



# DNB Bank ASA – Quality at a cost: initiating with Hold

## The business

DNB Bank ASA (DNB) is Norway's largest bank by assets and market share, established in its current form following the merger of DnB and Gjensidige NOR in 2002. Headquartered in Oslo, the Group serves approximately 2.3 million personal and corporate customers across Norway, Sweden, Denmark and Finland, with a total balance sheet of NOK 3,695 billion as at year-end 2025.

The Group's loan portfolio totals NOK 2,403 billion, comprising retail mortgages, corporate lending and repo facilities across a well-diversified set of industry segments. Over the past five years, DNB has grown its loan book at an average annual rate of approximately 7%, while maintaining a return on equity averaging around 14.9% over the same period, positioning the bank among the most capital-efficient large-cap financial institutions in Europe. The 2025 full-year ROE came in at 15.9%, underpinned by a cost/income ratio of 38.0% and a CET1 capital ratio of 17.9%, providing substantial headroom above regulatory requirements.

The investment case rests on three pillars. First, DNB operates in a structurally consolidated Norwegian banking market with persistently elevated net interest margins relative to Nordic peers. Second, the acquisition of Carnegie in March 2025 materially strengthens the Group's capital-light fee income streams within investment banking and asset management, supporting the ambition of growing net commissions and fees by more than 9% annually through 2027. Third, the bank's shareholder returns profile is highly visible: the Board has proposed a dividend of NOK 18.00 per share for 2025, corresponding to a payout ratio of 62%, supplemented by an active share buyback programme totalling 2.5% of outstanding shares.

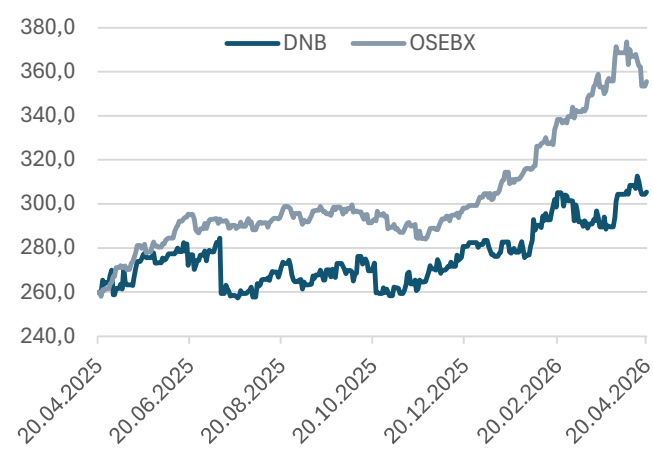
## General (all figures in NOK)

Company	DNB Bank ASA
Ticker	DNB
Market Cap	443 bn
Price (20.04.2026)	305.4 kr
Target price	290 kr
Upside (downside)	- 5 %
Recommendation	HOLD

## Key metrics 2026e (all figures in NOK)

Revenue	38 484 Mill
Net interest income	68 211 Mill
Price/book	1.26
EPS	26.63
P/E	10.89
Shareholder Yield	5.25 %
Capital adequacy	17 %

## 12 month return vs osebx



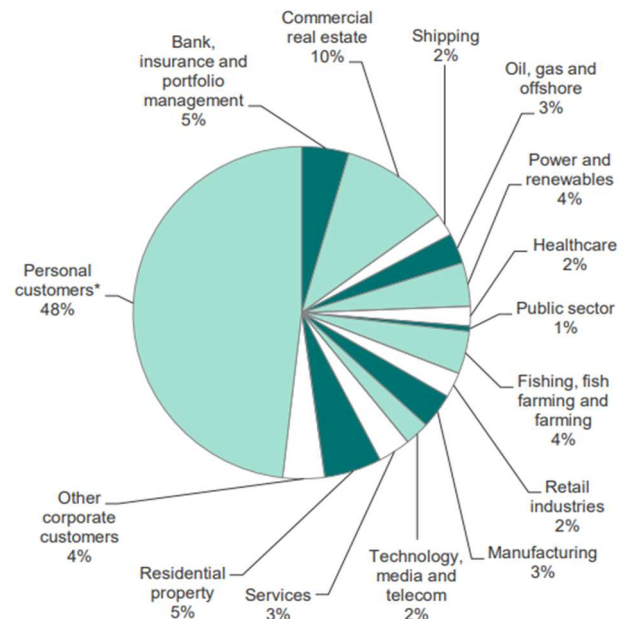
Market outlook

The Norwegian loan market is highly concentrated, with DNB holding an estimated market share of approximately 27%. Ongoing consolidation among domestic banks in recent years has further reinforced this concentration, reducing competitive pressure at a market level. There are, however, notable regional disparities, where DNB maintains a dominant position in the major cities and the eastern regions of Norway, while competition in urban centres is materially more intense than in rural areas, creating margin pressure in DNB's highest-volume segments. At the aggregate level, the consolidation trend appears to sustain net interest margins above those observed in comparable Nordic markets, an effect we expect to persist in the near to medium term.

