

DNB Boligkreditt AS

A company in the DNB Group

Fourth quarter report 2019
(Preliminary and unaudited)

Q4

DNB

Financial highlights

Income statement

<i>Amounts in NOK million</i>	DNB Boligkreditt AS			
	4th quarter 2019	4th quarter 2018	Full year 2019	Full year 2018
Net interest income	1 132	1 323	4 763	5 183
Net other operating income	(217)	(698)	388	(2 128)
Of which net gains on financial instruments at fair value	(231)	(714)	330	(2 190)
Total operating expenses	(120)	(211)	(807)	(771)
Impairment of financial instruments	(10)	3	16	15
Pre-tax operating profit	784	418	4 360	2 299
Tax expense	(196)	(105)	(1 089)	(575)
Profit for the period	589	313	3 271	1 724

Balance sheet

<i>Amounts in NOK million</i>	31 Dec. 2019	31 Dec. 2018
Total assets	693 855	695 819
Loans to customers	636 786	628 901
Debt securities issued	471 715	478 548
Total equity	46 621	43 608

Key figures and alternative performance measures

	4th quarter 2019	4th quarter 2018	Full year 2019	Full year 2018
Return on equity, annualised (%) ¹⁾	5.1	2.9	7.3	4.0
Total average spread for lending (%) ¹⁾	0.65	0.73	0.62	0.73
Impairment relative to average net loans to customers, annualised (per cent) ¹⁾	(0.01)	0.00	0.00	0.00
Net loans and financial commitments in stage 3, per cent of net loans ¹⁾	0.15	0.16	0.15	0.16
Net loans and financial commitments in stage 3, (NOK million)	982	1 019	982	1 019
Common equity Tier 1 capital ratio end of period (%)	24.5	24.7	24.5	24.7
Capital ratio end of period (%)	27.6	27.7	27.6	27.7
Common equity Tier 1 capital (NOK million)	42 098	42 143	42 098	42 143
Risk-weighted assets (NOK million) ²⁾	171 652	170 710	171 652	170 710
Number of full-time positions at end of period	5	6	5	6

1) Defined as alternative performance measures (APM). APMs are described on ir.dnb.no.

2) On 31 December 2019, Norway fully implemented the EU's capital requirements legislation CRR/CRD IV, and the so-called Basel I floor was removed. The additional capital requirements due to the transitional rules have been removed from the historical figures. The harmonised rules include the introduction of the SME discount factor.

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There has been no full or partial external audit of the quarterly directors' report and accounts.

Directors' report

DNB Boligkreditt AS is the DNB Group's vehicle for the issue of covered bonds based on residential mortgages. The company's office is located in Oslo. DNB Boligkreditt is a wholly-owned subsidiary of DNB Bank ASA and is reported as part of the Personal Banking Norway business area in DNB's consolidated accounts. Based on developments in international capital markets, DNB Boligkreditt has come to play a key role in ensuring long-term favourable funding for the Group. The rating agencies' assessments are of significance to the company's funding terms. DNB Boligkreditt's covered bond programmes are rated AAA by Moody's and Standard & Poor's.

Financial accounts

DNB Boligkreditt recorded a profit of NOK 589 million in the fourth quarter of 2019, compared with a profit of NOK 313 million in the fourth quarter of 2018.

Total income

Income totalled NOK 915 million in the fourth quarter of 2019, up from NOK 626 million in the year-earlier period.

Amounts in NOK million	4th quarter		4th quarter
	2019	Change	2018
Total income	915	289	626
Net interest income		(191)	
Net commission and fee income		(3)	
Net gains/(losses) on financial instruments at fair value		483	

Compared to the same period in the previous year, the net interest income is somewhat down, mainly due to the resolution fund fee (NOK 120 million) that was recognised in its entirety in the fourth quarter. The recorded gains/losses on financial instruments reflect the effects of unrealised changes in the market value of covered bonds, derivatives and loans measured at fair value. Gains and losses from such instruments tend to vary considerably from quarter to quarter and will typically be reversed in subsequent periods due to stabilising markets or because the maturity dates of the instruments are approaching.

