

# DnB NOR 2008-2010

Norway and beyond

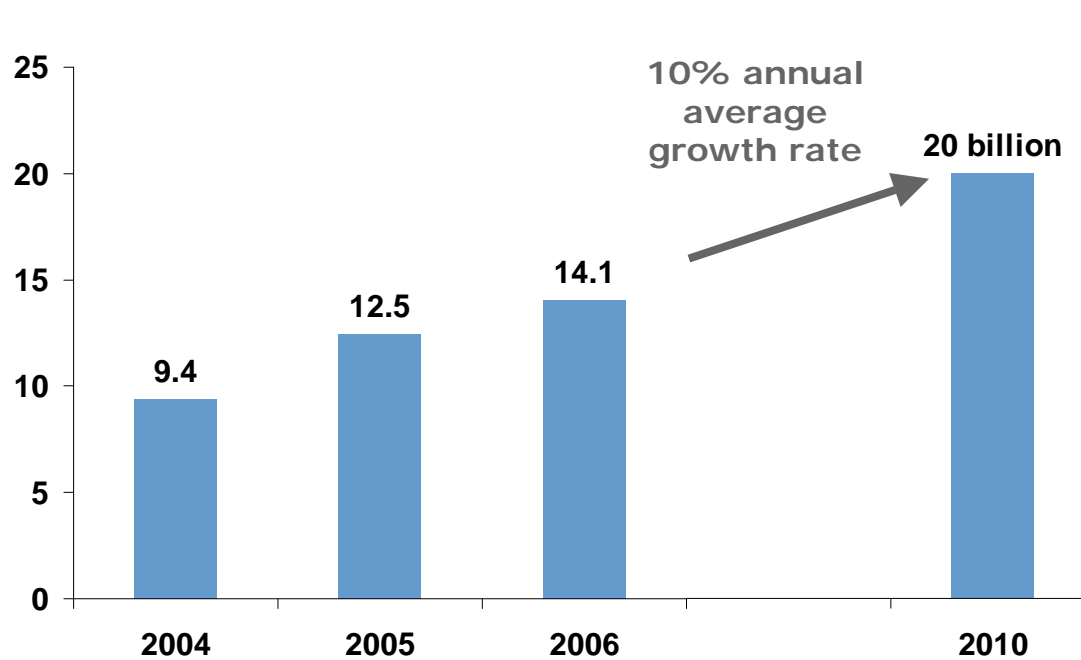
Presentation by Rune Bjerke, group chief executive  
Capital Markets Day, 9 October 2007

**DnB**NOR

# DnB NOR has a strong track record



Development in pre-tax operating profit before write-downs (NOK billion)



## How will DnB NOR deliver?

- Utilise Norwegian growth potential
- Cost improvement in Norwegian operations
- Accelerate international growth opportunities



# NOK 20 billion in 2010

Pre-tax operating profit before write-downs

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**DnBNOR**



## Two new financial targets

- RoE above 16 per cent
- 10 per cent average annual growth in pre-tax operating profit before write-downs



## Other ambitions

- Cost/income ratio below 46 per cent by 2010

## Dividend policy and capital management

- Core capital ratio approximately 6.5 per cent
- Approximately 50 per cent of annual profits distributed as dividends
- DnB NOR Bank ASA's ratings for long-term debt: AA level

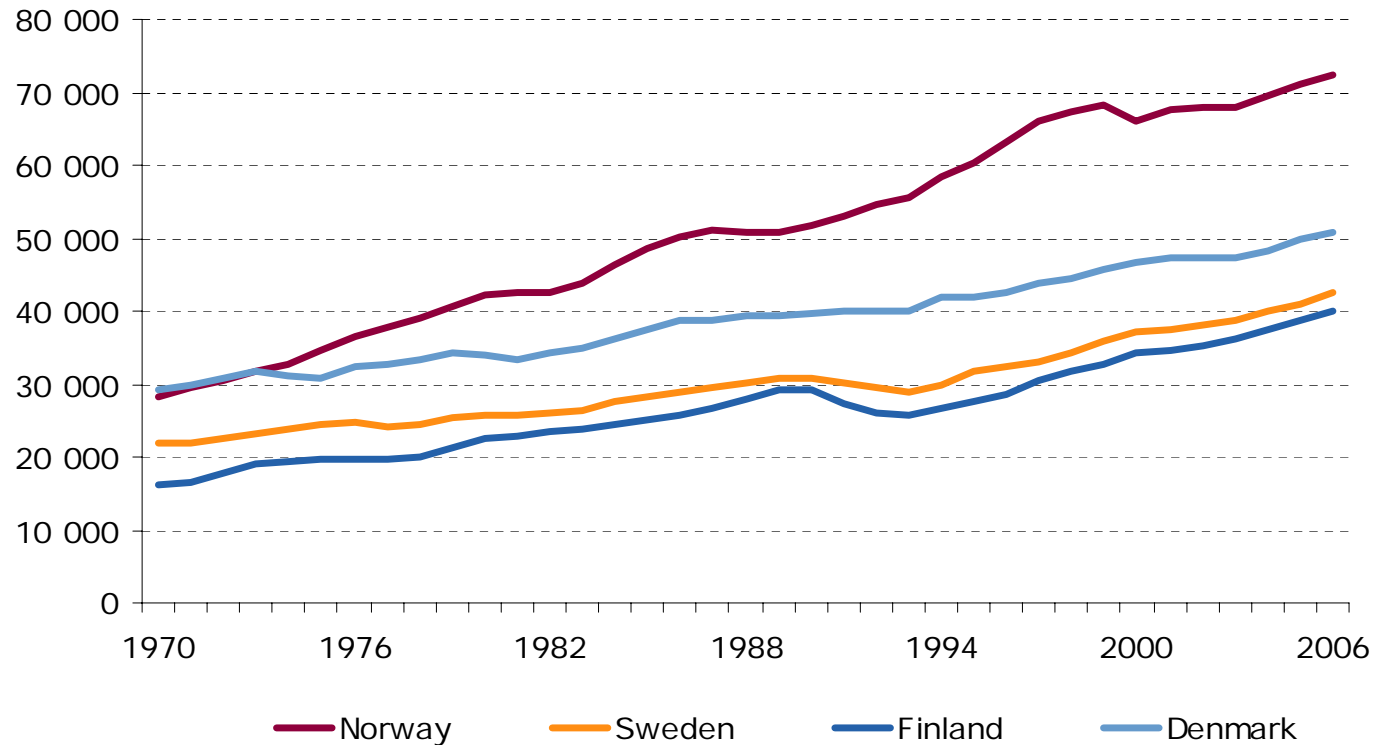
# Norwegian economy



# Strong Norwegian GDP growth



Real GDP per capita (USD 2006)



