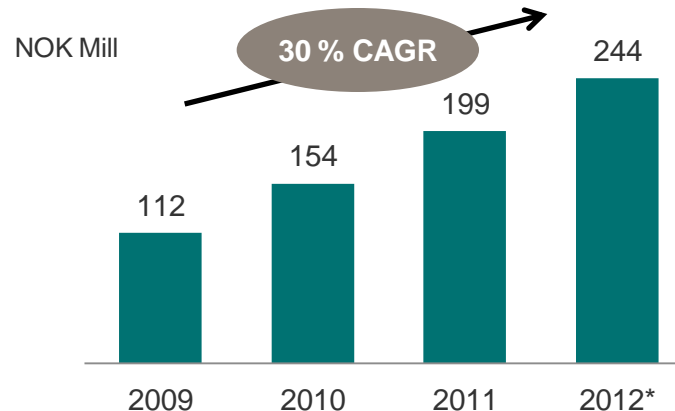
Retail position being strengthened by real estate broking



Market share in Norway



Operating profit before write-downs and taxes

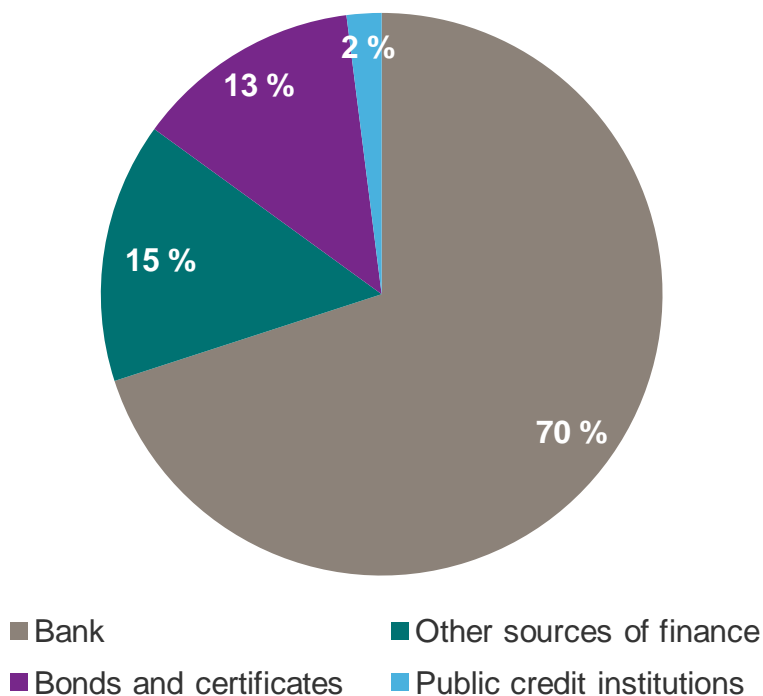


All figures applicable to DNB Eiendom

Capitalising on a growing Norwegian bond market

Total debt non-financial companies in Norway

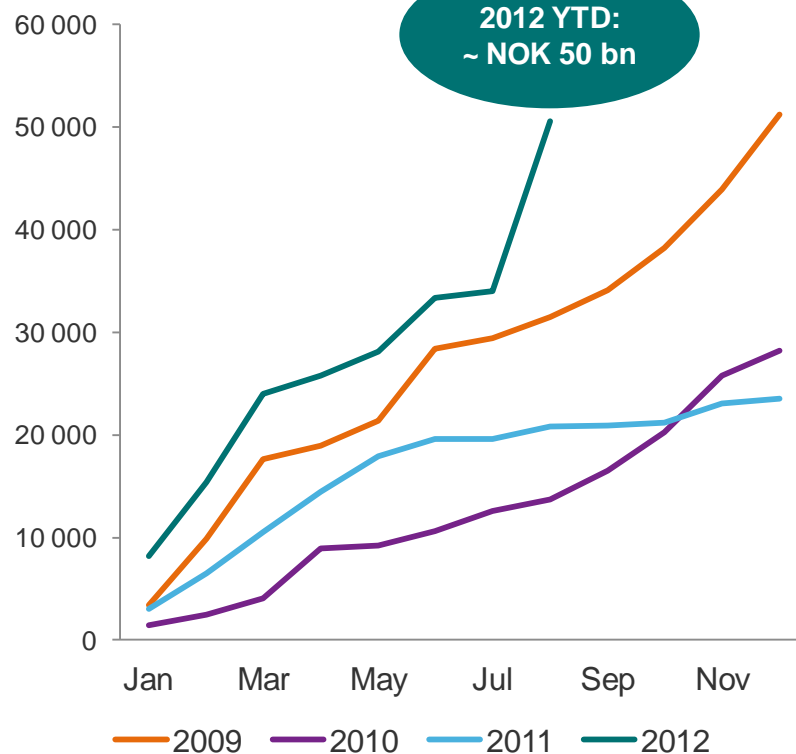
As per July 2012



Source: Financial market report, Ministry of Finance

Norwegian bond issues*

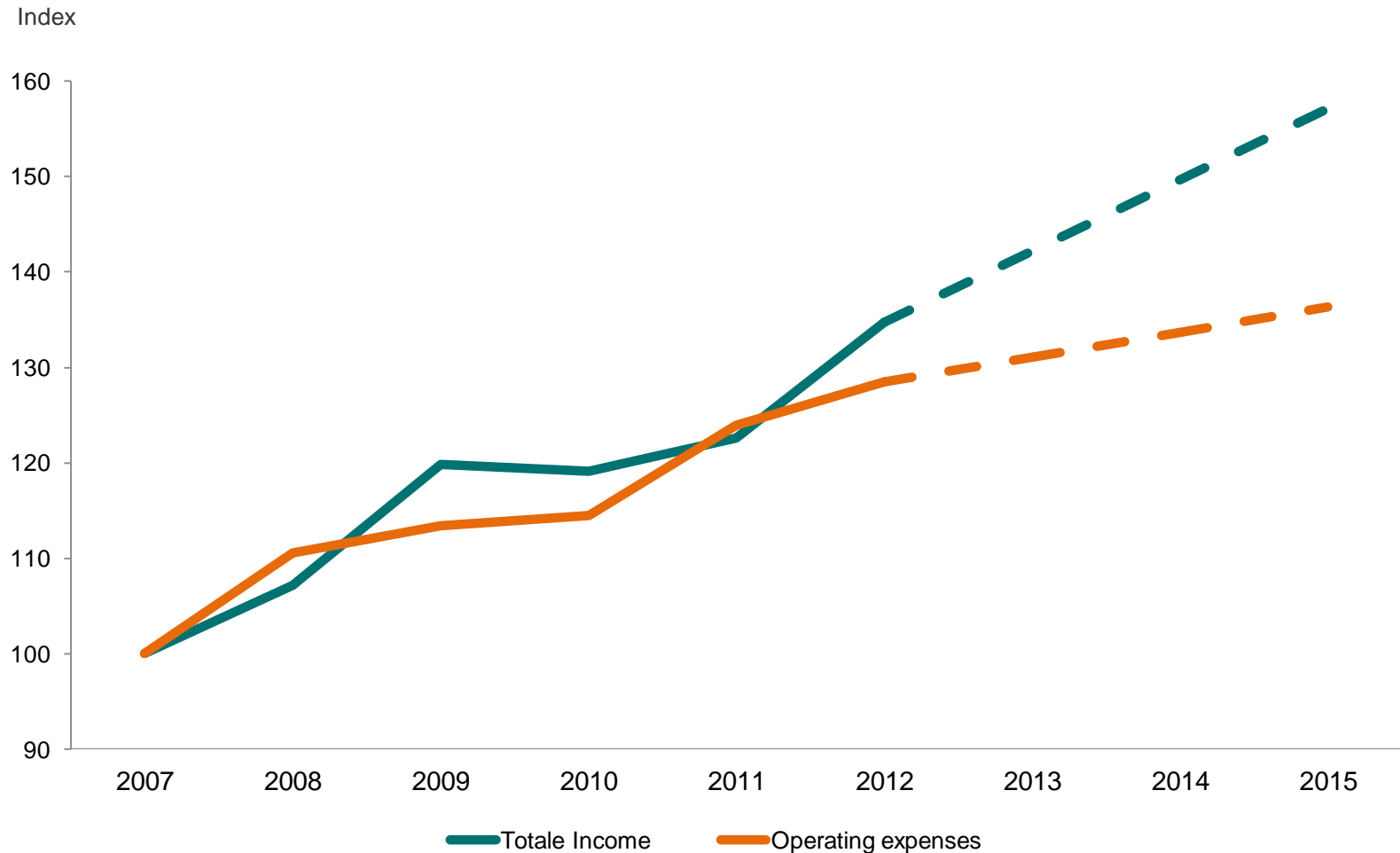
NOK million



*Exclusive of banks, insurance companies and public sector

Widening jaws between income and costs

Growth in normalised* income and costs



Cost and capital efficient growth

- benefiting from a strong Norwegian economy**

The most important drivers to achieve financial targets

1

A solid Norwegian economy

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Rebalancing our portfolio

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Capital efficiency and cost control

Rebalancing the corporate portfolio for increased risk adjusted return

- update on shipping

Leif Teksum, Head of Large Corporates and International

DNB

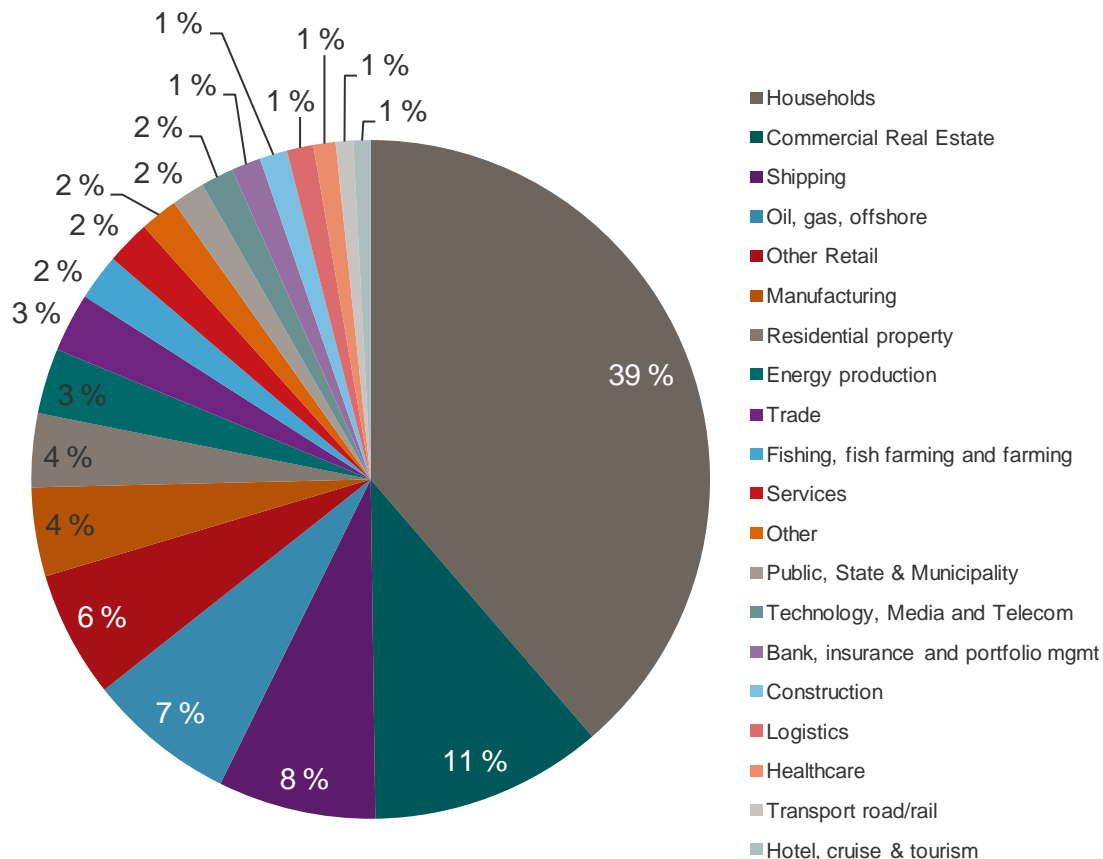


3 Rebalancing the portfolio for increased risk adjusted return

Special topic: Shipping

DNB has a diversified portfolio

EaD* (NOK 1 733 billion as at 30 June 2012)

