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Healthy annual profits for DNB

DNB recorded profits of NOK 13 657 million in 2012, an increase of NOK 678 million or 5.2 per cent compared with 2011. The Tier 1 capital ratio increased to 10.7 per cent, from 9.4 per cent at year-end 2011. The Board of Directors has proposed a dividend of NOK 2.10 per share.

All of DNB's business areas recorded a rise in profits in 2012, primarily due to higher net interest income, a rise in other operating income and lower taxes.

"All business areas performed well in 2012, and we are very pleased with the Group's annual profits. The greater part of profits is still used to strengthen the bank's Tier 1 capital ratio in line with the authorities' coming capital adequacy requirements. In consequence of new regulations from the European and Norwegian authorities, banks need to further widen their spreads through 2013. Moreover, loans will probably be higher priced for both companies and consumers," says Rune Bjerke, group chief executive.

The common equity Tier 1 capital ratio (calculated according to the Basel II transitional rules) was 10.7 per cent at end-December 2012, up from 9.4 per cent at year-end 2011. The Board of Directors has proposed a dividend for 2012 of NOK 2.10 per share, which corresponds to approximately 25 per cent of earnings per share.

Reduced lending growth and lower impairment losses

Lending growth was relatively brisk in the second half of 2011, but the rate of growth abated throughout 2012. In terms of NOK, deposits increased significantly more than loans from 2011 to 2012, which gave a marked increase in the ratio of deposits to net loans, from 57.8 per cent at end-December 2011 to 62.5 per cent at year-end 2012.

Impairment losses on loans and guarantees were reduced by NOK 265 million from 2011. At NOK 3 179 million, impairment was roughly on a level with estimates presented through 2012. Impairment losses increased within shipping, but were significantly reduced in the Baltics and Poland.

"In addition to our strong profit performance, we are pleased to note that DNB continues to strengthen its corporate reputation. DNB was best bank in Norway on Ipsos MMI's Norwegian corporate reputation list. A strong reputation and satisfied customers are both prerequisites for profitable growth in DNB," says Bjerke.

DNB's fourth quarter performance

DNB recorded profits of NOK 3 810 million in the fourth quarter of 2012, down NOK 279 million or 6.8 per cent from the fourth quarter of 2011. Adjusted for the effect of basis swaps (derivative contracts whose effect on the income statement is cancelled out over their term to maturity), there was an increase in profits of NOK 1 042 million or approximately 40 per cent.

Average lending volumes increased by 3.4 per cent from the fourth quarter of 2011. However, lending growth slowed during the final quarters of 2012, and lending volume in the fourth quarter of 2012 was 0.4 per cent below the third-quarter figure.

Impairment losses on loans and guarantees totalled NOK 1 190 million, an increase from both the fourth quarter of 2011 and the third quarter of 2012. The increase mainly reflected higher impairment within shipping due to the weaker economic situation.

Future prospects

"In spite of weaker international growth, we believe that the Norwegian economy will show a continued strong trend. We expect a further increase in home mortgages, but forthcoming changes in capital adequacy requirements entail some uncertainty. In the corporate market, we will give priority to small and medium-sized companies and continue our initiatives within sectors such as energy, offshore and telecommunications," says Bjerke.

The Group will continue to build up capital and improve its capital adequacy ratios. Portfolio quality is expected to remain strong, with impairment of loans approximately on a level with 2012.

Key figures for the fourth quarter of 2012

- Pre-tax operating profits before impairment were NOK 5.7 billion (6.8)
- Profit for the period was NOK 3.8 billion (4.1)
- Earnings per share were NOK 2.34 (2.51)
- Return on equity was 12.0 per cent (13.8)
- The ordinary cost/income ratio was 47.5 per cent (42.0)

Comparable figures for the fourth quarter of 2011 in parentheses.

Key figures for 2012

- Pre-tax operating profits before impairment were NOK 20.8 billion (21.8)
- Profit for the period was NOK 13.7 billion (13.0)
- Earnings per share were NOK 8.39 (7.98)
- Return on equity was 11.2 per cent (11.4)
- The ordinary cost/income ratio was 49.5 per cent (47.1)

Comparable figures for 2011 in parentheses.

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The quarterly report, presentation and Supplementary Information for Investors and Analysts can be downloaded from www.dnb.no/investor-relations