DNB Q4 2025 pre-close call

Introduction

Good afternoon and welcome to DNB's pre-close call for the fourth 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 Q4 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 NII and capital and Anne will go through the rest of the P&L.

Net interest income

There are the same number of interest days in the fourth quarter as in the third, so there will be no impact of day count in the Q4 NII.

On the lending volume side, Q3 growth was +0.3% FX adjusted.

Statistics Norway reports of fairly stable development in credit demand since the end of Q3, for both households and corporates. Per November, last 12 months household growth was 4.5% and corporate growth was 1.8%.

In the fourth quarter, we've seen only small average FX developments, so we expect to see minor effects on NII. The FX split in the loan portfolio per the third 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 a cut of up to 25 bps on both loans and deposits took effect from August 25th, meaning that it will have full effect in the fourth quarter.

Furthermore, the central bank cut the key policy rate by another 25 bps in September, and our corresponding customer repricing of a cut of up to 25 bps on loans and deposits took effect from November 18th, meaning that it will have partial impact in the fourth quarter.

DNB Carnegie expects one additional 25 bps cut to the key policy rate, in June this year, to end at a terminal level of 3.75%. With its latest policy rate decision in December, the central bank published an updated Monetary Policy Report which included only very minor adjustments to the expected policy rate path.

We continue to see a fiercely competitive environment.

We will book a technical correction of «Other NII» of approximately negative MNOK 80 in Q4.

As we informed the market of in November, we expect NII to be negatively impacted by a regulatory change related to tax accounts in Norway which became effective on January 1st. The loss of deposit volume as a result of this change is expected to have a negative annual NII effect for DNB of approximately 300 MNOK.

Capital

In the third quarter, we reported a CET1 ratio of 17.9%, well above the NFSA's expected level of 16.6%.

Based on the end-of-period FX development in the fourth quarter, 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.

Just as a reminder, the capital cost of the 1% share buyback program we announced in October was taken in Q3. We have completed more than 70% of the current program.

As you know, we received the NFSA's annual SREP decision in mid-November. The Pillar 2 requirement remains unchanged, and the Pillar 2 guidance was reduced by 25 bps from 1.25% to 1.0%. The decision took effect from December 31, 2025.

As we did last year, we expect higher REA volume for operation risk as a result of higher income in the last years. REA volume for operational risk is adjusted once a year as a calculation of average income over the last 3 years. In Q4 2024, the CET1 effect was negative 32 bps.

YTD we have reserved 60% of retained profits (reflecting the average of the last 3 years' payout ratios). This will, in Q4, be adjusted to reflect the actual proposed payout ratio in 2025.

Net commissions and fees

Generally, activity levels tend to be higher in the fourth quarter compared to the third quarter, impacting fee levels positively.

Financial instruments at fair value

Customer revenues in DNB Carnegie (FICC): Typically sees a seasonally higher activity level in the fourth quarter compared to the third quarter, but is of course also impacted by market volatility.

The mark-to-market effects on AT1s and basis swaps have been announced. Basis swaps were a positive NOK 83m and FX AT1s were a positive NOK 248m. A reminder on the outstanding FX AT1 amounts: USD 700m and SEK 4.95 bn.

Costs

A seasonally higher activity level than we typically see in the third quarter, all else equal, typically leads to somewhat higher costs in the fourth quarter.

DNB Carnegie's macro team expects salary inflation in Norway to come in at 4.8% in 2025.

As communicated previously, we expect to incur non-recurring integration costs related to Carnegie of NOK 250 million in 2025. YTD per Q3 we have seen such non-recurring costs of MNOK ~200.

Keep in mind that we had seasonally low holiday pay disbursements in Sweden in the third quarter of MNOK 45.

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 January 9th 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.