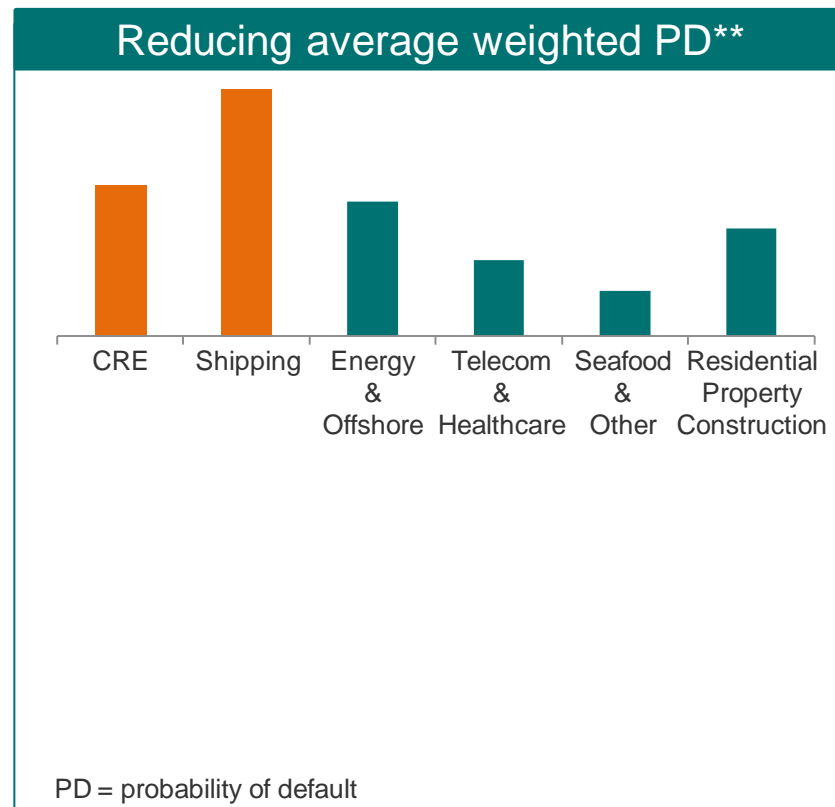
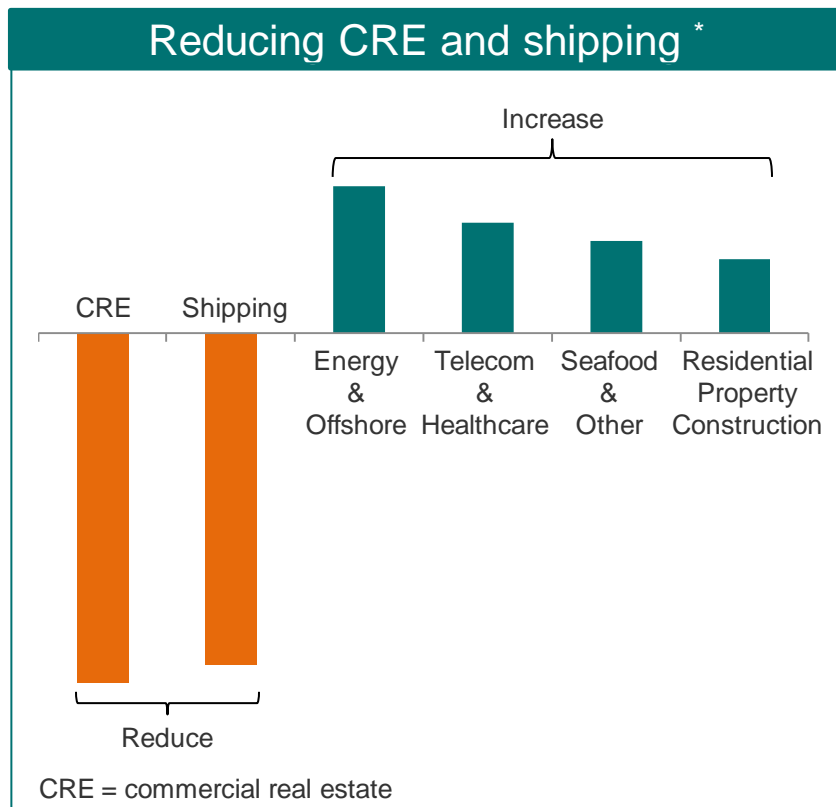


EaD = Exposure at Default

Portfolio facts

- Household and SME exposure represent approx. 60% of DNB's total EaD
- In 17 of 20 industry sectors, exposure is less than 5% of total EaD
- Commercial real estate and shipping represent 18.6% of DNB's total EaD **

Rebalancing the corporate portfolio towards 2015



Increased capital efficiency, reduced concentration risk, reduced risk profile

Growth potential in Energy & Offshore and Telecom

Energy & Offshore



Continued growth in global E&P spending from current high levels

DNB: more than 40 years' experience in the oil sector and 100 years in hydropower

Telecom



Stable growth drivers in a low cyclical sector

DNB: Long track record built on Nordic telecom cluster

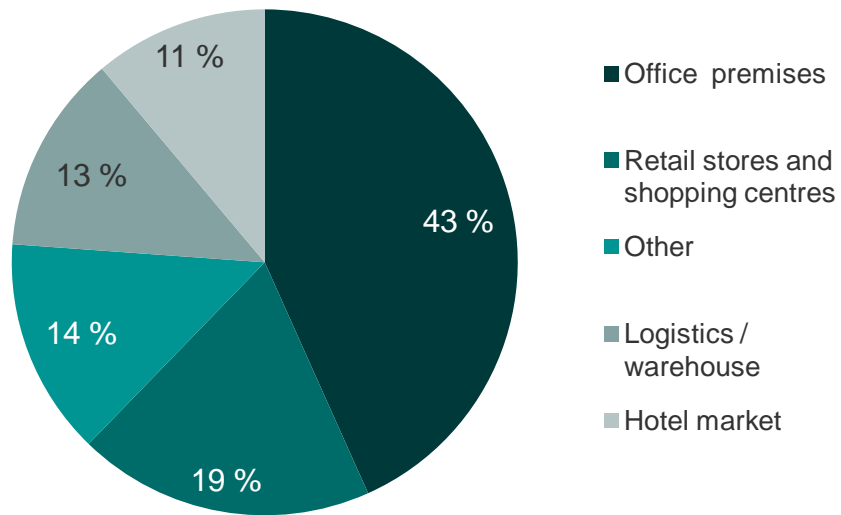
Attractive risk/return

...DNB is well positioned to tap growth potential

Robustness in commercial real estate exposure

- Benefiting from the strong Norwegian economy

EaD per risk driver
(NOK 192.5 billion as at 30 June 2012)



Commercial real estate strategy

- Prioritise Norway, exit Sweden, Denmark and Finland
- Support industrial players – not financial investors

We are comfortable with our real estate exposure

3 Rebalancing the portfolio for increased risk adjusted return

Special topic: Shipping

Norway is a leading maritime nation

- DNB no. 1 shipping bank globally



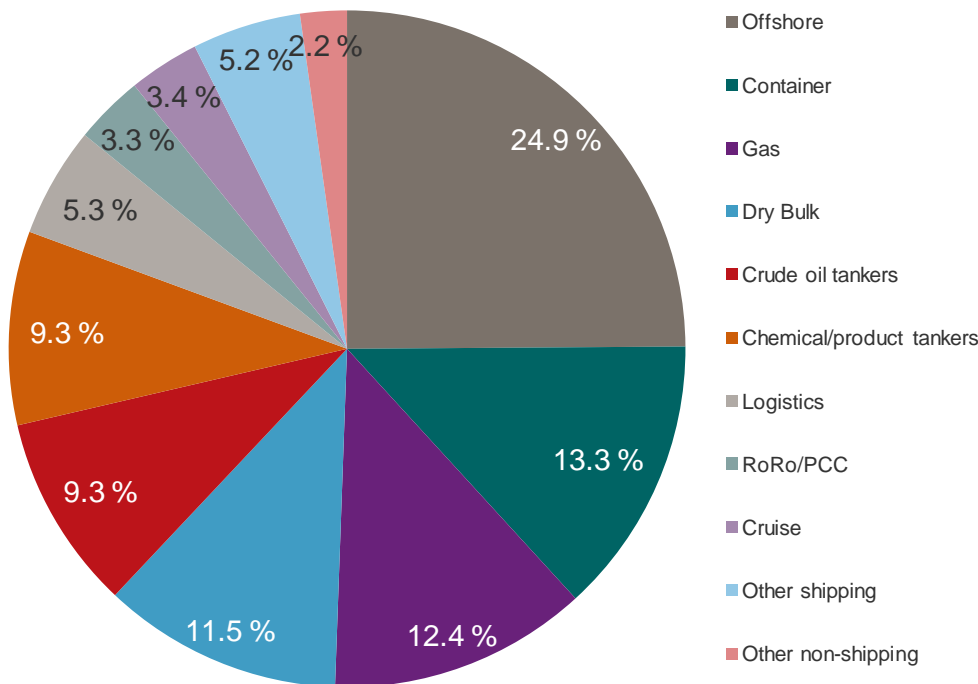
"Far Samson", owned and operated by Farstad Shipping



A diversified portfolio within Shipping, Offshore & Logistics Division

Total shipping, offshore and logistics portfolio by sector

EaD as at end of June 2012



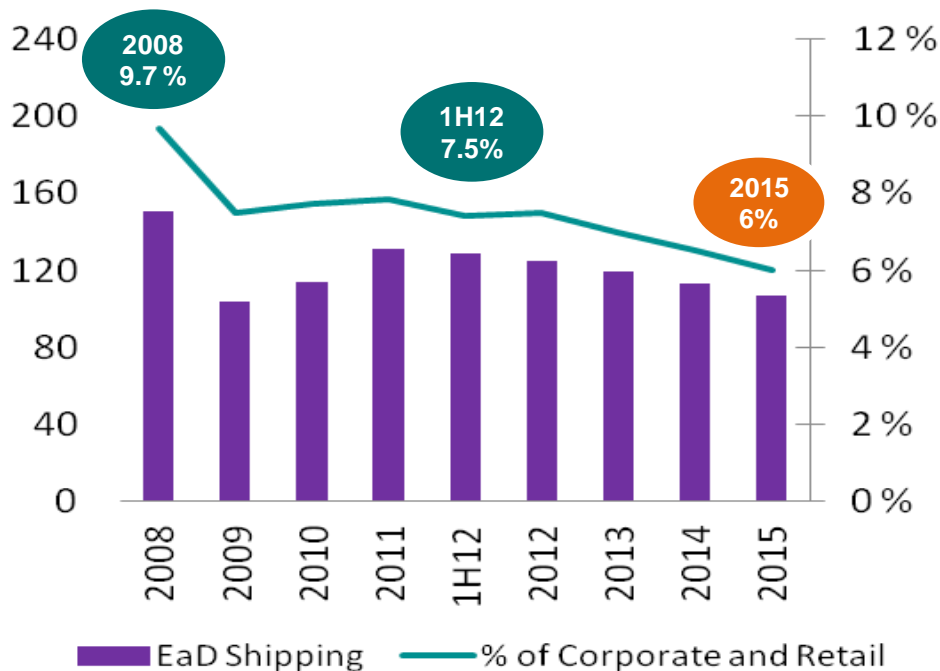
Portfolio facts

- ▶ One quarter of the portfolio within offshore – this will increase
- ▶ Traditional shipping* constitutes 64 per cent – this will be reduced
- ▶ Dry bulk and tanker segments at 11.5 and 9.3 per cent, respectively