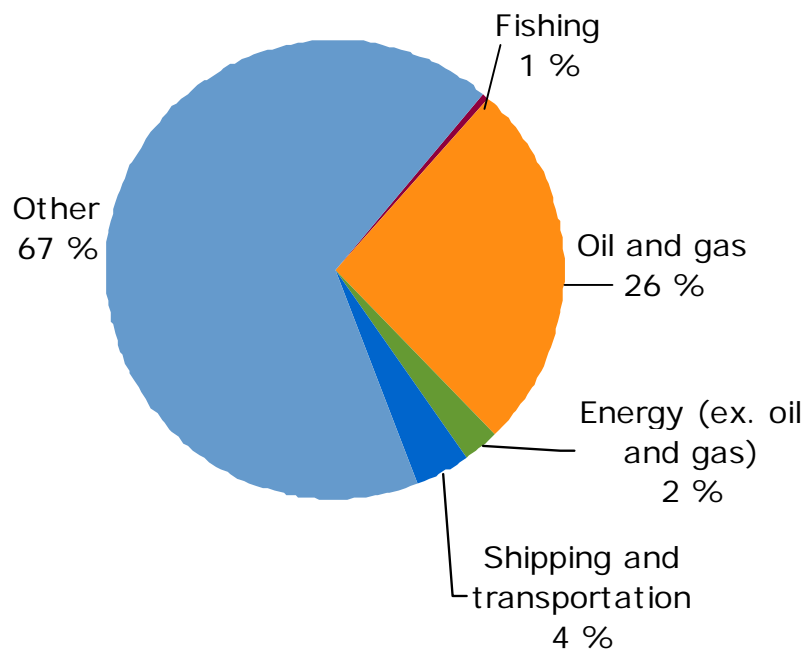
Source: ERS International Macroeconomic Data Set

# Commodity-based economy

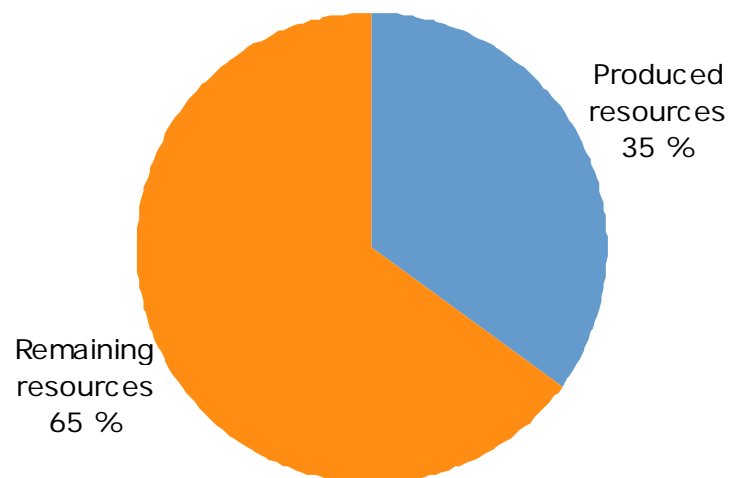
– still substantial potential in the oil and gas industry



Norwegian GDP per sector  
2006



Norwegian oil and gas  
resources



Sources: Statistics Norway, revised national budget 2007

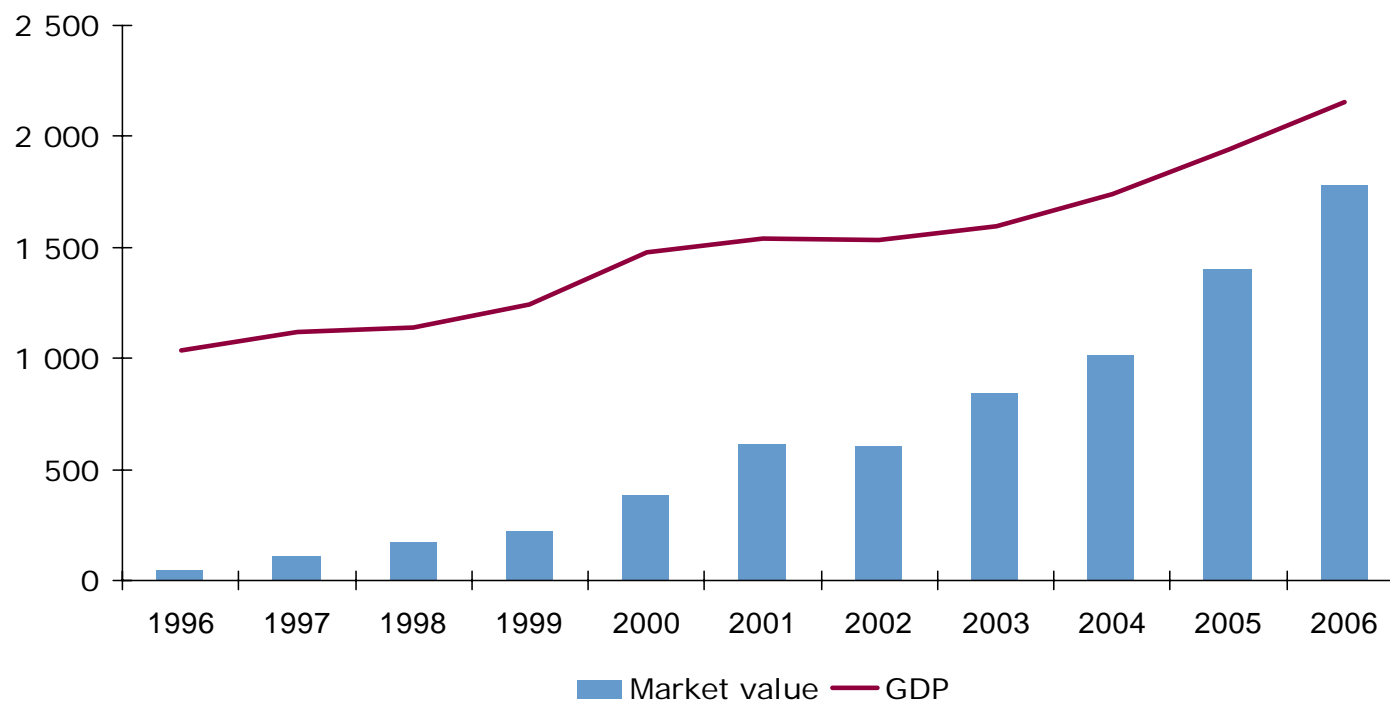


# Strong Norwegian fundamentals

## - Government



Market value of Government Pension Fund – Global compared to Norwegian GDP (NOK billion)



