

DNB

DNB
Boligkreditt
A company in the DNB Group

Annual report 2024



Financial highlights

Statement of comprehensive income

<i>Amounts in NOK million</i>	2024	2023	2022	2021	2020
Net interest income	4 963	2 741	2 971	5 989	5 495
Net other operating income	(1 667)	(595)	1 358	(257)	1 103
<i>Of which net gains on financial instruments at fair value</i>	<i>(1 700)</i>	<i>(629)</i>	<i>1 328</i>	<i>(313)</i>	<i>1 047</i>
Operating expenses	138	1 795	1 345	(1 944)	(1 158)
Impairment of financial instruments	(13)	(31)	(25)	5	27
Pre-tax operating profit	3 421	3 910	5 649	3 792	5 467
Tax expense	(855)	(987)	(1 412)	(948)	(1 368)
Profit for the year	2 566	2 923	4 237	2 844	4 100

Balance sheet

<i>Amounts in NOK million</i>	31 Dec. 2024	31 Dec. 2023	31 Dec. 2022	31 Dec. 2021	31 Dec. 2020
Total assets	808 979	737 661	732 992	746 367	740 132
Loans to customers	727 758	690 654	686 604	689 142	676 511
Debt securities issued	472 378	383 695	365 316	440 950	521 195
Total equity	41 223	41 565	40 375	38 933	47 463

Key figures

	2024	2023	2022	2021	2020
Return on equity, annualised (%) ¹	6.3	7.4	10.7	6.5	8.8
Total average spread for lending (%) ¹	0.54	0.30	0.29	0.77	0.75
Impairment relative to average net loans to customers, annualised (%) ¹	(0.00)	(0.00)	(0.00)	0.00	0.00
Net loans and financial commitments in stage 3, per cent of net loans ¹	0.36	0.31	0.25	0.24	0.13
Net loans and financial commitments in stage 3, end of period (NOK million) ¹	2 614	2 175	1 709	1 660	851
Common equity Tier 1 capital ratio end of period (%)	20.3	19.6	18.7	18.7	23.6
Capital ratio end of period (%)	22.6	22.0	21.5	21.5	26.6
Common equity Tier 1 capital (NOK million)	39 854	37 326	34 825	34 708	42 036
Total risk exposure amount (NOK million)	196 295	190 316	186 016	185 640	177 880
Number of full-time positions at end of period	4	5	5	6	6

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

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Directors' report 2024

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the accounts have been prepared on a going concern basis, and that the going concern assumption applies. Pursuant to Section 3-9 of the Norwegian Accounting Act, DNB Boligkreditt prepares annual accounts in accordance with IFRS Accounting Standards as adopted by the EU.

DNB Boligkreditt AS is the DNB Group's vehicle for the issue of covered bonds based on residential mortgages. The company's office is 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 favorable 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.

Operations in 2024

DNB Boligkreditt recorded a profit of NOK 2 566 million in 2024, compared with a profit of NOK 2 923 million in 2023.

Loans to customers increased by 5.4 per cent throughout the year, while outstanding covered bonds increased by 23.1 per cent.

The increased loans to customers, combined with wider lending spreads, gave an increase in net interest income by 81.1 per cent. A loss on financial instruments of NOK 1 700 million was recorded in 2024, compared with a loss of NOK 629 million in 2023. The loss reflects the effects of unrealised changes in the market value of covered bonds, derivatives and loans measured at fair value.

The company's residential mortgage portfolio totaled NOK 727,8 billion at year-end 2024, an increase of NOK 37.1 billion over the preceding 12 months. Debt securities issued in the form of covered bonds increased from NOK 383.7 billion in 2023 to NOK 472.4 billion at year-end 2024.

In the course of 2024, the company launched new bond issues under the existing funding program, whose limit is EUR 60 billion. The market remained attractive for covered bond issuers with a strong credit rating in 2024. The company issued covered bonds for a total of NOK 123.1 billion during the year. For more information, see www.dnb.no/ir.

Strategy

DNB Boligkreditt is a tool for DNB Bank to offer residential mortgages on competitive terms. The issue of covered bonds secured by the company's cover pool will ensure favorable funding for the banking group. The bonds are offered in the Norwegian and international financial markets.

DNB Boligkreditt offers mortgages for retail customers that are secured within 75 per cent of appraised value. New mortgages are sold through the bank's distribution channels. The bank is responsible for customer relations and all customer contact, marketing and product development. The company follows the bank's credit policy, credit strategy and credit process.

The quality and risk profile of the mortgages included in the cover pool shall ensure that the company's AAA rating target for its covered bonds is met.

The target group for covered bonds is national and international financial institutions and other investors.

Corporate governance and internal control

DNB Boligkreditt's corporate governance principles are based on the DNB Group's corporate governance policy. The Group's policy follows the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance (NUES recommendation).

DNB's governing principles for corporate responsibility set the standards for all the Group's work on both the observance and the further development of corporate responsibility. In addition, the Group has guidelines, business models and fora that aim to ensure that corporate responsibility is an integral part of daily operations.

Read more about this in the DNB Group's Board of Directors' report on corporate governance and in the document "Implementation of and reporting on corporate governance" on ir.dnb.no.

The Board of Directors of the DNB Group has sub-committees, the Audit Committee, and the Risk Management Committee. The Audit Committee reviews the annual accounts of DNB Boligkreditt.

The Board of Directors of DNB Boligkreditt reviews the financial reporting process. The company follows the DNB Group's policy for financial management and reporting, which includes requirements for quality assurance of financial reporting processes to ensure relevant, timely and uniform reporting to internal stakeholders, regulators, and capital market participants. DNB Boligkreditt has a management team which is adapted to its organisation and operations. The team reviews the process of internal control over financial reporting and implements adequate and effective internal processes in accordance with established requirements. Processes include control measures to ensure that the financial reporting is of high quality. Every year, the team makes an evaluation of compliance with external and internal regulations and prepares a plan to implement any required improvements.

The Board of Directors approves management's proposed annual accounts for DNB Boligkreditt.

Liability insurance has been entered into for the Board of Directors, to cover the legal liability that Board members and senior executives may face. The insurance covers any personal liability that Board members, deputy members and employees of DNB Bank ASA, including all subsidiaries, may incur. The insurance policy also covers the costs of processing any damages claims made, and documenting the facts related to these.

Sustainability

Environmental, social and governance (ESG) factors are integrated into DNB's Group strategy and corporate governance. Read more about DNB's sustainability reporting in the chapter Sustainability report in the Group's annual report. The Group's annual report is an integrated report and is prepared in accordance with the EU's Corporate Sustainability Reporting Directive (CSRD) and based on the related European Sustainability Reporting Standards (ESRS). Reporting required by the Norwegian Transparency Act can be found on <https://www.dnb.no/en/about-us/sustainability/human-rights>.

Review of the annual accounts

DNB Boligkreditt recorded a profit of NOK 2 566 million in 2024, compared with a profit of NOK 2 923 million in 2023.

Total income

Income totaled NOK 3 296 million in 2024, up from NOK 2 146 million in 2023.

Amounts in NOK million	2024	Change	2023
Total income	3 296	1 150	2 146
Net interest income		2 222	
Net commission and fee income		(5)	
Net gains on financial instruments at fair value		(1 071)	
Net other income		4	

The increase in net interest income was mainly due to wider lending spreads.

A net loss of NOK 1 700 million on financial instruments was recorded in 2024, which reflects the effect 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 period to period and will typically be reversed in subsequent periods due to stabilising markets or because the maturity dates of the instruments are approaching. The negative effect from financial instruments in 2024 was mainly due to a decrease in the market value of basis swaps.

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 service 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 service agreement also ensures DNB Boligkreditt a minimum fee based on the net interest margin achieved on loans to customers. A net interest rate margin below the minimum fee will be at DNB Bank's risk, resulting in a negative management fee (payment from DNB Bank to DNB Boligkreditt). The management fee amounted to a negative NOK 267 million in 2024, up from a negative NOK 1 915 million in 2023.