Traditional shipping exposure will be reduced

- Aiming at 6 per cent of total DNB EaD by 2015

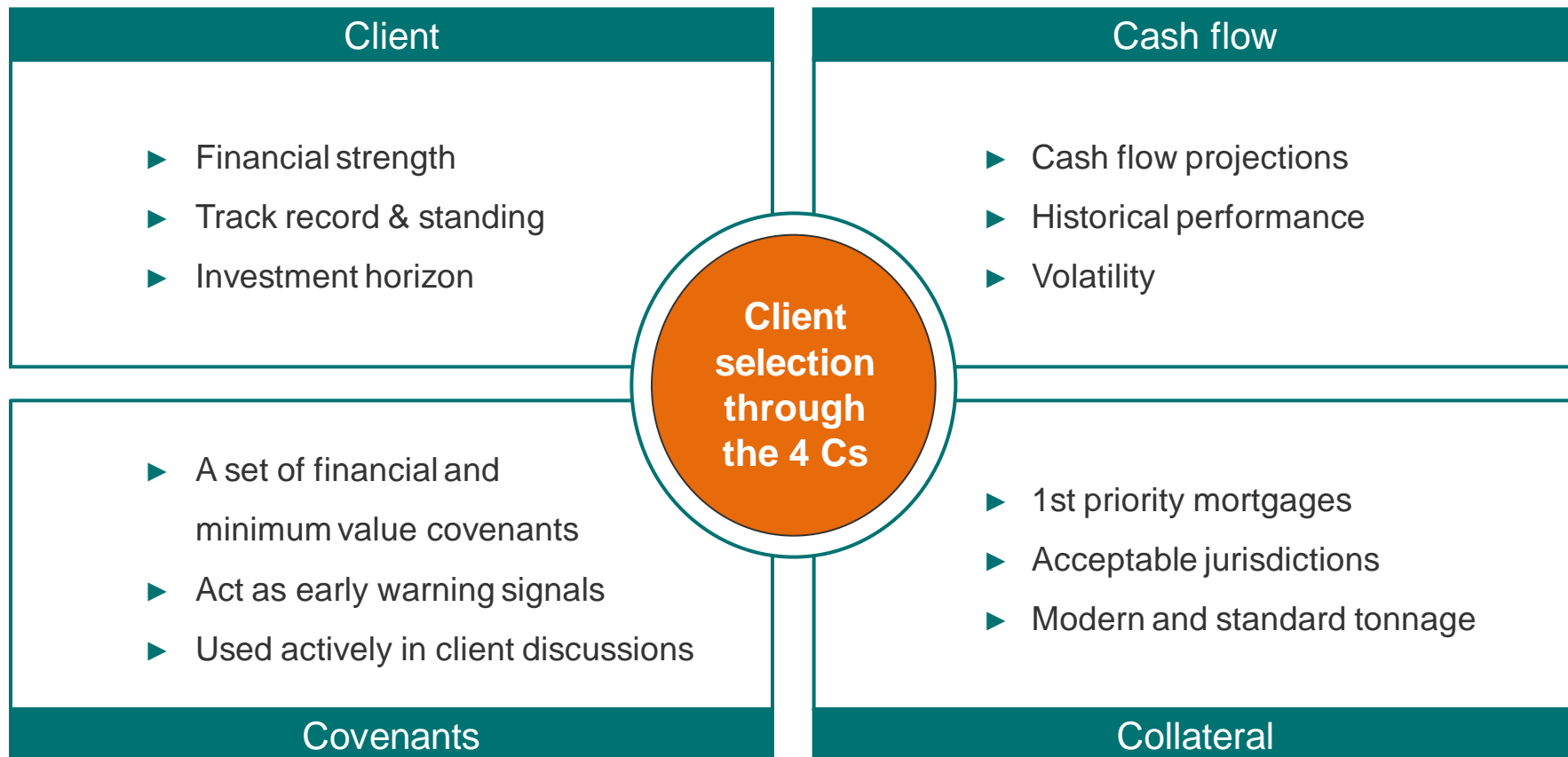
Shipping portfolio as share of DNB total



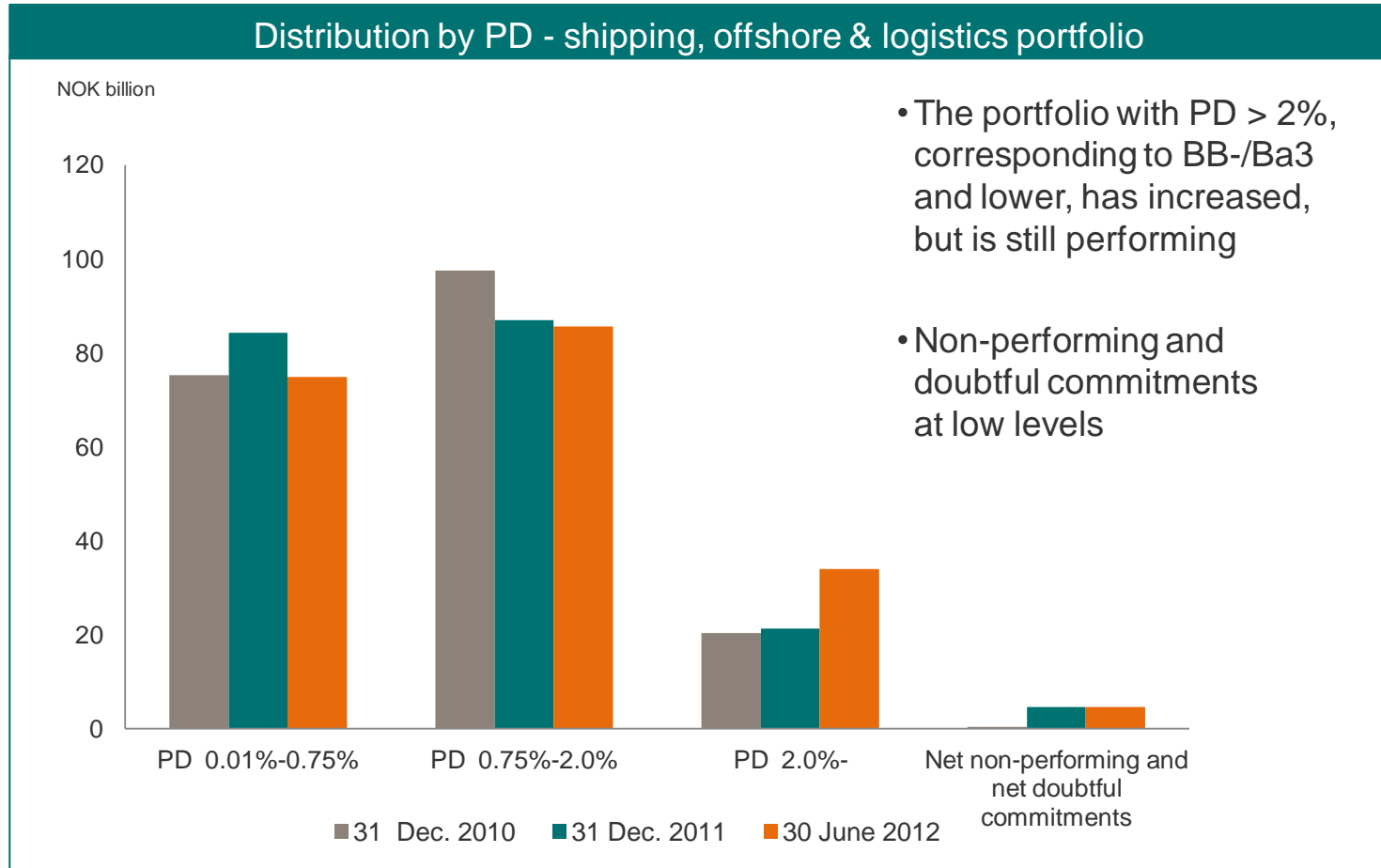
Going forward...

- ▶ Increased activity towards ECAs
- ▶ Capitalise on DNB Markets' strong position in syndication, bonds and equities
- ▶ Continue stricter prioritisation of clients

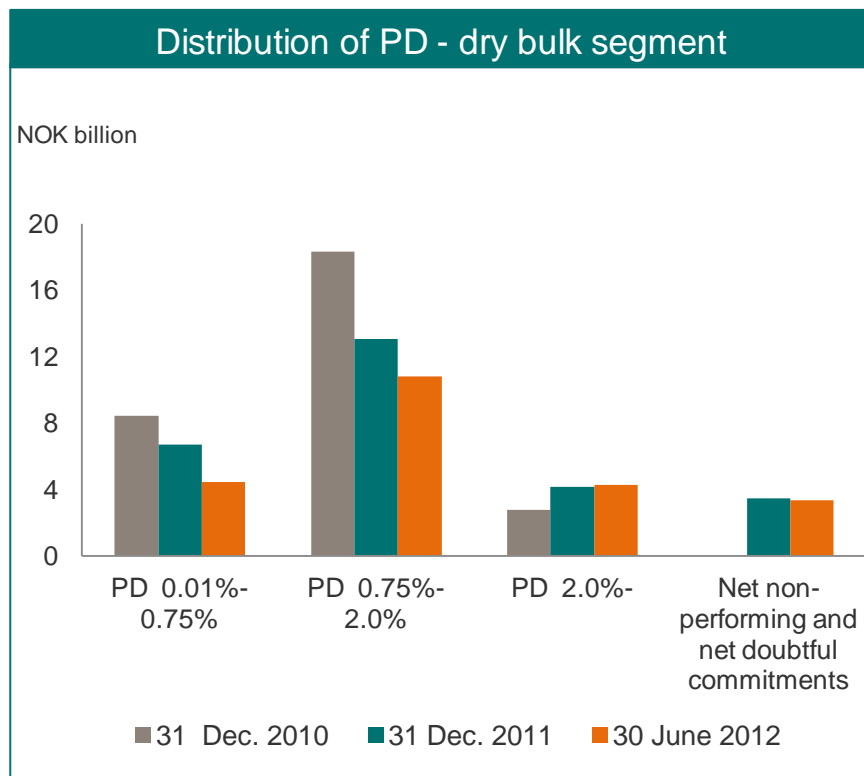
Client selection is key to portfolio quality



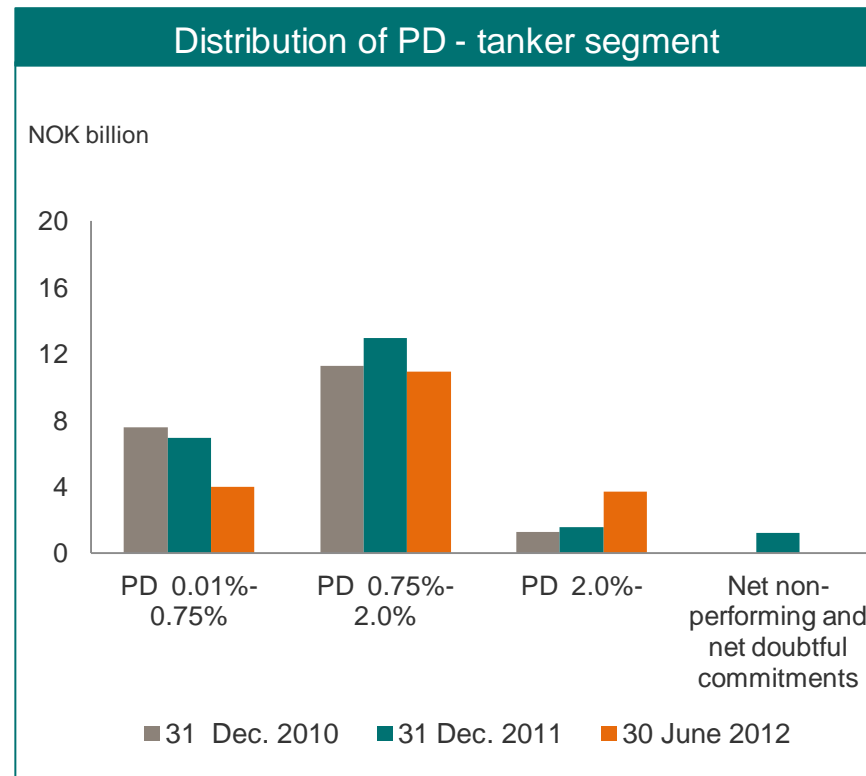
Risk has increased slightly, but portfolio is still robust



