

DNB Boligkreditt AS

A company in the DNB Group

Third quarter report 2019
(Unaudited)

Q3

Financial highlights

Income statement

<i>Amounts in NOK million</i>	DNB Boligkreditt AS				
	3rd quarter 2019	3rd quarter 2018	January-September		Full year
			2019	2018	2018
Net interest income	1 254	1 238	3 631	3 859	5 183
Net other operating income	39	(44)	605	(1 430)	(2 128)
Of which net gains on financial instruments at fair value	23	(61)	560	(1 476)	(2 190)
Total operating expenses	(260)	(143)	(687)	(560)	(771)
Impairment of financial instruments	(7)	2	26	13	15
Pre-tax operating profit	1 026	1 052	3 576	1 881	2 299
Tax expense	(256)	(263)	(894)	(470)	(575)
Profit for the period	769	789	2 682	1 411	1 724

Balance sheet

<i>Amounts in NOK million</i>	30 Sept. 2019	31 Dec. 2018	30 Sept. 2018
Total assets	719 703	695 819	681 465
Loans to customers	640 097	628 901	627 725
Debt securities issued	501 640	478 548	454 229
Total equity	45 785	43 608	43 200

Key figures and alternative performance measures

	3rd quarter 2019	3rd quarter 2018	January-September		Full year
			2019	2018	2018
Return on equity, annualised (%) ¹⁾	6.7	7.3	8.0	4.4	4.0
Total average spread for lending (%) ¹⁾	0.63	0.68	0.62	0.73	0.73
Impairment relative to average net loans to customers, annualised (per cent) ¹⁾	0.00	0.00	0.01	0.00	0.00
Net loans and financial commitments in stage 3, per cent of net loans ¹⁾	0.15	0.17	0.15	0.17	0.16
Net loans and financial commitments in stage 3, (NOK million)	968	1 049	968	1 049	1 019
Common equity Tier 1 capital ratio, transitional rules, end of period (%)	16.5	16.4	16.5	16.4	16.9
Capital ratio, transitional rules, end of period (%)	18.6	18.4	18.6	18.4	18.9
Common equity Tier 1 capital (NOK million)	42 123	40 908	42 123	40 908	42 143
Risk-weighted assets, transitional rules (NOK million)	254 964	248 894	254 964	248 894	250 087
Number of full-time positions at end of period	5	6	5	6	6

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

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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 769 million in the third quarter of 2019, compared with a profit of NOK 789 million in the third quarter of 2018.

Total income

Income totalled NOK 1 293 million in the third quarter of 2019, up from NOK 1 194 million in the year-earlier period.

Amounts in NOK million	3rd quarter		3rd quarter
	2019	Change	2018
Total income	1 293	99	1 194
Net interest income		16	
Net commission and fee income		(2)	
Net gains/(losses) on financial instruments at fair value		84	

Compared to the same period in the previous year, the net interest income is stable. 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. 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 237 million in the third quarter of 2019, up from NOK 115 million in the third quarter of 2018.

The company has generally recorded low impairment losses on loans. In the third quarter of 2019, the company reported a net impairment loss of NOK 7 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-September 2019, DNB Boligkreditt had total assets of NOK 719.7 billion, an increase of NOK 38.2 billion from end-September 2018.

Amounts in NOK million	30 Sept.		30 Sept.
	2019	Change	2018
Total assets	719 703	38 238	681 465
Loans to customers		12 372	
Financial derivatives		15 194	
Other assets		10 673	
Total liabilities	673 918	35 653	638 265
Due to credit institutions		(7 900)	
Financial derivatives		(1 428)	
Debt securities issued		47 411	
Deferred taxes		(3 232)	
Other liabilities		802	

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 increased by net NOK 47.4 billion from end-September 2018. The company issued covered bonds under existing programmes totalling NOK 1.2 billion in the third quarter of 2019. Total debt securities issued amounted to NOK 501.6 billion at end-September 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 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-September 2019, the company's equity totalled NOK 45.8 billion, of which NOK 42.1 billion represented Tier 1 capital. Total primary capital in the company was NOK 47.3 billion. The Tier 1 capital ratio was 16.5 per cent, while the capital adequacy ratio was 18.6 per cent.