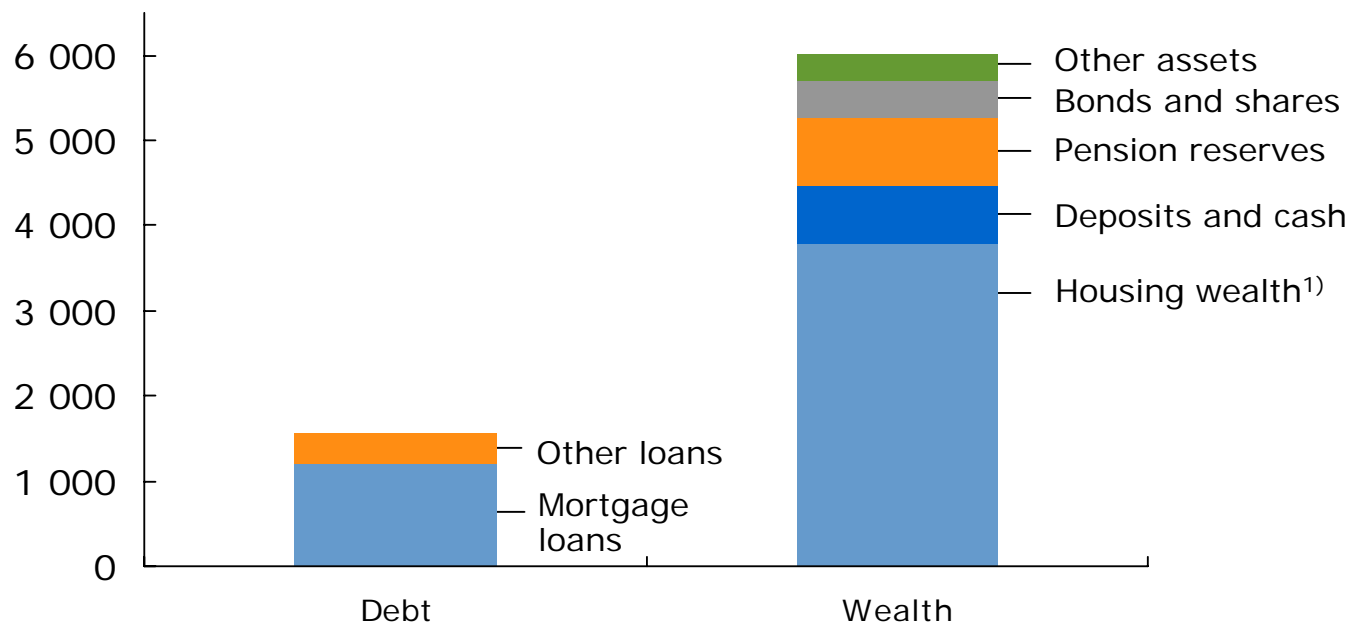
Source: Statistics Norway and Norges Bank

# Strong Norwegian fundamentals

## - Households



Household debt and wealth (NOK billion 2006)



1) Estimates

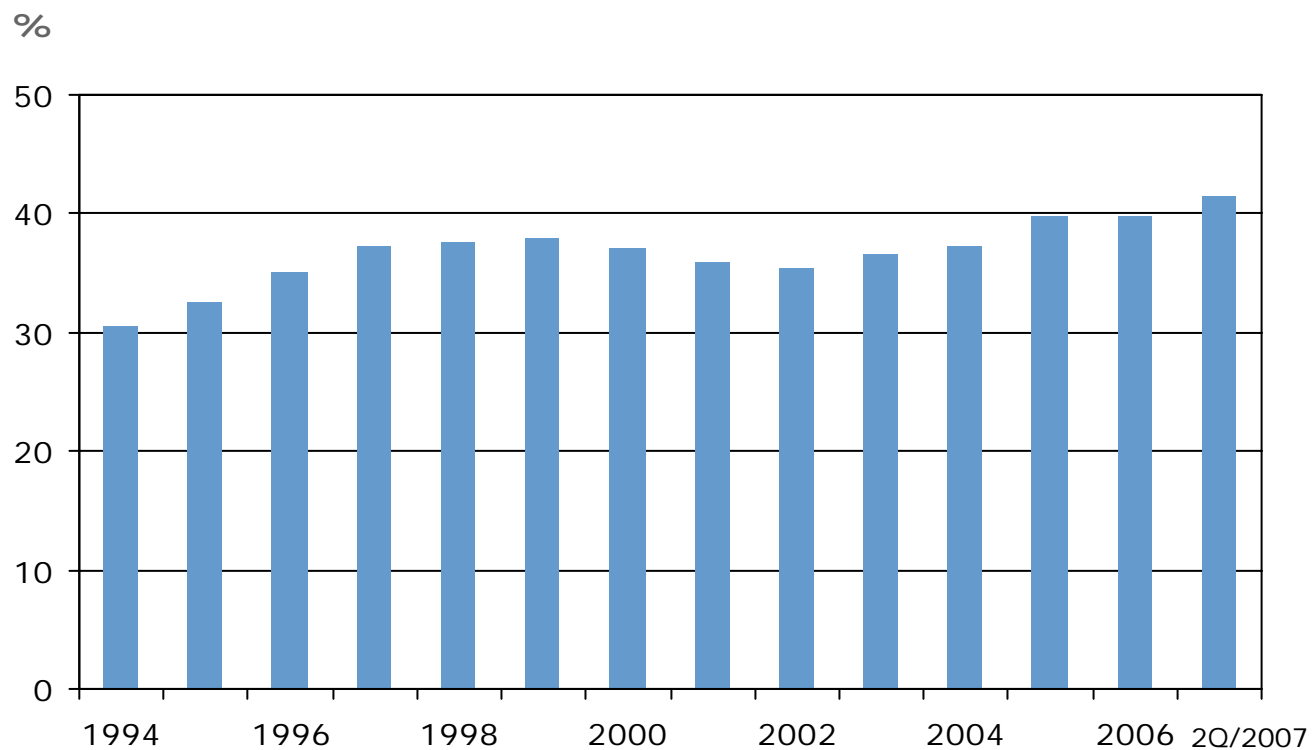
Sources: Norwegian Association of Real Estate Agents, ECON, Finn.no, Association of Real Estate Agency Firms, Statistics Norway and Norges Bank