Portfolio migration mainly within dry bulk and tanker segments



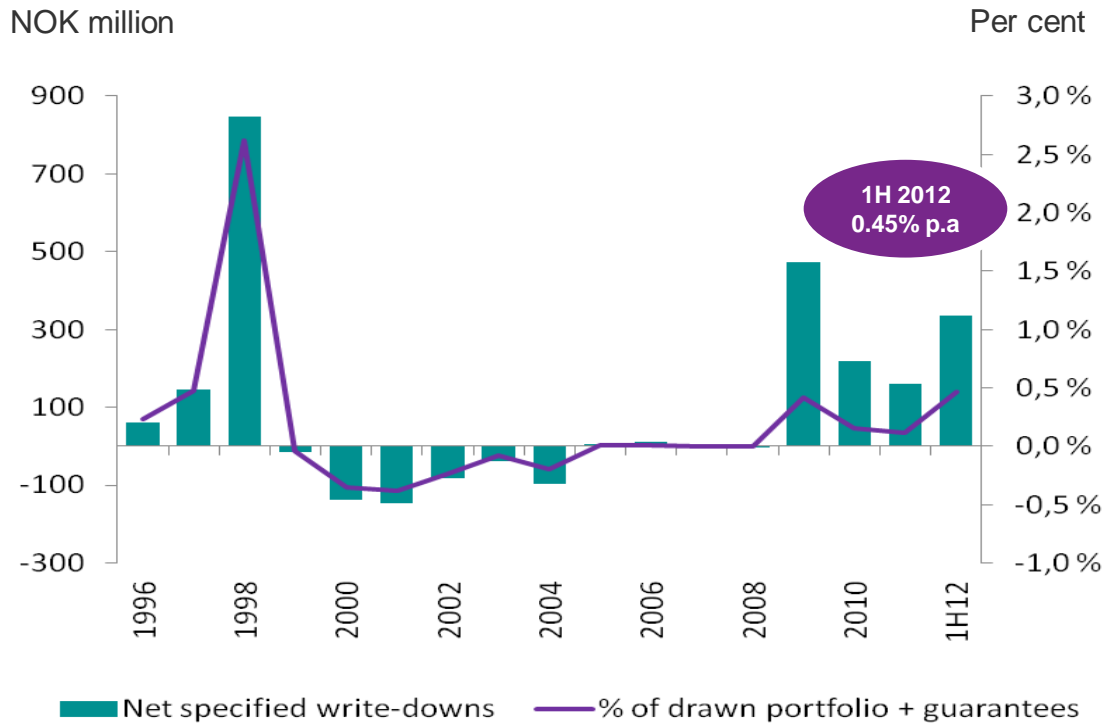
Dry bulk portfolio reduced significantly



Most of tanker segment exposure to integrated shipping companies

Proven strategy contributes to low specified write-downs

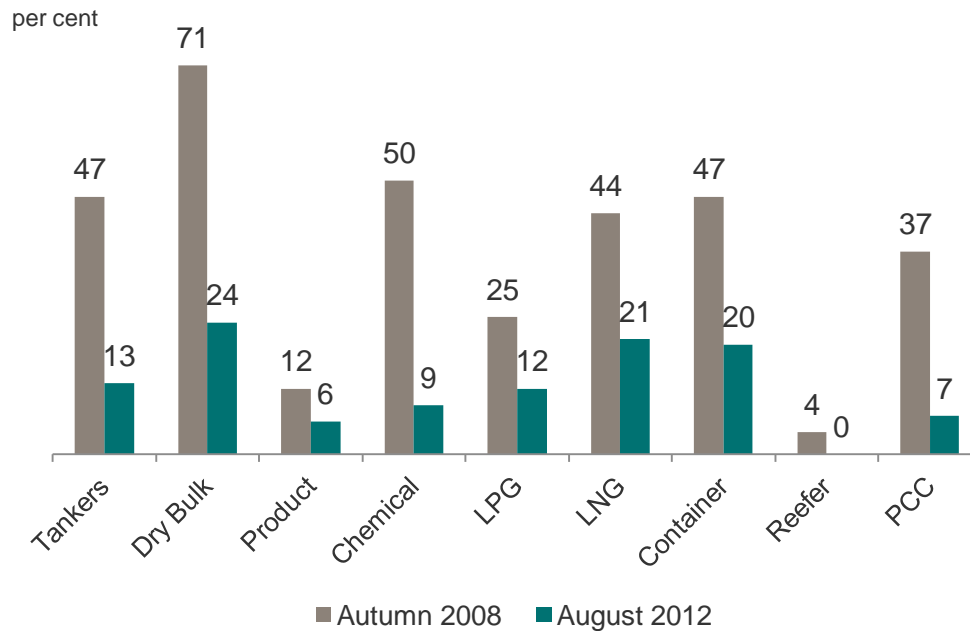
Specified write-downs, shipping offshore and logistics portfolio



- 2012 write-down level expected to be NOK 0.8-1 billion (in line with guiding)
- 2013 write-down level expected to be NOK 1-1.5 billion

Order book has been significantly reduced, but challenging dry bulk and tanker markets

Order book within the major shipping segments as per cent of the existing fleet

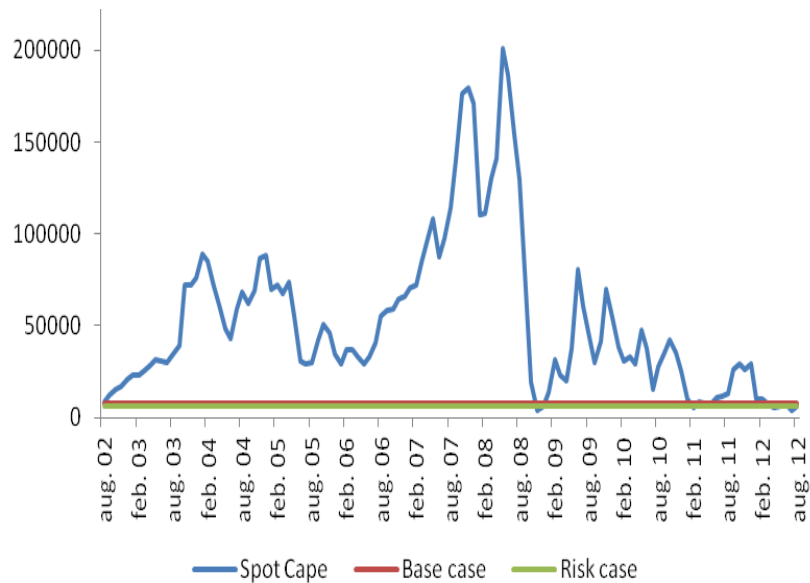


Key takeaways

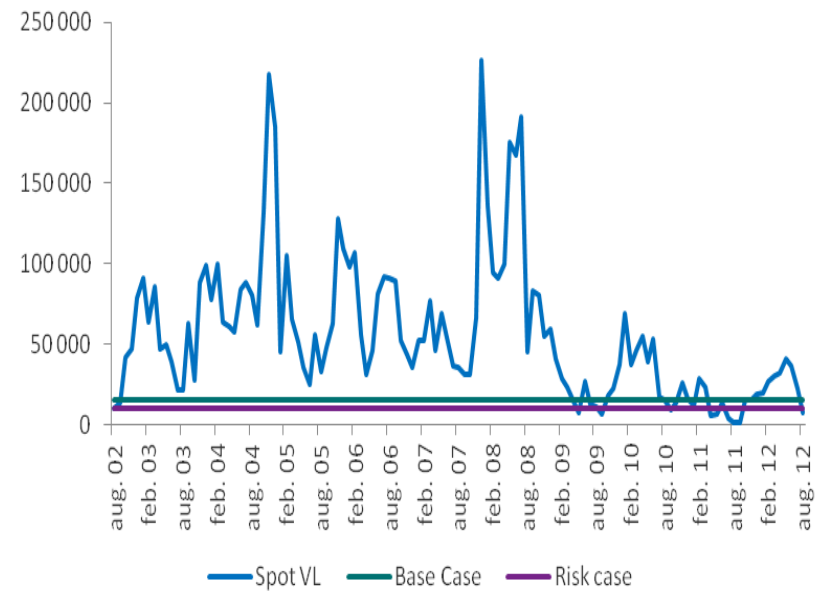
- ▶ Order book is significantly reduced compared with the peak in 2008
- ▶ New delivery > scrapping
- ▶ Low increase in demand
- ▶ Spot rates expected to remain at low levels for some time

DNB is conservative in its rate assessments

Capesize bulk carriers



Very Large Crude Carriers



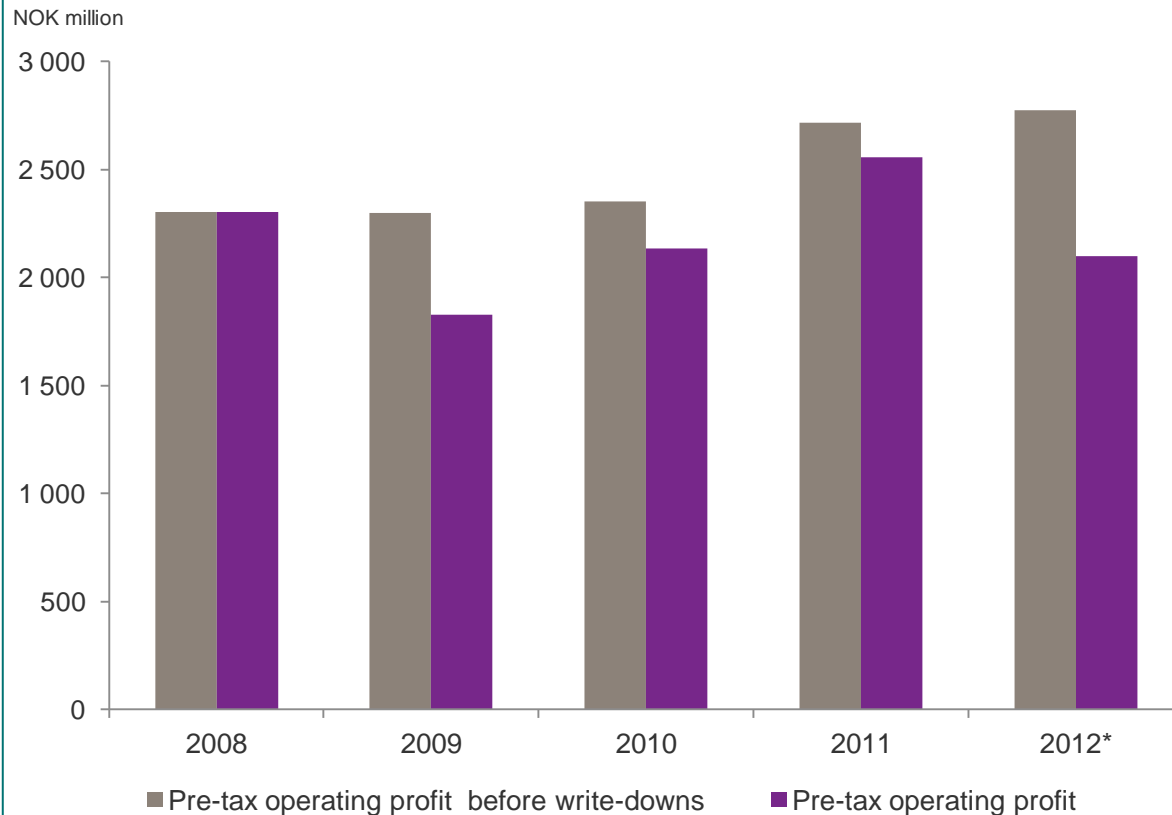
Watchlist portfolio is actively managed



- ▶ Early and constructive dialogue with our clients
- ▶ One special restructuring unit handles all difficult cases
- ▶ Watchlist clients are subject to very close follow-up, including frequent internal reporting
- ▶ Write-downs on all watchlist clients are assessed on a quarterly basis – subject to internal and external auditor's review