Operating expenses and impairment of loans

Operating expenses are volatile due to the management fee paid to DNB Bank. The cooperation with DNB Bank is formalised through an extensive servicing agreement that ensures DNB Boligkreditt sound competence in key areas and cost-effective operations. The management fee calculation is based primarily on lending volume and the spreads achieved thus the fee will fluctuate with the net interest income. The fee structure shall ensure a stable return on equity. The level of this return was reduced from 2018 to 2019 leaving the company with a higher fee for the current year all other input unchanged. The fee amounted to NOK 101 million in the fourth quarter of 2019, down from NOK 193 million in the fourth quarter of 2018. The resolution fund fee that was recognised in its entirety to net interest income in the fourth quarter, is the main reason for the reduced management fee compared to last year.

The company has generally recorded low impairment losses on loans. In the fourth quarter of 2019, the company reported a net impairment loss of NOK 10 million. The Board of Directors considers the level of impairment to be satisfactory relative to the high quality of the loan portfolio.

Funding, liquidity and balance sheet

Balance sheet

At end-December 2019, DNB Boligkreditt had total assets of NOK 693.9 billion, a decrease of NOK 2 billion from end-December 2018.

Amounts in NOK million	31 Dec.		31 Dec.
	2019	Change	2018
Total assets	693 855	(1 964)	695 819
Loans to customers		7 885	
Financial derivatives		436	
Other assets		(10 284)	
Total liabilities	647 235	(4 976)	652 211
Due to credit institutions		6 197	
Financial derivatives		(1 678)	
Debt securities issued		(6 833)	
Deferred taxes		(946)	
Other liabilities		(1 719)	

The increase in loans to customers originates from the acquisition of residential mortgage portfolios from DNB Bank and the sale of new loans through the bank's distribution network.

Debt securities issued were down by net NOK 6.8 billion from end-December 2018. The company issued covered bonds under existing programmes totalling 7 billion in the fourth quarter of 2019. Total debt securities issued amounted to NOK 471.7 billion at end-December 2019.

Risk and capital adequacy

The company has established guidelines and limits for management and control of the different types of risk.

Currency risk is eliminated through the use of financial derivatives. Interest rate and liquidity risk is managed in accordance with stipulations concerning covered bonds in the Financial Institutions Act and guidelines and limits approved by the Board of Directors. The company's overall financial risk is considered to be low.

Changes in the market value of the company's bonds due to credit risk are monitored on a daily basis.

The servicing agreement with DNB Bank comprises administration, bank production, IT operations and financial and liquidity management. The fee structure in the servicing agreement shall ensure a stable return on equity, but does not take the effects of unrealised gains or losses on financial instruments into consideration. Operational risk is assessed to be low.

Negative developments in the housing market will affect the company. A decline in housing prices will reduce the value of the company's cover pool relative to the statutory asset coverage requirement. Quarterly stress tests are carried out to estimate the effects of a negative development in housing prices. A short-term measure to meet a significant fall in housing prices will be to supply DNB Boligkreditt with more substitute collateral. The Board of Directors considers the company's total risk exposure to be low.

At end-December 2019, the company's equity totalled NOK 46.6 billion, of which NOK 42.1 billion represented Tier 1 capital. Total capital in the company was NOK 47.3 billion. The Tier 1 capital ratio was 24.5 per cent, while the capital adequacy ratio was 27.6 per cent. The increased capital ratios compared to prior periods is due to the removal of the Basel I floor with effect from 31 December 2019.

New regulatory framework

Changes in the capital requirements for banks

On 31 December 2019, Norway fully implemented the EU's capital requirements legislation CRR/CRD IV. This regulatory framework helps highlight the strong capital adequacy of DNB. At the same time, the Norwegian Ministry of Finance has clearly signaled that there should be no easing of the capital requirements for banks as a result of the removal of the so-called Basel I floor and the reduction of the capital requirement for lending to small and medium-sized enterprises (the SME supporting factor). The Ministry is therefore adjusting the use of policy instruments in the banks' capital requirements so that a greater share of the risk is covered by the capital requirements in Pillar 1.

For DNB and other banks using the advanced IRB method, the systemic risk buffer requirement will increase from 3 to 4.5 per cent with effect from 31 December 2020.