The company has generally recorded low impairment losses on loans. In 2024, the company reported a net impairment loss of NOK 13 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 year-end 2024, DNB Boligkreditt had total assets of NOK 809.0 billion, an increase of NOK 71.3 billion or 9.7 per cent from year-end 2023.

Amounts in NOK million	31 Dec. 2024	Change	31 Dec. 2023
Total assets	808 979	71 318	737 661
Loans to customers		37 104	
Financial derivatives		6 282	
Other assets		27 932	
Total liabilities	767 756	71 660	696 096
Due to credit institutions		(32 169)	
Financial derivatives		(4 028)	
Debt securities issued		88 683	
Other liabilities		19 174	

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 a net NOK 88.7 billion from year-end 2023. The company issued covered bonds under existing programmes totaling NOK 123.1 billion in 2024. The volume of covered bond issues was somewhat higher than in the previous years due to the Group's increased need for this funding

instrument. Total debt securities issued amounted to NOK 472.4 billion at year-end 2024.

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 service agreement with DNB Bank comprises administration, bank production, IT operations and financial and liquidity management. The fee structure in the service 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-December 2024, the company's equity totaled NOK 41.2 billion, of which NOK 39.9 billion represented Tier 1 capital. Own funds in the company was NOK 44.4 billion. As per end-December the CET1 capital ratio was 20.3 per cent, while the total capital ratio was 22.6 per cent.

Capital adequacy requirements

The common equity Tier 1 (CET1) capital ratio requirement for DNB Boligkreditt is 16.30 per cent, while the Tier 1 (T1) requirement is 17.80 per cent. Including a management buffer of 0.75 per cent the Tier 1 requirement is 18.55 per cent. In its capital planning, DNB Boligkreditt has taken into account the full counter-cyclical buffer requirement of 2.5 per cent in Norway. As per 31 December 2024 the CET1 and T1 capital ratios were 20.3 per cent.

The implementation of changes to the Capital Requirements Regulation (CRR) will have a negative effect on the company's capital adequacy. In particular, the Norwegian Ministry of Finance's decision to increase the risk weight floor for mortgages using internal rating-based models (IRB), from 20 to 25 per cent as from 1 July 2025, will result in a need for a capital supply in the first half of the year.

Non-risk based capital requirement, leverage ratio

As a supplement to the risk-weighted capital requirements and as a measure to counter adjustments and gaps in the regulations, a non-risk based capital requirement, "leverage ratio", has been introduced. The Ministry of Finance has set a minimum requirement of 3 per cent. As per 31 December 2024 the leverage ratio of DNB Boligkreditt was 4.8 per cent.

Employees and environment

During 2024 DNB Boligkreditt had four full time employees. The working environment is considered good and the sick-leave was low. The employees are located with and part of the working environment in DNB Bank ASA, hereunder included in all measures and hired on equal terms as the bank's employees.

The company's operations do not pollute the external environment.

New regulatory framework

New Norwegian Financial Supervision Act – Proposition to the Storting no. 75L (2023–2024)

On 11 June 2024, the Storting adopted a new Financial Supervision Act in accordance with the proposal from the Norwegian government. The Act replaces the current Financial Supervision Act from 1956, and follows the recommendations from the legal committee for the Financial Supervision Act in Official Norwegian Report 2023: 6. The bill takes consideration of changes that have affected Finanstilsynet (the Financial Supervisory Authority of Norway) over time, both in terms of the scope of its activities and the rules and legislation it manages, as well as changes to supervisory practice and supervisory instruments.

CRR III – Norwegian implementation

On 6 December, the Norwegian Ministry of Finance made certain changes to the Regulations on capital requirements and implementation of CRR/CRD (CRR/CRD Regulations) based on a proposal from Finanstilsynet (the Financial Supervisory Authority of Norway) on the implementation of the Capital Requirements Regulation III (CRR III) in Norway.

The Norwegian risk weight floors for exposures secured by real estate under the internal ratings-based (IRB) approach have been maintained, with some adjustments. For exposures secured by residential property, the requirement for the average risk weight has been increased, from 20 to 25 per cent. For exposures secured by commercial property, the requirement for an average risk weight of 35 per cent has been maintained.

In line with Finanstilsynet's proposal, the specific Norwegian loss given default (LGD) floor of 20 per cent has now been removed. The Norwegian requirement will therefore be in line with the CRR III, which entails a requirement for an average LGD value of at least 5 per cent for residential property and 10 per cent for commercial property. The latter is relevant for DNB Boligkreditt due to the financing of joint debt for housing cooperatives. In addition, under the CRR III, the calculation will now be made at exposure level, rather than at portfolio level, as was the case previously. The changes in the minimum requirement for average risk weight for IRB banks take effect on 1 July 2025.

Lending regulations

On 4 December, the Ministry of Finance adopted changes to the Norwegian Lending Regulations, in accordance with Section 1–7 of the Norwegian Financial Institutions Act. The Ministry decided to maintain most of the current requirements, but did make certain changes.

The equity requirement for mortgages has been reduced from 15 to 10 per cent, which means that the maximum loan-to-value ratio has increased from 85 to 90 per cent. This change is in line with the consultation response from the Norwegian central bank, Norges Bank.

The Ministry emphasised that the Lending Regulations do not prevent banks from making individual assessments of the borrower's expenses and repayment capacity, especially for families with children, where economies of scale may be considered for large families.

According to Section 5 of the Lending Regulations, the borrower must be able to withstand an interest rate increase of 3 percentage points or an interest rate of at least 7 per cent. For fixed-rate loans, the interest rate increase was previously calculated based on the amount outstanding at the end of the fixed-rate period according to the repayment schedule. Changes have been made so that the customer's expected income and expenses at the end of the fixed-rate period can be considered.

The expiry date for Section 19 of the Lending Regulations has been repealed. This means that the Lending Regulations have become 'permanent' and no longer need to be renewed periodically. However, the Ministry of Finance has stated that the

regulations will still be assessed regularly. The changes took effect on 31 December 2024.

Countercyclical buffer kept unchanged

On 21 November, Norges Bank's Monetary Policy and Financial Stability Committee decided to maintain the countercyclical capital buffer requirement at 2.5 per cent. The Committee pointed to the risk that vulnerabilities in the financial system could amplify an economic downturn in Norway, leading to bank losses.

Systemically important financial institutions

On 3 December, the Ministry of Finance decided that DNB ASA, Kommunalbanken AS, Nordea Eiendoms-kreditt AS, and Sparebank 1 Sør-Norge ASA will continue to be considered systemically important financial institutions in Norway. The decision also applies to DNB Boligkreditt AS. The Ministry of Finance's decision means that DNB Boligkreditt must continue to meet a O-SII buffer requirement of 2 per cent.

Macroeconomic developments

There was a clear upturn in the Norwegian economy in the third quarter of 2024. Mainland GDP increased by 0.4 and 0.3 per cent, respectively, during the first two quarters of 2024. Growth in the third quarter rose to 0.5 per cent. Adjusted for the volatile sectors power generation and fishing, the GDP for mainland companies remained virtually unchanged in the first and second quarters of 2024 but rose by about 1 per cent quarter-on-quarter in the third quarter. Despite weak growth in the first half of 2024, unemployment remained relatively stable. At the end of 2024, registered unemployment was 2.0 per cent, compared with 1.9 per cent in December 2023.

As in other countries, there was a pronounced decline in inflation in Norway in 2024. In December last year, annual growth in the consumer price index was 2.7 per cent, down from 4.8 per cent in 2023. The high inflation in 2022 and 2023 contributed to a clear decline in real wages. Norges Bank raised the key policy rate to 4.5 per cent in December 2023 in order to counteract inflation. The central bank kept the rate unchanged in 2024 but signalled in December that it would probably be lowered in March 2025. The 3-month NIBOR was 4.68 per cent at the end of last year, 5 basis points lower than one year earlier. The stability in the money market rate is primarily due to the key policy rate remaining at a stable 4.5 per cent throughout the year. In addition, the structural liquidity in the money market was relatively high, which contributed to keeping the money market premium low and stable.

