

## SUPPLEMENTARY BASE PROSPECTUS DATED 3 JUNE 2020

### DNB BOLIGKREDITT AS



*(incorporated in Norway)*

**€60,000,000,000**

**Covered Bond Programme**

This Supplementary Base Prospectus (the “**Supplement**”) to the Base Prospectus dated 21 June 2019 (the “**Base Prospectus**”) which, together with the Supplementary Base Prospectus dated 11 July 2019 (the “**First Supplement**”) and the Supplementary Base Prospectus dated 24 October 2019 (the “**Second Supplement**”), comprises a base prospectus and is prepared in connection with the €60,000,000,000 Covered Bond Programme established by DNB Boligkreditt AS (the “**Issuer**”). This Supplement constitutes a supplementary prospectus for the purposes of Article 16 of Directive 2003/71/EC (as amended or superseded) (the “**Prospectus Directive**”) as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 and is prepared in order to update the Base Prospectus. Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements to the Base Prospectus issued by the Issuer.

This Supplement has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### **Purpose of this Supplement**

The purpose of this Supplement is: (a) to incorporate by reference the audited financial statements of the Issuer for the financial year ended 31 December 2019 which are contained in the document entitled "Annual Report 2019" (the “**Issuer’s 2019 Report**”), (b) to incorporate by reference the unaudited interim financial statements of the Issuer for the three-month period ended 31 March 2020 which are contained in the document entitled "First quarter report 2020" (the “**Issuer’s Q1 Report**”); (c) to update the “Risk Factors” section of the Base Prospectus; and (d) to include a new "Material Change and Significant Change" statement.

#### **Issuer’s 2019 Report**

On 5 March 2020, the Issuer published the Issuer’s 2019 Report. The Issuer’s 2019 Report has been filed with the Central Bank of Ireland and, by virtue of this Supplement, the audited financial statements of the Issuer for the financial year ended 31 December 2019 which are contained in the Issuer’s 2019 Report are incorporated in, and form part of, the Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained upon request, free of charge, from the registered office of the Issuer and the specified office of the Paying Agent for the time being in London.

## Issuer's Q1 Report

On 30 April 2020, the Issuer published the Issuer's Q1 Report. The Issuer's Q1 Report has been filed with the Central Bank of Ireland and, by virtue of this Supplement, the unaudited interim financial statements of the Issuer for the three-month period ended 31 March 2020 which are contained in the Issuer's Q1 Report are incorporated in, and form part of, the Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained upon request, free of charge, from the registered office of the Issuer and the specified office of the Paying Agent for the time being in London.

## Cross-Reference List

Paragraph (a) on page 43 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“(a) the audited annual financial statements of the Issuer for each of the financial years ended 31 December 2017 (which can be viewed online at <https://www.ir.dnb.no/sites/default/files/results/DNB%20Boligkreditt%20Annual%20Report%202017.pdf>), 31 December 2018 (which can be viewed online at [https://www.ir.dnb.no/sites/default/files/dnb\\_boligkreditt\\_2018.pdf](https://www.ir.dnb.no/sites/default/files/dnb_boligkreditt_2018.pdf)) and 31 December 2019 (which can be viewed online at <https://www.ir.dnb.no/sites/default/files/Annual%20Report%20DNB%20Boligkreditt%202019.pdf>), including the information set out at the following pages of the Issuer's 'Annual Report 2017', 'Annual Report 2018' and 'Annual Report 2019'. The audited annual financial statements of the Issuer are prepared in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”):

	2017	2018	2019
Income statement/Comprehensive income	page 6	page 6	page 6
Balance sheets	page 7	page 7	page 7
Statement of changes in equity	page 8	page 8	page 8
Cash flow statements	page 9	page 9	page 9
Accounting principles and explanatory notes	pages 10–41	pages 10-41	pages 10-40
Auditors' report	pages 43-46	pages 43-46	pages 41-44”

The following shall be inserted underneath Paragraph (b) on page 43 of the Base Prospectus (with subsequent paragraphs re-numbered accordingly):

“(c) the unaudited interim financial statements of the Issuer as at, and for the three-month period ended, 31 March 2020 (which can be viewed online at [https://www.ir.dnb.no/sites/default/files/dnb\\_boligkreditt\\_1Q20.pdf](https://www.ir.dnb.no/sites/default/files/dnb_boligkreditt_1Q20.pdf)), including the information set out at the following pages of the Issuer's 'First quarter report 2020':

Comprehensive income statement	page 7
Balance sheet	page 8
Statement of changes in equity	page 9
Cash flow statement	page 10
Accounting principles and explanatory notes	pages 11-15

The interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting.”