The Norwegian Ministry of Finance is also introducing a floor for the average risk weighting of lending for real estate, especially aimed at foreign banks with operations in Norway. The countercyclical capital buffer requirement was raised from 2 per cent to 2.5 per cent with effect from 31 December 2019, in line with the previous decision.

Home Mortgage Regulations to be continued for one more year

The purpose of the Home Mortgage Regulations is to contribute to a sustainable development in household debt. Following a public consultation in the autumn of 2019, where Finanstilsynet recommended a tightening of the regulations, the Norwegian Ministry of Finance decided to continue the current Home Mortgage Regulations until 31 December 2020. The Ministry pointed out, among other things, that the Regulations are having the intended effect, and that it would be expedient to evaluate the Home Mortgage Regulations and Consumer Loan Regulations at the same time.

Macroeconomic developments

The positive development in the Norwegian economy continued into the fourth quarter, and the Norwegian economy is currently experiencing a boom. It is modest in strength and duration, however, and primarily driven by positive growth impulses from oil investments. The outlook is far weaker for oil investments in 2020, as several large projects are moving towards completion without being replaced by projects of similar scope. Combined with weaker growth for our trading partners, this contributes to a slowdown in the Norwegian economy in 2020 and a slight drop below normal (which DNB Markets estimates at approximately 1.75 per cent) the following year.

Due to the healthy growth in employment in recent years, unemployment has fallen to a low level in a historical context. DNB expect it to remain low this year, but increase modestly over the next couple of years. The wage growth will therefore not continue to rise, but remain at just over 3 per cent this year, while declining towards 3 per cent towards the end of the forecast period. A weak

Norwegian krone will contribute to an inflation close to the target of 2 per cent this year, but the moderate wage growth leads us to believe that price inflation will decrease to slightly below the target in the coming years. Lower electricity prices will also help curb inflation somewhat.

Due to low unemployment, a weak krone and inflation close to the target, Norges Bank has raised interest rates four times in just over a year, most recently to 1.50 per cent in September of last year. At the same time, the central bank signalled that the interest rate peak has most likely been reached. This message was reiterated at the monetary policy meeting in December, and DNB expect the key policy rate to remain at the current level in the years ahead, in the absence of new negative shocks.

Housing price growth was moderate last year, while the turnover remained high. Interest rate rises, a plentiful supply of housing and changes in regulations for home mortgages and consumer loans have probably helped curb the price growth. Meanwhile, low unemployment and higher income growth have maintained it. With a slightly lower supply of new housing units this year compared with last year, and interest rates at the current level, DNB expect continued moderate price growth in the coming years.

Household credit growth has diminished over the past two to three years, and is now approaching the income growth. Mortgage and consumer loan regulations, as well as the establishment of the debt register in the summer of 2019, have most likely contributed to this decline. A more moderate rise in housing prices and slightly higher interest rate levels in the past year have probably also been contributing factors. Due to continued moderate housing price growth and the continuation of regulations, credit growth is expected to slow down somewhat in the coming years.

Future prospects

The increase in Norges Bank's key policy rate from 1.25 per cent to 1.50 per cent, followed by DNB's announcement of an increase in loan rates effective from November, will have full effect in the first quarter 2020.

The annual increase in lending volumes is anticipated to be 3 to 4 per cent in 2020 and 2021.

The common equity Tier 1 (CET1) capital ratio was 24.5 per cent as at 31 December 2019. The very high ratio is due to the removal of the Basel I floor. From year-end 2020 the company's capital requirements will be increased by the change in the systemic risk buffer. However, the current capital is more than sufficient to meet both the changed requirements and the increase in lending volumes.

Covered bonds have gained a leading position as a funding vehicle for Norwegian banks. Norwegian covered bonds still seem attractive, with relatively low credit and market risk. The volume of covered bond issues the next couple of years is however expected to be lower than in the previous years due to the Group's issuing of Minimum Requirement for own funds and Eligible Liabilities (MREL).