The increase in interest rates in 2022 and 2023 contributed to the weakening of Norwegian households' purchasing power. However, the large financial buffers of households after the pandemic, together with employment growth, helped support household demand. A high level of oil and gas investment has contributed to keeping activity up and has offset the decline in housing investment. The housing market has been supported by high immigration and public funding. These forces also dominated in 2024, while the decline in inflation and relatively high wage growth led to an increase in real wages of about 2 per cent.

The Norwegian krone, measured by the I-44 import-weighted index, moved laterally in 2024, but with large fluctuations. At the end of 2024, the import-weighted exchange rate was 5.2 per cent higher than one year earlier (weaker NOK). The value of the NOK has gone hand in hand with a relatively well-balanced economy, with low unemployment and normal capacity utilisation.

Future prospects

The ambition for annual increase in lending volumes is between 3 and 4 per cent over time but could be lower or higher in certain years.

The common equity Tier 1 (CET1) capital ratio requirement for DNB Boligkreditt is 16.30 per cent, while the Tier 1 (T1) requirement is 17.80 per cent. Including a management buffer of 0.75 per cent the Tier 1 requirement is 18.55 per cent. As per 31 December 2024 the CET1 and T1 capital ratio were 20.3 per cent.

The implementation of changes to the Capital Requirements Regulation (CRR) will have a negative effect on the company's capital adequacy. In particular, the Norwegian Ministry of Finance's decision to increase the risk weight floors for mortgages from 20 to 25 per cent as from 1 July 2025, will result in a need for a capital supply in the first half of the year.

Covered bonds have 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 expected to be somewhat higher than in the previous years, due to the DNB Group's need for this funding instrument

Group contributions and the allocation of profits

The annual result for 2024 was NOK 2 566 million.

The Board of Directors proposes that the annual result in its entirety be allocated as retained earnings in the company.

Oslo, 18 March 2025

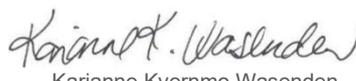
The Board of Directors of DNB Boligkreditt AS



Henrik Lidman
(Chair of the Board)



Bjørn Hauge Spjeld



Karianne Kvernmo Wasenden



Hans Olav Rønningen
(Chief Executive Officer, CEO)

Comprehensive income statement

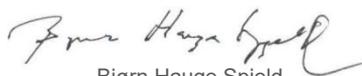
<i>Amounts in NOK million</i>	Note	2024	2023
Interest income, amortised cost	12	38 691	31 410
Other interest income	12	1 157	1 012
Interest expenses, amortised cost	12	(33 366)	(29 143)
Other interest expenses	12	(1 519)	(539)
Net interest income	12	4 963	2 741
Commission and fee income	13	38	42
Commission and fee expenses	13	(4)	(4)
Net gains on financial instruments at fair value	14, 24	(1 700)	(629)
Other income			(4)
Net other operating income		(1 667)	(595)
Total income		3 296	2 146
Salaries and other personnel expenses	15, 23	(11)	(10)
Other income (expenses) related to management fee		267	1 915
Other expenses exclusive management fee	24	(118)	(110)
Total operating expenses		138	1 795
Impairment of financial instruments	6, 8	(13)	(31)
Pre-tax operating profit		3 421	3 910
Tax expense	16	(855)	(987)
Profit for the year		2 566	2 923
Other comprehensive income that will not be reclassified to profit or loss		(10)	(8)
Tax on other comprehensive income		3	2
Comprehensive income for the year		2 558	2 916
Profit for the year as a percentage of total assets		0.35	0.41
Portion attributable to shareholders		2 558	2 912
Portion attributable to additional Tier 1 capital holders			5

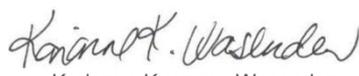
Balance sheet

<i>Amounts in NOK million</i>	Note	31 Dec. 2024	31 Dec. 2023
Assets			
Due from credit institutions	11, 17, 18, 19, 24	40 993	13 168
Loans to customers	5, 7, 11, 17, 18, 19	727 758	690 654
Financial derivatives	9, 10, 17, 19, 20, 24	39 996	33 714
Other assets	11, 17	232	126
Total assets		808 979	737 661
Liabilities and equity			
Due to credit institutions	11, 17, 18, 24	248 751	280 921
Financial derivatives	9, 10, 17, 18, 19, 20, 24	19 343	23 370
Cash collateral		16 054	
Debt securities issued	11, 17, 19, 21, 24	472 378	383 695
Deferred taxes	16	6 417	3 514
Other liabilities	11, 17, 24	264	46
Provisions		31	33
Subordinated loan capital	11, 17, 18, 22, 24	4 518	4 518
Total liabilities		767 756	696 096
Share capital		4 527	4 527
Share premium		25 149	25 149
Other equity		11 547	11 889
Total equity		41 223	41 565
Total liabilities and equity		808 979	737 661

Oslo, 18 March 2025
The Board of Directors of DNB Boligkreditt AS


Henrik Lidman
(Chair of the Board)


Bjørn Hauge Spjeld


Karianne Kvernmo Wasenden


Hans Olav Rønningen
(Chief Executive Officer, CEO)

Statement of changes in equity

<i>Amounts in NOK million</i>	Share capital	Share premium	Additional Tier 1 capital	Liability credit reserve	Retained earnings	Total equity
Balance sheet as at 31 December 2022	4 527	25 149		25	10 673	40 375
Profit for the year			5		2 918	2 923
Actuarial gains and losses					(1)	(1)
Financial liabilities designated at FVTPL, changes in credit risk				(7)		(7)
Tax on other comprehensive income				2		2
Total comprehensive income for the year			5	(6)	2 917	2 916
Group contribution paid					(4 110)	(4 110)
Merger Sbanken Boligkreditt			226		2 389	2 615
Interest payments AT1 capital			(4)			(4)
AT1 capital redeemed			(226)			(226)
Balance sheet as at 31 December 2023	4 527	25 149		19	11 870	41 565
Profit for the year					2 566	2 566
Actuarial gains and losses					(0)	(0)
Financial liabilities designated at FVTPL, changes in credit risk				(10)		(10)
Tax on other comprehensive income				3		3
Total comprehensive income for the year				(7)	2 565	2 558
Group contribution paid					(2 900)	(2 900)
Balance sheet as at 31 December 2024	4 527	25 149		12	11 536	41 223

Share capital

All shares and voting rights of the company are held by DNB Bank ASA. Share capital at the end of 2024 was NOK 4 527 million (1 share at NOK 4 527 million).

Cash flow statement

<i>Amounts in NOK million</i>	2024	2023
Operating activities		
Net receipts on loans to customers	4 011	23 988
Receipts on issued bonds and commercial paper	123 062	90 668
Payments on redeemed bonds and commercial paper	(46 490)	(119 107)
Net receipts/(payments) on loans from credit institutions	(65 292)	4 974
Interest received	39 810	31 811
Interest paid	(34 494)	(29 106)
Net receipts on commissions and fees	33	38
Net receipts for operating activities	16 102	1 501
Taxes paid		(19)
Net cash flow relating to operating activities	36 742	4 747
Investing activities		
Purchase of loan portfolio	(42 087)	(1 685)
Sale of loan portfolio	894	535
Net cash flow relating to investing activities	(41 193)	(1 150)
Financing activities		
Receipts on issued subordinated loan capital		4 500
Redemptions of subordinated loan capital		(5 200)
Redemptions of AT1 capital		(226)
Interest payments on AT1 capital		(4)
Group contribution payments	(850)	240
Net cash flow from financing activities	(850)	(691)
Net cash flow	(5 301)	2 906
Cash as at 1 January	5 327	0
Net payments of cash	(5 301)	2 906
Merger Sbanken Boligkreditt		2 420
Cash at end of period	26	5 327

Note 1 Accounting principles

Corporate information

DNB Boligkreditt AS is a wholly owned subsidiary of DNB Bank ASA, the ultimate parent of the DNB Group. Both the Group's and DNB Boligkreditt AS' registered offices, are in Oslo, Norway. DNB Boligkreditt is the DNB Group's vehicle for the issue of covered bonds based on residential mortgages.

