DNB Boligkreditt AS
NOK 50bn covered bond issue
ISIN NO0012427055

Rating Rationale

The AAA rating with a Stable Outlook assigned to the NOK 50bn Norwegian mortgage-covered bond issued out of DNB Boligkreditt's NOK 687bn cover pool reflects the issuer's credit quality, enhanced by two notches of governance support.

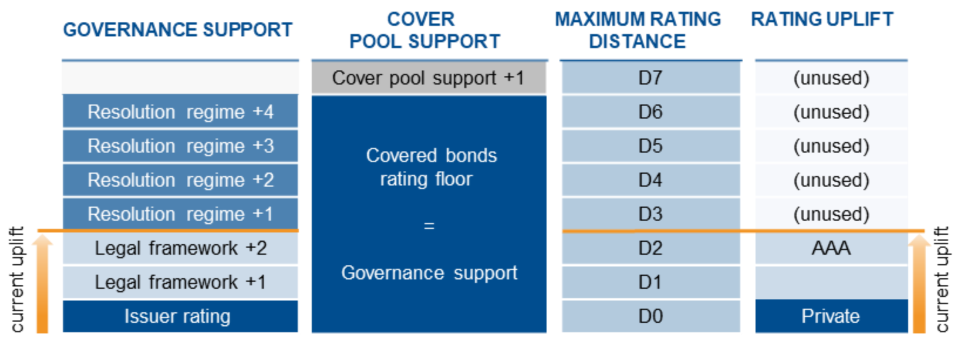
Cut-off date	Cover pool	Cover asset type	Covered bonds
30 Sep. 2022	NOK 687.1bn	Residential mortgage loans	NOK 397.4bn

DNB Boligkreditt AS (DNBB) is a specialised credit institution which allows its parent DNB Bank ASA, one of the leading banks in Norway, to refinance mortgage lending with covered bonds. Our view on DNBB's credit quality reflects its strong integration into the banking group and its ability to refinance residential mortgage loans using covered bonds.

Governance support is the primary rating driver, providing six notches of uplift above the issuer rating. Our view is based on Norway's strong legal covered bond framework and the beneficial resolution regime and the systemic importance of DNB and of DNBB's covered bonds. Only two notches are needed to raise the covered bond rating to the highest achievable level.

We have assigned the interplay between complexity and transparency a cover pool complexity (CPC) category of 'high', allowing for a maximum uplift from cover pool support of one notch on top of the governance uplift. This means, together with unused governance support of four notches, the covered bond benefits from a five-notch buffer against an issuer downgrade.

Figure 1: Covered bond rating building blocks



Stable Outlook

The Stable Outlook on the covered bond rating reflects our expectations that: i) the credit performance of DNB Bank will continue to be stable; ii) the issuer will maintain its covered bond programme's prudent risk profile; and iii) both DNB Bank and DNBB will remain willing and able to provide sufficient overcollateralisation to support the covered bond's very high credit quality.

Ratings & Outlook

Issuer rating	**ND**
Outlook	ND
NOK 50bn CB	AAA
Outlook	Stable
Rating action	New
Last rating action	26.01.2023

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Related Research

Scope assigns AAA rating to DNB Boligkreditt's NOK 50bn issue (NO0012427055), Outlook Stable, Jan 2023

Norway's residential housing boom is over: prices starting to fall, Nov 2022

Norway maintains strong covered bond framework following alignment with EU Directive, Sep 2022

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Bloomberg: SCOP

Rating drivers and mitigants

Positive rating drivers

High issuer credit quality. DNBB's strong credit quality, which reflects its parent, forms the starting point for our covered bond rating and builds the cornerstone of the governance and cover pool uplift.

Norwegian covered bond legal framework (+2 notches). The legislation for covered bonds provides a very strong framework, ensuring the integrity of the covered bond structure and allowing it to fully support and enforce recourse to the cover pool.

Resolution regime assessment (+4 notches). Norwegian covered bonds are excluded from bail-in; regulators are expected to restructure the bank using available resolution tools; DNBB's covered bonds are deemed systemically relevant; and a cohesive stakeholder group supports the market's ongoing development.

Cover pool support (up to +1 notch). The covered bond achieves the highest rating based on the governance uplift, but the strong cover pool could provide additional credit stability.

Negative rating drivers and mitigants

CPC category. The interplay between complexity and transparency allows for a maximum additional cover pool uplift of only one notch. Consequently, the covered bonds protection against issuer downgrades could be strengthened if the level of transparency increases.

Upside rating-change drivers

Issuer. An upgrade of DNBB may further increase the buffer of the covered bond rating against issuer downgrades.

CPC category. A higher level of transparency could increase the buffer of the covered bond rating against issuer downgrades.

Downside rating-change drivers

Issuer. An impaired profitability of the banks' parent may negatively impact the rating of the issuer. As such, this may decrease the buffer of the covered bond rating against issuer downgrades and/or make cover pool support a primary rating driver.

Resolution-regime assessment. A significant fall in the market share or relevance of covered bonds as a funding vehicle could remove the regulator's incentive and ability to maintain the issuer as a going concern and could negatively impact the rating.

The issuer

We maintain and monitor a private issuer rating on DNBB, the wholly owned subsidiary of DNB Bank ASA.