Oslo, 5 February 2020

The Board of Directors of DNB Boligkreditt AS



Reidar Bolme
(Chair of the Board)



Jørn E. Pedersen



Toril Steinmo



Per Sagbakken
(Chief Executive Officer)

Comprehensive income statement

		DNB Boligkreditt AS			
<i>Amounts in NOK million</i>	Note	4th quarter 2019	4th quarter 2018	Full year 2019	Full year 2018
Interest income, amortised cost		4 452	3 620	16 051	13 843
Other interest income		297	292	1 153	1 107
Interest expenses, amortised cost ¹⁾		(1 301)	(1 023)	(4 273)	(3 846)
Other interest expenses ¹⁾		(2 316)	(1 565)	(8 168)	(5 921)
Net interest income		1 132	1 323	4 763	5 183
Commission and fee income		14	15	61	62
Commission and fee expenses		(1)	(0)	(3)	(3)
Net gains on financial instruments at fair value		(231)	(714)	330	(2 190)
Other income			1	0	3
Net other operating income		(217)	(698)	388	(2 128)
Total income		915	626	5 152	3 055
Salaries and other personnel expenses		(3)	(3)	(11)	(12)
Other expenses	7	(117)	(207)	(796)	(759)
Total operating expenses		(120)	(211)	(807)	(771)
Impairment of financial instruments	3	(10)	3	16	15
Pre-tax operating profit		784	418	4 360	2 299
Tax expense		(196)	(105)	(1 089)	(575)
Profit for the period		589	313	3 271	1 724
Other comprehensive income that will not be reclassified to profit or loss ²⁾		329	126	279	107
Tax		(82)	(32)	(70)	(27)
Total comprehensive income for the period		835	408	3 480	1 804

1) The presentation of interest income from derivatives has been changed as of 31 December 2019. Figures in previous periods have been restated correspondingly. See Note 1 Basis for preparation for more information.

2) The measurement category for debt securities issued in Norwegian kroner with floating rates has been changed from FVTPL to amortised cost as of 31 December 2019. A gain of NOK 238 million before tax (NOK 179 million after tax) has been recognised in the Comprehensive income statement in the fourth quarter, due to the correction. Comparative information has not been restated. The correction does not impact the CET1 capital ratio.

Balance sheet

DNB Boligkreditt AS

<i>Amounts in NOK million</i>	Note	31 Dec. 2019	31 Dec. 2018
Assets			
Due from credit institutions	7	5 537	15 820
Loans to customers	3, 6	636 786	628 901
Financial derivatives	6	51 524	51 088
Other assets		9	10
Total assets		693 855	695 819
Liabilities and equity			
Due to credit institutions	7	153 401	147 204
Financial derivatives	6	9 928	11 606
Debt securities issued	4, 6	471 715	478 548
Payable taxes		2 103	3 832
Deferred taxes		4 747	5 693
Other liabilities		99	87
Provisions		30	33
Subordinated loan capital	5	5 210	5 209
Total liabilities		647 235	652 211
Share capital		5 257	4 157
Share premium		31 719	31 563
Other equity		9 645	7 888
Total equity		46 621	43 608
Total liabilities and equity		693 855	695 819

Statement of changes in equity

<i>Amounts in NOK million</i>	DNB Boligkreditt AS				
	Share capital	Share premium	Liability credit reserve	Other equity	Total equity
Balance sheet as at 1 Jan. 2018	4 157	31 563	(348)	8 732	44 104
Profit for the period				1 724	1 724
Actuarial gains and losses				0	0
Financial liabilities designated at FVTPL, changes in credit risk			106		106
Tax on other comprehensive income			(27)	(0)	(27)
Comprehensive income for the period			80	1 725	1 804
Group contribution paid				(2 300)	(2 300)
Balance sheet as at 31 Dec. 2018	4 157	31 563	(269)	8 157	43 608
Profit for the period				3 271	3 271
Actuarial gains and losses				(1)	(1)
Financial liabilities designated at FVTPL, changes in credit risk			280		280
Tax on other comprehensive income			(70)	0	(70)
Comprehensive income for the period			210	3 270	3 480
Share issue	1 100	9 900			11 000
Group contribution paid		(9 744)		(1 724)	(11 468)
Balance sheet as at 31 Dec. 2019	5 257	31 719	(59)	9 704	46 621

Share capital

All shares and voting rights of the company are held by DNB Bank ASA. Share capital at the beginning of 2019 was NOK 4 157 million (41 570 000 shares at NOK 100).