The annual financial statements for the year ended 31 December 2024 were authorised for issue by the Board of Directors on 18 March 2025.

Basis for preparation

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets and liabilities designated as at fair value through profit or loss, which have all been measured at fair value. The carrying values of liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to reflect changes in fair value attributable to the risk that are being hedged.

DNB Boligkreditt AS' functional currency and presentation currency is Norwegian kroner. Unless otherwise specified, all amounts are rounded to the nearest million.

The balance sheet is presented mainly in order of liquidity of the assets and liabilities.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet only when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis.

Approved standards and interpretations that have not entered into force

IFRS 18 Presentation and Disclosures in Financial Statements

In April 2024, the IASB published the new standard IFRS 18 'Presentation and Disclosure in Financial Statements' that will replace IAS 1 'Presentation of Financial Statements'. The purpose of IFRS 18 is to improve how entities communicate financial performance in financial statements, with a focus on the income statement and reporting of financial performance.

The new standard will be effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The standard has not been endorsed by the EU yet. At present, DNB Boligkreditt has no plan to adopt these amendments before the effective date.

The standard is not expected to have any financial effects for DNB Boligkreditt, as IFRS 18 focuses on presentation and disclosure in financial statements. The bank has begun work to analyse the effects of the new standard.

Recognition in the comprehensive income statement

Interest income is recognised using the effective interest method. This implies that interest is recognised when incurred, with the addition of amortised front-end fees and any other fees which are regarded as an integral part of the effective interest rate.

The effective interest rate is set by discounting contractual cash flows based on the expected life of the asset. Cash flows include front-end fees and direct transaction costs which are not paid directly by the customer.

Interest is recognised according to the effective interest method with respect to both balance sheet items measured at amortised cost and balance sheet items measured at fair value in the comprehensive income statement, with the exception of front-end fees on loans at fair value, which are recognised when earned. Interest on impaired loans ("stage 3") corresponds to the effective interest rate on the book value, net of impairment.

Financial instruments

Initial recognition

Financial instruments are recognised when DNB Boligkreditt becomes party to the contractual provisions of the instrument. Financial assets, except for loans and advances to customers, are initially recognised on the trade date. This includes regular-way trades. Loans and advances to customers are recognised when funds are transferred to customers' account. DNB Boligkreditt recognises balances due to credit institutions and debt securities issued when funds are transferred to DNB Boligkreditt.

Derecognition

Financial assets are derecognised when the right to receive cash flows from the asset has expired or been transferred, and also if modifications lead to derecognition.

Financial liabilities are derecognised when the contractual obligations have been discharged, cancelled or have expired.

Note 1 Accounting principles (continued)

Reverse repurchase agreements

Reverse repurchase agreements are presented in the balance sheet as “Due from credit institutions”.

Securities purchased under agreements to resell are generally not recognised in the financial statements as the risk and returns are normally not taken over by the company. This is done irrespective of whether the company has the right to sell or repledge the securities. Upon the sale of securities received, the company recognises a liability in the balance sheet.

Classification and presentation of financial instruments

Financial assets are classified in one of the following measurement categories:

- amortised cost
- fair value through profit or loss (FVTPL)

The classification of financial assets depends on two factors:

- the business model of the portfolio to which the financial asset belongs
- the contractual cash flow characteristics of the financial asset.

When determining the business model DNB Boligkreditt assesses at portfolio level how the business is managed, sales activities, risk management and how information is provided to executive management.

A contractual cash flow characteristics test is performed on initial recognition of financial assets. Financial assets with cash flows that are solely payments of principal and interest (SPPI) pass the test if the contractual cash flows are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest. Financial liabilities are classified at amortised cost, except for financial liabilities that are required to be measured at fair value through profit or loss or designated at fair value through profit or loss.

Financial assets may irrevocably be designated at fair value through profit or loss on initial recognition if the following criterion is met:

- The classification eliminates or significantly reduces measurement or recognition inconsistency that otherwise would arise from measuring financial assets or recognising the gains and losses on them on different bases.

Financial liabilities may also irrevocably be designated at fair value through profit or loss on initial recognition if the criterion above is fulfilled or one of the following:

- The financial instruments are part of a portfolio that is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
- The host contract contains one or more embedded derivatives.

Financial assets measured at amortised cost

Financial assets, which are not designated at fair value through profit or loss, are measured at amortised cost if both of the following conditions are met:

- The assets are held within a business model whose objective is to hold the asset to collect the contractual cash flows
- The contractual cash flows represent solely payment of principal and interest.

Financial assets measured at amortised cost are initially recognised at fair value plus any directly attributable transaction costs. Subsequently the assets are measured at amortised cost using the effective interest method, less impairment. Impairment losses and reversals are measured based on a three-stage expected credit loss model. This model is described under Expected credit loss measurement.

A change in expected credit loss allowance for debt instruments measured at amortised cost on the balance sheet date is presented under “Impairment of financial instruments” in the income statement.

Interest income on financial instruments classified in this category is presented under “Interest income, effective interest method”.

This category mainly comprises loans to customers and reverse repurchase agreements.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are initially recognised at fair value minus any directly attributable transaction costs. Interest expenses on such instruments are presented under “Interest expenses, effective interest method”.

This category includes due to credit institutions, debt securities issued and subordinated loan capital.

Note 1 Accounting principles (continued)

Financial instruments measured at fair value through profit or loss

The following instruments are recognised in this category:

- derivatives
- financial instruments designated at fair value through profit or loss on initial recognition
- financial assets with contractual cash flows that do not represent solely payment of principal and interest.

Instruments in this category are initially recognised at fair value, with transaction costs recognised in profit or loss as they occur. Subsequent measurement is at fair value with gains and losses recognised in the income statement.

Changes in the fair value of the financial instruments are presented under "Net gains on financial instruments at fair value" in the income statement. Financial derivatives are presented as an asset if the fair value is positive and as a liability if the fair value is negative.

Interest income and interest expenses from interest-bearing financial instruments including financial derivatives are presented under "Net interest income".

Financial assets designated at fair value through profit or loss on initial recognition, consist of fixed-rate mortgage loans in Norwegian kroner. Financial liabilities designated at fair value through profit or loss on initial recognition consist of issued bonds nominated in Norwegian kroner. Both the loans and the bonds are issued at fixed interest rates, but swapped to floating rates by the use of interest rate swaps. To reduce measurement inconsistency that would have arisen from measuring loans and bonds at amortised cost while the derivatives are measured at fair value, the loans and bonds are designated as at fair value through profit or loss.

For financial liabilities designated at fair value through profit or loss, the change in fair value related to changes in DNB Boligkreditt's credit risk is calculated using relevant credit spread curves from Nordic Bond Pricing. The changes in credit spreads on fixed-rate securities issued in Norwegian kroner do not create or enlarge an accounting mismatch and are therefore separated and recognised in other comprehensive income.

Reclassifications

Financial assets are only reclassified when there is a significant change in the business model for those assets. Such changes are expected to be very infrequent. Financial liabilities are not reclassified.

Subsequent measurement of financial instruments measured at fair value

Fair value is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and financial liabilities are measured at bid or asking prices respectively.

Fair values of financial instruments not traded in active markets are determined by using valuation techniques. As far as practicable, the input to the valuations is based on observable market data. The extent of observable market data included in the valuation, places the valuations in the valuation hierarchy either in level 2 or level 3. In all valuations of financial instruments in DNB Boligkreditt, observable market data input are used to some degree. If a valuation includes one or more input parameters that are based on unobservable inputs and these inputs may significantly change the value of the instrument, the valuation is presented in level 3 in the valuation hierarchy.

For financial instruments with input significantly based on observable market data (level 2), fair values are mainly determined based on:

- recently observed transactions in the relevant instrument between informed, willing and independent parties;
- quoted prices for instruments traded in an active market which are substantially similar to the instrument that is valued
- other valuation techniques where key parameters are based on observable market data.