# Strong Norwegian fundamentals

## - Corporates

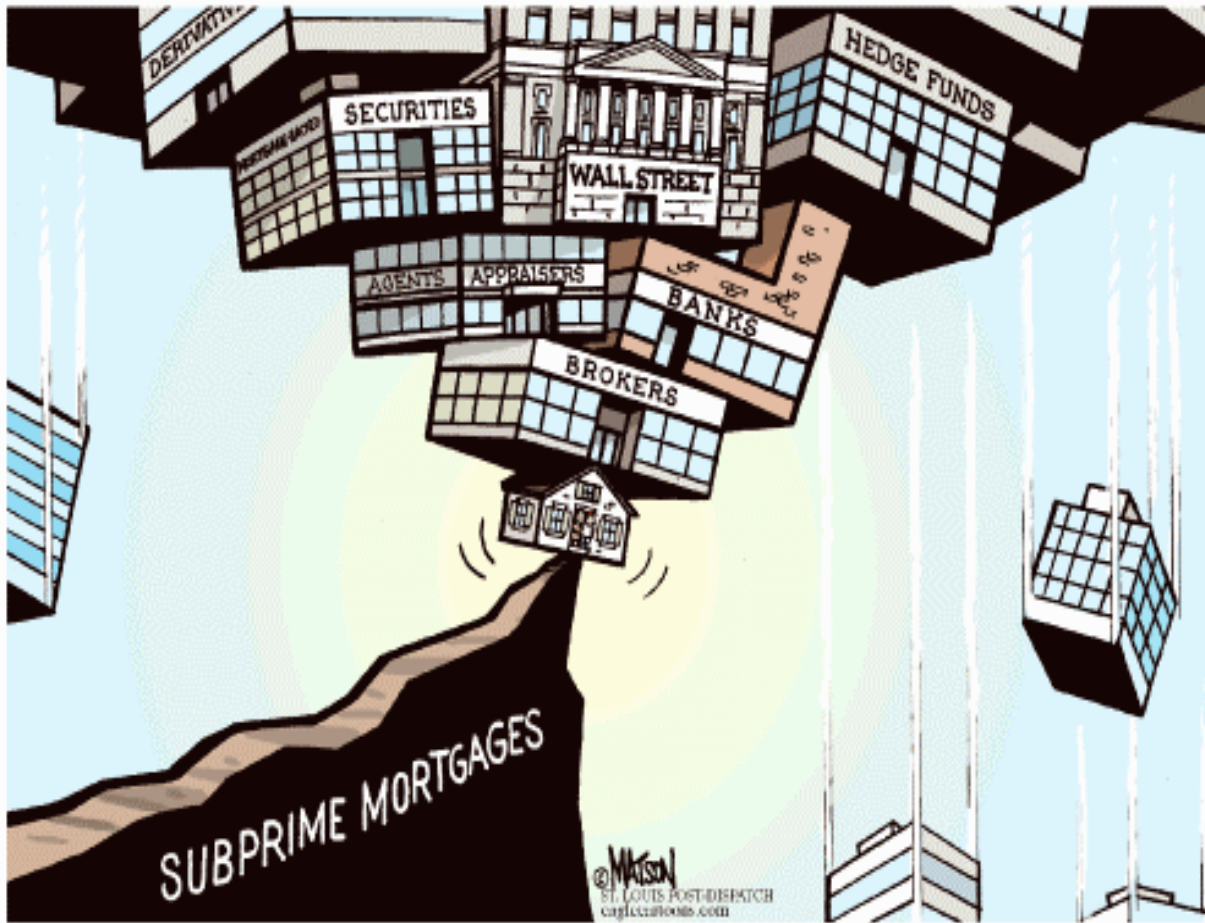


Equity ratio for companies (limited and public limited) in Norway



Source: Statistics Norway

# Are we too optimistic?



# DnB NOR has limited exposure to financial turmoil

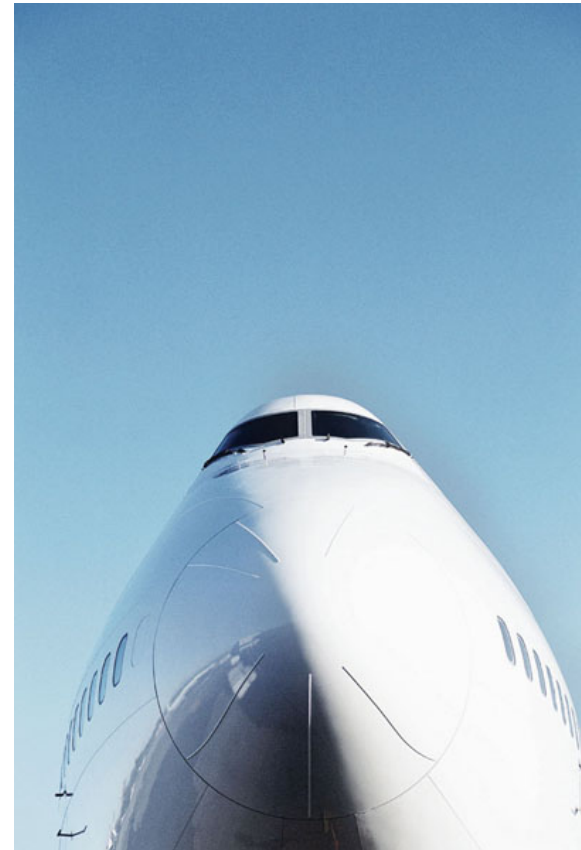


- 90 per cent long-term funding
- 60 per cent deposit ratio
- No subprime or US mortgage exposure
- No investments in or guarantees given to conduits
- Untapped potential in covered bond markets

# Sound future prospects for DnB NOR



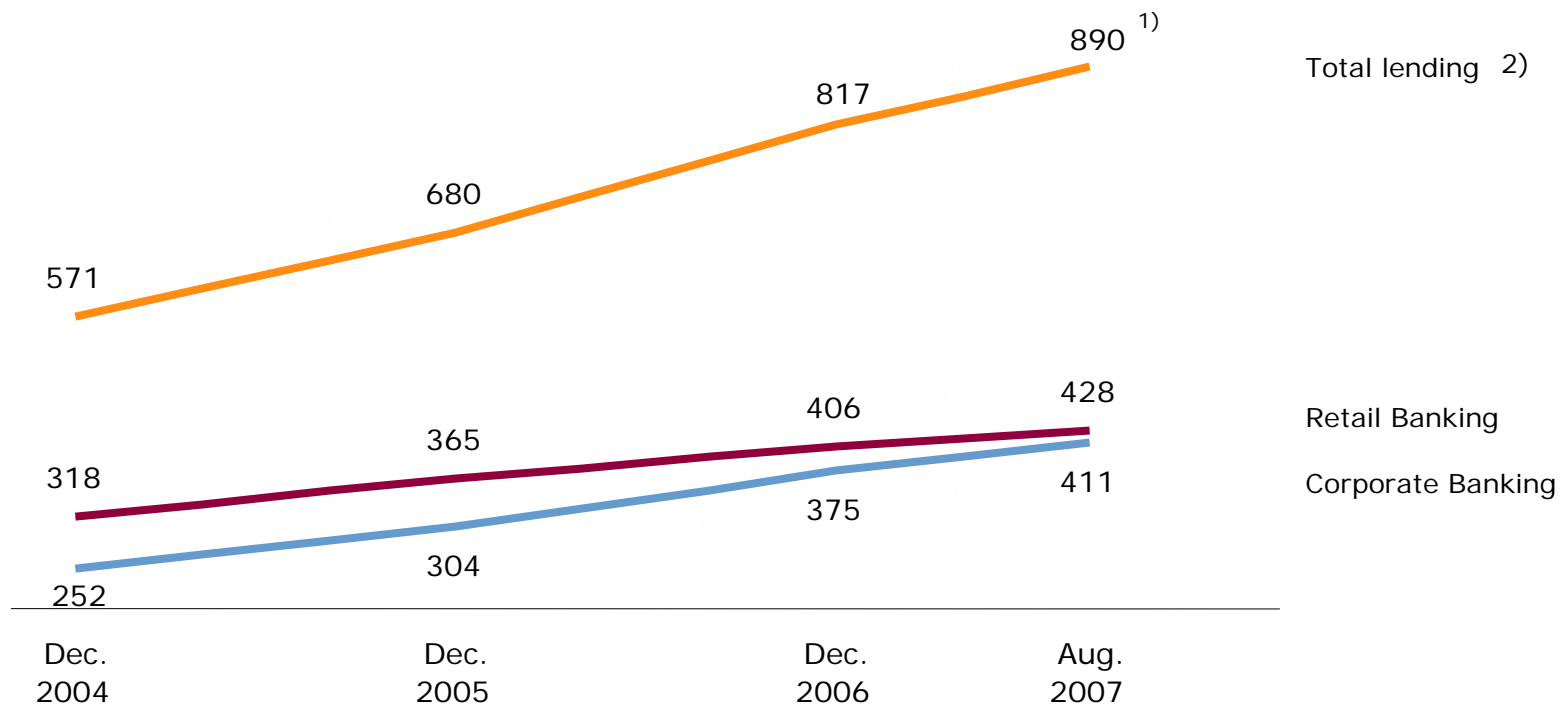
- Strong outlook for Norwegian economy
- Positive outlook for "Norwegian" business sectors and consumers
- No material impact from financial turmoil



