

DNB Bank

Issuer View • 7 November 2023

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Ratings

DNB BANK ASA

	Rating	Outlook
Fitch	-	-
Moody's*	Aa2	Stable
S&P	AA-	Stable

Homepage

www.ir.dnb.no

* Senior Unsecured

DNB Bank ASA (DNB) is the leading Norwegian financial group with a market capitalisation of NOK 330bn (Q3/2023). The largest shareholder of the group, which is listed on the Oslo Stock Exchange, is the Norwegian state with 34%. DNB serves a total of around 2 million customers. The focus is on digital distribution channels and a more sustainable organisation of the banking business. The business activities are divided into the following segments: "Personal Customers" (33.3% of operating income Q3/2023), "Corporate Customers" (59.2%), "Other Operations" (6.2%) and "Eliminations" (1.3%). The "Other Operations" segment includes risk management and pension products. DNB is the market leader in Norway and has a high market share, particularly in deposits from private customers (Q3/2023: 32%) and business customers (38%) as well as SME loans (37%). The acquisition of the Norwegian SBanks was completed in 2022 and the merger finalised at the beginning of May 2023. The loan portfolio (measured by exposure at default, EAD) focuses 52% on private customers (of which 47% of EAD is attributable to mortgages), 10% on commercial property and 6% on residential property. DNB has set itself targets in the area of sustainability. By 2030, financing and investments in the area of sustainability are to grow to NOK 1,500bn (Q3/2023: NOK 505bn) and the capital invested in sustainable investment funds is to increase to NOK 200bn by 2025 (Q3/2023: NOK 112bn).

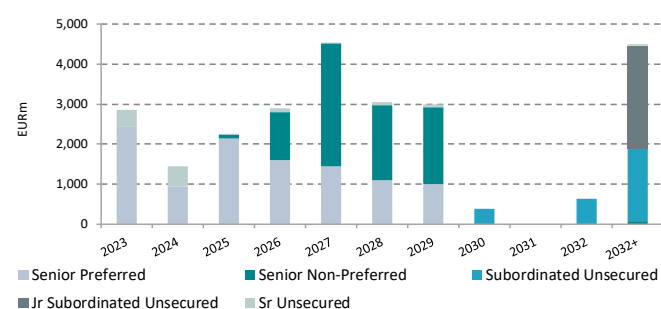
Balance Sheet

(EURm)	2021Y	2022Y	2023Q3
Net Loans to Customers	174,156	186,291	178,491
Total Securities	59,482	66,908	56,823
Total Deposits	124,531	132,645	131,620
Tier 1 Common Capital	18,894	18,434	17,485
Total Assets	291,362	307,094	323,286
Total Risk-weighted Assets	97,155	100,863	95,582

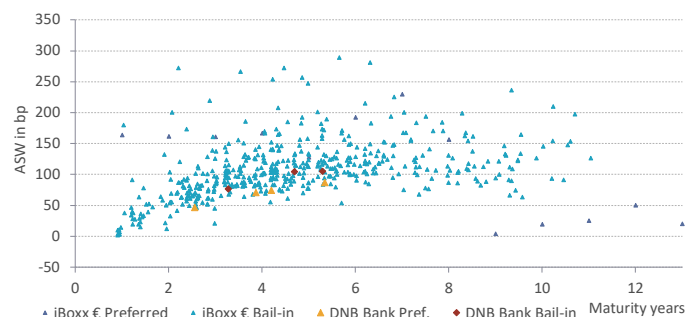
Income Statement

(EURm)	2021Y	2022Y	2023Q3
Net Interest Income	3,808	4,783	1,379
Net Fee & Commission Inc.	1,084	1,023	240
Net Trading Income	352	397	149
Operating Expense	2,342	2,536	601
Credit Commit. Impairment	-85	-27	82
Pre-tax Profit	3,215	4,019	1,155

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2021Y	2022Y	2023Q3		2021Y	2022Y	2023Q3
Net Interest Margin	1.38	1.61	1.88	Liquidity Coverage Ratio	135.00	148.60	143.00
ROAE	10.30	14.04	15.66	IFRS Tier 1 Leverage Ratio	6.76	6.40	5.77
Cost-to-Income	42.62	38.73	32.67	NPL/Loans at Amortised Cost	-	-	-
Core Tier 1 Ratio	19.45	18.28	18.29	Reserves/Loans at Amort. Cost	0.58	0.40	0.40

As of: 07.11.2023; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Market leader in the Nordic financial sector
- Efficiency through digital infrastructure
- Capitalisation

