

Fish Pool

Salmon and currency risk management

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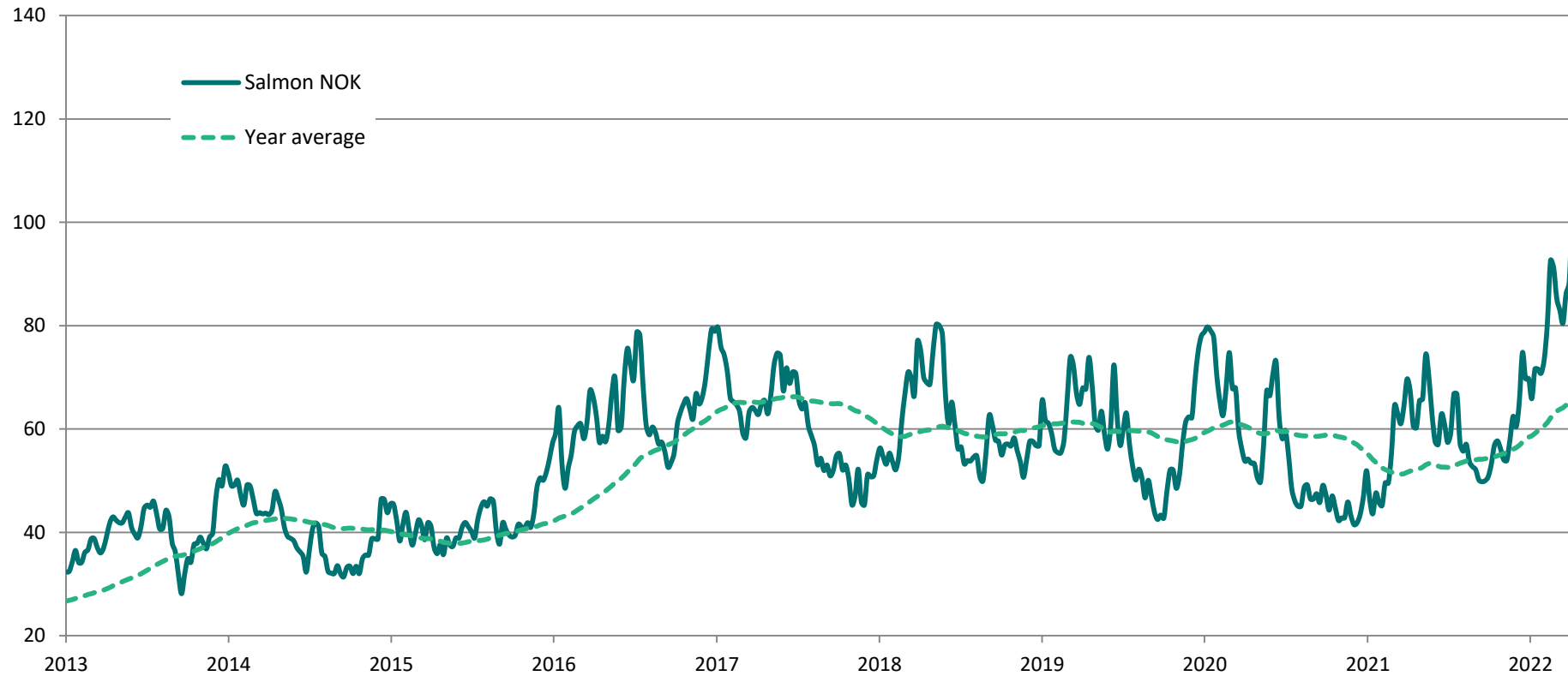
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PRIVATE

The last time I presented for Fish Pool was in Barcelona 2022 *-and the market was booming*