Any non-incorporated parts of the Issuer's 2019 Report or, as the case may be, the Issuer's Q1 Report are either not relevant for an investor or are covered elsewhere in the Base Prospectus.

## Risk Factors

The risk factor titled “*Norwegian households are exposed to a decrease in house prices*” on page 10-11 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

*“Norwegian households are exposed to a decrease in housing prices and increases in interest rates may impact the customers’ ability to service the loans.*”

Stimulated by substantial cuts in interest rates, house prices in Norway started to increase in early 2009, reaching a peak in the first half of 2017. In Oslo, the increase in housing prices was particularly strong, which was a major reason why the Ministry of Finance tightened the rules for home mortgage lending effective as of January 2017. After the peak in the first half of 2017, house prices decreased somewhat (particularly significant in Oslo) but started increasing again from 2018 up until February 2020. However, due to the outbreak of the COVID-19 virus and the lower activity as a result of efforts to contain the outbreak, house prices in Norway dropped by 0.9 per cent. and in Oslo with 2.2 per cent. from February 2020 to April 2020 (Source: *Housing prices statistics, Real Estate Norway, April 2020*). House prices are expected to drop 2.0 per cent. in 2020 and to drop further 0.5 per cent. in 2021, and for 2022 and 2023, house prices are expected to increase with 1.7 per cent. and 3.0 per cent. respectively (Source: *Statistics Norway, 24 April 2020*). These estimates, however, are highly uncertain, and there are more negative estimates from other analysts/researches. The long-term effects of the outbreak of the COVID-19 and its impact on the Norwegian economy combined with slow growth in household incomes suggest uncertainty regarding further developments in house prices and a further drop in house-prices may occur. Stricter regulation of home mortgages may also continue to dampen house-price growth. A further drop in house prices, if accompanied by weakened economic conditions and/or higher unemployment, could have a material adverse effect on the Norwegian economy and a material adverse effect on the Issuer’s financial condition. Negative developments in the housing market, particularly a further decline in housing prices, could also affect the Issuer by reducing the value of the Cover Pool relative to the statutory asset coverage requirement. Should a continued decrease in housing prices materialise, and/or household indebtedness increase and/or interest rates increase from their current low levels, there could be a material increase in mortgage defaults, including mortgages issued by the Issuer, which in turn could have a material adverse effect on the Issuer’s business, financial condition and results of operations.”

The risk factor titled “*Weakening business conditions and economic activity in Norway may adversely affect the Issuer*” on page 11 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

*“Weakening business conditions and economic activity in Norway may adversely affect the DNB Bank Group and the Issuer.*”

The performance of the Issuer and the DNB Bank Group and the level of mortgage borrowing in Norway depend on business conditions and economic activity in Norway, in particular interest rates, the state of the Norwegian economy and unemployment trends. Business conditions and economic activity in Norway are cyclical in nature and may be affected by both domestic and international economic and political events, and taxation.

In particular, the state of the Norwegian economy depends on the performance of the oil and gas industry. After reaching a peak in 2014, oil prices fell significantly in the second half of that year resulting in a significant depreciation of the Norwegian kroner and widening credit spreads. Although fluctuating somewhat in the following years, oil prices stabilised in the following years at average levels well below the 2014 peak.