For financial instruments whose valuations include significant unobservable input (level 3), fair values are determined based on discounted estimated cash flows. This is mainly relevant for loans to customers. The value of fixed-rate loans is determined by discounting agreed interest flows over the term of the loan, using a discount factor adjusted for margin requirements.

For financial instruments measured by using valuation techniques a gain or loss might from time to time occur at initial recognition when the estimated fair value is different from the actual transaction price. When the measurement is based on non-observable input parameters (level 3) the gain or loss is deferred and therefore not recognised at day-one. Fair value changes in later period are only recognised to the extent the change is caused by a factor that market participants would take into account.

In the valuation of OTC derivatives there is a fair value adjustment for the counterparty's credit risk (CVA) or DNB Boligkreditt's own credit risk (DVA). Adjustments are made based on the net exposure towards each counterparty for CVA and DVA. The company estimates CVA as a function of simulated expected positive exposure, a counterparty's probability of default, and a loss given default. DNB Boligkreditt's derivative exposure is towards DNB Bank ASA and CVA is marked to a market-implied credit spread using a representative CDS index as input. This means that the company utilises its own credit models and their discriminatory power, but calibrates against pricing levels for similar credit risk among market participants. The DVA is based on the same approach but where an assessment of DNB Boligkreditt's credit spread is used.

Note 1 Accounting principles (continued)

Expected credit loss measurement (ECL)

Impairment is measured using the expected credit loss model on the following instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments
- issued financial guarantee contracts
- loan commitments.

Please refer to note 4 Measurement of expected credit loss for more information on the methodology for estimating expected credit loss.

Hedge accounting

DNB Boligkreditt applies hedge accounting according to IFRS 9 Financial instruments.

The company uses interest rate swaps to protect against changes in the fair value of fixed-rate issued bonds and subordinated debt caused by movements in market interest rates. The hedges are entered into at the same time as the debt is issued in order to achieve a match in the terms of the derivative and the debt instrument.

Fair value hedge accounting is applied to fixed-rate borrowings in foreign currencies. When hedge accounting is applied, there is a qualitative assessment of the hedge relationship between the debt instrument and the derivative that is documented at the inception of the hedge. Thereafter it is periodically assessed whether the derivatives designated in each hedge relationship continue to be effective in offsetting changes in fair value of the hedged item.

The fair value hedges of interest rate risk on issued debt are expected to be highly effective. However, hedge ineffectiveness can arise if the terms of the derivative and the debt instrument are not fully aligned.

Hedging instruments are measured at fair value in the balance sheet and changes in the fair value are presented under "Net gains on financial instruments at fair value" in the comprehensive income statement. Interest income and expense from financial instruments designated as hedging instruments are presented as "Interest income, effective interest method" and "interest expenses, effective interest method" to the degree the hedge is effective.

The changes in the fair value of the hedged item attributable to the hedged risk is recognised as an addition to or deduction from the balance sheet value of financial liabilities and presented under "Net gains on financial instruments at fair value" in the comprehensive income statement.

If the hedge relationship meet the hedge effectiveness requirements, the hedging relationship is discontinued and the accumulated change in fair value of the hedged item is amortised over the remaining time to maturity.

Income taxes

Taxes for the year comprise payable taxes for the financial year, any payable taxes for previous years and changes in deferred taxes. Deferred taxes are calculated on temporary differences.

Temporary differences are differences between the recognised value of an asset or liability and the taxable value of the asset or liability. Deferred taxes are calculated on the basis of tax rates and tax rules that apply on the balance sheet date or are highly likely to be approved and are expected to be applicable when the deferred tax asset is realised or the deferred tax liability settled. The most significant temporary differences refer to financial derivatives and revaluations of certain financial assets and liabilities.

Deferred tax assets are recognised in the balance sheet to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred taxes and deferred tax assets are recognised net in the company's balance sheet.

Important accounting estimates, judgements and assumptions

When preparing the financial statements, management makes estimates, judgement and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, incomes, expenses and information on potential liabilities. 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.

Impairment of financial instruments

See note 3 Credit risk management for information about the management and follow-up of credit risk and note 4 Measurement of expected credit loss for information about methodology for estimating impairment including an assessment of measurement uncertainty.

Fair value of financial derivatives, bonds and loans to customers

The fair value of financial instruments that are not traded in an active market is determined by using different valuation techniques. The company considers and chooses techniques and assumptions that as far as possible are based on observable market data representing the market conditions on the balance sheet date. When measuring financial instruments for which observable market data are not available, the company makes assumptions regarding what market participants would use as the basis for valuing similar financial instruments. The valuations require application of significant judgement when calculating liquidity risk, credit risk and volatility among others. Changes in these factors would affect the estimated fair value of the company's financial instruments. For more information see note 19 Financial instruments at fair value.

Note 2 Capitalisation policy and capital adequacy

DNB Boligkreditt is the DNB Group's vehicle for the issue of covered bonds based on residential mortgages. The primary objectives of the company's capital management policy are to ensure that the company complies with externally imposed capital ratios and that the company maintains strong credit ratings and healthy capital ratios in order to support its business.

The common equity Tier 1 (CET1) capital ratio requirement for DNB Boligkreditt is 16.30 per cent. The Tier 1 requirement is 18.55 per cent, including an additional Tier 1 requirement of 1.50 per cent and a management buffer of 0.75 per cent. The total capital ratio requirement is 20.55 per cent. Included in the requirement is a counter-cyclical capital buffer of 2.5 per cent.

The implementation of changes to the Capital Requirements Regulation (CRR) will have a negative effect on the company's capital adequacy. In particular, the Norwegian Ministry of Finance's decision to increase the risk weight floor for mortgages using internal rating-based models (IRB), from 20 to 25 per cent as from 1 July 2025, will result in a need for a capital supply in the first half of the year.

DNB Boligkreditt, based on its current capital structure, is adequately capitalised as of 31 December 2024. The Board of Directors will, on an ongoing basis, evaluate the company's capitalisation needs in light of the market development.

The company manages its capital structure and makes adjustments in the light of changes in economic conditions and the risk characteristics of its activities. The main source of capital is the issuing of covered bonds which is part of the long-term plan of financing the DNB Group. In order to maintain or adjust the capital structure within DNB Boligkreditt in the short run, the company may adjust group contributions and dividends paid to the DNB Group and issue new shares to the parent.

Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU capital requirements regulations for banks and investment firms (CRR/CRD).

Own funds

<i>Amounts in NOK million</i>	31 Dec. 2024	31 Dec. 2023
Share capital	4 527	4 527
Other equity	36 696	37 038
Total equity	41 223	41 565
Deductions		
IRB provisions shortfall (-)	(1 136)	(1 005)
Additional value adjustments (AVA)	(212)	(305)
(Gains) or losses on liabilities at fair value resulting from own credit risk	(12)	(19)
(Gains) or losses on derivative liabilities resulting from own credit risk (DVA)	(10)	(11)
Group contributions		(2 900)
Common Equity Tier 1 capital	39 854	37 326
Tier 2 capital instruments	4 500	4 500
Own funds	44 354	41 826
Total risk exposure amount	196 295	190 316
Minimum capital requirement	15 704	15 225
Common Equity Tier 1 capital ratio (%)	20.3	19.6
Capital ratio (%)	22.6	22.0

Specification of exposures

<i>Amounts in NOK million</i>	Nominal exposure 31 Dec. 2024	Exposure at default EAD 31 Dec. 2024	Risk exposure amount REA 31 Dec. 2024	Capital requirement 31 Dec. 2024	Capital requirement 31 Dec. 2023
IRB approach					
Corporate	96	96	28	2	15
Retail - secured by immovable property	804 951	804 951	173 119	13 849	13 001
Total credit risk, IRB approach	805 048	805 048	173 146	13 852	13 016
Standardised approach					
Institutions	22 244	22 244	4 449	356	336
Corporate	19 101	19 064	5 213	417	377
Retail	533	378	284	23	21
Retail - secured by immovable property	18 003	17 873	6 365	509	687
Other assets	493	464	694	55	42
Total credit risk, standardised approach	60 374	60 023	17 005	1 360	1 462
Total credit risk	865 422	865 071	190 151	15 212	14 479
Currency risk			1 249	100	258
Operational risk			4 895	392	489
Total risk exposure amount and capital requirements			196 295	15 704	15 225

Note 3 Credit risk management

DNB Boligkreditt has adapted the DNB Group's policies for credit risk management.