In April 2019, 11 000 000 shares were issued to DNB Bank ASA. Issue price per share was NOK 100. After the issuance, share capital was increased by NOK 1 100 million to NOK 5 257 million (52 570 000 shares).

Cash flow statement

<i>Amounts in NOK million</i>	DNB Boligkreditt AS	
	Full year 2019	Full year 2018
Operating activities		
Net payments on loans to customers	(6 366)	(3 565)
Interest received from customers	16 933	14 876
Net received/payments on loans from credit institutions	16 464	(21 530)
Interest received from credit institutions	112	64
Interest paid to credit institutions	(3 281)	(2 989)
Net receipts on commissions and fees	58	59
Payments for operating expenses	(899)	(704)
Net cash flow relating to operating activities	23 021	(13 790)
Investing activities		
Net purchase of loan portfolio	(1 516)	(3 453)
Net cash flow relating to investing activities	(1 516)	(3 453)
Financing activities		
Receipts on issued bonds and commercial paper	46 419	90 935
Payments on redeemed bonds and commercial paper	(54 971)	(69 393)
Interest payments on issued bonds and commercial paper	(8 518)	(6 447)
Receipts on subordinated loan capital		350
Interest payments on subordinated loan capital	(160)	(128)
Share issue	11 000	
Group contribution receipts/payments	(15 290)	1 900
Net cash flow from financing activities	(21 520)	17 217
Net cash flow	(15)	(26)
Cash as at 1 January	60	86
Net receipts/payments of cash	(15)	(26)
Cash at end of period	45	60

Note 1 Basis for preparation

The quarterly financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. When preparing the financial statements, management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied can be found in note 1 Accounting principles in the annual report for 2018.

DNB Boligkreditt applied the hedge accounting requirements of IFRS 9 Financial Instruments as of 1 January 2019. Hedging relationships in DNB Boligkreditt that qualified for hedge accounting in accordance with IAS 39 Financial Instruments: Recognition and Measurement also qualify for hedge accounting under IFRS 9.

Changes in line items in the income statement

The presentation of interest income from derivatives has been changed as of 31 December 2019. Interest expenses reported on the line "Interest expenses, amortised cost" have decreased and interest expenses reported as "Other interest expenses" have increased with an equal amount. Figures in previous periods have been restated correspondingly. The effects are shown in the table below.

<i>Amounts in NOK million</i>	DNB Boligkreditt					
	4th quarter 2019	3rd quarter 2019	2nd quarter 2019	1st quarter 2019	Full year 2019	Full year 2018
Interest expenses, amortised cost	1 262	1 206	1 177	1 156	4 801	4 858
Other interest expenses	(1 262)	(1 206)	(1 177)	(1 156)	(4 801)	(4 858)

Interest expenses from derivatives designated as hedging instruments are presented as "Interest expenses, amortised cost" together with effects from the hedged item, while interest expenses from other derivatives are presented as "Other interest expenses".

Note 2 Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU capital requirements regulations for banks and investment firms (CRR/CRD IV). On 31 December 2019, Norway fully implemented the EU's capital requirements legislation CRR/CRD IV, and the so-called Basel I floor was removed. The additional capital requirements due to the transitional rules have been removed from the historical figures. The harmonised rules include the introduction of the SME discount factor.

Primary capital

DNB Boligkreditt AS

<i>Amounts in NOK million</i>	31 Dec. 2019	31 Dec. 2018
Share capital	5 257	4 157
Other equity	41 364	39 451
Total equity	46 621	43 608
Deductions		
Expected losses exceeding actual losses, IRB-portfolios	(894)	(842)
Value adjustments due to the requirements for prudent valuation (AVA)	(405)	(405)
Adjustments for unrealised losses/(gains) on liabilities measured at fair value	59	269
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(12)	(20)
Allocated group contributions for payment	(3 271)	(468)
Common equity Tier 1 capital	42 098	42 143
Term subordinated loan capital	5 200	5 200
Tier 2 capital	5 200	5 200
Total eligible primary capital	47 298	47 343
Risk-weighted assets	171 652	170 710
Minimum capital requirement	13 732	13 657
Common equity Tier 1 capital ratio (%)	24.5	24.7
Capital ratio (%)	27.6	27.7