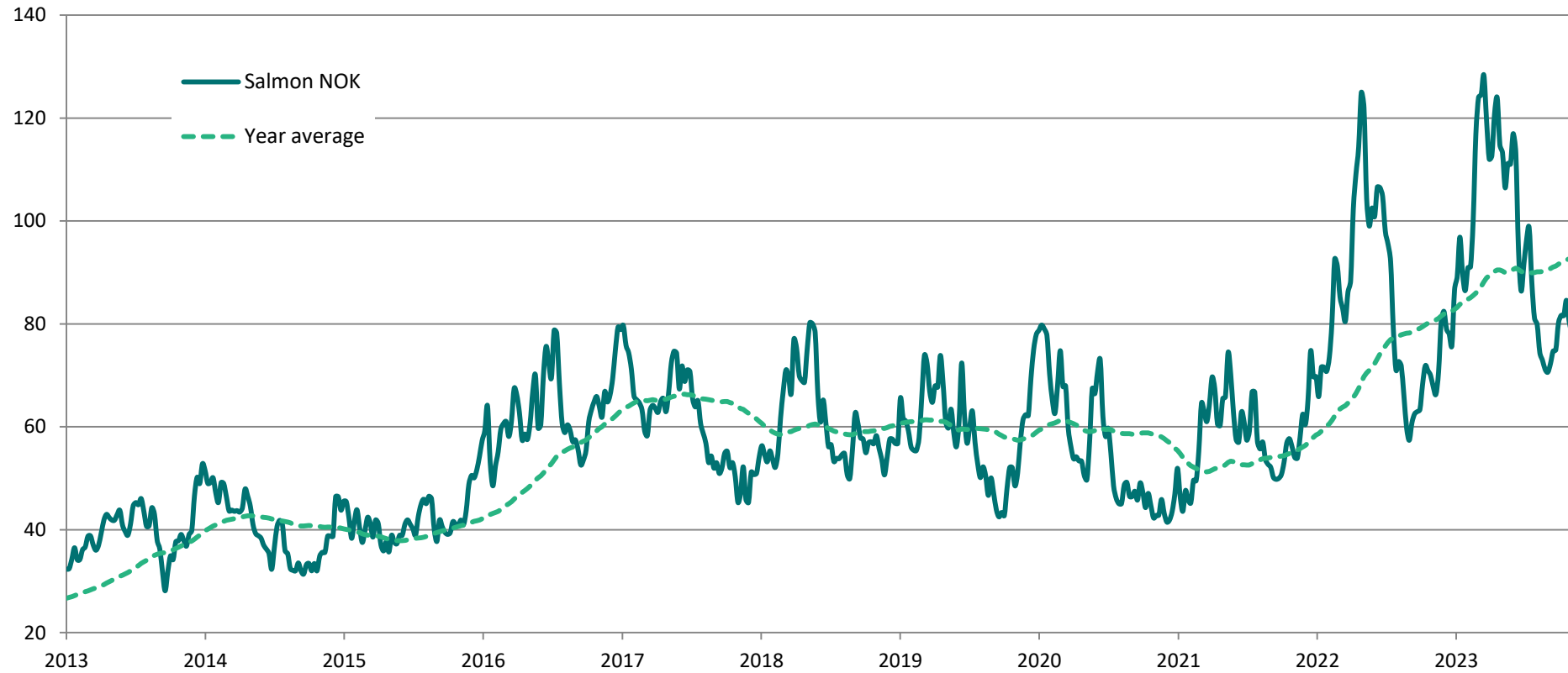
Salmon Fresh Guttet Spot: Fish Pool Index



Source: Bloomberg / DNB Markets

Subsequent to that, the spot price has shown volatility
-The average still maintaining a favorable level

Salmon Fresh Guttred Spot: Fish Pool Index



Source: Bloomberg / DNB Markets

Since then, we have seen some other risks developing...