DNB holds a dominant market position and a diversified business franchise in its home market of Norway, which underpins its resilient earnings generation capabilities. The group's leading retail and commercial banking franchise is complemented by leading asset management, insurance and investment banking businesses. Seeking to meet the broad financial needs of clients, the group also offers services such as leasing, real estate brokerage, and accounting and enterprise resource planning.

The majority of the group's operations are domestic, with international units accounting for less than 20% of revenues. Based on assets, DNB is the largest domestic bank in the country. Well aware of both traditional and non-traditional competitors, management demonstrates a proactive approach to maintaining the group's leading position. The recent acquisition of Sbanken, a digital bank, in March 2022 increases the group's market share in residential mortgages by about 3 pp to 27% and adds further technology expertise.

The group's distribution model has become increasingly digital, with less than 1% of personal customer interactions being physical. Since 2015, DNB has reduced the number of branch offices by more than half and has been operating with fewer than 60 for several years. Key digital customer channels include a cloud-based mobile bank, the savings and investment app Spare, and the mobile wallet Vipps.

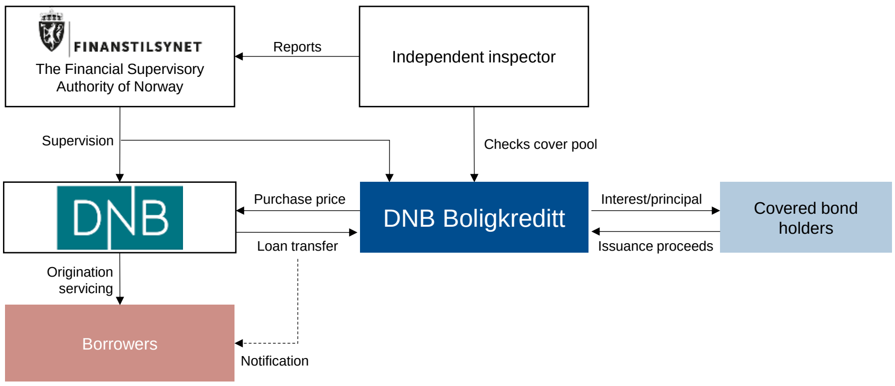
For further details on our bank credit analysis, see Appendix I.

Scope has a subscription rating on DNB Bank ASA. To view the rating and rating report on ScopeOne, *Scope's digital marketplace*, or to register, please click here.

Programme structure

The Norwegian legal covered bond framework is mainly based on the covered bonds section of the Financial Institutions Act and a related regulation on mortgage credit institutions, both introduced in 2007. The act was amended to transpose the European Covered Bond Directive and came into force on 8 July 2022, the same day as the directive in the EU. Under this framework, issuance is permitted only through specialist covered bond issuers. Like most Norwegian covered bonds issuers (generally called *Boligkreditt*, or specialised residential mortgage institutions), DNBB relies on loans directly originated by its parent bank or on loans underwritten by the bank and originated by DNBB itself. In either case, the parent bank generally provides most of the servicing, allowing DNBB to keep staff numbers low.

Figure 2: Issuance structure



Source: Scope Ratings

Governance support analysis

Governance support factors enhance the covered bond rating by six notches above DNBB's private issuer rating. This is based on our view of: i) Norway's covered bond legal framework; and ii) the resolution regime and systemic importance of DNB and its covered bonds.

Legal framework analysis

Two notches of uplift based on legal framework analysis

We consider the Norwegian covered bond framework to be one of Europe's strongest, meeting our criteria for protecting investors. Therefore, we assign the highest credit differentiation of two notches.

The framework, together with common market practices, ensures: i) the cover pool is segregated from the parent's insolvency estate; ii) bond payments continue after insolvency; and iii) identified risks can be mitigated by overcollateralisation (OC), which generally remains available after insolvency. Norwegian covered bonds also benefit from specific regulatory oversight as well as liquidity and other risk management guidelines.

Resolution regime analysis

Four notches of additional uplift reflecting resolution regime

Four additional notches of uplift reflect our assessment of the Norwegian resolution regime and systemic importance considerations. This includes: i) the implementation of the Bank Recovery and Resolution Directive (BRRD) and the exemption of covered bonds from bail-in; ii) incentives that prevent regulatory intervention in the issuer affecting the covered bonds' credit quality and performance; iii) product-, issuer- and country-specific aspects relevant to the systemic importance of covered bonds in Norway; and iv) a pro-active stakeholder community.

Norwegian covered bonds are excluded from bail-in. The first notch of four notches of rating uplift reflects our view that, in a resolution scenario, regulators are more likely to restructure DNBB, together with DNB, as a going concern using available tools, due to close integration within the group and DNB's status as a domestically systemic important bank. In addition, we consider DNB to have a substantial cushion of eligible liabilities for bail-in to protect the covered bonds of its subsidiary.

An additional rating notch reflects our view of covered bonds' systemic importance in Norway in the context of domestic mortgage lending. We classify Norwegian residential-mortgage covered bonds as a systemic refinancing product. The covered bonds issuance in 2021 accounted for 32% of GDP. In Norway, 24 specialised covered bond issuers are active, issuing residential, commercial and public sector-backed covered bonds. Globally, Norway was the eighth largest issuer in 2021 and is the tenth largest issuer by total outstanding size.