# Development in lending volumes



## Average lending volumes (NOK billion)



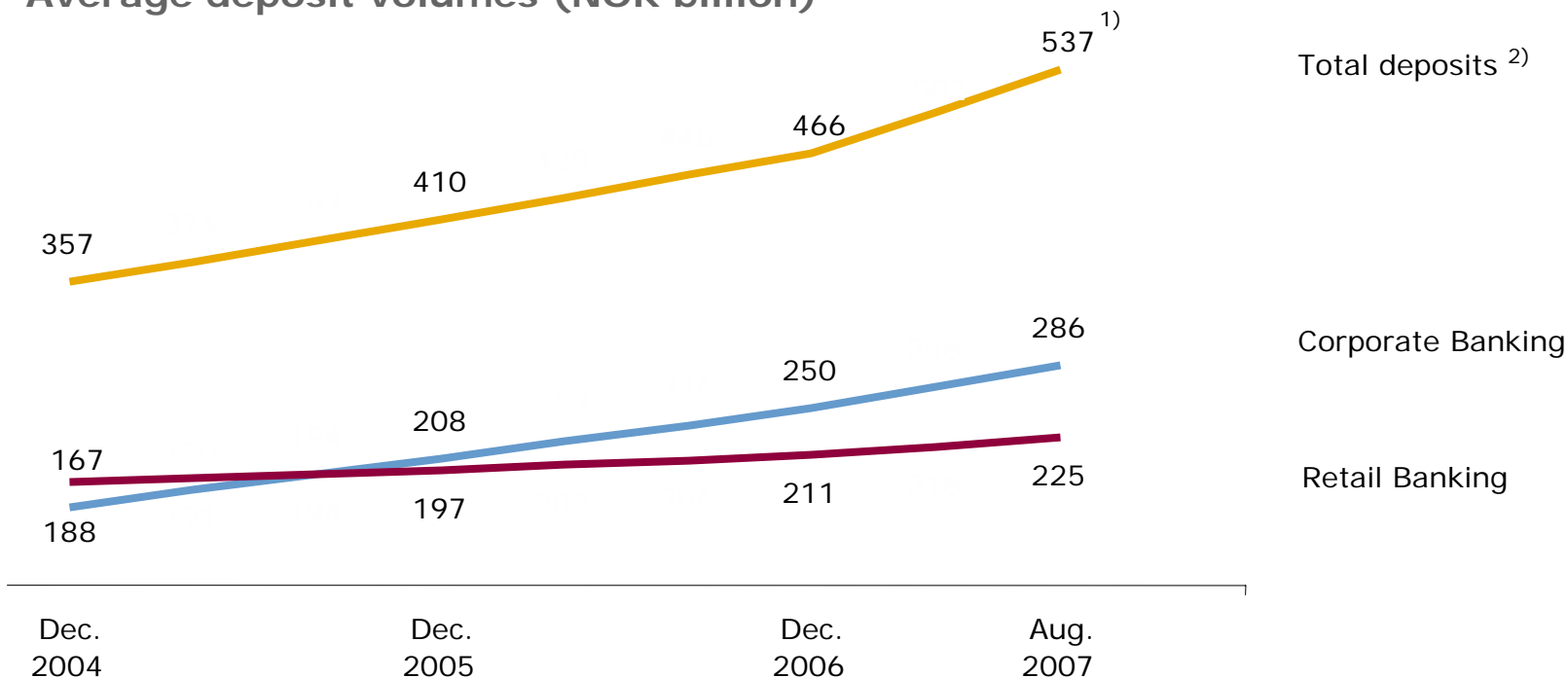
1) Of which DnB NORD: NOK 51 billion  
Total lending excluding DnB NORD: NOK 839 billion