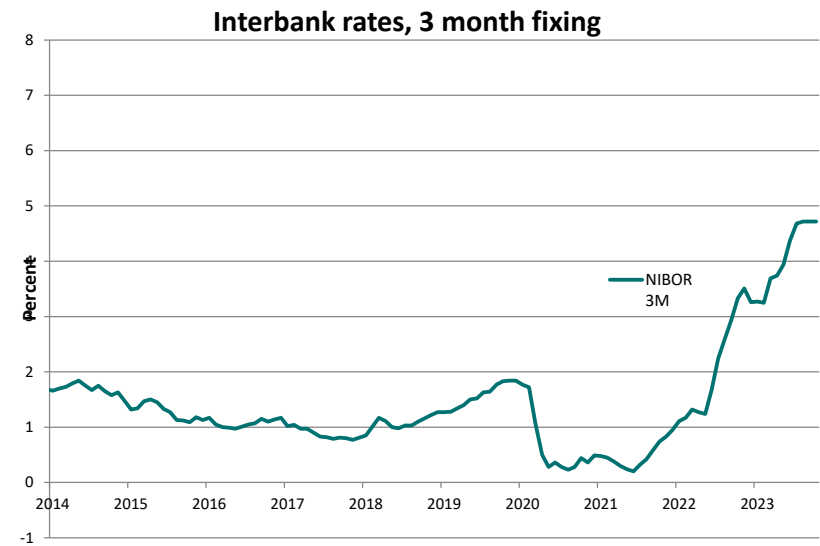


The Norwegian and Faroese tax man....



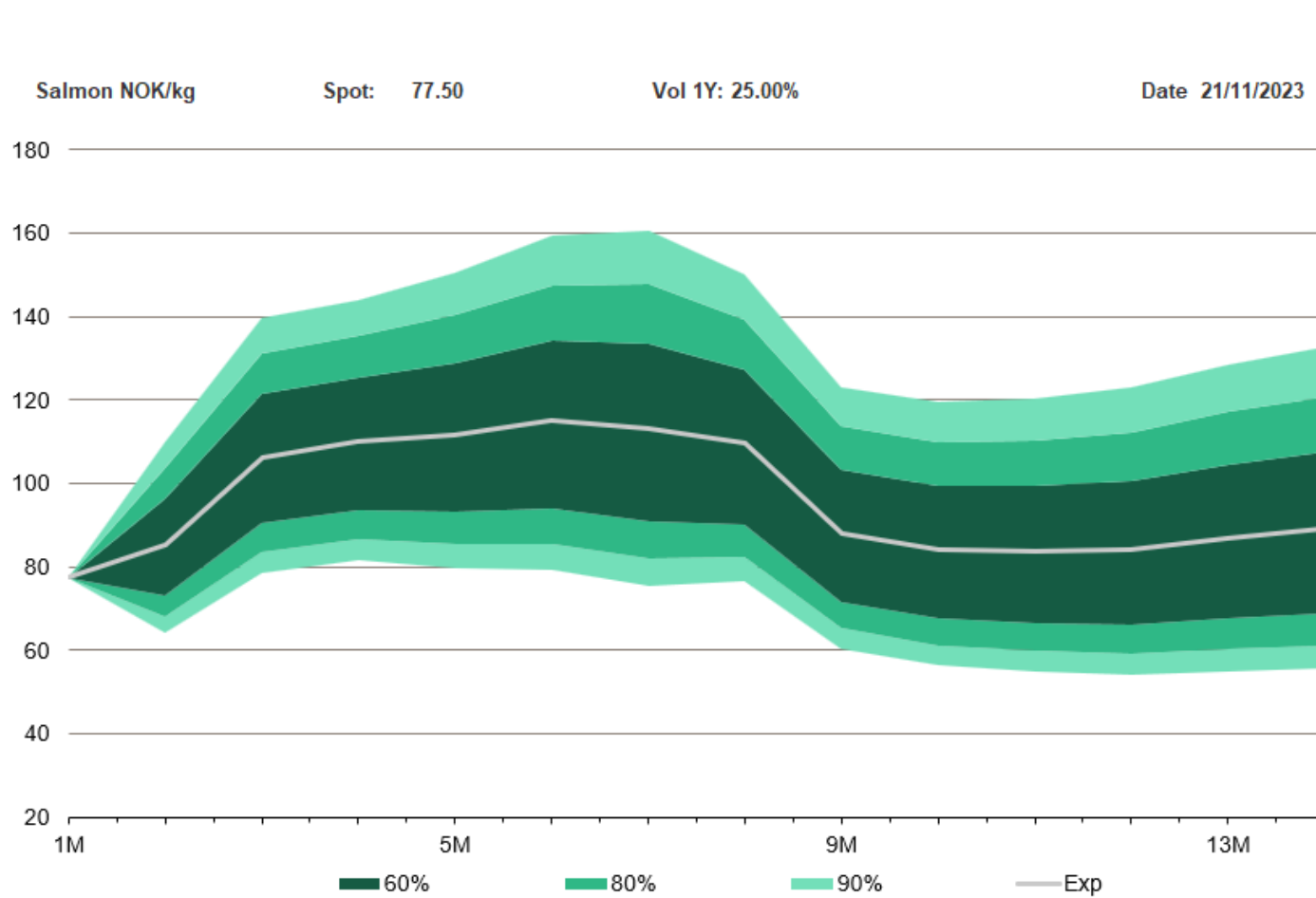
The general inflation affect feed priced