DNBB's covered bond issuing activities result in a high systemic importance. It represents around 1/3 of the domestic covered bond market, in line with its share in the residential mortgage business. A failure of a covered bond issuer with the size and setup of DNBB could thus result in contagion, effectively creating systemic problems for other issuers reliant on this refinancing channel. This accounts for the third notch of uplift.

The fourth rating notch reflects the very active Norwegian stakeholders and a proactive regulator supporting the domestic covered bond market. The country's covered bond issuers actively co-operate under the umbrella of the Norwegian Covered Bond Council to promote the product and initiate any changes to the framework.

For more information on our view of the Norwegian legal framework and resolution regime, please refer to Legal framework analysis: Norway.

Cover pool characteristics

Reporting date	Sep 2022	Sep 2021
Balance (NOK bn)	687.1	691.0
Residential (%)	100%	100%
Substitute (%)	0.0%	0.0%

Property type (%)

Reporting date	Sep 2022	Sep 2021
Houses	65.6%	65.6%
Apartments	31.1%	31.1%
Multi-family houses	2.9%	2.9%
Others	0.4%	0.5%

General information

Reporting date	Sep 2022	Sep 2021
No. of loans	362,425	390,469
No. of obligors	312,559	333,991
Avg. size (NOK m)	1.9	1.8
Top 10 (%)	0.2%	0.2%
Remaining life (y)	22.7	22.7
Indexed LTV (%)	49.8%	51.1%

Interest rate type (%)

Reporting date	Sep 2022	Sep 2021
Floating	94.9%	94.7%
Fixed	5.1%	5.3%

Repayment type (%)

Reporting date	Sep 2022	Sep 2021
Annuity	79.5%	80.4%
Interest-only	20.5%	19.6%

Cover pool analysis

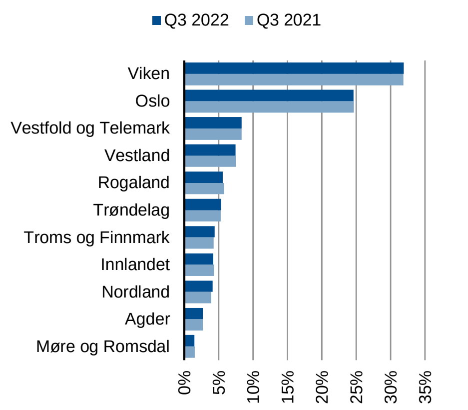
The covered bond's governance support of up to six notches already provides for the highest possible rating. It is the key rating driver and, as such, additional cover pool support is currently not needed to support the highest rating. We determine whether cover pool support could further stabilise the ratings by first examining the interplay between complexity and transparency. This analysis translates into a CPC category of 'high', which constrains the cover pool-related uplift to one out of a maximum of three notches on top of the governance-related uplift.

Constraining factors were the limited public visibility on origination standards, issuance strategy as well as limited publicly available transparency on the hedging strategy and counterparty risk mitigation.

Cover pool composition

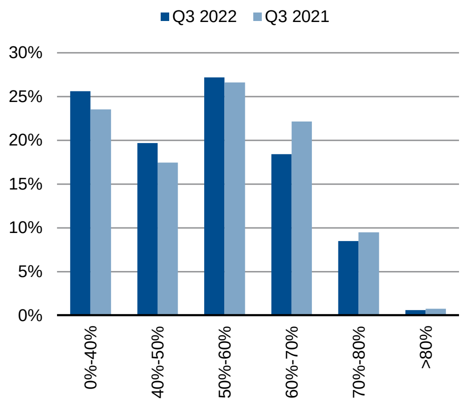
The residential mortgage pool is highly granular with almost 400,000 loans, mostly to borrowers in the Oslo and Viken area. The granularity is also evidenced by the low share of multi-family houses at only 2.9%. Around 2/3 of the pool is secured by owner-occupied properties. As is usual for Norwegian mortgages, loans are mostly floating rate. The share of bullet loans is rather elevated at around 20%. These typically include revolving credit lines with low LTVs. The average indexed LTV of 49.8% indicates high recoveries even under our most severe stress assumptions.

Figure 3 : Regional distribution



Source: Scope Ratings, DNB

Figure 4 : LTV distribution (indexed)



Source: Scope Ratings, DNB

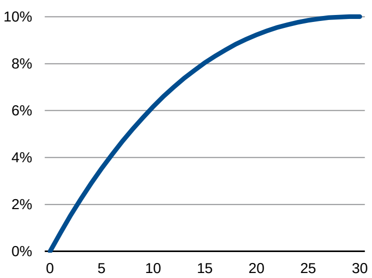
Asset risk analysis

Strong credit quality translates into low credit risk

The cover pool's credit quality is strong and in line with Norwegian peers. We assume an annual average default probability of 80 bps. This assumption has been established by taking into account DNB's internal risk scoring and probability of default (PD) mapping for its mortgage book as reported in its Pillar 3 disclosure. The assumption provides a comfortable cushion against the banks realised defaults of around 25 bps on average during the last 12 years and translates into a cumulative term default rate of 10%.