DNB's maritime business has considerable loss-absorbing capacity

Shipping, Offshore & Logistics Division's financial performance 2008-2012



Top maritime bookrunners first half 2012

- 1 **DNB Bank ASA**
- 2 Nordea Markets
- 3 BNP Paribas
- 4 Bank of America Merrill Lynch
- 5 Sumitomo Mitsui Financial Group
- 6 Mizuho
- 7 ING
- 8 Citi
- 9 Natixis
- 10 National Australia Bank

Source: Dealogic

Concluding remarks

Rebalancing our large corporate portfolio to increase capital efficiency

Targeting 6 per cent shipping exposure of total DNB Group EaD by 2015

Write-down level within shipping expected to be NOK 0.8-1 billion in 2012 (in line with guiding) and NOK 1-1.5 billion in 2013

DNB's maritime business is profitable and has considerable loss-absorbing capacity

The most important drivers to achieve financial targets

1

A solid Norwegian economy

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Capital efficiency and cost control

Capital efficiency and cost control

Bjørn Erik Næss, CFO

DNB



4

Capital efficiency and cost control

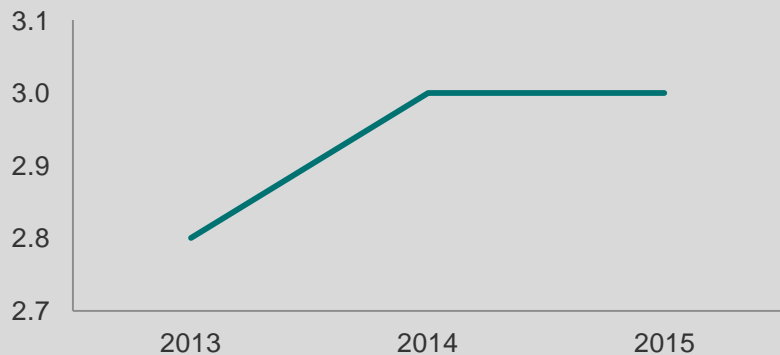
Adequately capitalised

Strict cost control

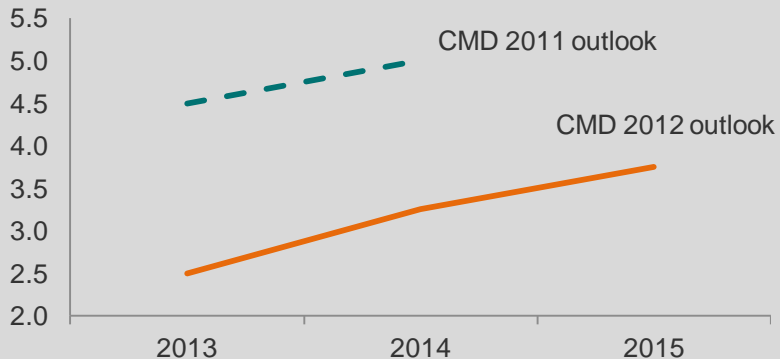
Strong funding position

Macro parameters Norway - key assumptions

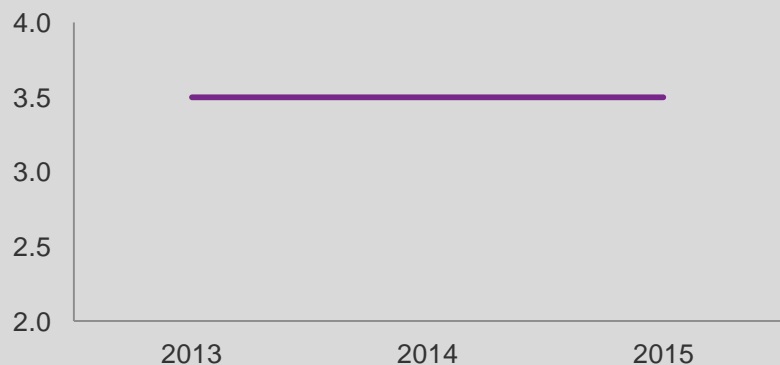
GDP growth*, per cent



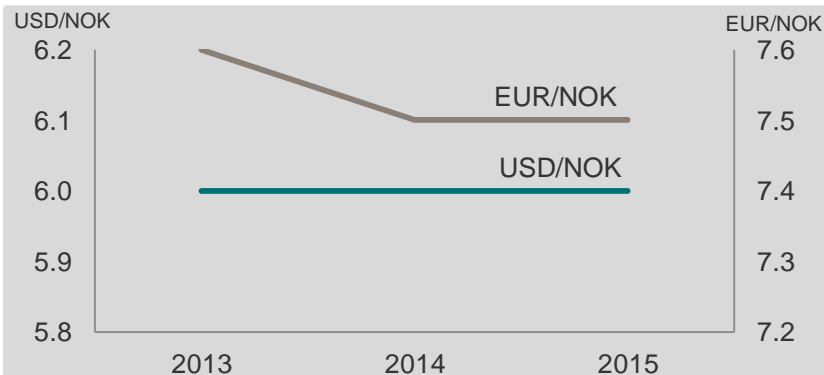
3-month NIBOR, per cent



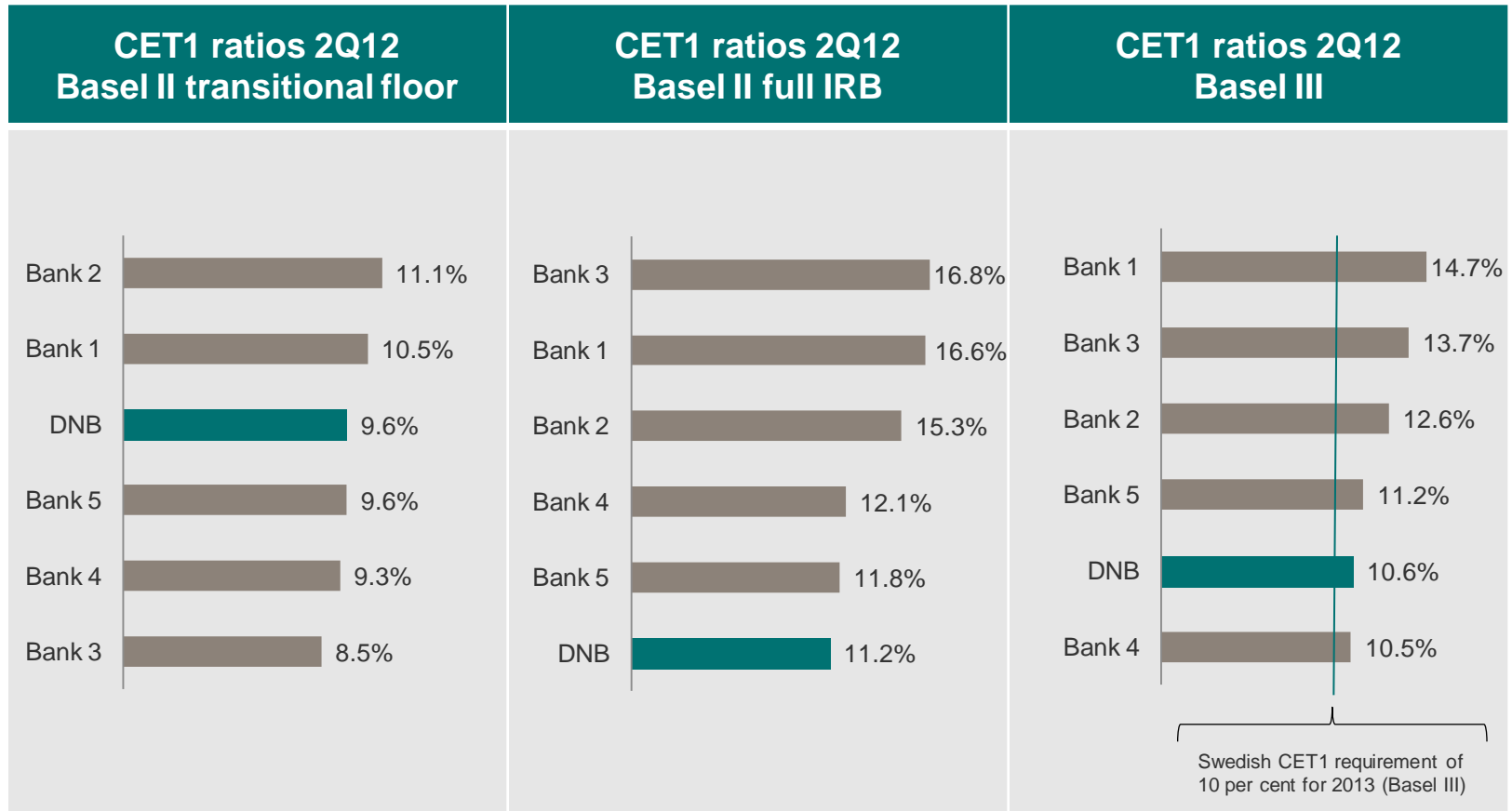
Unemployment rate, per cent



Exchange rates

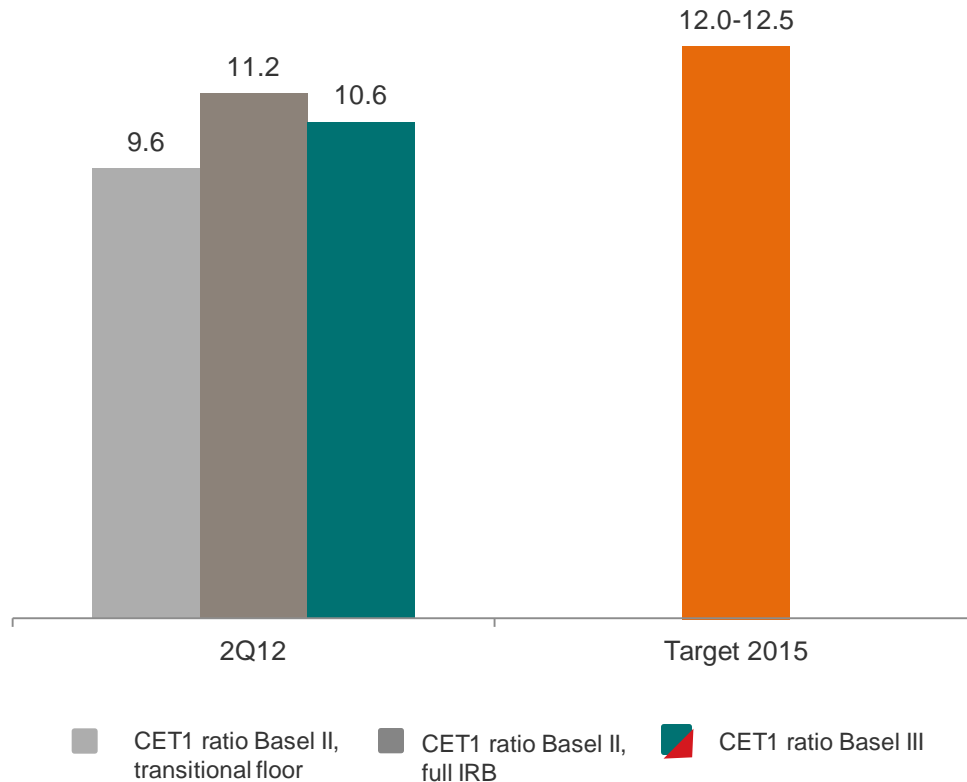


DNB already meets the 2013 Swedish capital requirement – despite higher risk weights than peers