The general inflation affect interest rates



Source: Bloomberg / DNB Markets

The risk in the salmon price - defined by a high standard deviation



Maturities	5%	Exp	95%
1M	78	78	78
2M	64	85	110
3M	79	106	140
4M	82	110	144
5M	80	112	151
6M	79	115	159
7M	76	113	161
8M	77	110	150
9M	60	88	123
10M	56	84	120
11M	55	84	121
12M	54	84	123

Estimated market risk on open positions - based on Salmon price risk

Value change table - from forward rate - Salmon Price							
	Low 5%	Low 10%	Low 20%	Exp	High 20%	High 10%	High 5%
2M	-25%	-20%	-14.0%	0%	13.2%	21.6%	29.1%
3M	-26%	-21%	-15.0%	0%	14.1%	23.2%	31.3%
4M	-26%	-21%	-14.9%	0%	14.0%	23.0%	31.0%
5M	-29%	-23%	-16.6%	0%	15.5%	25.8%	35.0%
6M	-31%	-25%	-18.2%	0%	16.9%	28.3%	38.6%
7M	-33%	-27%	-19.7%	0%	18.1%	30.7%	42.0%
8M	-30%	-25%	-17.5%	0%	16.3%	27.2%	37.0%
9M	-32%	-26%	-18.6%	0%	17.2%	28.9%	39.5%
10M	-33%	-27%	-19.6%	0%	18.1%	30.5%	41.8%
11M	-34%	-28%	-20.6%	0%	18.9%	32.1%	44.1%
12M	-36%	-30%	-21.5%	0%	19.6%	33.5%	46.2%
13M	-37%	-30%	-22.1%	0%	20.2%	34.6%	47.8%
14M	-38%	-31%	-22.7%	0%	20.6%	35.5%	49.2%

DNB has given feedback to the Norwegian authorities on how the price model for taxation can be adjusted



Det Kongelige Finansdepartement
Postboks 8009 Dep
0030 Oslo

Att.: 22/4989

Oslo, 30. november 2022

HØRINGSSVAR FRA DNB BANK ASA – GRUNNRENTESKATT PÅ HAVBRUK

Vi viser til Finansdepartementets høringsnotat vedrørende grunnrenteskatt på havbruk datert 28.9.2022 samt Finansdepartementets pressemelding datert 18.11.2022 med presiseringer rundt normprisforslaget. Regjeringen foreslår at det innføres en grunnrenteskatt på havbruk med virkning fra og med inntektsåret 2023.