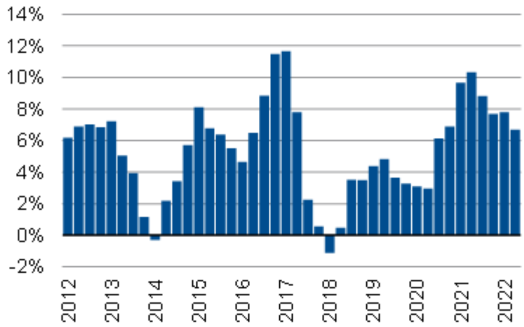
Our projection of default on mortgage loans uses an inverse Gaussian distribution, given the high granularity of the cover pool. We have further assumed a coefficient of variation of 55% for the mortgage assets.

Figure 5: Expected term defaults, cumulative



Source: Scope Ratings, DNB

Figure 6: House price growth Norway, annualised



Source: Scope Ratings, statOECD

Our stressed recovery rate is calculated at 72.5%. Norway's housing growth has exceeded our expectations for long-term sustainable growth which we assume to be 3.0%. This results in stressed market value haircuts of up to 55% upon a foreclosure of a property. We further assume base market value haircuts of 10% to account for imminent value corrections, bringing house prices back to more sustainable levels again.

In addition, we assume a fire-sale discount of 20%, applied to properties sold under non-standard market or distressed conditions. This reflects the cover pool being tilted to the metropolitan, more liquid area of Oslo. In our recovery analysis, we further include a flat 10% haircut for costs associated with the repossession process.

We assumed a stressed recovery lag of 24 months reflecting Norway's lean and digital sale procedures as well as the more regional asset exposure.

Figure 7: Norwegian Security Value Haircuts (SVH)

Region	Base MVD	Stressed MVD	Firesale Discount	Stressed TSVH
Oslo	10.0%	55.0%	20.0%	67.5%
South-Western	10.0%	42.5%	20.0%	57.5%
Rest of Norway	10.0%	42.5%	20.0%	57.5%

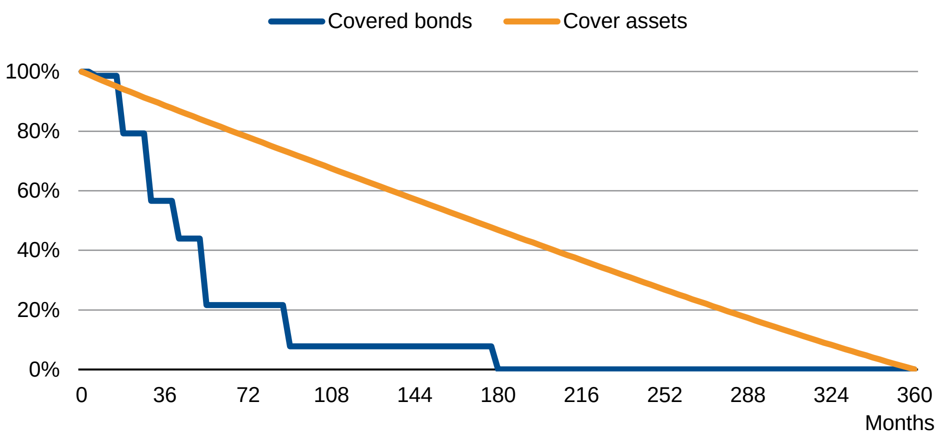
Cash flow risk analysis

The overcollateralisation (OC) that supports the AAA rating is set at the legal minimum of 5% as the rating is based on governance support. Consequently, cover pool support is not a rating driver.

To test rating stability, we determined the overcollateralisation needed to support the current rating uplift if the programme had to rely on cover pool support. We performed a full analysis supported by data provided by DNBB. We found that cover pool support can maintain the current AAA rating up to a five-notch issuer downgrade.

We projected the asset cash flows based on the cover pool's weighted average life complemented by the reported average remaining term to maturity. For the covered bonds, we relied on the reported stratified maturity schedule. In our base scenario we further assume an annual excess margin of 25 bps generated by the cover pool over the interest on the covered bonds based on market information and benchmarking.

Figure 8 : Amortisation profile



Source: Scope Ratings, DNB

In order to calculate a net present value for the cover pool, we add a liquidity premium of 150 bps for Norwegian residential mortgage loans to the rating distance and scenario-dependent discount curve. This is necessary in the event of an asset sale if the cash accumulated from cover pool amortisation is insufficient to pay timely interest and principal on the covered bonds. We derived this liquidity premium by analysing the long-term development of trading spreads for Norwegian and other 'core country' covered bond spreads.

We tested for low (1%) and high (up to 15%) prepayments to stress the programme's sensitivity to unscheduled repayments. The programme is most sensitive to low prepayments. This creates the need for forced asset sales at a discount because of the maturity mismatch between the long-dated assets and the short-dated liabilities.

Asset-liability mismatches

	Assets	Liabilities
NOK	100%	100%
Fixed	5.1%	0.0%
Floating	94.9%	100.0%
WAL (years)	13.7	4.5

Other market risks are limited given the issuer's prudent hedging strategy. Around 5% of cover assets pay fixed rate interest, while covered bonds are fully floating rate after consideration of swaps. Also, there is no foreign exchange risk as FX-denominated liabilities are fully swapped to Norwegian krone.

We applied country- and asset-type-specific servicing fees which the cover pool needs to pay. For the residential mortgage loans, we assumed a servicing fee of 25 bps.