2) Excluding lending to and deposits with credit institutions and impaired loans

# Development in deposit volumes



## Average deposit volumes (NOK billion)

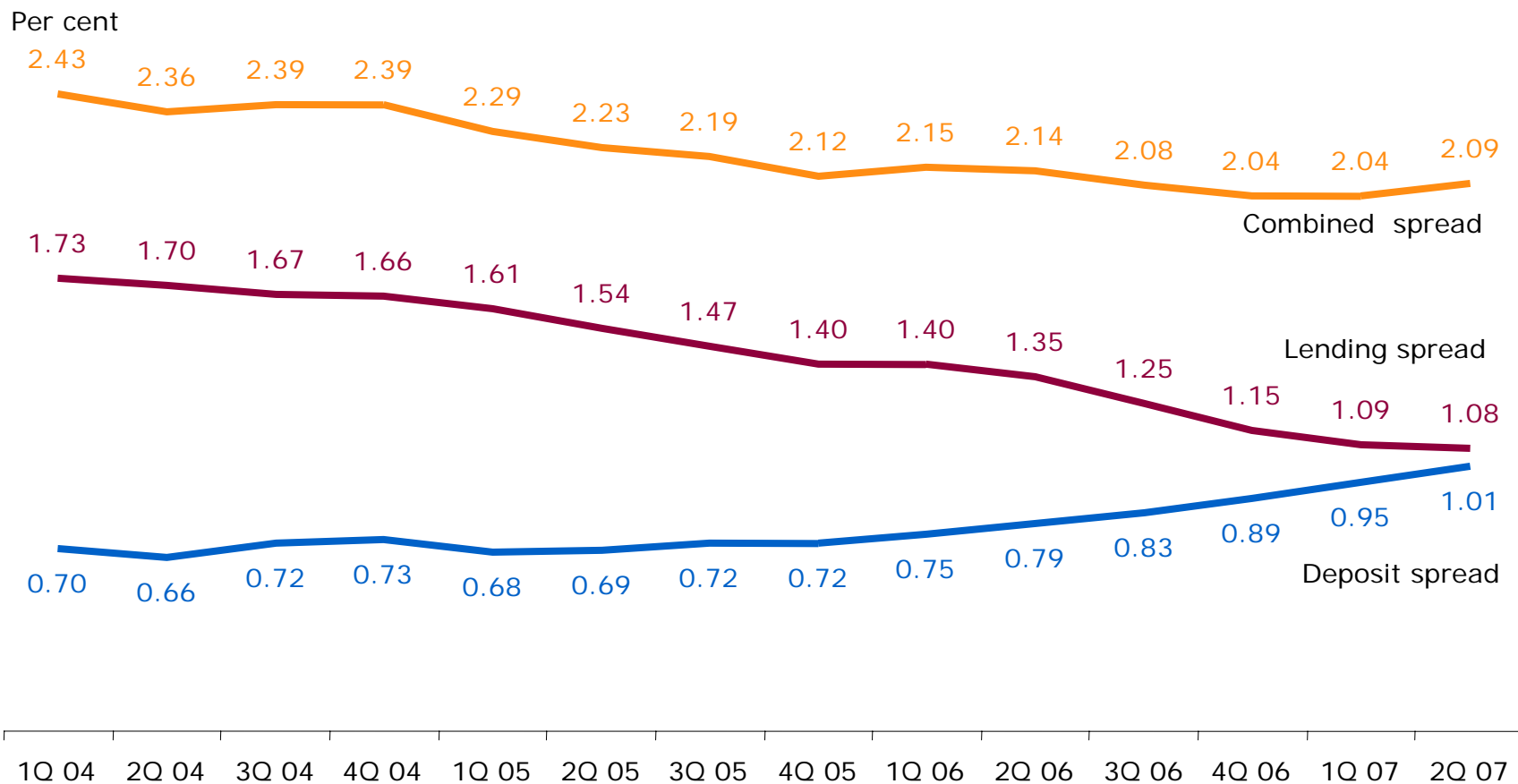


1) Of which DnB NORD: NOK 19 billion

2) Excluding deposits from credit institutions

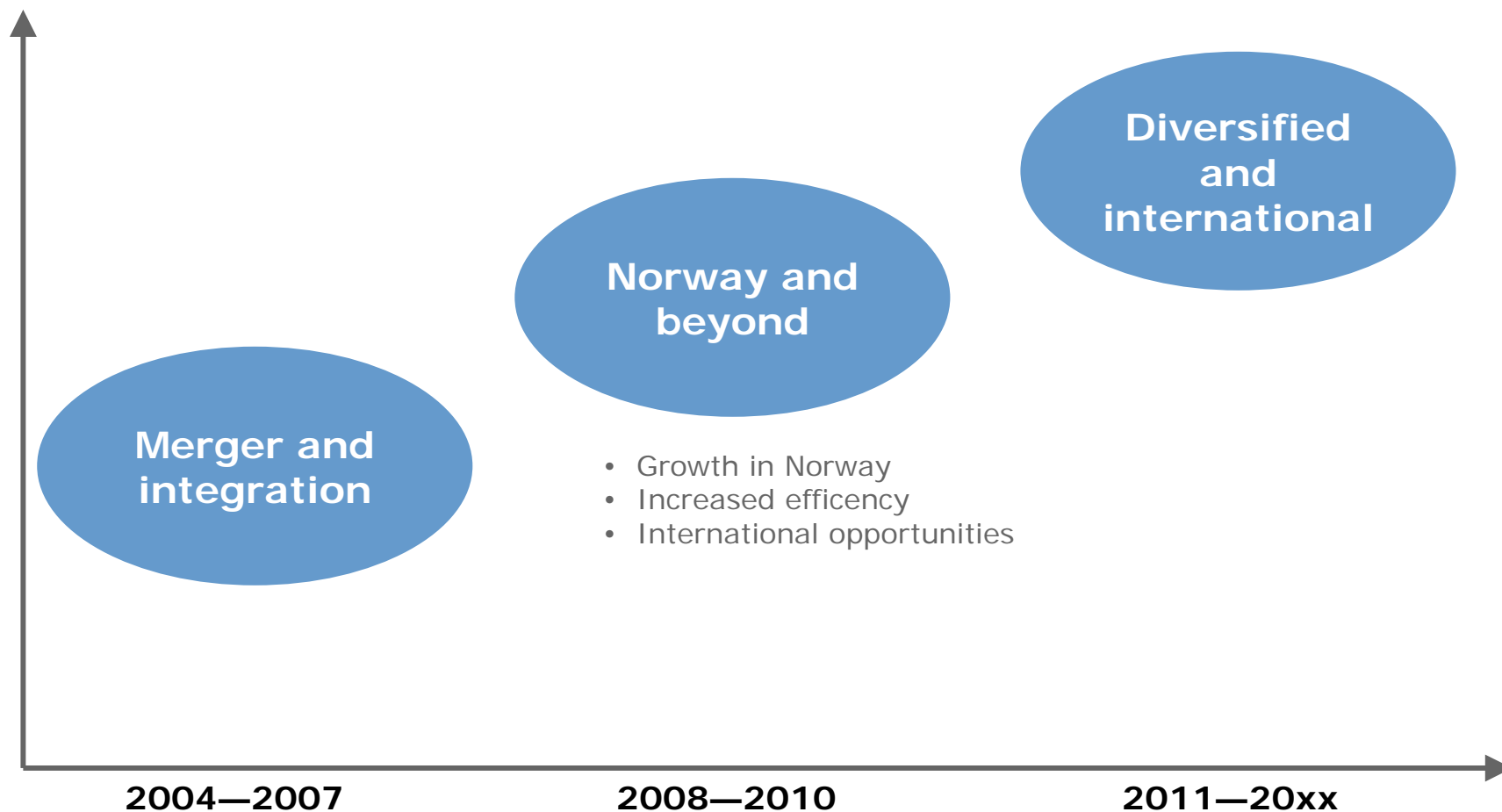


# Development in average interest rate spread<sup>1)</sup>



1) DnB NOR Group, excluding lending to and deposits from credit institutions and impaired loans