Oslo, 4. september 2023



Det Kongelige Finansdepartement
Postboks 8009 Dep
0030 Oslo

Att: 23/3312

HØRINGSSVAR FRA DNB BANK ASA – PRISRÅD FOR HAVBRUK OG FASTSETTING AV BRUTTOINTEKT I GRUNNRENTESKATTEN

Vi viser til Finansdepartementets høringsnotat vedrørende prisråd for havbruk og fastsetting av bruttoinntekt i grunnrenteskatten datert 29.6.2023.

Giving feedback in a tax process is something we don't normally do

This relates to the Norwegian tax proposals

-
- It is important for DNB to have a well functioning salmon market.
 - The market should enable the stakeholder to manage the risky positions.
 - The details in the tax proposition can have substantial influence on how to manage risk for a salmon breather.
 - Normally a breather hedges 30% to 40% of sales on fixed contracts or financial contracts (Fish Pool).
 - The first suggestion on the taxation was to exclude financial hedges from the tax basis, implying that a loss on a hedge is not deductible from taxation.
 - This is a copy of the tax rules related to the oil industry regarding sales of crude oil.
 - The hedge ratio for the breather would consequently be reduced to 68% of its previous volume.
 - DNB has suggested to change the model to include all physical and financial hedging contracts in tax basis, to make hedging easier for the breathers and to maintain the risk management operations in the companies.
 - No need to tax adjust the hedging ratio, and no loss of market liquidity at Fish Pool.
 - The risky positions for a breather might be hedged 100% with financial salmon contracts and/or currency forwards.

The currency change at Fish Pool

The contracts will change at Fish Pool during 2024

- New contracts will be defined in EUR instead of NOK.
- DNB is currently a mayor counterparty at Nasdaq, handling the clearing for many of the stakeholders trading at Fish Pool.
- We have also been delivering currency hedges for some of the EUR stakeholders, to make sure currency is not an obstacle to enter the market.
 - We have been converting NOK contracts to EUR.
- In 2024 we will keep doing the same thing, but the other way around:
 - In the future, we will convert EUR contracts to NOK contracts.
 - And we will continue our proactive approach to mitigating currency-related challenges.

Export sales of salmon: Company risk consisting of several factors

- Salmon price risk
 - Risk reduction through a hedging portfolio combining Fish Pool contracts and regular physical sales contracts.

- Currency risk
 - Hedging using currency forward contracts matched against financial or sales contracts in foreign currency