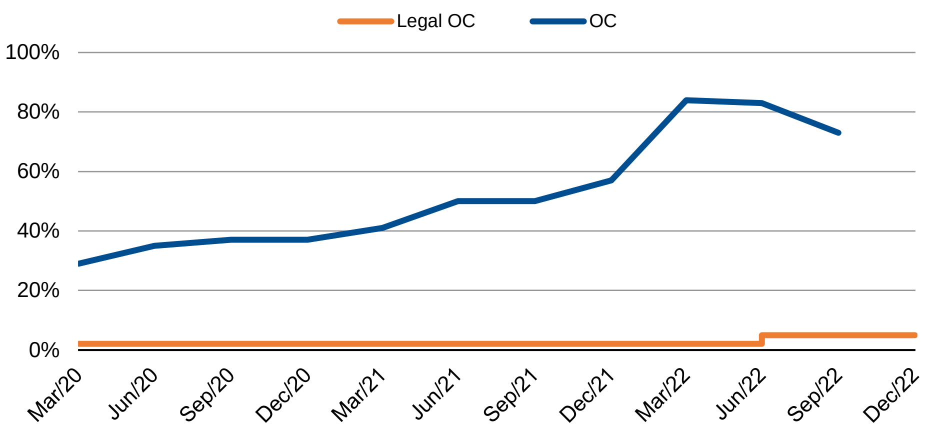
Further, we tested sensitivities towards a 50% margin compression, frontloaded defaults, 25% prepayments and a liquidity premium up to 200 bps.

Availability of overcollateralisation (OC)

Overcollateralisation fully taken into account

The current rating of DNBB allows us to fully account for the provided OC of 72.9% at the end of Sept 2022 which is well above the level of overcollateralisation supporting the programme's AAA rating. We are not aware of plans that would significantly change the risk profile or reduce available OC to levels that would no longer support the current rating uplift.

Figure 9: OC development



Source: DNB

Other risk considerations

Counterparty risk mitigated by alignment of interests

The rated covered bond has significant counterparty exposures to the issuer, as well as to the issuer's parent as loan originator, servicer, bank account provider, paying agent and swap counterparty. However, if a regulator were to intervene, we believe the strong alignment of interests between the bank and the covered bond holders would prevent any negative impact. We also view positively the fact that collections are generally made via direct debit, allowing for a relatively swift redirection of payments if necessary.

Established green bond framework

DNB has established a green bond framework in 2021, based on ICMA's Green Bond Principles. Under this framework DNB issues green covered bonds (through DNBB) and uses its proceeds to finance green residential buildings. DNB currently follows a best-in-class approach, whereby the 15% of Norwegian buildings with the lowest CO_2 emissions are labelled as 'green'. DNBB's eligible green mortgage portfolio currently amounts to around NOK 98bn, which represents around 1/7 of the mortgage cover pool. The average energy consumption of its green mortgage portfolio is less than 50% of the average Norwegian consumption. Outstanding green covered bonds are at around NOK 40bn. The rated covered bond is not a green-labeled covered bond.

Sensitivity analysis

Four-notch buffer from governance support …

The issuer credit quality in combination with the governance support uplift of up to six notches allows the AAA rating on the NOK 50bn issue to be maintained without the need for credit support from the cover pool, even upon an issuer downgrade of up to four notches.

… plus one notch from cover pool support

The covered bond rating can even withstand an issuer downgrade of five notches, considering the possible one notch of additional uplift provided by the cover pool. However, such an issuer rating downgrade would require a major adverse shock to the Norwegian economic and banking environment. Such a shock would also likely result in changes in the cover pool's asset quality and risk structure and would thus require the constant monitoring of the programme's credit quality.

Summary of covered bond characteristics (NO0012427055)

Reporting date	30 Sep 2022
Issuer name	DNB Boligkreditt AS
Country	Norway
Covered bond name	Obligasjoner med fortrinnsrett (Norwegian mortgage-covered bonds)
Covered bond legal framework	Norwegian legal covered bond framework
Cover pool type	Residential mortgage loans
Composition	Residential = 100%
	Substitute = 0%
Issuer rating	Private
Current covered bond rating (NO0012427055)	AAA/Stable
Covered bond maturity type	Soft bullet
Cover pool currencies	NOK (100%)
Covered bond currencies	NOK (100%)
Governance support	6
Maximum additional uplift from CPC category	1
Maximum achievable covered bond uplift	7
Potential covered bond rating buffer	5
Cover pool (NOK bn)	687.1
thereof, substitute assets (NOK bn)	0
Covered bonds (NOK bn)	397.4
Overcollateralisation: current / legal minimum	72.9%/5.0%
Overcollateralisation to support current rating	5.0%
Overcollateralisation upon a one-notch issuer downgrade	5.0%
Weighted average life of assets	13.7
Weighted average life of liabilities [1]	4.5
Number of loans	362,425
Average loan size (NOK m)	1.9
Top 10 residential	0.2%
Interest rate type – assets	Floating 94.9%
	Fixed 5.1%
Interest rate type – liabilities	Floating 100%
	Fixed 0%
Weighted average LTV (indexed)	49.8%
Geographic split (top 3)	Viken 31.9%
	Oslo 24.6%
	Vestfold and Telemark 8.3%
Default measure	Inverse Gaussian
Mean default rate (one-year/cumulative)	80 bps/10.0%
Coefficient of variation	55.0%
Recovery rate assumption (Base/Stressed)	97.0%/72.5%
Max liquidity premium	150 bps
Servicing fee	25 bps

Appendix I Summary of credit view on DNB Boligkreditt

DNB Boligkreditt is a wholly owned subsidiary of DNB Bank

DNB Boligkreditt is a key funding vehicle for DNB Bank

DNB Boligkreditt is a wholly owned subsidiary of DNB Bank, and we consider it to be a fully integrated subsidiary.