New regulatory framework

Home Mortgage Regulations under consideration

The purpose of the Home Mortgage Regulations is to contribute to a more sustainable development in household debt. The current Home Mortgage Regulations expire on 31 December 2019. At the request of the Ministry of Finance;

Finanstilsynet (the Financial Supervisory Authority of Norway) has considered whether the Regulations should be continued, and if so, whether adjustments of individual elements are required. Finanstilsynet proposes that the limit for debt in relation to income (maximum loan-to-income ratio) is reduced from 5 to 4.5 times gross annual income. The banks' flexibility quota, i.e. the limit for granting loans that do not meet one or more of the terms of the Home Mortgage Regulations, is proposed set at 5 per cent for the entire country. According to the current Regulations, this quota is 10 per cent, with the exception of Oslo, where the flexibility quota is 8 per cent. Finanstilsynet also proposes to repeal the special requirement of a maximum loan-to-value ratio of 60 per cent for loans for secondary housing in Oslo, so that the regulatory requirements are no longer geographically differentiated.

Finanstilsynet has obtained assessments from Norges Bank, which believes that the current Regulations have had the intended effect, and that the general development does not warrant significant changes in the requirements. However, Norges Bank agrees that the regulatory requirements should be the same across the country.

The Ministry of Finance has circulated the proposals for comments, and a decision is expected later this autumn.

Brexit still unresolved

It is not yet clear whether the United Kingdom will leave the EU on 31 October with or without a deal, as the British Prime Minister Boris Johnson wishes. It is uncertain whether the British Parliament will succeed in forcing the Prime Minister to seek a postponement from the EU, and if so, whether the EU will approve such a request. DNB nevertheless assumes that the UK will become a third country in an EU context at some point in the foreseeable future, and the bank is prepared for such a scenario. DNB's application to be regulated as a third-country branch in the UK has been prepared in consultation with the British authorities and is ready to be submitted the day Brexit occurs. On the same day, DNB will be subject to a temporary Special Permissions Regime regulating its operations in the UK and services delivered from Norway/the EEA into the UK. The work with ensuring compliance with this temporary regime is well underway.

Debt information companies will provide better credit assessments

In 2017, the Norwegian government opened up for giving private players a licence to establish companies providing credit information in connection with credit assessments. As of 1 July 2019, two debt information companies are fully operational in

Norway, and all banks licenced to provide unsecured loans are obliged to furnish these two companies with information about established loan agreements and frame loan agreements.

The purpose of the debt information services is to be an aid for both customers and banks. It is now easier for customers to get an overview of their own debt situation, and banks can easily check the amount of actual debt the loan applicant has. Banks can thus conduct a better credit assessment of customers seeking loans, which should prevent consumers from taking up more debt than they can service.

Macroeconomic developments

A strong macroeconomic situation in Norway is reflected in Norges Bank's fourth key policy rate increase. In Norway, both economic growth and capacity utilisation are higher than normal, and unemployment is low. This is primarily due to an upturn in the oil sector. High growth in the investment activity on the Norwegian Continental Shelf has a positive effect on large parts of the Norwegian business community. As several of the large projects are nearing completion, and there is a lack of new projects with a similar scope, the oil investment growth will slow down next year. Weak growth among DNB's main trading partners will put a damper on the industrial sector and Norwegian export. In total, DNB believes that the growth in the Norwegian economy will slow down next year and decrease further to a little below the normal level (which DNB estimates at 1.75 per cent) in the following years. Unemployment (currently at 2.x per cent) is likely to remain low for a while longer, but to eventually increase somewhat. This is also expected to result in the wage growth declining, having reached a relatively modest peak of 3.3 per cent this year. In September, Norges Bank raised the key policy rate for the fourth time in a year, to 1.50 per cent, but the bank also signaled that the interest rate peak has most likely been reached. DNB expects the key policy rate to remain at the current level in the years ahead, provided there are no new negative shocks.

A strong macroeconomic situation contributed to healthy lending growth, higher NOK interest rates and continued strong asset quality.

Future prospects

The increase in Norges Bank's key policy rate from 1.00 per cent to 1.25 per cent, followed by DNB's announcement of an increase in loan rates effective from August, will have full effect in the fourth quarter. The rate hike announcement from Norges Bank in September, from 1.25 per cent to 1.50 per cent, and DNB's subsequent announcement of increased loan rates effective from November, will have a positive effect on net interest income from the fourth quarter.

The annual increase in lending volumes is anticipated to be 3 to 4 per cent in 2019 and 2020.