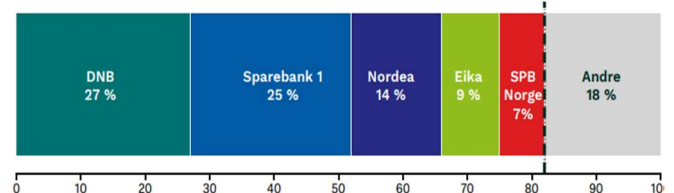
From a geographic exposure standpoint, DNB's loan portfolio is heavily skewed towards Norway, which accounts for 93% of total lending. This makes the bank's earnings highly sensitive to monetary policy decisions by Norges Bank. While the March meeting left rates unchanged, markets are currently pricing in two hikes in 2026, with a move in May increasingly likely. A rate increase would be unambiguously positive for DNB, as higher rates expand net interest income, particularly given the bank's limited exposure to project financing, which typically carries more adverse sensitivity to rate movements.

The broader macroeconomic backdrop remains supportive. Unemployment stands at 2.1% and wage growth is tracking at a minimum of 4.4%, both of which are leading indicators of sustained upward pressure on interest rates. We view this as constructive for the Norwegian banking sector as a whole, underpinning continued elevated net interest margins and providing a solid foundation for dividend growth in the coming periods.

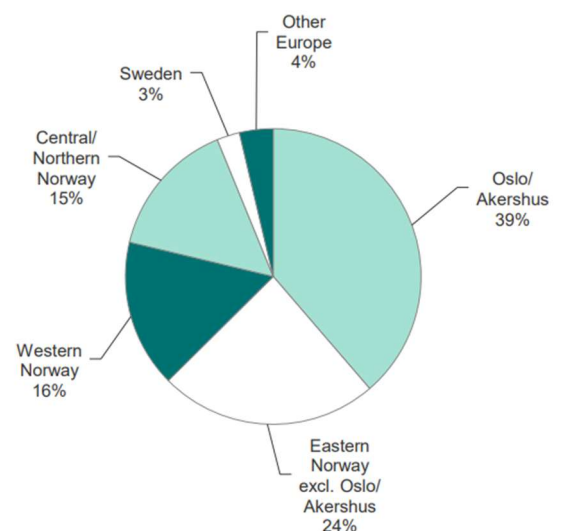
Loan exposure per segment



Norwegian loan market shares



Geographical exposure



## Competitors (Peers)

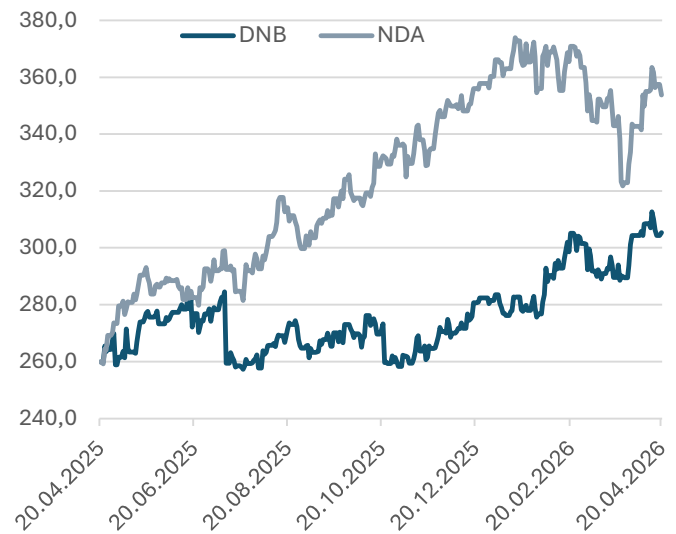
While the Norwegian banking market remains concentrated, DNB (DNB) and Nordea (NDA) stand out as the two most comparable large-cap Nordic banks. The SpareBank 1 Alliance holds a significant aggregate market share, though this is primarily attributable to its network of local savings banks serving rural markets across northern and central Norway, rather than direct competition in DNB's core segments. Nordea and Danske Bank (DANSKE) dominate the broader Nordic landscape, while DNB retains its position as the largest bank in Norway by market share.

DNB and Nordea operate across broadly similar business lines, offering an integrated suite of services spanning retail and corporate banking, insurance, and asset management. Despite this structural similarity, DNB has demonstrated a materially superior ability to generate returns. Our estimates indicate an earnings yield approximately 1.35 percentage points above Nordea, alongside wider margins and a higher dividend yield. We attribute this primarily to DNB's cost discipline — the bank has shown an exceptional ability to reduce its cost-to-income ratio while maintaining operational effectiveness, which we view as a key and durable competitive advantage.