Specification of risk-weighted assets and capital requirements

DNB Boligkreditt AS

<i>Amounts in NOK million</i>	Nominal exposure	EAD ¹⁾	Risk-weighted assets	Capital requirement	Capital requirement
	31 Dec. 2019	31 Dec. 2019	31 Dec. 2019	31 Dec. 2019	31 Dec. 2018
IRB approach					
Corporate	4 998	4 998	2 430	194	203
Retail - residential property	666 040	666 040	142 716	11 417	11 330
Total credit risk, IRB approach	671 038	671 038	145 145	11 612	11 533
Standardised approach					
Institutions	34 767	34 767	6 953	556	569
Corporate	19 243	19 222	5 233	419	557
Retail - residential property	24 263	22 045	7 741	619	539
Retail - other exposures	340	235	176	14	21
Other assets	95	78	112	9	
Total credit risk, standardised approach	78 708	76 347	20 216	1 617	1 686
Total credit risk	749 746	747 385	165 361	13 229	13 220
Credit value adjustment (CVA)					
Operational risk			6 291	503	437
Total risk-weighted assets and capital requirements			171 652	13 732	13 657

1) EAD, exposure at default

Note 3 Development in accumulated impairment of financial instruments

The quality of DNB Boligkredit's loan portfolio is high with a large share of loans in stage 1. The following tables reconcile the opening and closing balances for accumulated impairment of loans to customers at amortised cost. Reconciling items include the following:

- Transfers between stages due to significant changes in credit risk. The transfers are presumed to occur before the subsequent remeasurement of the allowance.
- Changes due to transfers between 12-month expected credit loss in stage 1 and lifetime expected credit loss in stages 2 and 3.
- Increases and decreases in expected credit loss resulting from changes in input parameters and assumptions, including macro forecasts, as well as the effect of partial repayments on existing facilities and the unwinding of the time value of discounts due to the passage of time.
- Changes in allowance due to the origination of new financial instruments during the period.
- Changes in allowance due to the derecognition of financial instruments during the period.
- Write-offs, exchange rate movements and other changes affecting the expected credit loss.

Loans to customers at amortised cost (quarterly figures)

Amounts in NOK million	4th quarter 2019				4th quarter 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 September	(12)	(25)	(63)	(99)	(33)	(44)	(61)	(138)
Transfer to stage 1	(6)	5	1		(11)	10	1	
Transfer to stage 2	0	(3)	2		1	(6)	5	
Transfer to stage 3	0	0	(0)		0	1	(1)	
Originated and purchased during the period	(1)	(0)		(2)	(4)	(0)		(4)
Increased expected credit loss	(3)	(12)	(21)	(36)	(7)	(14)	(12)	(33)
Decreased (reversed) expected credit loss	9	4	17	29	19	8	20	47
Derecognition		3		3	0	6		6
Write-offs	0	0	2	2			1	1
Accumulated impairment as at 31 December	(12)	(28)	(63)	(103)	(35)	(39)	(48)	(122)

Loans to customers at amortised cost (year-to-date figures)

Amounts in NOK million	Full year 2019				Full year 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 December / 1 January	(35)	(39)	(48)	(122)	(43)	(37)	(74)	(154)
Transfer to stage 1	(38)	32	6		(44)	37	6	
Transfer to stage 2	3	(15)	12		4	(32)	28	
Transfer to stage 3	0	1	(1)		0	2	(2)	
Originated and purchased during the period	(11)	(2)		(12)	(13)	(1)		(14)
Increased expected credit loss ¹⁾	(16)	(53)	(82)	(151)	(25)	(63)	(65)	(152)
Decreased (reversed) expected credit loss ¹⁾	84	30	48	162	86	35	56	177
Derecognition		17		17	0	19		19
Write-offs	0	0	4	4	0	(0)	3	3
Accumulated impairment as at 31 December	(12)	(28)	(63)	(103)	(35)	(39)	(48)	(122)

1) In the second quarter of 2019, DNB performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans. The net effect of the recalibration is a decrease in expected credit loss of approximately NOK 40 million. As the recalibration resulted in both increases and decreases on a financial instrument level, the effect is included in the flows 'increased expected credit loss' and 'decreased (reversed) expected credit loss'.