Risks / Weaknesses

- Dependency on capital market funding
- Exposure in cyclical sectors
- Concentration risks for property loans

Covered Bonds

Author: Dr Frederik Kunze

Mortgage cover pool with a volume equivalent to EUR 59.7bn

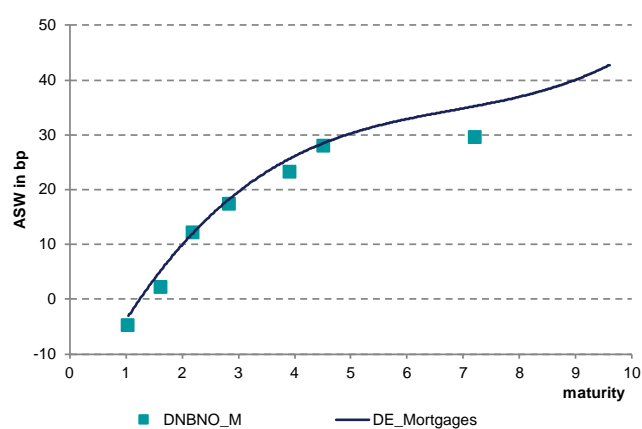
As at the reporting date of 30 September 2023, the covered bond issuer Boligkreditt had a mortgage cover pool with assets totalling NOK 674.4bn (equivalent to EUR 59.7bn). The volume of outstanding covered bonds totalled NOK 376.0bn (EUR 33.3bn) on the same reporting date. At 79.4%, the nominal OC is significantly higher than the statutory cover requirement in Norway (5.0%), meaning that the issuer's voluntary OC is stated at 74.4%. The institution is represented in the current composition of the benchmark index iBoxx EUR Covered with seven issues totalling EUR 10bn. DNB Boligkreditt is one of the active ESG issuers and has two green EUR benchmarks outstanding.

Programme data

30 September 2023	Mortgage
Covered bonds outstanding	NOK 376.0bn (EUR 33.3bn)
Cover pool volume	NOK 674.4bn (EUR 59.7bn)
Current OC (nominal / legal)	79.4% / 5.0%
Type	100% Residential
Main country	100% Norway
Main region	31.6% Viken
Number of loans / exposures	347,279
Share of 10 largest exposures	0.23%
Fixed interest (Cover Pool / CBs)	5.1% / 99.5%
WAL (Cover Pool / CBs)	14.5y/ 3.4y
NPL	0.10%
CB Rating (Fitch / Moody's / S&P)	- / Aaa / AAA

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview (BMK) – Norway



Mortgage cover pool with exclusive residential use

DNB Boligkreditt's cover pool for mortgage covered bonds is made up exclusively of mortgage assets. Additionally, the proportion of residential use of the financed properties is 100%. At 69.5%, the majority of the cover pool is accounted for by assets used to finance owner-occupied residential property. The "multi-family housing" category accounts for 12.5% of the cover pool. In total, the cover pool comprised 347,279 loans as at 30 September 2023. Geographically, all assets are located in Norway. Regionally, the Viken region dominates with 31.6%, followed by Oslo with 24.7%. The average loan volume amounts to NOK 1,941,894 (EUR 171,849). The average loan-to-value ratios are stated at 60.5% for the non-indexed case. Taking into account price changes on the property market, this results in an indexed LTV of 51.7%. Regarding seasoning of the pool, more than 70% of the loans have been in place for more than two years.

Rating and regulation

The rating agencies Moody's and S&P both give DNB Boligkreditt's their covered bonds top ratings (Aaa and AAA respectively). The Moody's Collateral Score, which is regularly used to assess the quality of the cover assets, is 5.0%, which is also low by international standards and indicates a high credit quality. A risk weight of 10% in accordance with the CRR is also relevant for the covered bonds due to the rating characteristics. The issuer's EUR benchmarks are suitable as Level 1 assets for LCR management purposes. Newly placed issues can also be marketed under the label "European Covered Bond (Premium)".

Appendix

Contacts at NORD/LB

Markets Strategy & Floor Research



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Sales MM/FX	+49 511 9818-9460
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Origination Corporates	+49 511 361-2911

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Liquidity Management	+49 511 9818-9620 +49 511 9818-9650

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Governments	+49 511 9818-9660
Länder/Regionen	+49 511 9818-9550
Frequent Issuers	+49 511 9818-9640

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Relationship Management

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Time of going to press: Tuesday, 07 November 2023 (09:01h)