The common equity Tier 1 (CET1) capital ratio according to Basel I (transitional rules), was 16.5 per cent as at 30 September 2019, while the CET1 capital ratio according to Basel III was 24.1 per cent. The proposal from the Ministry of Finance of 25 June to increase the systemic risk buffer implies a higher capital requirement for the company. However, the removal of the Basel I floor will at the same time reduce the risk weighted assets and increase the capital ratio by year-end 2019. DNB Boligkreditt is well positioned for new regulatory requirements.

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 in 2019 is expected to be somewhat lower than in the previous year. Overall, this provides a further solid basis for DNB Boligkreditt's funding activities.

Oslo, 23 October 2019
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	3rd quarter 2019	3rd quarter 2018	January-September 2019	September 2018	Full year 2018
Interest income, amortised cost		4 161	3 441	11 599	10 224	13 843
Other interest income		290	274	856	815	1 107
Interest expenses, amortised cost		(2 275)	(2 166)	(6 512)	(6 491)	(8 704)
Other interest expenses		(922)	(312)	(2 312)	(688)	(1 063)
Net interest income		1 254	1 238	3 631	3 859	5 183
Commission and fee income		16	17	47	46	62
Commission and fee expenses		(1)	(0)	(2)	(3)	(3)
Net gains on financial instruments at fair value		23	(61)	560	(1 476)	(2 190)
Other income		0	1	0	2	3
Net other operating income		39	(44)	605	(1 430)	(2 128)
Total income		1 293	1 194	4 237	2 429	3 055
Salaries and other personnel expenses		(3)	(3)	(8)	(9)	(12)
Other expenses	7	(257)	(140)	(679)	(552)	(759)
Total operating expenses		(260)	(143)	(687)	(560)	(771)
Impairment of financial instruments	3	(7)	2	26	13	15
Pre-tax operating profit		1 026	1 052	3 576	1 881	2 299
Tax expense		(256)	(263)	(894)	(470)	(575)
Profit for the period		769	789	2 682	1 411	1 724
Other comprehensive income that will not be reclassified to profit or loss		8	59	(49)	(20)	106
Tax		(2)	(15)	12	5	(27)
Total comprehensive income for the period		775	834	2 645	1 396	1 804

Balance sheet

		DNB Boligkreditt AS		
<i>Amounts in NOK million</i>	Note	30 Sept. 2019	31 Dec. 2018	30 Sept. 2018
Assets				
Due from credit institutions	7	17 527	15 820	6 857
Loans to customers	3, 6	640 097	628 901	627 725
Financial derivatives	6	62 077	51 088	46 883
Other assets		3	10	(0)
Total assets		719 703	695 819	681 465
Liabilities and equity				
Due to credit institutions	7	148 994	147 204	156 894
Financial derivatives	6	11 371	11 606	12 799
Debt securities issued	4, 6	501 640	478 548	454 229
Payable taxes		891	3 832	462
Deferred taxes		5 693	5 693	8 925
Other liabilities		91	87	67
Provisions		29	33	33
Subordinated loan capital	5	5 209	5 209	4 856
Total liabilities		673 918	652 211	638 265
Share capital		5 257	4 157	4 157
Share premium		31 719	31 563	31 563
Other equity		8 809	7 888	7 480
Total equity		45 785	43 608	43 200
Total liabilities and equity		719 703	695 819	681 465

Statement of changes in equity

DNB Boligkreditt AS

<i>Amounts in NOK million</i>	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				1 411	1 411
Financial liabilities designated at FVTPL, changes in credit risk			(20)		(20)
Tax on other comprehensive income			5		5
Comprehensive income for the period			(15)	1 411	1 396
Group contribution paid				(2 300)	(2 300)
Balance sheet as at 30 Sept. 2018	4 157	31 563	(363)	7 844	43 200
Balance sheet as at 31 Dec. 2018	4 157	31 563	(269)	8 157	43 608
Profit for the period				2 682	2 682
Financial liabilities designated at FVTPL, changes in credit risk			(49)		(49)
Tax on other comprehensive income			12		12
Comprehensive income for the period			(37)	2 682	2 645
Share issue	1 100	9 900			11 000
Group contribution paid		(9 744)		(1 724)	(11 468)
Balance sheet as at 30 Sept. 2019	5 257	31 719	(306)	9 115	45 785