Credit risk or counterparty risk is the risk of financial losses due to failure by the customers/counterparties to meet their payment obligations towards DNB Boligkreditt. Credit risk refers to all claims against customers/counterparties, mainly loans, loan commitments and derivatives. Credit risk also includes concentration risk. Concentration risk includes risk associated with large exposures to a single customer or concentration within geographical areas, within industries or related to homogeneous customer groups.

Credit risk management and measurement is described in detail in the Risk and Capital Management (Pillar 3) report. The DNB group guidelines for credit activity are approved by the Boards of Directors of DNB. The principal objective of credit activity is to ensure that the quality and composition of the loan portfolio provide a good basis for the short and long-term profitability. The quality of the portfolio should be consistent with DNB's aim of maintaining a low risk profile.

The Board of Directors of DNB Bank ASA sets long-term targets for the risk profile through the risk appetite framework. The aim of this framework is to ensure that risk is managed and integrated with the DNB Group's governance processes. The risk appetite framework is operationalised through credit strategies for the individual customer segments. According to the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS", the day to day monitoring of the loans are managed by DNB Bank on behalf of DNB Boligkreditt.

Credit risk exposure

The maximum credit risk exposure will be the carrying amount of financial assets plus off-balance sheet exposure, which mainly includes loan commitments.

Classification

DNB's internal models for risk classification of customers are subject to continual improvement and testing. In the personal banking market, where there are a large number of customers, the majority of credit decisions are made on the basis of automated scoring and decision support systems. Risk classification should reflect long-term risk associated with each customer and the customer's credit commitment.

The risk classification systems are used for decision support, monitoring and reporting. The risk parameters used in the classification systems are an integrated part of the credit process and ongoing risk monitoring, including the follow-up of credit strategies.

Probability of default, PD, is used to measure credit quality. The Group divides its portfolio into ten risk grades. The risk grades are determined based on the 12-month Internal Ratings-Based (IRB) PD for each credit commitment. This is presented in the table below. Credit-impaired exposures (exposures in stage 3) are assigned a PD of 100 per cent. The group's portfolio divided into risk grades and IFRS 9 stages is presented in note 5 Credit risk exposure per risk grade.

Risk grade	Risk classification	Probability of default (per cent)		External rating	
		From	Up to	Moody's	S&P Global
1	Low risk	0.01	0.10	Aaa – A3	AAA – A-
2		0.10	0.25	Baa1 – Baa2	BBB+ – BBB
3		0.25	0.50	Baa3	BBB-
4		0.50	0.75	Ba1	BB+
5	Medium risk	0.75	1.25	Ba2	BB
6		1.25	2.00	Ba3	BB-
7		2.00	3.00		
8	High risk	3.00	5.00	B1	B+
9		5.00	8.00	B2	B
10		8.00	impaired	B3, Caa/C	B-, CCC/C

¹ DNB's risk classification system, where 1 represents the lowest risk and 10 the highest risk.

Guidelines for credit activity

Personal customers are followed up through a systematic portfolio management system. Exposures are followed up individually if increased credit risk has been identified. DNB Boligkreditt's majority of credit risk is related to loans to customers with collateral security in residential property, holiday homes and housing associations. Loans to customers originate from the acquisition of residential mortgage portfolios from DNB Bank and the sale of new loans through the bank's distribution network. The acquired loans are originally granted to customers by DNB Bank, based on the Group's policies and limits. At the time of transfer of loan portfolios from DNB Bank to DNB Boligkreditt, only loans that qualify as collateral for the issue of covered bonds according to the Financial Institutions Act, are accepted by the company. For all these loans, a mortgage over the property is taken and the value of the total loan balance per property should not exceed 75 per cent of the total value of the property. The collateral value is monitored on an ongoing basis.

Note 4 Measurement of expected credit loss

DNB Boligkreditt applies a three-stage approach when assessing expected credit loss (ECL) on loans to customers and loan commitments subject to the IFRS 9 impairment rules:

- A financial instrument that is not purchased or originated credit impaired is classified as stage 1 with 12-month ECL when it is first recognised.
- If a significant increase in credit risk since initial recognition is identified the financial instrument is moved to stage 2 with lifetime ECL measurement.
- An increase in credit risk reflects both customer-specific circumstances and developments in relevant macro risk drivers for the segment where the customer belongs. The assessment of what is considered to be a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and backstops.
- If credit risk deteriorates further and the financial instrument is assessed to be credit impaired, the financial instrument is moved to stage 3 with lifetime ECL measurement. As opposed to stages 1 and 2, the effective interest rate is calculated on amortised cost instead of the gross carrying amount. For definition of credit impaired see further description below.

The expected credit loss measurement is based on the following principles:

- 12-month ECL is measured as an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months.
- The loss provision for financial assets in stage 1 and stage 2 is calculated as the present value of exposure at default (EAD) multiplied by the probability of default (PD) multiplied by loss given default (LGD) and discounted by using the effective interest rate (EIR). PD, LGD and EAD use the IRB framework as a starting point, but are converted to be point in time and forward-looking as opposed to through the cycle and conservative.
- Past, present and forward-looking information is used to estimate ECL. For this purpose, DNB Boligkreditt's loan portfolio primarily consists of customers in the personal customers segment. All customers within this segment are exposed to the same risk drivers.
- For stage 3 individual assessments are performed for credit impaired financial instruments.
- For stage 1 and 2, a model is used to calculate ECL.

Below is a table summarising key components for the ECL measurement.

IFRS 9 stage	Credit risk development	Customer status	ECL measurement	ECL measurement method	Effective interest calculation
Stage 1	No significant increase	Performing	12-month	ECL model	Gross carrying amount
Stage 2	Significant increase	Performing	Lifetime	ECL model	Gross carrying amount
Stage 3	Defaulted	Credit impaired	Lifetime	Individual measurement per customer	Amortised cost

Measurement of expected credit loss in stages 1 and 2 (ECL model)

The model used for stage 1 and stage 2 follows five steps: Segmentation, determination of macro scenarios, determination of credit cycle index, calculation of ECL and staging. In the following each step will be described in more detail.

Segmentation, macro scenarios and credit cycle index

The assessment of significant increase in credit risk and the calculation of ECL incorporate past, present and forward-looking information.

DNB Boligkreditt's portfolio is primarily within the personal customers segment. Based on a statistical regression analysis, key risk drivers impacting PD in the personal customers segment are identified. The assessments used to select the risk drivers have been based on several criteria; the statistical model's explanatory power, a qualitative reasonableness check (e.g. if it makes sense to include the risk driver) and an aim not to have too many factors as this would unnecessarily increase the complexity. Forecasts of each of the risk drivers (the base economic scenario) are primarily provided by DNB Markets on a quarterly basis and provide the best estimate of developments in the risk drivers for the forecast period. The forecast are based on a range of information sources, primarily external market information. The forecast periods vary between three and four years, and forecasts are prepared for each year in the forecast period. The macroeconomic forecasts have been carefully considered in the expert credit judgement forum to ensure that they reflect the current risk of the portfolio. Macro forecasts are usually obtained from DNB Markets and supplementary internal sources and are benchmarked against various external sources.

The macro forecasts are incorporated in the credit cycle index (CCI). The CCI shows the relationship between the historically observed defaults and relevant macro factors established from statistical regression analysis. The position on the index indicates whether the current state of the economy for the personal customers segment is better or worse than normal, and the forecasts are used to project the development of the index in the forecast period. After the forecast period, the CCI is assumed to be mean reverting. This means that the credit cycle returns to a normal state (long-term mean).

The CCI is further used to generate a base line PD curve for each instrument that follows the development of the CCI. When the CCI moves towards better times, the PD will everything else equal be reduced and vice versa.