Nordea has, however, begun to close the gap. Q4 results showed a 3% year-over-year reduction in operating costs, contributing an incremental ~€100m to earnings. While this improves Nordea's earnings growth trajectory, the market response has been significant, with much of the upside already reflected in the current valuation. DNB, on its part, continues to invest in platform development with the aim of enhancing customer stickiness and deepening existing relationships — a strategy we view as supportive of long-term revenue quality.

On balance, both banks appear attractive across different parameters. We view DNB as marginally more advantageous for Norwegian investors, primarily due to the withholding tax treatment on dividends from foreign-listed equities, which penalises Nordea's otherwise competitive dividend yield.

## DNB vs Nordea stock performance



## Peer-to-peer comparison (2025)

	DNB	NDA
Market value	443 bn	55 bn EUR
Share price	305.4 kr	16.09 EUR
Cost/income ratio	38 %	45 %
Dividend yield	6.4 %	6.0 %
Earnings-Yield	10.1 %	8.75 %
ROE	15.9 %	15.5 %
Credit rating	AA-	AA
Net interest margin	1.84 %	1.57 %
Price/Book	1.51	1.70
CET1 ratio	17.9 %	15.7 %
Total loans	2.3 trln	3.9 trln

## Valuation

### Revenues

Income statement	Q1 26e	Q2 26e	Q3 26e	Q4 26e	FY 2026e	FY 2027e	2028e
Interest revenue	30 664	33 295	35 625	37 588	137 173	149 127	157 347
Interest costs	- 15 428	- 16 743	- 17 906	- 18 885	- 68 961	- 74 924	- 79 025
Banking result	15 237	16 553	17 719	18 703	68 211	74 203	78 323
Investment banking	4 481	4 526	4 571	4 617	18 196	18 924	19 681
Insurance	770	400	400	400	1 971	1 501	1 514
Result	20 487	21 479	22 691	23 721	88 378	94 628	99 517
Operating costs	- 8 606	- 8 720	- 8 776	- 8 776	- 34 878	- 36 273	- 37 724
Operating result	11 882	12 760	13 914	14 944	53 500	58 355	61 793
Tax	- 2 970	- 3 190	- 3 479	- 3 736	- 13 375	- 14 589	- 15 448
Profit	8 911	9 570	10 436	11 208	40 125	43 766	46 345
Non-controlling interest	- 8	- 9	- 9	- 10	- 36	- 39	- 42
Hybrid Capital	- 356	- 383	- 417	- 448	- 1 605	- 1 751	- 1 854
Shareholders	8 547	9 178	10 009	10 750	38 484	41 976	44 449

### Valuation summary

<i>Earnings (2026e)</i>	<b>38 484 MNOK</b>
<i># Shares (inkl buybacks)</i>	<b>1 452 407 164</b>
<i>EPS (2026e)</i>	<b>26.63 kr</b>
<i>P/E (2026e)</i>	<b>10.89</b>
<i>Implied Price</i>	<b>290 kr</b>
<i>Current price (20.04.2026)</i>	<b>305.4</b>
<i>Upside (downside)</i>	<b>- 5 %</b>
<i>Recommendation</i>	<b>HOLD</b>

DNB is currently trading at a level we consider broadly consistent with fair value under our base case interest rate assumptions. While the Group continues to demonstrate strong underlying profitability, we anticipate that loan volume growth will moderate in the near term, as intensifying competitive dynamics and the prospect of further rate hikes compress the pace of balance sheet expansion. On the fee income side, the Carnegie acquisition introduces a structurally attractive asset management and investment banking platform, though we remain cautious on the pace and magnitude of revenue synergy realisation, and view consensus expectations as somewhat optimistic on this front.

The key re-rating catalyst for DNB would be sustained evidence of top-line growth driven by Carnegie, combined with continued cost discipline and a commitment to returning excess capital to shareholders through dividends and buybacks. Should the Group deliver on these metrics over the coming quarters, we believe DNB could emerge as the preferred large-cap name in the Nordic banking universe. In the interim, however, we see limited near-term upside from current levels.

We initiate coverage with a Hold recommendation and a target price of NOK 290 per share, implying approximately 5% downside from the closing price as of 20 April 2026. Our target price is derived from a blended P/B and dividend discount model framework, anchored on our base case assumptions for net interest margins, loan growth of 3–4% annually and a normalised long-term tax rate of 25%.

### Sensitivity Matrix

WACC/Growth	6.77 %	7.27 %	7.77 %	8.27 %	8.77 %
2.00 %	318.7	288.2	262.9	241.7	223.6
2.50 %	340.1	304.2	275.2	251.3	231.1
3.00 %	366.9	323.9	290.0	262.5	239.8
3.50 %	401.7	348.7	308.1	276.0	250.0
4.00 %	449.0	380.9	330.8	292.5	262.2

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