# New strategic direction – Norway and beyond



# DnB NOR has a unique platform in the Norwegian market



## More than 30 per cent market share in all segments

- **Retail**  
34% of deposits  
29% of lending
- **Corporates**  
37% of deposits  
34% of lending <sup>1)</sup>
- **35% of life insurance**
- **38% of mutual funds**
- **No 1 investment bank**

## The largest customer base

- **2 200 000 retail customers**
- **200 000 corporate customers**
- **1 000 000 individuals insured in Norway**
- **650 000 retail mutual fund customers**

## The most extensive distribution network

- **203 DnB NOR branches**
- **12 regional trading desks**
- **14 Postbanken sales outlets**
- **300 post office counters**
- **1 160 in-store postal outlets**
- **18 Vital sales offices**
- **53 Vital agent companies**
- **Internet banking**
- **Mobile banking**

1) Including loans from commercial and savings banks. Sources: Norges Bank and DnB NOR



1

**30-40 per cent market share in Norway**  
– **Still potential for growth in home market?**

2

**Cost/income ratio below 50 per cent**  
- **Possible to further reduce costs?**

3

**Limited international presence**  
- **Opportunities ahead?**

# 30-40 per cent market share

- Still potential for growth in home market?



## 1 Introduction of new products and services

- Establish non-life insurance company (retail)
- Increase share of flexible mortgage loans



## 2 Strengthen distribution and market position

- Introduce 1 500 in-store banking outlets
- Intensify sales force in regions with potential for increased market share



## 3 Utilise cross-sale potential

- Establish incentive structures that encourage cross-unit sales and cooperation

# Well positioned for further growth in SME and large corporates

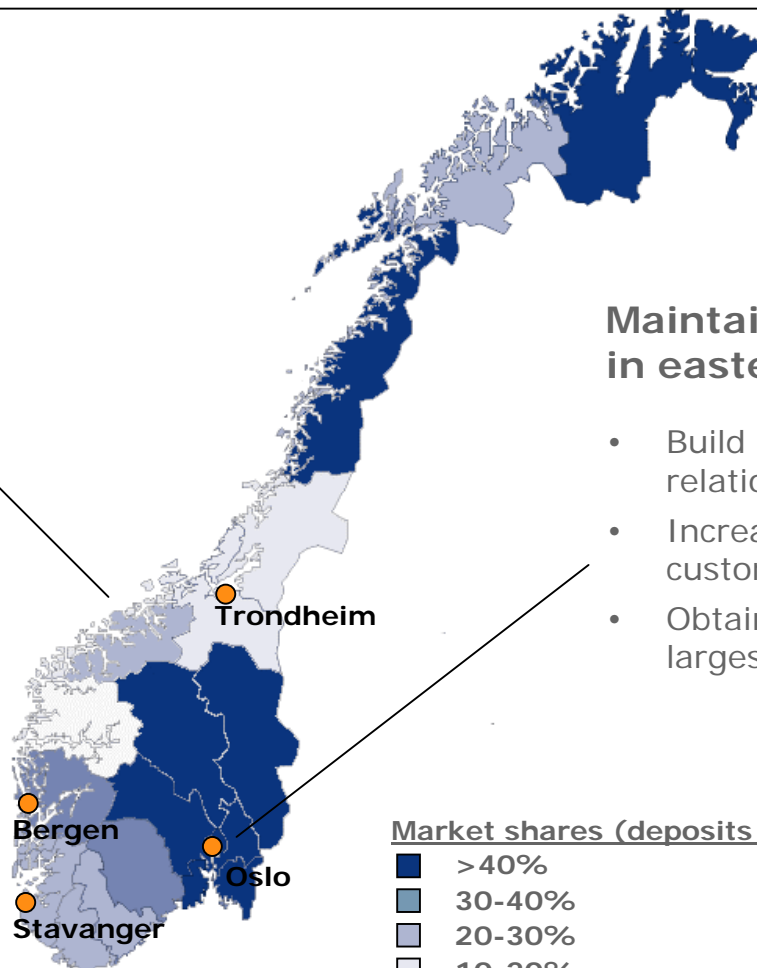


## Increase market share in coastal regions

- Increase market shares in areas surrounding large cities (Trondheim, Stavanger and Bergen)
- Obtain no. 1 or 2 position in largest cities

## Strengthen regional industry focus

- Focus on energy, oil service and technology



## Maintain market position in eastern Norway

- Build on existing customer relationships
- Increase sales to existing customer base
- Obtain no. 1 or 2 position in largest cities

# Establish incentive structures that encourage cross-unit sales and cooperation



Large corporates



SMEs



Private banking



Retail customers



Risk management and capital market products

Asset management and savings products

Pension and life products

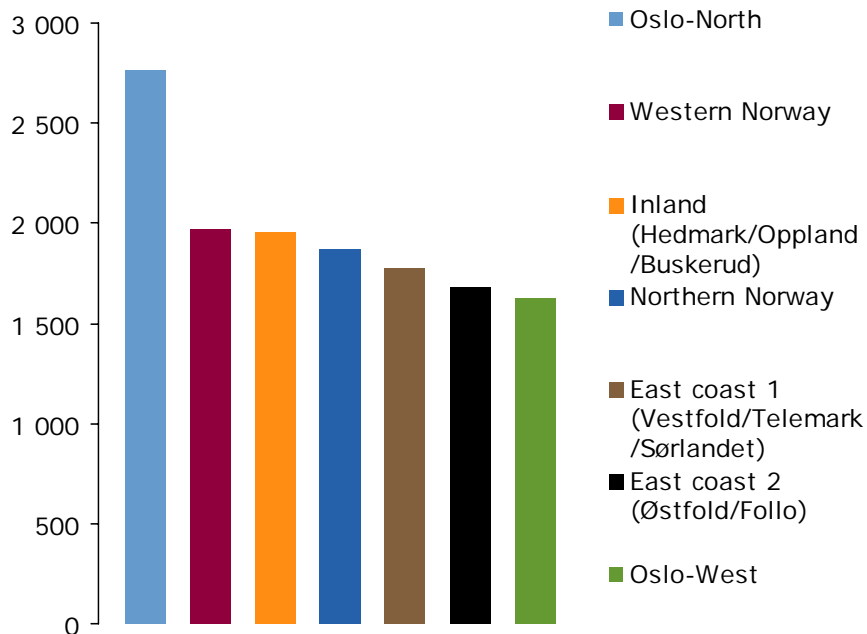
Leasing and factoring

Non-life insurance

# Example: Leverage largest Nordic real estate broker



## Mortgage referrals from DnB NOR real estate brokers (Jan–Aug 2007)



- Best practice region performed significantly better than the other regions
- 80-100 000 potential customers at DnB NOR's property viewings each year indicate potential
- Recent campaign resulted in 6 000 referrals in four weeks





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# Cost/income ratio below 50 per cent

## - Are improvements still possible?



We have commenced a cost programme to reduce costs by NOK 1 billion annually by 2010