- Credit risk
 - Risk reduction through credit insurance or letters of credit

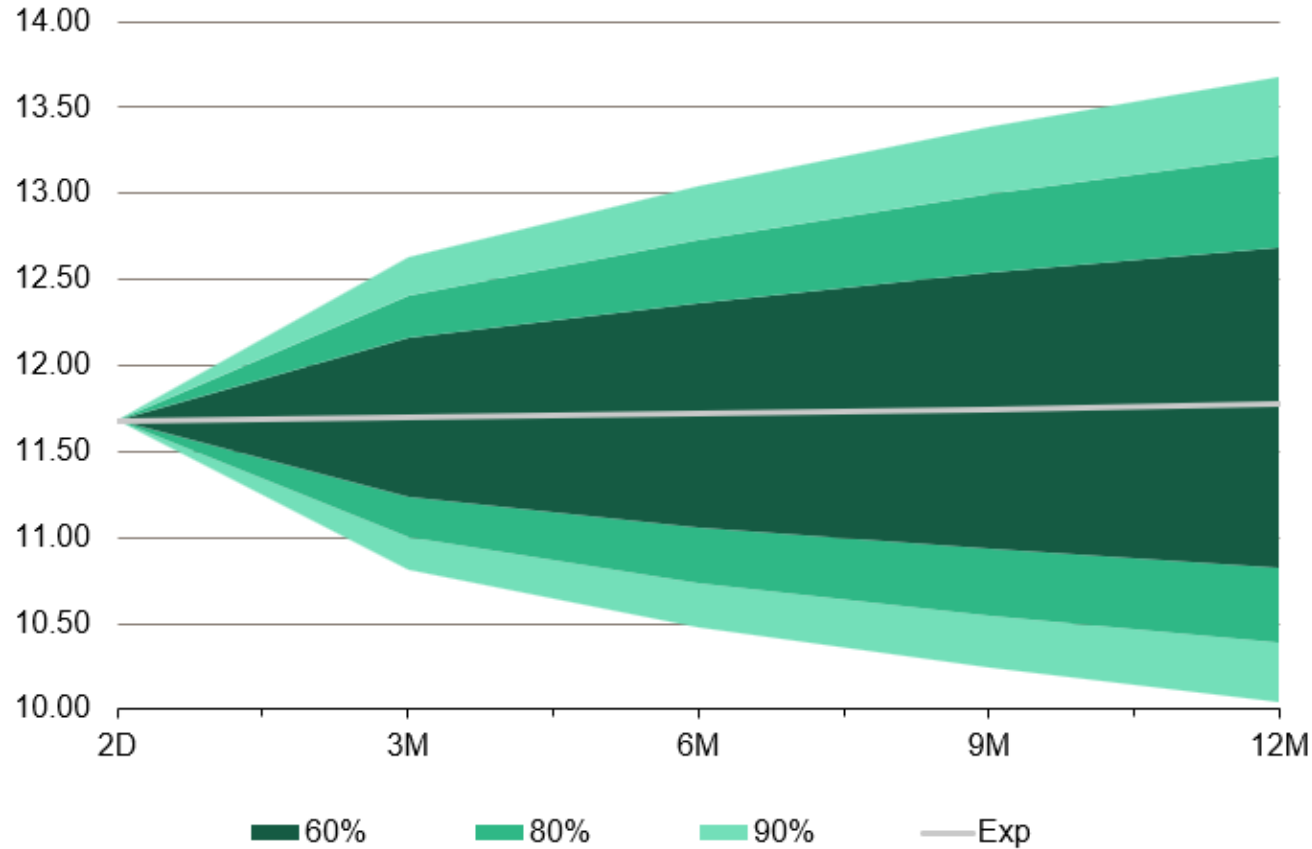
- Operational risk
 - Risk reduction through staff knowledge, risk management routines and strategies