Recently, the outbreak of the COVID-19 virus and the consequent significant decrease in demand of oil, coupled with the decision of the Organization of the Petroleum Exporting Countries (“OPEC”) to remove all limits on oil production in March 2020, have caused a sharp drop in oil prices. While this situation was reversed in part on 9 March 2020 and 12 April 2020, when OPEC and certain non-OPEC oil-producing countries agreed to temporarily limit production, oil prices continued to drop and there can be no assurance that crude oil prices will not decrease further. The price of crude oil continues to fluctuate significantly on a daily basis but remains low due to uncertainty surrounding production output levels and due to significantly lower demand. As a result, the level of oil investments in Norway is highly uncertain. The most recent estimates from Statistics Norway suggest a 9.0 per cent. reduction in oil investments for 2020, an 11.9 per cent. reduction in 2021 and a 0.6 per cent. growth in 2022 (Source: *Statistics Norway, 24 April 2020*). However, as mentioned, these estimates are uncertain

and there are more negative estimates from other analysts and researchers. If the low oil price persists, this could have a significant impact on oil investments for 2020 and the coming years. Continued low oil prices, high volatility in oil prices and reduced oil-related investments may have a material adverse effect on the Norwegian economy. The impact of these conditions could have a material adverse effect on the Issuer's business, financial condition and results of operations and its ability to perform its obligations under the Covered Bonds.

The unemployment rate in Norway has been at a historically low level in a European context. Unemployment reached a peak of 5 per cent. in mid-2016, reflecting the decline in activity in the petroleum sector and weaker growth in the Norwegian economy. However, since then, the unemployment rate has decreased, reaching 3.8 per cent. in December 2019 (Source: Labour Force Survey (*Statistics Norway and Norges Bank*)). The outbreak of the COVID-19 virus has caused a significant increase of temporary lay-offs from 65,000 on 10 March 2020 to 290,000 on 24 March 2020, and has been stable at this high number since then. This number represents 10.2 per cent. of the labour force per 21 April 2020 (Source: *Statistics Norway, 24 April 2020*). Since these lay-offs are temporary, this has however not had an impact on the unemployment rate, which as of the end of March 2020 was at 3.6 per cent. (Source: *Labour Force Survey (Statistics Norway and Norges Bank)*). The temporary lay-offs will, however, impact the unemployment rate if the lay-offs last longer than three months. The high number of temporary lay-offs is a result of new measures where the government covers a significant part of the employees' salary.

The unemployment rate is expected to increase to 6.3 per cent. in 2020, for thereafter to decrease to 5.5 per cent. in 2021 and 5.1 per cent. in 2022 (Source: *Statistics Norway, 24 April 2020*). It is, especially in the current environment, very difficult to predict the unemployment rate going forward, and other estimates are more negative than those referred to above. A persistent lower oil price together with the outbreak of the COVID-19 may have a material adverse effect on the unemployment rate. Unemployment will lead to challenges for the DNB Bank Group's customers (especially young and/or low-income borrowers) to serve their obligations, including making payments under the Mortgage Loans (defined below). Defaults in Mortgage Loans may have a material adverse effect on the Issuer's business, financial condition and results of operations and its ability to perform its obligations under the Covered Bonds."

The risk factor titled "*Borrowers under interest-only mortgages may not be able to pay the increased amounts falling due over the term remaining after the interest-only term*" on page 23 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

*"Borrowers under interest-only mortgages may not be able to pay the increased amounts falling due over the term remaining after the interest-only term*

Though borrowers under interest-only mortgages make interest payments over the entire term of the mortgage, they repay all principal amounts over the shorter term remaining after the end of the interest-only term. The interest-only term typically ends no more than five years after the mortgage is originated. The ability of a borrower to repay the principal amounts due over the remaining term of an interest-only mortgage depends on, amongst other things, the financial standing of the borrower, tax laws in force during the term of the mortgage and general economic conditions at the time. There can be no assurance that a borrower will have sufficient funds to pay the increased amounts falling due over the term remaining after the interest-only term. In addition, if real estate prices decrease significantly from the levels prevailing at the time an interest-only mortgage loan was originated, borrowers may have difficulty refinancing the principal balance of a mortgage loan at the end of the interest-only term. If for any reason a significant number of borrowers cannot pay the increased amounts due on an interest-only mortgage loan after the end of the interest-only term, this may have a material adverse effect on the Issuer's business, financial condition and results of operations.