DNB Boligkreditt is the DNB group's funding vehicle for the issuance of covered bonds backed by residential mortgages. DNB Boligkreditt enables the group to offer residential mortgages on competitive terms and plays a key role in ensuring favourable long-term funding for the group.

DNB Boligkreditt originates mortgages using the bank's distribution network and in accordance with the bank's credit policy. At the same time, the company has agreements with the bank which support its operations, including administration, IT operations and financial and liquidity management.

DNB Bank is a national champion with a well-rounded business franchise

DNB Bank benefits from a very strong business franchise …

A dominant market position and a diversified business franchise in its home market of Norway underpins DNB's resilient earnings generation capabilities. The group's leading retail and commercial banking franchise is complemented by leading asset management, insurance, and investment banking businesses. Seeking to meet the broad financial needs of clients, the group also offers services such as leasing, real estate brokerage, and accounting and enterprise resource planning.

The majority of the group's operations are domestic, with international units accounting for less than 20% of revenues. Based on assets, DNB is the largest bank in the country. Well aware of both traditional and non-traditional competitors, management demonstrates a proactive approach to maintaining the group's leading position. In addition to investments to remain at the forefront of digitalisation, the group pursues partnerships to expand its reach and innovation capabilities.

Net interest income accounts for about 70% of the group's revenues which is high compared to international peers. At the same time, DNB continues to invest in capital-light businesses generating non-interest income. Growing customer interest in savings and investments as well as the introduction of own pension accounts present business opportunities. The group has also been developing its investment banking platform in the Nordics and also sees opportunities in sustainable (ESG) financing.

DNB Bank generates strong earnings and maintains sound prudential metrics

… as well as robust financial and prudential metrics

DNB's strong and resilient earnings continue to provide a comfortable cushion against potential credit impairments and support growth. Management's overriding target is a return on equity of more than 13% over the 2022-2025 strategic period. This is premised on annual loan growth of 3-4% and other operating income growth of 4-5% through the cycle. The group also targets a cost income ratio below 40%.

A balanced and diversified loan book contributes to the group's sound asset quality profile. Over the last ten years, DNB's problem loan ratio has ranged between 1.5% and 2.1%. While not as low as some Nordic peers, this level compares well to other international peers.

Over the years, management has strategically shifted the loan portfolio towards personal customers and SMEs from large corporates. The group also increasingly pursues an originate and distribute model. Residential mortgages accounted for more than 45% of exposure at default (EAD) as of 30 September 2022.

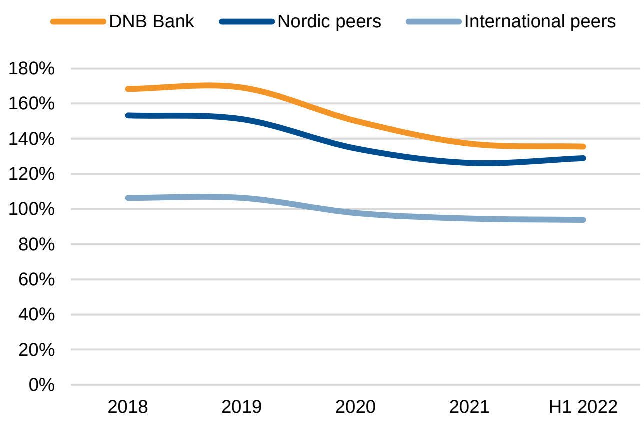
Management has a consistent track record of building up capital to meet increasingly demanding regulatory requirements. At the same time, the group's solvency position has benefited from lower internal ratings-based (IRB) risk weights only to a limited extent as the Norwegian FSA maintained the Basel I floor until year-end 2019. This was then followed by an increase in the systemic risk buffer for Norwegian exposures to 4.5% from 3%, with effect from year-end 2020.

DNB targets a CET1 capital ratio above 17%, the supervisory expectation following a return to pre-pandemic countercyclical capital buffer rates across geographies with effect from Q1 2023. This target also includes a Pillar 2 guidance of 1.5%. As of 30 September 2022, the group's CET1 capital stood at a reassuring 18.1%.

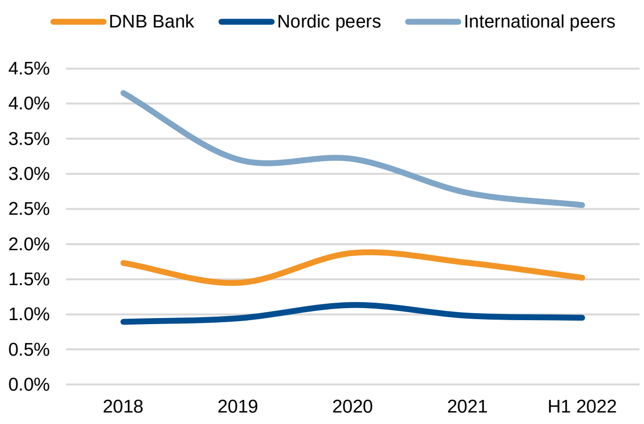
DNB aims to maintain a diversified funding profile, with the group targeting a deposit to net loan ratio above 60%. Covered bonds are also an important and stable source of long-term funding, accounting for about 40% of market funding.