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>	January-September		Full year
	2019	2018	2018
Operating activities			
Net payments on loans to customers	(9 504)	(3 543)	(3 565)
Interest received from customers	12 301	10 984	14 876
Net received/payments on loans from credit institutions	80	(2 876)	(21 530)
Interest received from credit institutions	76	42	64
Interest paid to credit institutions	(2 163)	(2 215)	(2 989)
Net receipts on commissions and fees	45	44	59
Payments for operating expenses	(746)	(698)	(704)
Net cash flow relating to operating activities	90	1 737	(13 790)
Investing activities			
Net purchase of loan portfolio	(1 491)	(2 423)	(3 453)
Net cash flow relating to investing activities	(1 491)	(2 423)	(3 453)
Financing activities			
Receipts on issued bonds and commercial paper	39 419	56 355	90 935
Payments on redeemed bonds and commercial paper	(27 447)	(52 738)	(69 393)
Interest payments on issued bonds and commercial paper	(6 171)	(4 757)	(6 447)
Receipts on subordinated loan capital			350
Interest payments on subordinated loan capital	(117)	(96)	(128)
Share issue	11 000		
Group contribution receipts/payments	(15 290)	1 900	1 900
Net cash flow from financing activities	1 395	664	17 217
Net cash flow	(6)	(23)	(26)
Cash as at 1 January	60	86	86
Net receipts/payments of cash	(6)	(23)	(26)
Cash at end of period	54	63	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.

Note 2 Capital adequacy

Primary capital	DNB Boligkreditt AS	
	30 Sept. 2019	31 Dec. 2018
<i>Amounts in NOK million</i>		
Share capital	5 257	4 157
Other equity	37 847	39 451
Total equity	43 104	43 608
Deductions		
Expected losses exceeding actual losses, IRB-portfolios	(895)	(842)
Value adjustments due to the requirements for prudent valuation (AVA)	(380)	(405)
Adjustments for unrealised losses/(gains) on liabilities measured at fair value	306	269
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(11)	(20)
Allocated group contributions for payment		(468)
Common equity Tier 1 capital	42 123	42 143
Term subordinated loan capital	5 200	5 200
Tier 2 capital	5 200	5 200
Total eligible primary capital	47 323	47 343
Risk-weighted assets, transitional rules	254 963	250 087
Minimum capital requirement, transitional rules	20 397	20 007
Common equity Tier 1 capital ratio, transitional rules (%)	16.5	16.9
Capital ratio, transitional rules (%)	18.6	18.9

Due to transitional rules, the minimum capital adequacy requirement cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.

Note 2 Capital adequacy (continued)

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
	30 Sept. 2019	30 Sept. 2019	30 Sept. 2019	30 Sept. 2019	31 Dec. 2018
IRB approach					
Corporate	5 067	5 067	2 470	198	203
Retail - residential property	668 063	668 063	143 558	11 485	11 330
Total credit risk, IRB approach	673 131	673 131	146 028	11 682	11 533
Standardised approach					
Institutions	59 724	43 212	8 642	691	569
Corporate	19 787	19 759	6 980	558	557
Retail - residential property	23 717	21 467	7 534	603	539
Retail - other exposures	384	271	199	16	21
Other assets	89	67	94	8	
Total credit risk, standardised approach	103 701	84 776	23 450	1 876	1 686
Total credit risk	776 831	757 906	169 478	13 558	13 220
Credit value adjustment (CVA)					
Operational risk			5 463	437	437
Total risk-weighted assets and capital requirements before transitional rules			174 941	13 995	13 657
Additional capital requirements according to transitional rules			80 023	6 402	6 350
Total risk-weighted assets and capital requirements			254 963	20 397	20 007

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	3rd quarter 2019				3rd quarter 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 30 June	(12)	(26)	(56)	(94)	(32)	(40)	(69)	(141)
Transfer to stage 1	(10)	8	2		(11)	10	1	
Transfer to stage 2	0	(3)	3		1	(4)	3	
Transfer to stage 3	0	0	(0)		0	0	(0)	
Originated and purchased during the period	(2)	(0)		(2)	(4)	(1)		(5)
Increased expected credit loss	(3)	(11)	(20)	(34)	(7)	(18)	(13)	(38)
Decreased (reversed) expected credit loss	15	4	8	26	20	5	16	41
Derecognition	0	3		3	0	5		5
Write-offs		0	1	1		0	0	0
Accumulated impairment as at 30 September	(12)	(25)	(63)	(99)	(33)	(44)	(61)	(138)