Note 4 Measurement of expected credit loss (continued)

When the updated macro forecasts do not result in projections of the credit cycle in a way that represents the management's view of the expected business-related and financial impacts, professional judgement has been applied to ensure that the management's view is better reflected in the credit cycle index used.

Multiple scenarios

In order to capture the non-linear relationship between negative credit risk development and ECL multiple scenarios are incorporated when determining significant increase in credit risk and measuring ECL. DNB use the base scenario for each risk driver as a starting point when deriving CCI and PD curves as described above. Alternative scenarios are translated into alternative paths of a probability fan around the baseline. This method means that each scenario represents one percentile on a probability fan with each percentile representing a possible development in credit risk depending on the macroeconomic development.

The width of the fan is determined by the past volatility in correlation between developments in the risk drivers and developments in credit risk and ECL. This results in a correlation where the higher the volatility in a segment resulting from changes in the risk drivers, the larger the gap between the baseline and the outer percentiles of the fan.

Expert credit judgement

The assessment of the macro prognoses and the impact on the forecasted credit cycle index (CCI) are key judgements, and DNB has established an advisory forum for the Group's Chief Financial Officer to address the judgements. The forum's purpose is to assess whether the predicted CCI for each segment reflects the management's view on the expected future economic development. When the projections of the credit cycle do not represent the management's view of the expected business-related and financial impacts, professional judgement has been applied to ensure that the management's view is better reflected in the CCI used.

Sensitivity

To calculate expected credit losses in stage 1 and 2, DNB uses a range of macroeconomic variables where each variable is given several alternative scenarios of probability. DNB has simulated an alternative adverse scenario for relevant macro forecasts. The scenario represents a possible downside compared with the scenario used for calculating the ECL recognised in the financial statements. Each macroeconomic variable is given alternative weaker expectations for each period in the plan period. In the simulated alternative scenario, the ECL in stages 1 and 2 would increase by approximately 72 per cent compared with the ECL which is recognised in the financial statements at 31 December 2024 for the same stages.

The following table shows selected base case macroeconomic variables for the period 2024 to 2026 in DNB's model used to calculate the ECL recognised in the financial statements compared with the base case in the alternative scenario. Each variable represents an annual estimate.

Selected base case macroeconomic variables used for calculating the ECL recognised in the financial statements and the alternative scenario

	Base case financial statements			Base case alternative scenario		
	2024	2025	2026	2024	2025	2026
Norwegian house price index, year-to-year growth	2.9	5.7	7.5	2.9	(5.0)	(5.0)
Norwegian registered unemployment rate	2.0	2.3	2.4	2.0	2.8	2.9
NIBOR 3-month interest rate	4.6	3.9	3.6	4.6	4.3	4.3

Calculation of ECL

The determination of a significant increase in credit risk and the measurement of ECL are based on parameters already used in credit risk management and for capital adequacy calculations: PD, LGD and EAD. The parameters have been adjusted in order to give an unbiased estimate of ECL.

Probability of default (PD)

The development in the customer's PD is a key component in DNB's monitoring of credit risk in the portfolio, see note 3 Credit risk management, and is used both in calculating the ECL and in assessing whether a significant increase in credit risk has occurred since initial recognition. For determining PD in capital adequacy calculations, DNB has been granted permission to use the Internal Ratings-Based (IRB) approach. These models are conservative and only reflect a limited degree of cyclical. For the ECL measurement, there is a need to generate a PD which is forward-looking and reflects all available relevant information. This is necessary in order to provide an unbiased probability-weighted estimate of ECL. In order to apply PDs for ECL measurement, four modifications have been made to the PDs generated using the IRB approach:

- incorporation of macroeconomic scenarios
- conversion to an unbiased, forward-looking PD
- conversion of 12-month PD to lifetime PD
- removal of margin of conservatism in the PD estimate.

These modifications imply that the PD used for the ECL measurement reflects management's current view of expected cyclical changes and that all PD estimates are unbiased.

Note 4 Measurement of expected credit loss (continued)

Two types of PDs (IFRS modified) are generated and used in the ECL calculation:

- A 12-month PD is the probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate the 12-month ECL.
- A lifetime PD is the annualised probability of a default occurring over the remaining life of the financial instrument. This is used to evaluate if there has been a significant increase in credit risk since initial recognition and to calculate lifetime ECL.

Loss given default (LGD)

LGD represents the percentage of EAD which DNB Boligkreditt expects to lose if the customer fails to meet their obligations, taking the collateral provided by the customer, future cash flows and other relevant factors into consideration.

Similar to PDs, DNB uses IRB LGDs for capital adequacy calculations. In order to convert the IRB LGDs to IFRS LGDs four modifications have been made:

- incorporation of macroeconomic scenarios
- use of the effective interest rate to discount future estimated cash flows
- removal of the margin of conservatism to produce unbiased projections rather than downturn projections, and to exclude regulatory floors
- removal of the estimated indirect costs of realising collateral.

These modifications imply that the LGDs used for the ECL measurement should reflect management's current view of the cyclical changes and that all LGD estimates are unbiased.

Exposure at default (EAD)

EAD is the share of the approved credit that is expected to be drawn at the time of any future default. The EAD is adjusted to reflect contractual payments of principal and interest and estimated early repayment. The proportion of undrawn commitments expected to have been drawn at the time of default is reflected in the EAD by using a credit conversion factor.

Significant increase in credit risk (staging)

The assessment of a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and back stops. A significant increase in credit risk has occurred when one or more of the criteria below are met.

Quantitative criteria

A significant increase in credit risk is determined by comparing the remaining lifetime PD for an instrument at the reporting date, as expected at initial recognition, with the actual lifetime PD at the reporting date. If the actual lifetime PD is higher than what it was expected to be, an assessment is made of whether the increase is significant.

An increase in lifetime PD with a factor of 2.5 or more from initial recognition is assessed to be a significant increase in credit risk. This threshold is based on an assessment of the increase in credit risk that would lead to closer customer follow-up in order to ensure that proper credit risk management and business decisions are made.

Further, the change in PD must be a minimum of 0.6 percentage points for the deterioration in credit risk to be considered to be significant. In the high end of the risk scale a change of 7.5 percentage points or more is considered to be a significant deterioration in credit risk even if this is less than a change of 2.5 times lifetime PD. These limits reflect the high sensitivity to change in the low end of the risk scale and the low sensitivity to change in the high end of the scale.

As part of DNB's credit risk management policy DNB Boligkreditt applies a risk scale where all customers and instruments are rated on a coherent scale meaning that a risk grade has the same explanatory power independent of segment, geography and product. DNB therefore uses a common threshold for all financial instruments with respect to what constitute a significant increase in credit risk. For further information about DNB's risk scale and classification see note 3 Credit risk management.

The extension or deferral of payments to a borrower does not automatically result in an instrument being considered to have a significantly increased credit risk. Careful consideration is given to whether the credit risk has significantly increased and the borrower is unlikely to restore their creditworthiness and consequently is granted forbearance, or whether the borrower is only experiencing a temporary liquidity constraint. On a general level, a change in the macroeconomic outlook will influence the assessment of a significant increase in customers' credit risk, as this will affect the overall view of the economic situation for the relevant segment.

Qualitative criteria

Qualitative information is normally reflected in the respective PD models for each group of customers.

Back stop

Back stops are used and a significant increase in credit risk has occurred if:

- the customer's contractual payments are 30 days past due
- the customer has been granted forbearance measures due to financial distress, though it is not severe enough for the financial instrument to be classified as credit impaired.

Note 4 Measurement of expected credit loss (continued)

Definition of default and credit impaired exposures in stage 3

The definition of credit impaired is fully aligned with the regulatory definition of default.

A financial instrument is defined to be in default if a claim is more than 90 days overdue, the overdue amount exceeds NOK 2 000 and more than 1 per cent of the debtor's overall commitment, and the default is not due to delays or accidental circumstances on the part of the debtor.