Peer comparison – DNB Bank compared to Nordic and international peers

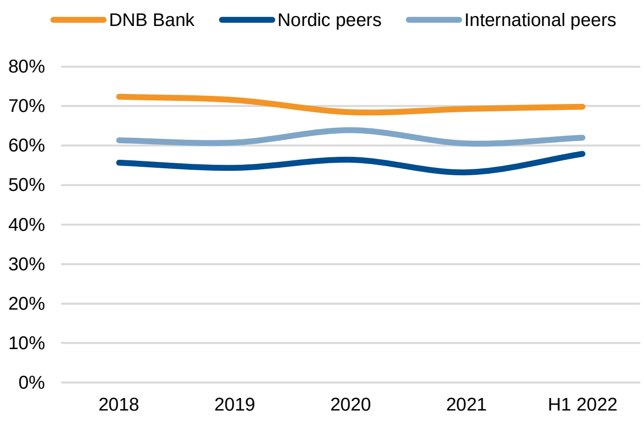
Net customer loans/deposits



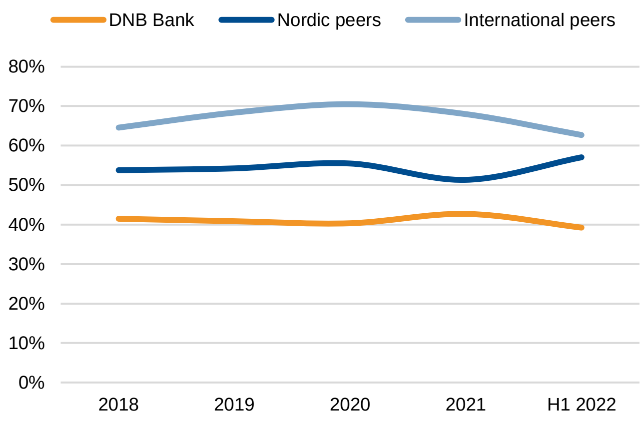
Problem loans/gross customer loans



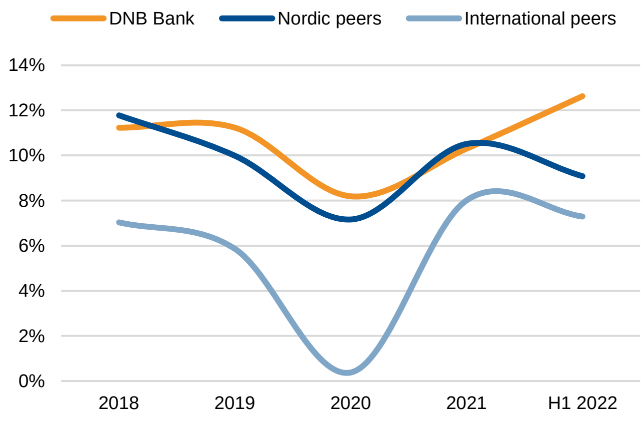
Net interest income/operating income



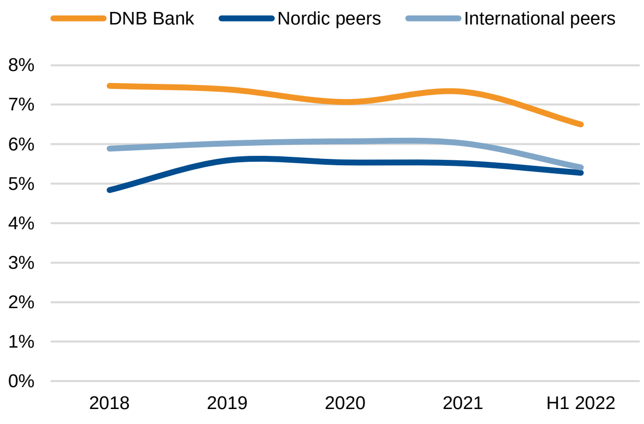
Costs/income



Return on average equity (%)



Leverage ratio (%)



Nordic peers: Danske Bank, OP Financial Group, Nordea, SEB, Swedbank, Svenska Handelsbanken.
International peers: Credit Agricole Group, Groupe BPCE, Lloyds Banking Group, NatWest Group, Intesa, Commerzbank, Rabobank, ING Group, CaixaBank, Bank of Ireland, AIB Group.
Source: SNL.

