MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms DNB Bank's long-term deposit ratings at Aa1 and senior unsecured ratings at Aa2, outlook stable

03 Sep 2024

Stockholm, September 03, 2024 -- Moody's Ratings (Moody's) today affirmed DNB Bank ASA's (DNB) deposit and senior unsecured debt ratings at Aa1/P-1 and Aa2, respectively. Furthermore, the junior senior unsecured debt (also referred to as non-preferred senior unsecured debt) ratings were affirmed at A2 and the preferred stock non-cumulative ratings (used on Additional Tier 1 notes) were affirmed at Baa2(hyb).

The Baseline Credit Assessment (BCA) and Adjusted BCA were affirmed at a2.

The outlook on the long-term deposit ratings remains stable and the outlook on the senior unsecured ratings was changed to stable from positive.

Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL495139 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

AFFIRMATION OF THE BASELINE CREDIT ASSESSMENT

The affirmation of DNB's BCA of a2 reflects our expectation that the bank will maintain its low asset risk, resilient earnings generation and solid capital position, supported by its strong risk management culture and market leading position in Norway. We expect customer churn to stabilise after a period of outflows in connection with the technical integration of Sbanken ASA onto DNB's platform. Similar to many Nordic peers, the BCA is constrained by the bank's high reliance on market funding, mitigated by its excellent access to international capital markets and different funding instruments.

Asset risk is low, as demonstrated by low levels of problem loans following active de-risking to exposure in the shipping and offshore sectors, and further explained by a well-balanced loan portfolio encompassing personal (49% of loan book) and corporate

(51%) exposure across various industries, combined with prudent underwriting standards and a supportive economic backdrop in Norway. Cost of risk will normalise somewhat from current low levels (annualised loan loss provisions to gross loans of 9 basis points at end June 2024) because vulnerable sectors, including secondary commercial real estate and construction related industries, will remain challenged by the current rate cycle.

DNB's net interest income, representing more than 70% of revenues, will remain underpinned by the still high interest rate environment in Norway, with the central bank expected to maintain a tight monetary policy stance into early 2025, partly offset by continued high level of competition. Profitability is further boosted by strong operating efficiency as illustrated by a lower than peers cost to income ratio at 36% for the first six months of 2024. We forecast net income to tangible assets at or above 1% over the next two years.

DNB has a robust capital base, with a reported Common Equity Tier 1 (CET1) ratio of 19% compared to minimum requirement of 15.6% at end June 2024. Despite ongoing share repurchases we expect DNB to maintain a solid buffer over regulatory requirements over the next 12-18 months, supported by internal capital generation.

LOSS GIVEN FAILURE (LGF) AND GOVERNMENT SUPPORT ANALYSIS

The affirmation of the long-term deposit and senior unsecured debt ratings of Aa1 and Aa2 respectively, are underpinned by the bank's Adjusted BCA of a2 and our analysis of the severity of loss faced by the different liability classes in the event of a failure, resulting in three and two notches uplift in the relevant ratings, respectively. Our assessment of moderate government support reflecting DNB's systemic importance and 34% ownership by the Norwegian government, translates into a further notch of uplift.

We consider that DNB's junior senior unsecured debt holders face a moderate loss given failure, resulting in a rating aligned with the issuers' Adjusted BCA of a2. We do not assign government support to this debt class.

DNB's preferred stock non-cumulative Baa2(hyb) ratings on its AT1 instruments are positioned three notches below the bank's Adjusted BCA, reflecting the high loss-given-failure for the AT1 securities and the securities' coupon skip mechanism and write-down features, which reduce the rating by an additional two notches.

OUTLOOK

The stable outlook on the long-term deposit and senior unsecured ratings reflects our view that DNB will continue to generate sound recurring earnings, supporting a robust capitalisation and manage asset risk prudently. We also assume continued excellent access to capital markets and prudent liquidity management. The change in outlook on the senior unsecured debt ratings to stable from positive reflects our expectations of unchanged severity of losses under our Advanced LGF analysis for DNB's senior unsecured debt based on the anticipated evolution of the bank's debt issuance and tangible banking assets over the next 12 to 18 months.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

DNB's BCA could be upgraded if the bank further improves its profitability and asset quality on a sustainable basis and reduces its dependence on market funding. The senior unsecured debt ratings could be upgraded as a result of further uplift in the Advanced LGF analysis if DNB maintains additional volumes of senior unsecured and junior senior unsecured debt so that the volume and subordination of senior unsecured debt remains above 12% of tangible banking assets on a sustainable basis.

DNB's ratings could be downgraded as a result of (i) lower volumes of loss absorbing liabilities protecting creditors in case of failure; or (ii) a downgrade in its standalone BCA due to asset quality deteriorating beyond our expectations for example through rapid international expansion; lower capitalisation resulting in tangible common equity to risk weighted assets falling below 18%, or financing conditions becoming challenging.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at https://ratings.moodys.com/rmc-documents/409852 . Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL495139 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

• EU Endorsement Status

• UK Endorsement Status

• Rating Solicitation

• Issuer Participation

• Participation: Access to Management

• Participation: Access to Internal Documents

• Lead Analyst

• Releasing Office

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions .

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on https://ratings.moodys.com for additional regulatory disclosures for each credit rating.

Paula Jouandet-Dahlen
Vice President - Senior Analyst
Financial Institutions Group
Moody's Investors Service (Nordics) AB
Norrlandsgatan 20
Stockholm, 111 43
Sweden
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Simon Ainsworth
Associate Managing Director
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service (Nordics) AB
Norrlandsgatan 20
Stockholm, 111 43
Sweden
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

---

credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.