Well positioned to comply with future capital requirements under Basel III

CET1 ratios (per cent)

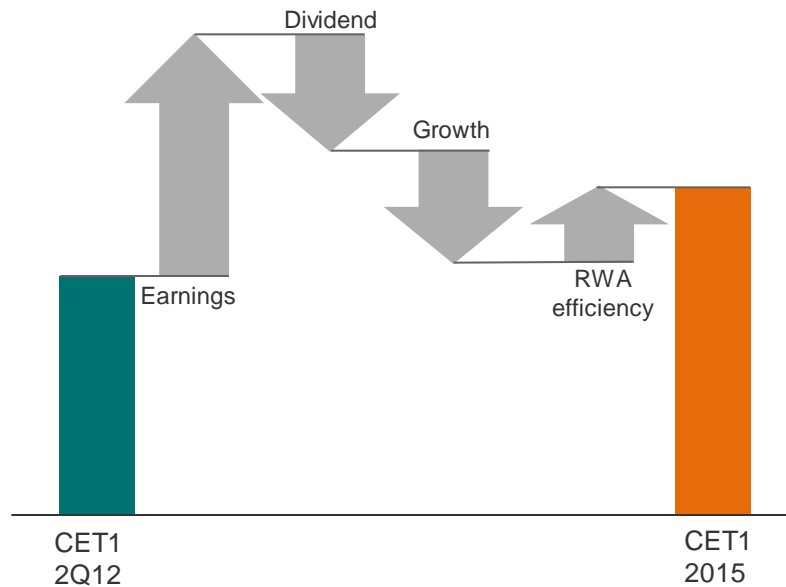


Key assumptions, Basel III transition

- Transitional floor removed
- International Accounting Standard 19 included
- Credit Value Adjustment (CVA) charge included
- Increased CET1 deduction for expected loss (EL) > loan-loss provisions
- Deduction method applied for consolidation of insurance

Adequately capitalised through earnings and increased RWA efficiency

CET1 ratio development (illustration)





Key measures, RWA efficiency

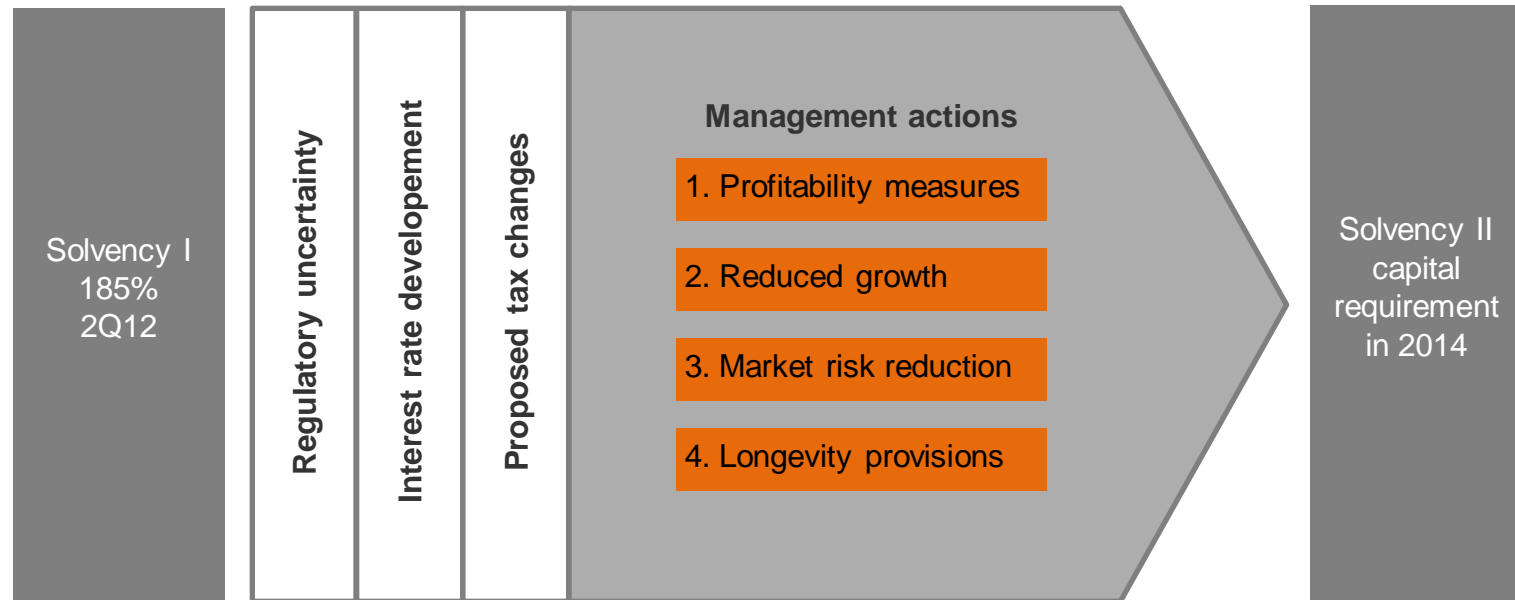
- Sale of non-core assets
- Asset reallocation
- Alignment of investments between business areas
- Product redesign
- Trimming of exposures and limits
- Enhancing RWA awareness

Recent regulatory development for life insurance is positive

- key uncertainties still need to be resolved

	Recent developments and key uncertainties	
Solvency II	<ul style="list-style-type: none">• Final decision on Norwegian interpretation not finalized• Transition for existing life contracts being discussed	
Product regulation	<ul style="list-style-type: none">• New hybrid product models for private occupational pensions introduced• Voluntary transfers of paid-up policies to non-guarantee• Conversion mechanism to new products still to be decided upon	
Longevity provisioning	<ul style="list-style-type: none">• Longevity provisions to be prioritized, but time-frame remains uncertain	
Tax	<ul style="list-style-type: none">• Proposal of removing tax exemption on capital gains for life companies	

Positioned to meet future Solvency II capital requirements without further capital injections