Selected financial information

	2018	2019	2020	2021	9M 2022
Balance sheet summary (NOK m)					
Assets					
Cash and interbank assets	285,738	407,707	361,992	341,686	508,912
Total securities	573,885	537,646	655,331	595,964	776,150
of which, derivatives	124,755	125,076	186,740	135,400	312,574
Net loans to customers	1,597,758	1,667,189	1,693,811	1,744,922	1,959,268
Other assets	177,522	180,751	207,809	236,672	241,058
Total assets	**2,634,903**	**2,793,294**	**2,918,943**	**2,919,244**	**3,485,388**
Liabilities					
Interbank liabilities	188,063	202,782	207,457	149,611	229,776
Senior debt	801,918	873,818	781,029	705,555	NA
Derivatives	110,116	115,682	174,979	114,348	279,309
Deposits from customers	927,092	969,557	1,105,574	1,247,719	1,470,882
Subordinated debt	31,082	31,095	40,842	70,816	83,910
Other liabilities	352,666	358,105	360,666	387,283	NA
Total liabilities	**2,410,937**	**2,551,038**	**2,670,547**	**2,675,332**	**3,234,377**
Ordinary equity	207,772	215,481	229,915	226,672	235,741
Equity hybrids	16,194	26,729	18,362	16,974	14,849
Minority interests	0	45	119	266	421
Total liabilities and equity	**2,634,903**	**2,793,294**	**2,918,943**	**2,919,244**	**3,485,388**
Core tier 1/ common equity tier 1 capital	*176,831*	*178,304*	*181,115*	*189,305*	*197,477*
Income statement summary (NOK m)					
Net interest income	36,822	39,202	38,623	38,690	34,223
Net fee & commission income	9,310	9,716	9,529	11,011	8,415
Net trading income	1,332	3,179	5,914	3,578	3,892
Other income	3,433	2,723	2,349	2,554	1,060
Operating income	**50,897**	**54,820**	**56,415**	**55,833**	**47,590**
Operating expenses	21,110	22,401	22,765	23,831	18,816
Pre-provision income	**29,787**	**32,419**	**33,650**	**32,003**	**28,774**
Credit and other financial impairments	-139	2,191	9,918	-868	-946
Other impairments	380	207	-7	3	-4
Non-recurring income	0	1,740	780	0	0
Non-recurring expense	567	525	672	200	150
Pre-tax profit	**28,979**	**31,235**	**23,847**	**32,667**	**29,573**
Income from discontinued operations	-204	-49	221	150	143
Income tax expense	4,493	5,465	4,229	7,462	6,802
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	0	-5	-15	26	73
Net profit attributable to parent	**24,282**	**25,726**	**19,855**	**25,329**	**22,841**

Source: SNL.

Selected financial information

	2018	2019	2020	2021	9M 2022
Funding and liquidity					
Net loans/ deposits (%)	168%	169%	150%	137%	131%
Liquidity coverage ratio (%)	117%	138%	148%	142%	137%
Net stable funding ratio (%)	104%	112%	111%	112%	117%
Asset mix, quality and growth					
Net loans/ assets (%)	60.6%	59.7%	58.0%	59.8%	56.2%
Problem loans/ gross customer loans (%)	1.7%	1.4%	1.9%	1.7%	1.4%
Loan loss reserves/ problem loans (%)	35.5%	42.2%	43.8%	32.8%	28.7%
Net loan growth (%)	3.4%	4.3%	1.6%	3.0%	16.4%
Problem loans/ tangible equity & reserves (%)	12.2%	9.8%	12.5%	12.3%	10.7%
Asset growth (%)	-2.3%	6.0%	4.5%	0.0%	25.9%
Earnings and profitability					
Net interest margin (%)	1.4%	1.5%	1.4%	1.4%	1.5%
Net interest income/ average RWAs (%)	3.6%	3.9%	3.9%	4.0%	4.4%
Net interest income/ operating income (%)	72.3%	71.5%	68.5%	69.3%	71.9%
Net fees & commissions/ operating income (%)	18.3%	17.7%	16.9%	19.7%	17.7%
Cost/ income ratio (%)	41.5%	40.9%	40.4%	42.7%	39.5%
Operating expenses/ average RWAs (%)	2.1%	2.2%	2.3%	2.5%	2.4%
Pre-impairment operating profit/ average RWAs (%)	2.9%	3.2%	3.4%	3.3%	3.7%
Impairment on financial assets / pre-impairment income (%)	-0.5%	6.8%	29.5%	-2.7%	-3.3%
Loan loss provision/ average gross loans (%)	0.0%	0.1%	0.6%	-0.1%	-0.1%
Pre-tax profit/ average RWAs (%)	2.9%	3.1%	2.4%	3.4%	3.8%
Return on average assets (%)	0.9%	0.9%	0.6%	0.7%	0.9%
Return on average RWAs (%)	2.4%	2.5%	2.0%	2.6%	2.9%
Return on average equity (%)	11.2%	11.2%	8.2%	10.3%	12.5%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	17.2%	18.6%	18.7%	19.4%	18.1%
Common equity tier 1 ratio (%, transitional)	17.2%	18.6%	18.7%	19.4%	18.1%
Tier 1 capital ratio (%, transitional)	18.5%	20.8%	20.1%	21.0%	19.3%
Total capital ratio (%, transitional)	20.8%	22.9%	22.1%	24.0%	21.5%
Leverage ratio (%)	7.5%	7.4%	7.1%	7.3%	6.4%
Asset risk intensity (RWAs/ total assets, %)	39.1%	34.4%	33.1%	33.3%	31.3%
Market indicators					
Price/ book (x)	1.1x	1.2x	1.1x	1.4x	1.1x
Price/ tangible book (x)	1.1x	1.2x	1.2x	1.4x	1.2x
Dividend payout ratio (%)	56.7%	54.1%	NA	61.9%	NA

Source: SNL.

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