Even though the DNB Bank Group (including the Issuer) generally has not implemented payment holidays or forbearance measures, there has, as a result of the outbreak of COVID-19, been an increase of customer applications to amend the mortgages to be interest-only. As at 31 March 2020, interest-only residential mortgages comprised 25.9 per cent. of the Issuer Cover Pool, compared to 20.7 per cent. as at 31 December 2019. The vast majority of the increase of interest-only mortgages is related to instalment suspensions of up to 12 months."

The following risk factor shall be inserted as a new risk factor on page 17 of the Base Prospectus (prior to the heading that reads "Risks relating to the Covered Bonds"):

*"The outbreak of COVID-19 (and possibly other contagious diseases) may adversely impact the DNB Bank Group, including the Issuer.*

The outbreak of a novel strain of coronavirus, COVID-19, has already had a significant impact on global macroeconomic conditions and financial markets and the economic environments in Norway and the world. The number of reported cases of COVID-19 worldwide, as well as the number of reported deaths as a consequence of COVID-19 worldwide, significantly exceed those observed during the SARS epidemic that occurred from November 2002 to July 2003. In March 2020, the World Health Organization declared COVID-19 to be a pandemic. Given the ongoing and dynamic nature of the consequences of the COVID-19 pandemic and the government measures implemented to counter or limit the adverse impact of the outbreak, it is not possible at this time accurately to assess the ultimate impact of the outbreak for the world economy, the Norwegian economy and/or the DNB Bank Group, including the Issuer. The impact to date has included significant volatility in financial and commodities markets and it is likely that global GDP will contract for 2020 in response to the economic slowdown caused by the spread of COVID-19. At present, it is difficult to ascertain how long the outbreak of COVID-19 may last or how severe it will become and, consequently, the full impact that COVID-19 may have on the global economy, the Norwegian economy and/or the DNB Bank Group, including the Issuer's operations/prospects. Further, the outbreak and the present volatile situation means that the estimates provided in this Base Prospectus are even more uncertain than in a normal situation. If the outbreak of COVID-19 and the measures intended to contain the outbreak continues for a prolonged period, global macroeconomic conditions would worsen and the global economy may experience a significant slowdown in its growth rate or even a decline. Volatility in global financial and commodities markets may also remain elevated. This volatility, if it continues, could have a material adverse effect on the Issuer's customers and on the Issuer's business, financial condition and results of operations.

Measures implemented by governmental authorities across the world, including Norway, to contain the outbreak of COVID-19, such as school and university closings, business closings, travel restrictions, border controls, bans on public gatherings and other measures to discourage or prohibit the movement and gathering of people, are expected to have a material and adverse impact on the level of economic activity in Norway. The restrictions are being determined by the governments of individual jurisdictions (including through the implementation of emergency powers) and impacts (including the timing of implementation, any subsequent lifting of restrictions and tightening of restrictions) may vary from jurisdiction to jurisdiction. The outbreak and the restrictions to contain the outbreak will impact the Issuer's operations in a number of ways. As a result of the foregoing factors, the outbreak of COVID-19 or any other contagious diseases may have a material adverse effect on the Issuer's business, loan portfolio, financial condition (including capital and liquidity) and results of operations."

### **Material Change and Significant Change**

The paragraph under the heading "Material Change and Significant Change" on page 164 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Save as disclosed in the risk factors *"Norwegian households are exposed to a decrease in house prices and increases in interest rates may impact the customers' ability to service the loans"*, *"Weakening business conditions and economic activity in Norway may adversely affect the DNB Bank Group and the Issuer"*, *"Borrowers under interest-only mortgages may not be able to pay the increased amounts falling due over the term remaining after the interest-only term"* and *"The outbreak of COVID-19 (and possibly other contagious diseases) may adversely impact the DNB Bank Group, including the Issuer"*, since 31 December 2019, there has been no material adverse change in the prospects of the Issuer and, since 31 March 2020, there has been no significant change in the financial or trading position of the Issuer."

## **General Information**

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Base Prospectus, as supplemented by the First Supplement and the Second Supplement, the statements in (a) above will prevail.

Save as disclosed in this Supplement, the First Supplement and the Second Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of any Covered Bonds or any change in the condition of the Issuer which is material in the context of the Programme or the issue of any Covered Bonds since the publication of the Base Prospectus.