Note 4 Debt securities issued

Debt securities issued	DNB Boligkreditt AS	
	31 Dec. 2019	31 Dec. 2018
<i>Amounts in NOK million</i>		
Listed covered bonds, nominal amount	382 950	391 085
Private placements under the bond programme, nominal amount	66 064	70 409
Total bonds, nominal amount	449 015	461 495
Accrued interest	3 032	2 985
Unrealised losses ¹⁾	19 669	14 068
Adjustments	22 701	17 053
Total debt securities issued	471 715	478 548

1) Unrealised losses comprise of adjustments for net gain attributable to hedged risk on debt securities that are accounted for as hedged items and mark-to-market adjustments on debt securities that are designated as at fair value through profit or loss (fair value option).

Changes in debt securities issued	DNB Boligkreditt AS					
	Balance sheet 31 Dec. 2019	Issued 2019	Matured/ redeemed 2019	Exchange rate movements 2019	Other changes 2019	Balance sheet 31 Dec. 2018
<i>Amounts in NOK million</i>						
Bond debt, nominal amount	449 015	46 419	(57 216)	(1 682)		461 495
Value adjustments	22 701				5 648	17 053
Total debt securities issued	471 715	46 419	(57 216)	(1 682)	5 648	478 548

Maturity of debt securities issued	DNB Boligkreditt AS		
	NOK	Foreign currency	Total
<i>Amounts in NOK million</i>			
2020	19 000	36 322	55 322
2021	26 500	50 950	77 450
2022	25 500	68 872	94 372
2023	257	66 882	67 139
2024 and later	12 120	142 612	154 732
Total bond debt	83 377	365 638	449 015

Debt securities issued - matured/redeemed during the period	DNB Boligkreditt AS							
	ISIN Code	Currency	Matured redeemed amount	Interest	Issued	Matured	Remaining nominal amount	
31 Dec. 2019							31 Dec. 2018	
Private	EUR	119	Fixed	2009	2019	Matured		119
Private	EUR	50	Fixed	2009	2019	Matured		50
XS0446707803	CHF	882	Fixed	2009	2019	Matured		882
XS1023622175	EUR	9 940	Floating	2014	2019	Matured		9 940
NO0010430143	NOK	1 500	Fixed	2008	2019	Matured		1 500
NO0010430143	NOK	250	Fixed	2012	2019	Matured		250
XS0794233865	EUR	14 910	Fixed	2012	2019	Matured		14 910
Private	EUR	119	Fixed	2009	2019	Matured		119
Private	EUR	248	Floating	2009	2019	Matured		248
Private	EUR	1 193	Fixed	2008	2019	Matured		1 193
Private	EUR	209	Fixed	2009	2019	Called		209
Private	EUR	99	Fixed	2009	2019	Called		99
Private	EUR	199	Fixed	2009	2019	Called		199
Private	EUR	149	Fixed	2010	2019	Matured		149
Private	EUR	75	Fixed	2012	2019	Matured		75
NO0010664394	NOK	700	Floating	2012	2019	Matured		700
NO0010664394	NOK	2 000	Floating	2013	2019	Matured		2 000
NO0010664394	NOK	10 000	Floating	2014	2019	Matured		10 000
NO0010664402	NOK	650	Fixed	2012	2019	Matured		650
NO0010664402	NOK	500	Fixed	2013	2019	Matured		500
NO0010664402	NOK	1 000	Fixed	2014	2019	Matured		1 000
XS1117515871	EUR	12 425	Fixed	2014	2019	Matured		12 425
Total debt securities issued, nominal value		57 216						57 216

Note 4 Debt securities issued (continued)

Cover pool	DNB Boligkreditt AS	
	31 Dec. 2019	31 Dec. 2018
<i>Amounts in NOK million</i>		
Pool of eligible loans	632 580	623 859
Market value of eligible derivatives	41 595	39 483
Total collateralised assets	674 176	663 342
Debt securities issued, carrying value	471 715	478 548
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(78)	(358)
Debt securities issued, valued according to regulation ¹⁾	471 637	478 189
Collateralisation (per cent)	142.9	138.7

1) The debt securities issued are bonds with preferred rights in the appurtenant cover pool. The composition and calculation of values in the cover pool are defined in Sections 11-8 and 11-11 of the Financial Institutions Act with appurtenant regulations.

