

DNB Q3 2025 pre-close call

Introduction

Good afternoon and welcome to DNB's pre-close call for the third quarter of 2025.

The reason for this call is to remind you of what we have already shared with the market and some relevant public data which could possibly affect the Q3 results. There will be no new information during this call. The script for the call will be published on our IR website.

I will start with the NII and the Capital and Anne will go through the rest of the P&L.

Net interest income

There is one more interest day in the third quarter compared to the second quarter, which will have an effect of approximately NOK 130 million.

On the lending volume side, Q2 growth was 1.7% FX adjusted. Keep in mind that activity level typically is a bit lower in Q3, especially on the corporate side, due to summer holidays.

Statistics Norway reports of stable development in credit demand, for both households and corporates. Per August, last 12 months household growth was 4.2% and corporate growth was 2.0%.

So far in the quarter, the NOK has strengthened versus the US dollar, and this will have a negative effect on the NII. The FX split in the loan portfolio per the second quarter was 8% USD, 7% EUR, and 6% SEK.

The key policy rate was cut by 25 bps from 4.50% to 4.25% in June, and our corresponding customer repricing of up to 25 bps on both loans and deposits took effect from August 25th.

Furthermore, the central bank cut the key policy rate by another 25 bps in September, and our corresponding customer repricing of up to 25 bps on loans and deposits will take effect from November 18th.

DNB Carnegie expects one additional 25 bps cut to the key policy rate, in June next year, to end at a terminal level of 3.75%. With its latest policy rate decision, the central bank published an updated Monetary Policy Report including a slightly amended and higher rate path which now indicates one 25 bps cut in 2026, 2027 and 2028 respectively.

Capital

In the second quarter, we reported a CET1 ratio of 18.3%, well above the NFSA's expected level of 16.5%.

The higher risk weight floor on mortgages became effective on July 1st and is expected to negatively impact CET1 by 60 bps.

Based on the FX development QTD, there will be a slight positive effect on CET1. We repeat the FX sensitivity on CET1: When there is a 10% change in FX, there is approximately 20 bps change in CET1.

We have finalized the 1% share buyback program we announced in June. The capital cost was taken in Q2.

Net commissions and fees

Generally, activity levels tend to be lower in the third quarter compared to the second quarter, impacting fee levels negatively.

Financial instruments at fair value

Customer revenues in DNB Carnegie (FICC): Typically sees a seasonally lower activity level in the third quarter compared to the second quarter.

The mark-to-market effects on AT1s and basis swaps were announced last week. Basis swaps were a positive NOK 264m and FX AT1s were a negative NOK 136m. A reminder on the outstanding FX AT1 amounts: USD 700m and SEK 4.95 bn.

Costs

A seasonally lower activity level than we typically see in Q2, all else equal, typically leads to somewhat lower costs.

DNB Carnegie expects salary inflation in Norway to come in at 4.8% in 2025.

As communicated the past two quarters, we expect to incur non-recurring integration costs related to Carnegie of NOK 250 million in 2025. YTD per Q2 we have seen such non-recurring costs of MNOK ~170.

A reminder on pension expenses: As previously mentioned, normalized pension expenses are expected to be approximately MNOK 500 per quarter. The closed defined benefit compensation scheme is primarily linked to the development in global equities.

Asset quality

There is no change in our message on asset quality. The portfolio is carefully monitored, and we are still generally comfortable with the risk in the portfolio.

As you know, impairments will vary from quarter to quarter, driven by potential changes to macro input factors in the ECL model and/or company-specific events, as you've seen in past quarters.

As we've said previously, given the elevated level of uncertainty driven by the global macro picture, it would be natural to see more company-specific events. But, again, we do not see any systemic areas of concern in our portfolio.

Consensus

We would appreciate your consensus contribution by end of business on Friday October 10th to Rune (rune.helland@dnb.no).

That marks the end of the call. We thank you very much for attending and wish you all a nice day ahead.