4

Capital efficiency and cost control

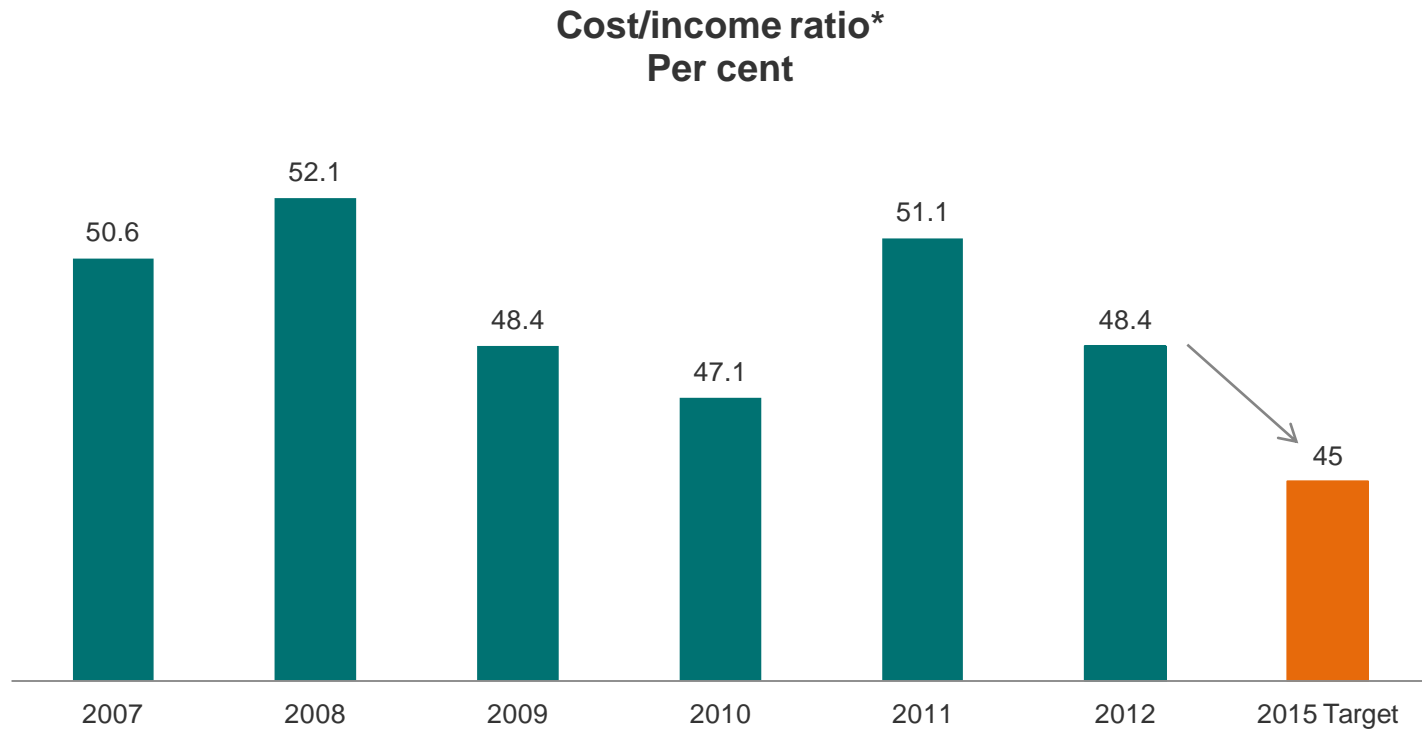
Adequately capitalised

Strict cost control

Strong funding position

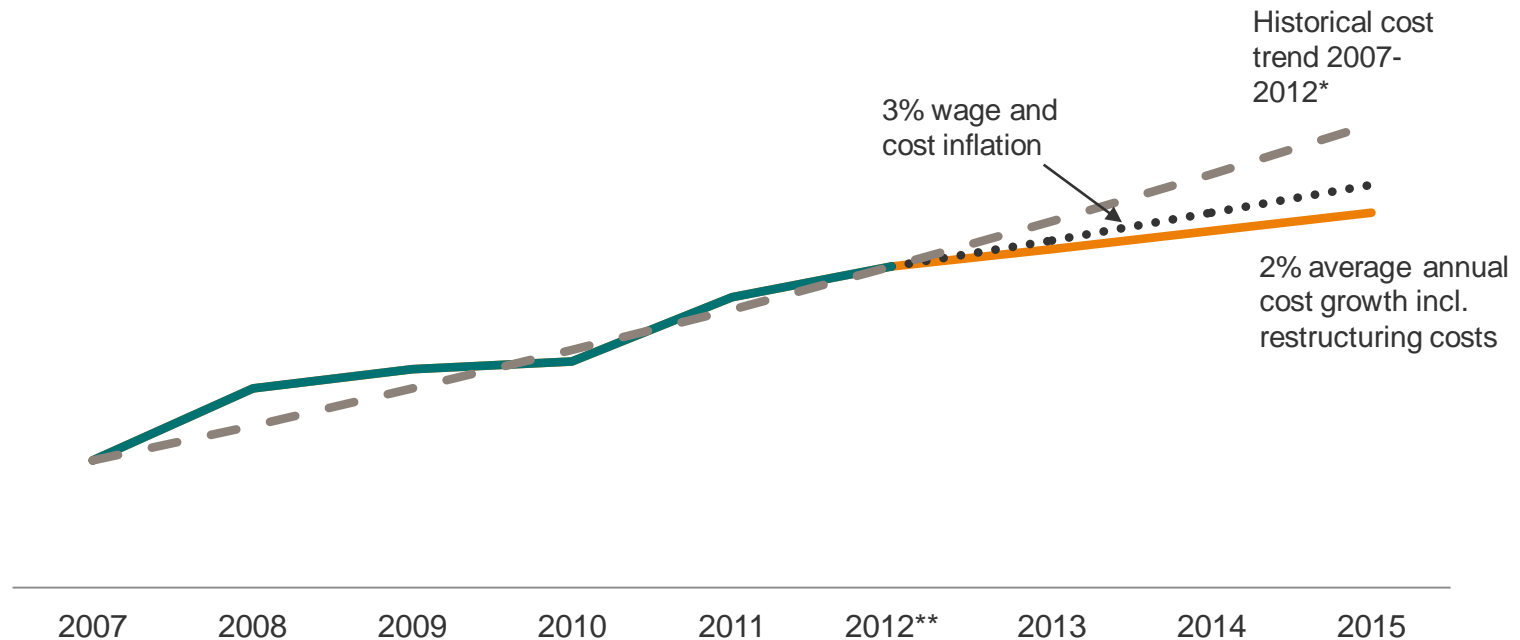
Solid cost/income ratio

- on track to reach the 45 per cent target



Curbing cost inflation

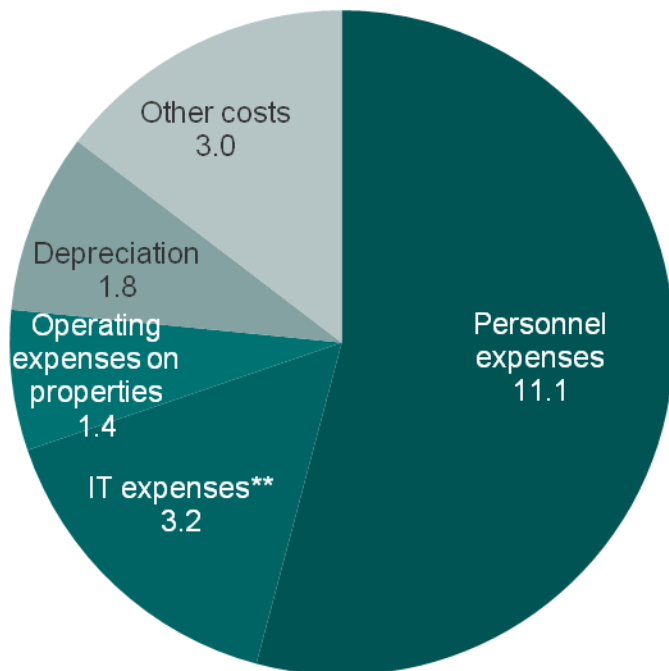
- future operating costs targeted at nominal level



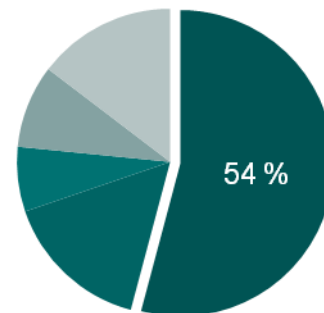
Maximum 2 per cent average annual growth in nominal operating costs from 2012**

Addressing the main elements of our cost base

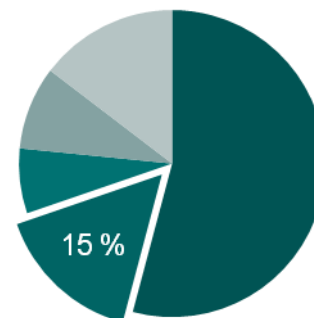
Cost split 2012*
NOK billion



Personnel expenses as share
of total costs

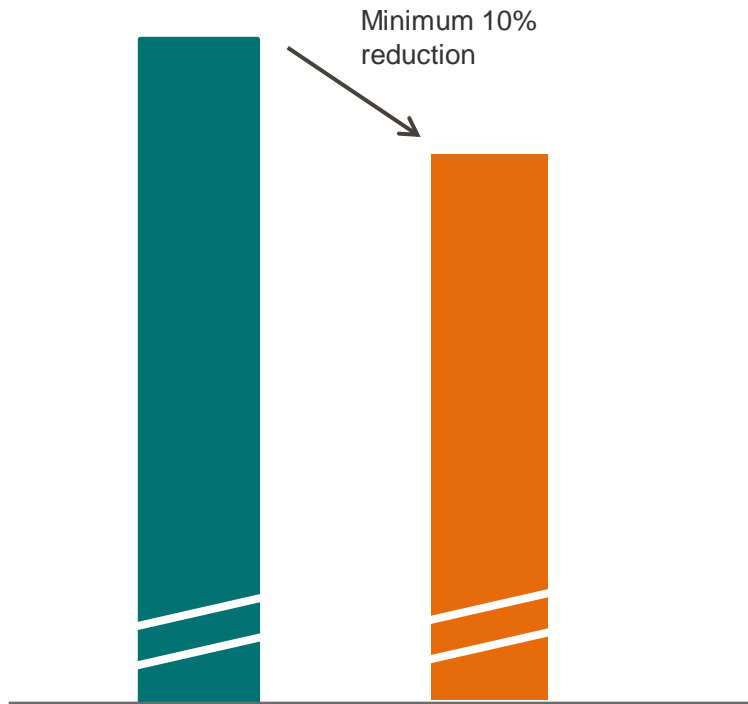


IT expenses** as share
of total costs



Cost initiatives include reduced headcount

Projected number of full-time positions towards 2015



Structural adjustments and productivity measures

- Sale/restructuring of non-core assets:
 - 700-800 employees
- Measures to increase productivity:
 - Minimum 650-700 employees

Major efficiency and restructuring measures

		NOK million
Increased efficiency – One Group	<ul style="list-style-type: none">• Change IT sourcing model, consolidation and decommissioning of IT systems• Optimise marketing sourcing mix• Scale and optimise back office/support functions	200-300
More efficient retail distribution	<ul style="list-style-type: none">• Reduce the number of physical locations in the distribution network• Increase economies of scale through the integration of Nordlandsbanken• Divest non-core assets	250-300
Optimise corporate banking across geographies	<ul style="list-style-type: none">• Adjust international distribution• Optimise core functions across geographic and industry segments• Restructure banking activities in Poland	150-200
Restructuring life insurance	<ul style="list-style-type: none">• Restructure organisation in line with new business model<ul style="list-style-type: none">• process automation, standardisation and lean back office operations• more efficient customer operations and sales	200-250

Case 1: Realising the effects from One Group



Cost initiatives of NOK 200-300 million

Back-office operations

- ▶ Coordination, automation and process improvements
 - ▶ Offshoring of banking production – pilot rollout autumn 2012
-

Business support

- ▶ Full review and optimisation of processes in business support functions and corporate staff units
-

IT

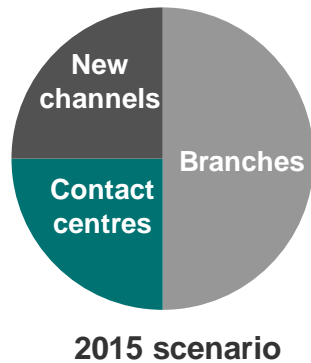
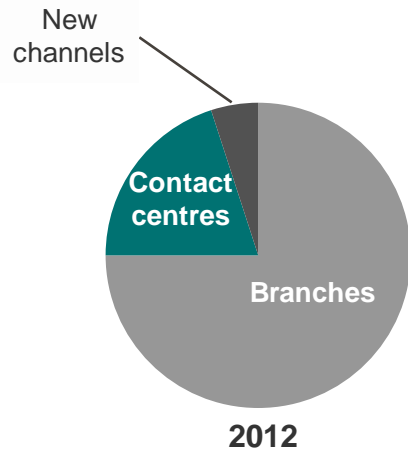
- ▶ Sourcing of IT applications
 - ▶ Consolidation and decommissioning of systems
 - ▶ Quality and productivity improvements through LEAN initiatives
-

Marketing

- ▶ Optimisation of marketing sourcing mix

Case 2: Increased distribution efficiency through a new retail distribution strategy

Sales by channel



Cost initiatives of NOK 100-150 million

Increase traffic through new channels

- ▶ Increase sales and service through mobile, digital and social media
- ▶ Increase process automation

Adjust physical presence

- ▶ Remove overlaps in branch network
- ▶ Reduce presence in unattractive markets
- ▶ Focus on big cities and demographic centres