Source: Bloomberg / DNB Markets

Risk on rate development in EURNOK at 1 Year

EURNOK Spot: 11.6781 Vol -1Y: 9.40% Date 21/11/2023



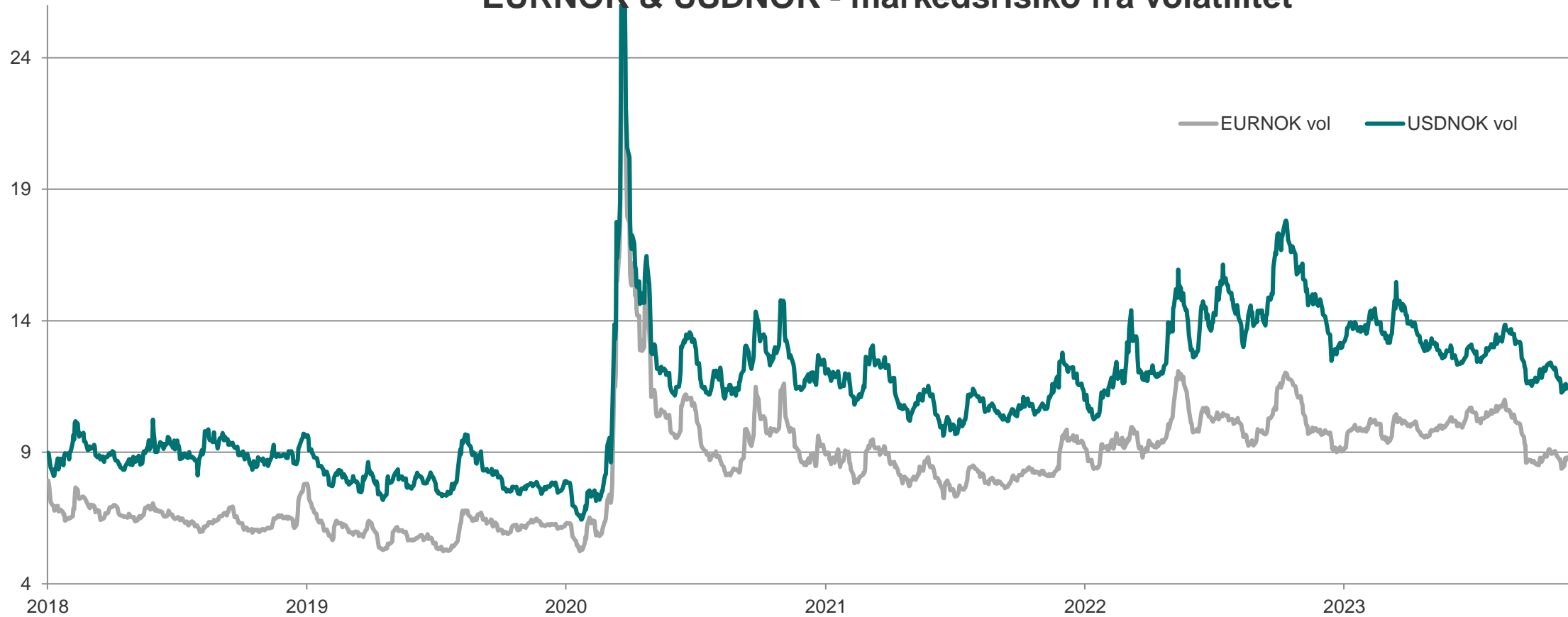
YTM	5%	Exp	95%
-	11.73	11.7287	11.73
0.25	10.86	11.7495	12.68
0.50	10.53	11.7712	13.10
0.75	10.28	11.7977	13.44
1.00	10.09	11.8250	13.74

Value change table - from forward rate - EURNOK

	Low 5%	Low 10%	Low 20%	Forward	High 20%	High 10%	High 5%
3M	-7.4%	-5.9%	-3.9%	0%	3.9%	6.0%	7.8%
6M	-10.4%	-8.3%	-5.6%	0%	5.5%	8.5%	11.2%
9M	-12.7%	-10.1%	-6.8%	0%	6.7%	10.5%	13.8%
12M	-14.5%	-11.6%	-7.9%	0%	7.7%	12.1%	16.0%