Note 5 Subordinated loan capital

<i>Amounts in NOK million</i>	Currency	Nominal amount	Interest rate	Issue date	Call date	Maturity date	DNB Boligkreditt AS	
							31 Dec. 2019	31 Dec. 2018
Term subordinated loan capital	NOK	1 900	3 month Nibor + 160 bp	2018	2023	2028	1 900	1 900
Term subordinated loan capital	NOK	3 300	3 month Nibor + 160 bp	2018	2023	2028	3 300	3 300
Accrued interest							10	9
Total subordinated loan capital							5 210	5 209

Note 6 Financial instruments at fair value

<i>Amounts in NOK million</i>	DNB Boligkreditt AS			Total
	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	
Assets as at 31 December 2019				
Loans to customers			41 489	41 489
Financial derivatives		51 524		51 524
Liabilities as at 31 December 2019				
Debt securities issued ¹⁾		16 948		16 948
Financial derivatives		9 928		9 928

1) The measurement category for debt securities issued in Norwegian kroner with floating rates has been changed from FVTPL to amortised cost as of 31 December 2019. Comparative information has not been restated.

<i>Amounts in NOK million</i>	DNB Boligkreditt AS			Total
	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	
Assets as at 31 December 2018				
Loans to customers			41 275	41 275
Financial derivatives		51 088		51 088
Liabilities as at 31 December 2018				
Debt securities issued		81 842		81 842
Financial derivatives		11 606		11 606

Financial instruments at fair value, level 3

<i>Amounts in NOK million</i>	DNB Boligkreditt AS
	Loans to customers
Carrying amount as at 31 December 2018	41 275
Net gains recognised in the income statement	(172)
Additions/purchases	7 585
Sales	(49)
Settled	(7 150)
Carrying amount as at 31 December 2019	41 489

Note 7 Information on related parties

DNB Bank ASA

In 2019, loan portfolios representing NOK 1.5 billion (NOK 3.5 billion in 2018) were transferred from the bank to DNB Boligkreditt in accordance with the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS".

The management fee paid to the bank for purchased services is recognised as "Other expenses" in the statement of comprehensive income and amounted to NOK 728 million in 2019 (NOK 687 million in 2018).

At end-December the bank had invested NOK 16.2 billion in covered bonds issued by DNB Boligkreditt.

In 2019 DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 5.2 billion at end-December 2019.

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 170 billion.

DNB Livsforsikring AS

At end-December 2019 DNB Livsforsikring's holding of DNB Boligkreditt bonds was valued at NOK 1.5 billion.

Contact information

DNB Boligkreditt AS

Mailing address P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address Dronning Eufemias gate 30, Oslo
Telephone +47 91 50 48 00
Internet dnb.no
Organisation number NO 985 621 551 MVA

Chief Executive Officer

Per Sagbakken
Tel: +47 90 66 11 59
per.sagbakken@dnb.no

Financial reporting

Inger Anne Djupvik Husby
Tel: +47 48 13 23 21
inger.anne.husby@dnb.no

DNB ASA

Mailing address P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address Dronning Eufemias gate 30, Oslo
Telephone +47 91 50 48 00
Internet dnb.no
Organisation number NO 981 276 957 MVA

DNB Bank ASA

Mailing address P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address Dronning Eufemias gate 30, Oslo
Telephone +47 91 50 48 00
Internet dnb.no
Organisation number NO 984 851 006 MVA

Other sources of information

Annual and quarterly reports

DNB Boligkreditt AS is part of the DNB Bank Group and the DNB Group. Annual and quarterly reports for DNB Boligkreditt AS, the DNB Bank Group and the DNB Group are available on ir.dnb.no.

**We are here.
So you can
stay ahead.**

DNB Boligkreditt AS

Mailing address:
P.O.Box 1600 Sentrum
N-0021 Oslo

Visiting address:
Dronning Eufemias gate 30
Bjørvika, Oslo

dnb.no