4

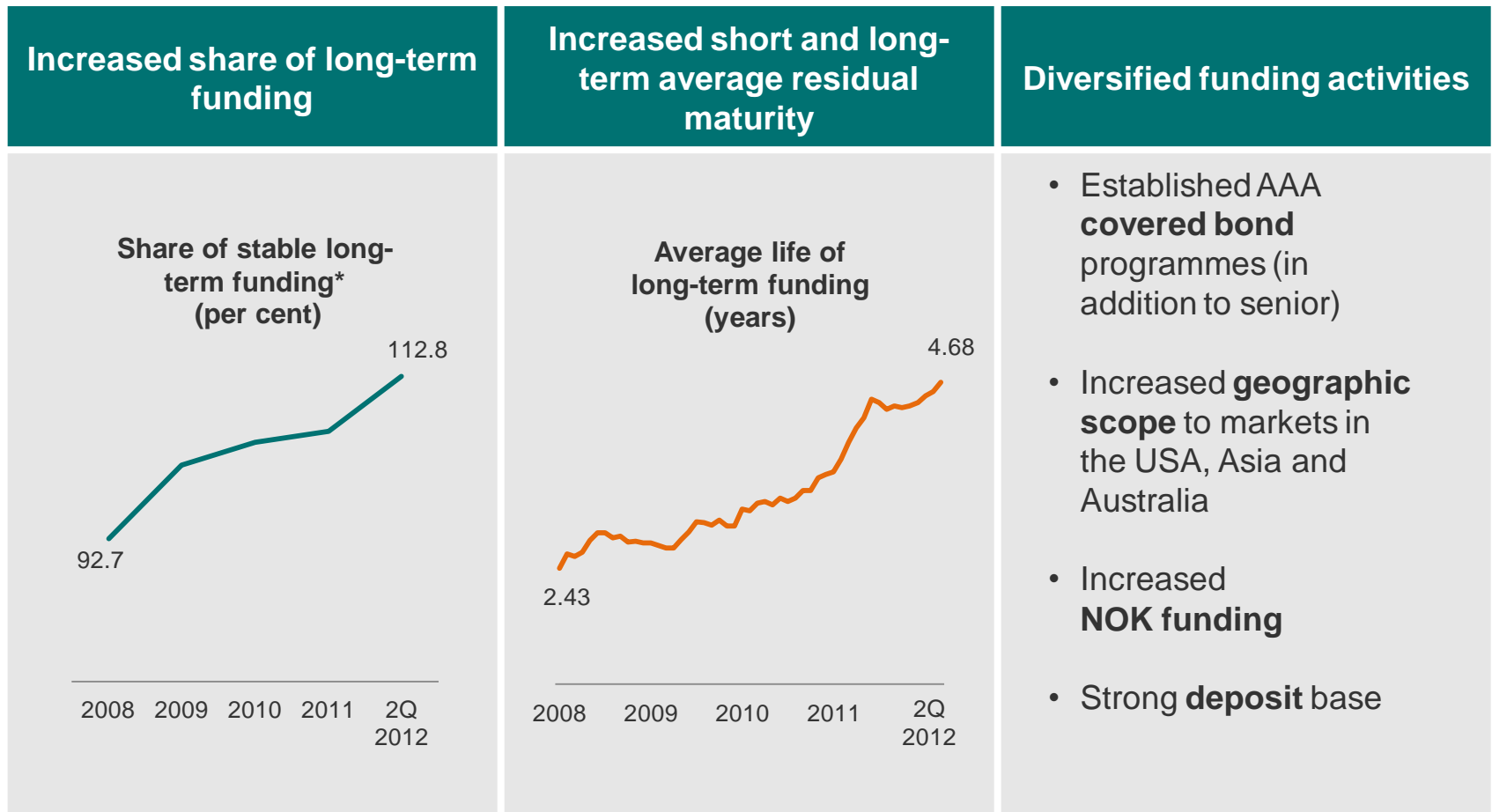
Capital efficiency and cost control

Adequately capitalised

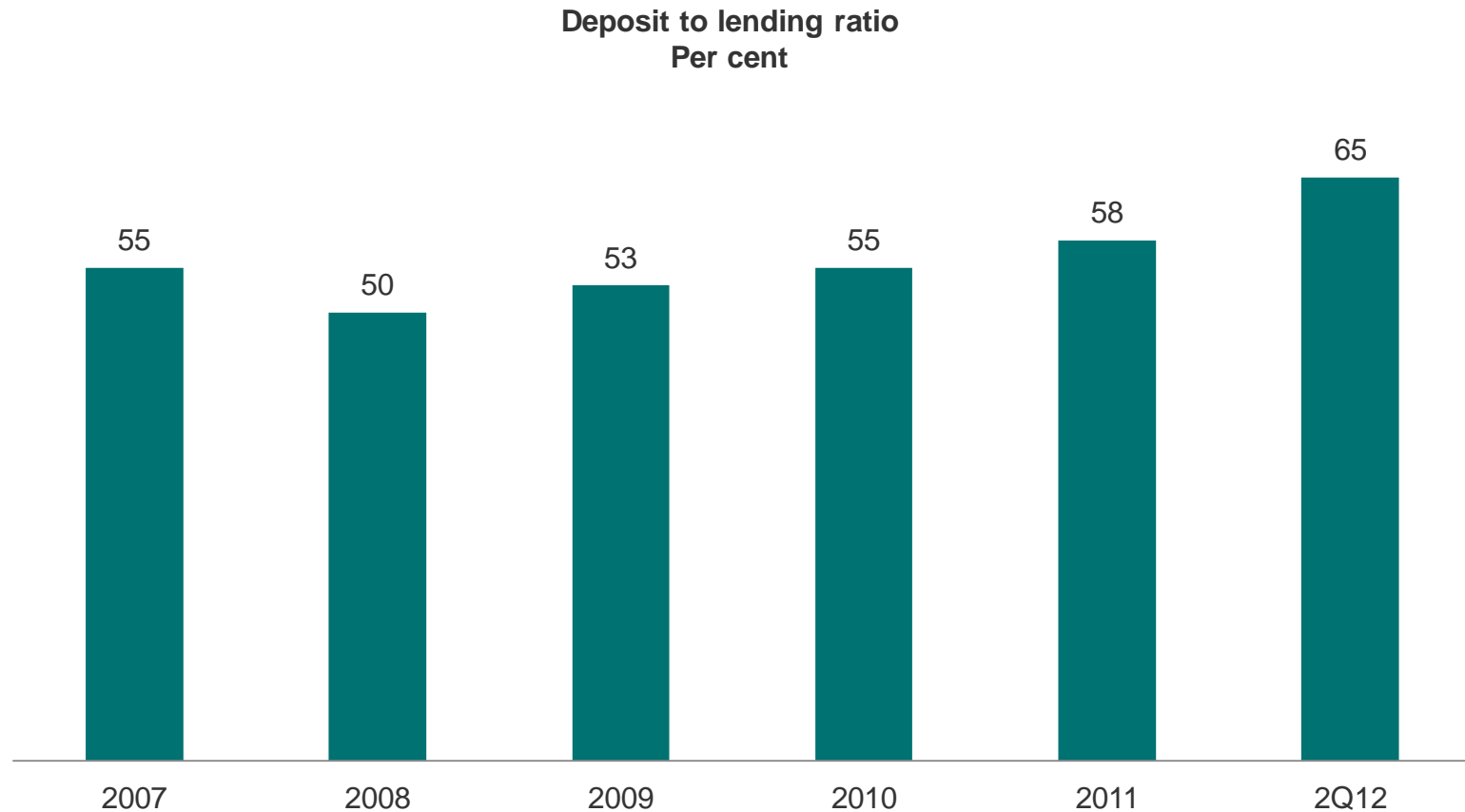
Strict cost control

Strong funding position

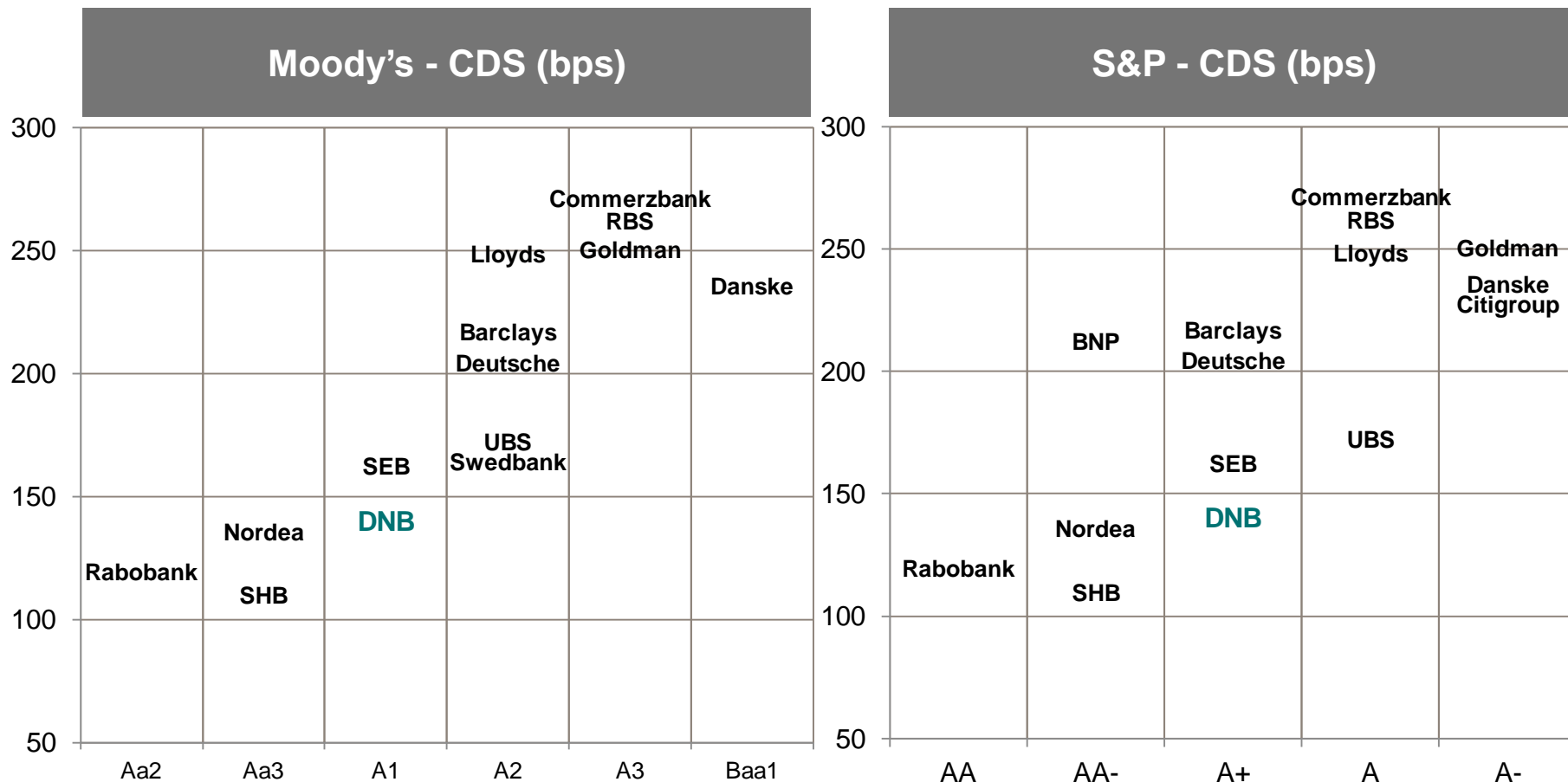
Funding structure significantly strengthened since the financial crisis



Solid and stable deposit to lending ratio

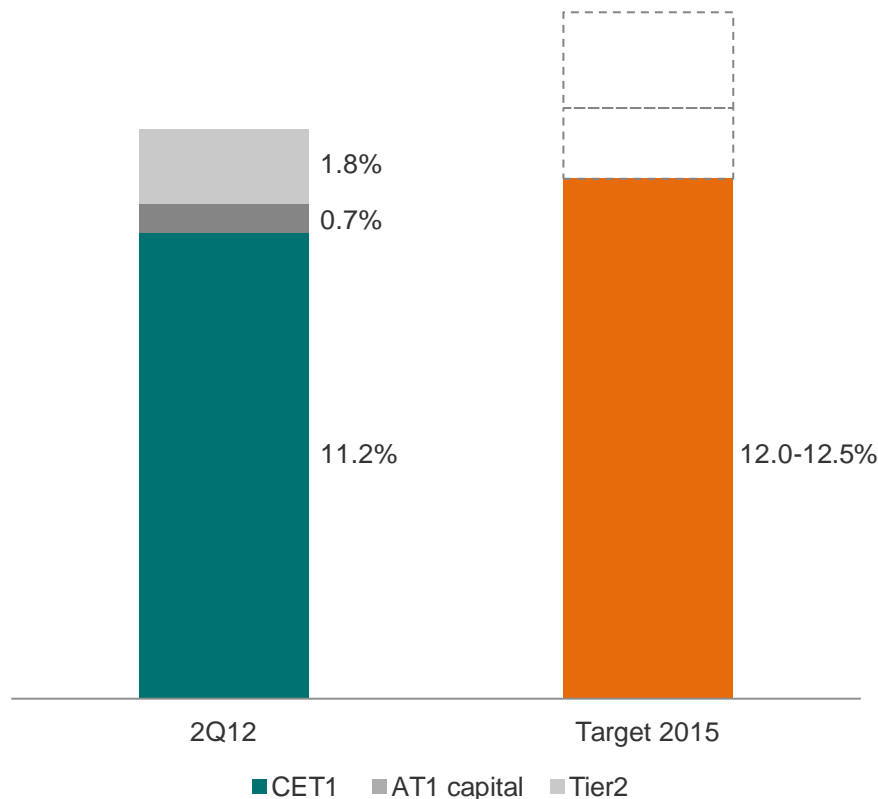


CDS prices best in rating class - and in line with stronger ratings



**Long-term rating ambition of AA for DNB Bank ASA and
AAA for Boligkreditt AS is maintained**

Optimising total capital structure



- DNB will continue to issue additional capital instruments to optimise capital structure
- Dividend payments on ordinary shares and coupon payments on Additional Tier 1 (AT1) instruments are at the discretion of the issuer
- DNB intends to make decision on such payments in line with the hierarchy of DNB's capital structure

Less impact from funding costs

Compliant with the Liquidity Coverage Ratio (LCR) requirements

- Central bank deposits and bonds are financed by money market funding

Prepared to implement Net Stable Funding Ratio (NSFR) towards 2018

- Most of the inexpensive funding raised before the start of the financial turmoil is already refinanced
- The average margin for the current funding portfolio almost equals current market levels for covered bonds
- Most of the funding requirements are expected to be covered by customer deposits and covered bonds



Reasonably **stable funding and liquidity costs** in the short run. Future changes in liquidity and funding costs to be **absorbed in customer margins**

Adequately capitalised

Strict cost control

Strong funding position



RoE above 12 per cent in 2015

DNB

DNB