	<u>Potential</u>
1 Optimise customer processes and distribution	NOK 250–350 million
2 Streamline IT and procurement	NOK 150–250 million
3 Reorganise operational processes	NOK 400–500 million

# Optimise customer processes and distribution



NOK 250–350 million

1

Optimise customer processes and distribution



- Optimise branch structure – net reduction of 30 branches

NOK 150–250 million

2

Streamline IT and procurement

- Reduce number of manual transactions related to cash services by 75 per cent by opening in-store banking outlets

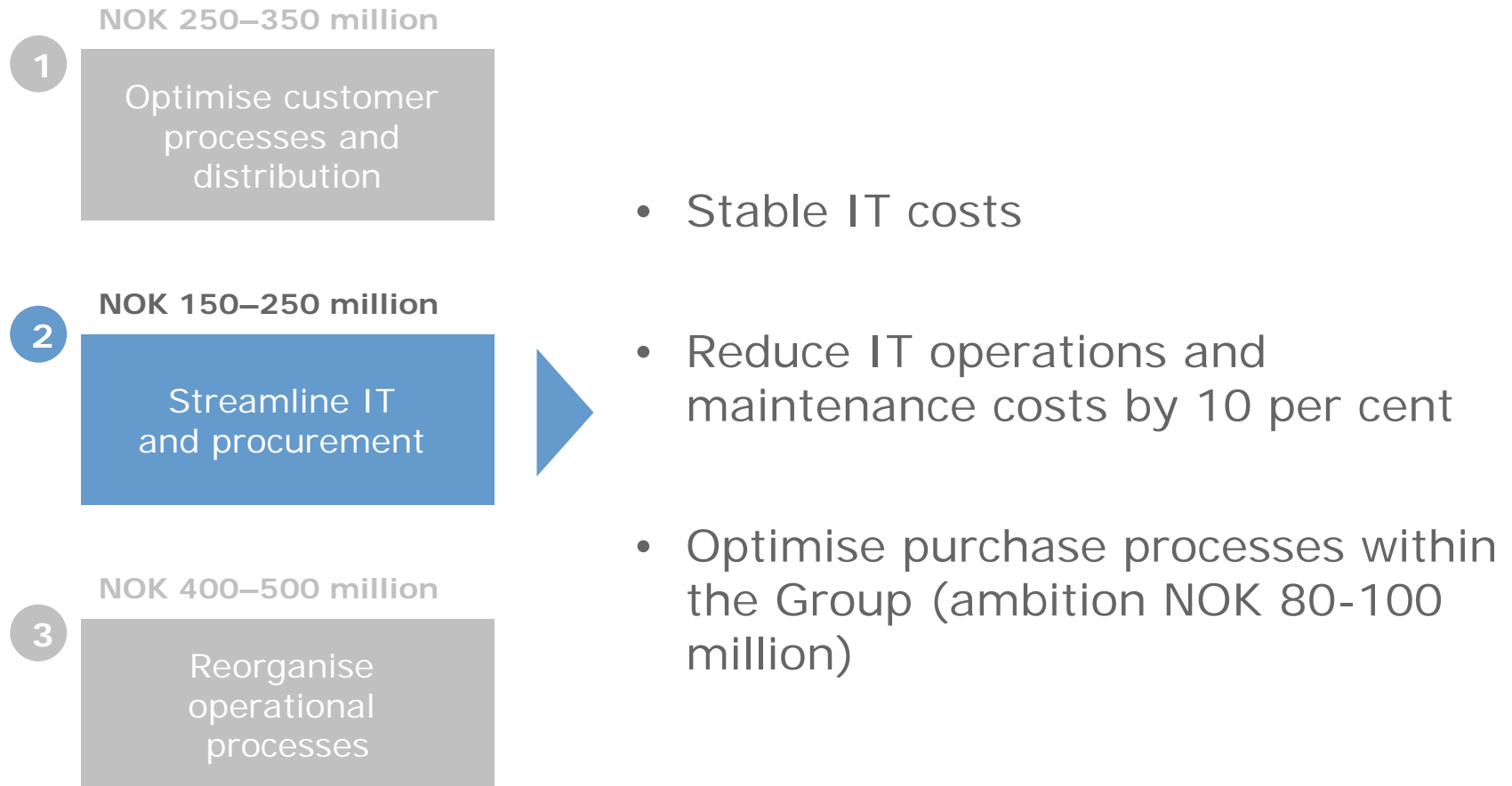
NOK 400–500 million

3

Reorganise operational processes

- Reduce postage costs by NOK 40-60 million through more online customer services

# Streamline IT and procurement



# Reduce costs within back office and operational processes



NOK 250–350 million

1

Optimise customer processes and distribution

NOK 150–250 million

2

Streamline IT and procurement

NOK 400–500 million

3

Reorganise operational processes



- Realise synergies from reorganising operational processes within the Group (ambition NOK 200-250 million)
  - Realise economies of scale across operations (NOK 60-70 million)
  - Optimise and automate work processes (NOK 40-50 million)
  - Improve facility services within the Group (NOK 100-130 million)
- Realise cost reduction potential within Life and Asset Management (ambition NOK 100-150 million)



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# Why international growth is important



1 Profitable growth opportunities



2 Stronger customer relationships when following customers abroad



3 Unique Norwegian industry competence



4 Advanced products and concepts that can easily be exported

# International growth, but where?



## Corporate bank, industry dimension

- Build on core competence industries: shipping, energy and seafood



## Universal bank, geographical dimension

- Establish Sweden as part of our core market
- Further develop DnB NORD





# International growth, but how?

## 1 Organic growth

- Branch network expansion based on core competence

## 2 Bolt-on acquisitions

- Investment criteria
  - Strategic fit based on our competitive edges
  - Focus on markets we know
  - Accretive within maximum three years
  - ROI exceeding cost of equity



Part of the DnB NOR Group

Bank **DnB NOR**



**ДнБНОР**  
Мончебанк

**DnB NOR**

# Examples of bolt-on acquisitions in 2007



## SVENSK FASTIGHETSFÖRMEDLING

- No 1 real estate broker in Sweden
- Strong brand and one of Sweden's most visited web sites
- Attractive distribution channel for mortgage loans in Sweden (200 offices)

## SALUS ANSVAR

- Access to a large and attractive customer base (540 000)
- Well-established market position and profitable business model
- Substantial potential for increased cross-selling

## BISE Bank

- 46 branches throughout Poland
- Strong foothold in the retail market, the public sector and the SME

# Conclusion



- Utilise Norwegian growth potential
- Cost improvement in Norwegian operations
- Accelerate international growth opportunities
- Highly dynamic and motivated organisation



- NOK 20 billion in 2010 <sup>1)</sup>
- RoE above 16 per cent
- 10 per cent average annual growth <sup>1)</sup>

1) Pre-tax operating profit before write-downs

# Questions?