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

Amounts in NOK million	Jan.-Sept. 2019				Jan.-Sept. 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	(32)	27	5		(33)	27	6	
Transfer to stage 2	3	(12)	9		3	(26)	23	
Transfer to stage 3	0	1	(1)		0	1	(1)	(0)
Originated and purchased during the period	(9)	(1)		(11)	(10)	(1)		(11)
Increased expected credit loss ¹⁾	(13)	(41)	(61)	(115)	(18)	(48)	(53)	(119)
Decreased (reversed) expected credit loss ¹⁾	75	26	31	132	67	27	36	130
Derecognition		14		14	0	13		13
Write-offs		0	2	3	0	0	2	2
Accumulated impairment as at 30 September	(12)	(25)	(63)	(99)	(33)	(44)	(61)	(138)

1) DNB has performed a recalibration of the IFRS 9 models used for stage 1 and stage 2 loans in the second quarter of 2019. 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		
	30 Sept. 2019	31 Dec. 2018	30 Sept. 2018
<i>Amounts in NOK million</i>			
Listed covered bonds, nominal amount	404 563	391 085	371 669
Private placements under the bond programme, nominal amount	67 008	70 409	68 927
Total bonds, nominal amount	471 572	461 495	440 595
Accrued interest	2 969	2 985	2 801
Unrealised losses ¹⁾	27 099	14 068	10 833
Adjustments	30 068	17 053	13 634
Total debt securities issued	501 640	478 548	454 229

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 30 Sept. 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	471 572	39 419	(29 718)	377		461 495
Value adjustments	30 068				13 015	17 053
Total debt securities issued	501 640	39 419	(29 718)	377	13 015	478 548

Maturity of debt securities issued	DNB Boligkreditt AS		
	NOK	Foreign currency	Total
<i>Amounts in NOK million</i>			
2019	14 850	13 355	28 205
2020	19 000	36 505	55 505
2021	26 500	51 085	77 585
2022	25 500	69 474	94 974
2023 and later	5 377	209 926	215 303
Total bond debt	91 227	380 345	471 572

Debt securities issued - matured/redeemed during the period						DNB Boligkreditt AS		
<i>Amounts in NOK million</i>	ISIN Code	Currency	Matured redeemed amount	Interest	Issued	Matured	Remaining nominal amount	
							30 Sept. 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
	Total debt securities issued, nominal value		29 718					29 718

Cover pool	DNB Boligkreditt AS		
	30 Sept. 2019	31 Dec. 2018	30 Sept. 2018
<i>Amounts in NOK million</i>			
Pool of eligible loans	636 157	623 859	623 585
Market value of eligible derivatives	50 706	39 482	34 084
Total collateralised assets	686 864	663 342	657 669
Debt securities issued, carrying value	501 640	478 548	454 229
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(408)	(358)	(484)
Debt securities issued, valued according to regulation ¹⁾	501 232	478 189	453 745
Collateralisation (per cent)	137.0	138.7	144.9

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		
							30 Sept. 2019	31 Dec. 2018	30 Sept. 2018
Term subordinated loan capital	NOK	850	3 month Nibor + 400 bp	2009	2018	2024			850
Term subordinated loan capital	NOK	4 000	3 month Nibor + 170 bp	2013	2018	2023			4 000
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							9	9	6
Total subordinated loan capital							5 209	5 209	4 856

Note 6 Financial instruments at fair value

<i>Amounts in NOK million</i>	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	DNB Boligkreditt AS	
			Valuation based on other than observable market data Level 3	Total
Assets as at 30 September 2019				
Loans to customers			41 442	41 442
Financial derivatives		62 077		62 077
Liabilities as at 30 September 2019				
Debt securities issued		92 533		92 533
Financial derivatives		11 371		11 371

<i>Amounts in NOK million</i>	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	DNB Boligkreditt AS	
			Valuation based on other than observable market data Level 3	Total
Assets as at 30 September 2018				
Loans to customers			40 297	40 297
Financial derivatives		46 883		46 883
Liabilities as at 30 September 2018				
Debt securities issued		81 629		81 629
Financial derivatives		12 799		12 799

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		99
Additions/purchases		5 310
Sales		(50)
Settled		(5 192)
Carrying amount as at 30 September 2019		41 442

Note 7 Information on related parties

DNB Bank ASA

In the first three quarters of 2019, loan portfolios representing NOK 1.5 billion (NOK 2.4 billion in the first three quarters of 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 627 million in the first three quarters of 2019 (NOK 494 million in the first three quarters of 2018).

At end-September the bank had invested NOK 16.0 billion in covered bonds issued by DNB Boligkreditt.

In the first three quarters of 2019 DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 16.3 billion at end-September 2019.

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 160 billion.

DNB Livsforsikring AS

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

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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.**

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