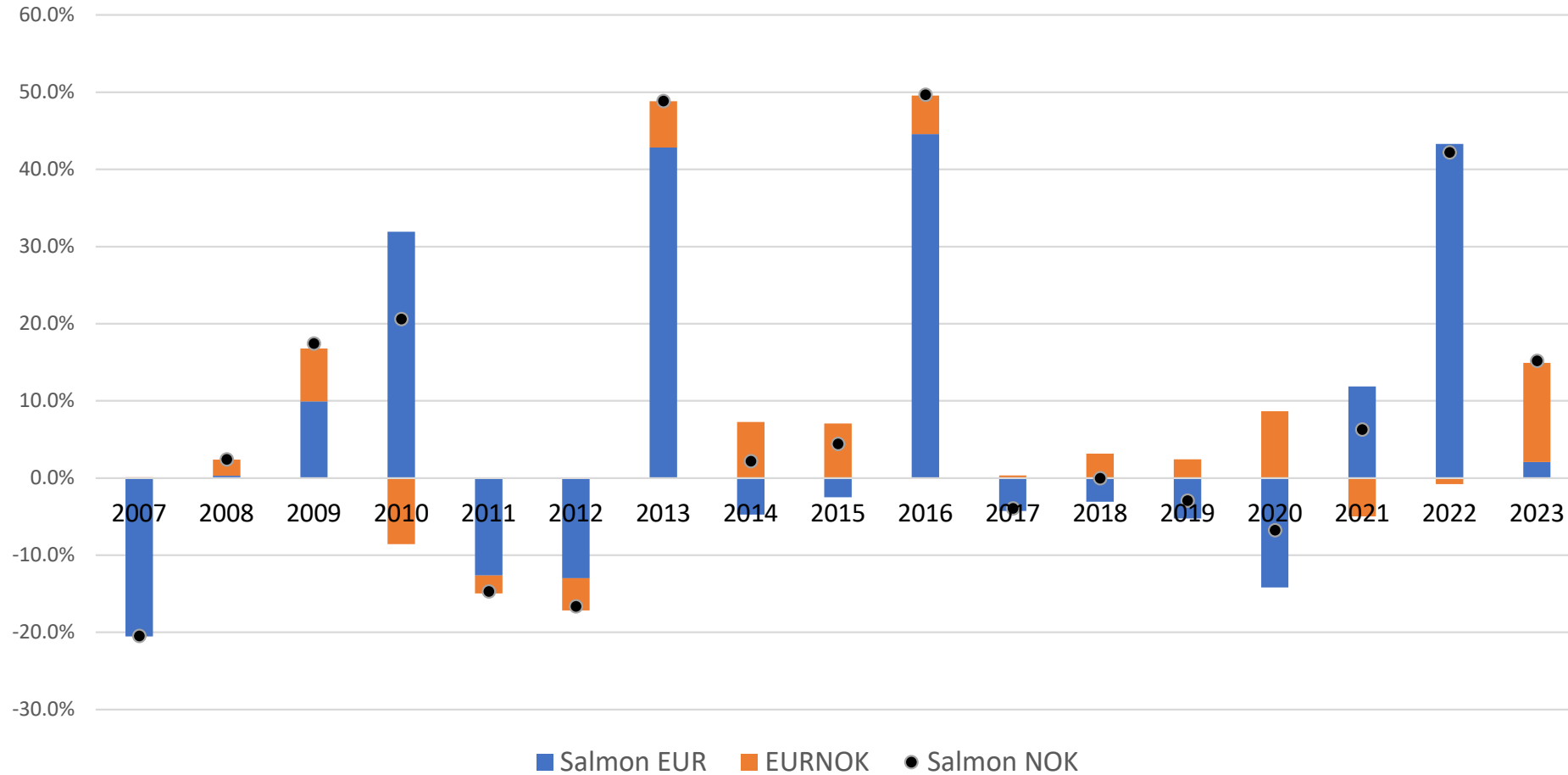
Value change table - from forward rate - USDNOK							
	Low 5%	Low 10%	Low 20%	Forward	High 20%	High 10%	High 5%
3M	-9.6%	-7.6%	-5.1%	0%	5.0%	7.8%	10.2%
6M	-13.4%	-10.6%	-7.2%	0%	7.0%	11.1%	14.6%
9M	-16.2%	-13.0%	-8.9%	0%	8.6%	13.7%	18.0%
12M	-18.5%	-14.9%	-10.3%	0%	9.9%	15.8%	21.0%

EURNOK & USDNOK - markedsrisiko fra volatilitet



Source: Bloomberg / DNB Markets

Price changes on Fish Pool and in the currency market



DNB Bank is a global seafood player



- Banks with 17 of the top 20 salmon farmers globally
- Global leading seafood bank, presence in key markets, NOK 86bn of total exposure
- In-depth industry knowledge developed through close long-term relationships with key customers
- Dedicated seafood team with an international footprint and strong track record as a banking partner and advisor
- Leading arranger of debt in seafood sector, and a full range of Investment Banking services offered

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