A commitment is also defined to be in default if DNB Boligkreditt:

- significantly writes down the commitment as a result of a weakening of the debtor's creditworthiness
- agrees to changes in the terms and conditions because the debtor is having problems meeting payment obligations, and this is assumed to significantly reduce the value of the cash flow
- sells the debt for an amount that is significantly lower than the nominal value as a result of an impairment of the debtor's creditworthiness
- has reasons to assume that the debtor will be subject to debt settlement or bankruptcy/involuntary liquidation proceedings, or be placed in receivership
- has other reasons to assume that the payment obligation will not be met.

When an incidence of default has occurred, the customer must be deemed to be in default for a period of 3 or 12 months after the circumstance that triggered the incidence of default has ceased to apply.

Measurement of expected credit loss for credit-impaired financial instruments

For credit impaired personal customers with exposures above NOK 5 million an individual assessment of collateral and debt service capacity is performed to determine expected credit loss. For exposures below this threshold ECL is estimated for portfolios with similar characteristics.

DNB Boligkreditt's write-off policy

DNB Boligkreditt writes off and thereby reduces the carrying amount of a financial asset when there is no reasonable expectation of recovery. This might for example be the case when a court of law has reached a final decision, a decision has been made to forgive the debt, or a scheme of composition has been confirmed. Write-off can relate to the entire asset or a portion of the asset and can constitute a derecognition event. DNB Boligkreditt maintains the legal claim towards the customer even though a write-off has been recognised.

Measurement uncertainty

The measurement of the expected credit loss involves increased complexity, and management must apply its professional judgement for many of the key assumptions used as input in the measurement. For stages 1 and 2, estimation uncertainty in the ECL calculation relates to the determination of PD, LGD and EAD. This is both in terms of using historic data in the development and calibration of models and the judgement performed in relation to setting these parameters as part of the credit process. Furthermore, the identification of relevant risk drivers for the personal customer segment and the forecasts for each of the risk drivers also create estimation uncertainty.

Other areas with significant estimation uncertainty are the creation of multiple future economic scenarios, estimation of expected lifetime, determining if the criteria for default are satisfied and assessing significant increases in credit risk.

For exposures in stage 3 significant judgement is applied when determining assumptions used as input for the customer's future cash flow and assumptions related to valuation of collateral, including the point in time when collateral is potentially taken over.

Note 5 Credit risk exposure by risk grade

In the tables below, all loans to customers and financial commitments to customers are presented by risk grade. The division between risk classes is based on an IRB probability of default (PD) as shown in the table DNB's risk classification in note 3. See also the section Probability of default (PD) in note 4 for a description of the correlation between IRB PD and IFRS PD. The amounts are based on the gross carrying amount and the maximum exposure before adjustments for impairments.

Loans as at 31 December 2024

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Risk grade based on probability of default					
1 - 4	548 385	1 780		33 680	583 845
5 - 7	111 680	17 865		7 226	136 771
8 - 10	2 616	1 768		245	4 628
Credit impaired			2 582	60	2 642
Total	662 680	21 413	2 582	41 211	727 886

Loans as at 31 December 2023

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Risk grade based on probability of default					
1 - 4	524 402	1 836		25 975	552 213
5 - 7	99 453	26 103		5 778	131 334
8 - 10	2 196	2 585		250	5 030
Credit impaired			2 153	32	2 185
Total	626 051	30 524	2 153	32 035	690 763

Financial commitments as at 31 December 2024

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Risk grade based on probability of default				
1 - 4	96 918	24		96 943
5 - 7	13 817	2 869		16 685
8 - 10	20	174		194
Credit impaired			52	52
Total	110 755	3 067	52	113 874

Financial commitments as at 31 December 2023

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Risk grade based on probability of default				
1 - 4	90 800	17		90 817
5 - 7	12 696	3 898		16 594
8 - 10	27	243		271
Credit impaired			46	46
Total	103 523	4 159	46	107 728

Note 6 Impairment of financial instruments

Amounts in NOK million	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Increased expected credit loss	(27)	(80)	(129)	(235)	(33)	(62)	(81)	(176)
Decreased expected credit loss	26	87	113	226	28	53	60	141
Write-offs			(13)	(13)			(7)	(7)
Recoveries on loans previously written off			9	9			10	10
Other								
Total impairment	(0)	7	(19)	(13)	(4)	(9)	(18)	(31)

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity, were NOK 15 million as at 31 December 2024 (NOK 13 million as at 31 December 2023).

Note 7 Development in gross carrying amount

The following table reconciles the opening and closing balances for gross carrying amount for loans to customers at amortised cost. Reconciling items include the following:

- Transfers between stages due to significant changes in credit risk.
- Changes due to the derecognition of loans during the period.
- Changes due to the origination of new loans during the period.

Loans at amortised cost

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	625 952	24 552	1 668	652 172
Transfer to stage 1	35 254	(34 751)	(504)	
Transfer to stage 2	(48 481)	48 803	(323)	
Transfer to stage 3	(677)	(1 047)	1 724	
Originated and purchased	105 844	222	150	106 216
Merger Sbanken Boligkreditt	25 865	1 596	80	27 541
Derecognition	(117 706)	(8 852)	(643)	(127 201)
Gross carrying amount as at 31 December 2023	626 051	30 524	2 153	658 728
Transfer to stage 1	47 580	(46 592)	(988)	
Transfer to stage 2	(43 874)	44 332	(458)	
Transfer to stage 3	(1 271)	(1 443)	2 714	
Originated and purchased	178 013	3 128	280	181 421
Merger Sbanken Boligkreditt				
Derecognition	(143 818)	(8 537)	(1 119)	(153 473)
Gross carrying amount as at 31 December 2024	662 680	21 413	2 582	686 675

Note 8 Development in accumulated impairment of loans

The following table reconciles the opening and closing balances for accumulated impairment of loans to customers at amortised cost. Reconciling items includes 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.
- Changes in allowance due to the origination of new loans during the period.
- 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 derecognition of loans during the period.
- Write-offs, exchange rate movements and other changes affecting the expected credit loss.

Loans to customers at amortised cost

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2023	(19)	(22)	(25)	(67)
Transfer to stage 1	(26)	25	1	
Transfer to stage 2	3	(3)		
Transfer to stage 3		1	(1)	
Originated and purchased	(16)	(1)		(17)
Increased expected credit loss	(18)	(48)	(93)	(159)
Decreased (reversed) expected credit loss	53	7	58	118
Write-offs			3	3
Merger Sbanken Boligkreditt		(1)	(2)	(3)
Derecognition		12	3	16
Accumulated impairment as at 31 December 2023	(23)	(31)	(56)	(109)
Transfer to stage 1	(44)	42	2	
Transfer to stage 2	3	(4)	1	
Transfer to stage 3		1	(1)	
Originated and purchased	(13)	(13)		(26)
Increased expected credit loss	(18)	(54)	(155)	(226)
Decreased (reversed) expected credit loss	70	13	123	206
Write-offs			3	3
Merger Sbanken Boligkreditt				
Derecognition	1	20	4	25
Accumulated impairment as at 31 December 2024	(23)	(25)	(80)	(128)

For explanatory comments about the impairment of financial instruments, see the directors' report.

Note 9 Market risk

Conditions for calculating market risk

Market risk is the risk of losses or reduced future income due to fluctuations in market prices or exchange rates. The risk arises as a consequence of open positions in foreign exchange and interest rate markets.

Currency risk

DNB Boligkreditt has minimised currency risk through currency swap agreements with DNB Bank.

In accordance with the bank's policy, positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within established limits.

The table below indicates the currencies to which the company had significant exposure at 31 December 2024 on issued debt. The analysis calculates the net effect of a reasonably possible movement of the currency rate against Norwegian kroner, including the effect of currency swap agreements, with all other variables held constant, on the income statement. A negative amount reflects a potential net reduction in income, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against Norwegian kroner would have resulted in an equivalent but opposite impact.

Currency risk

	2024		2023	
	Change in currency rate (per cent)	Effect on pre-tax profits (NOK million)	Change in currency rate (per cent)	Effect on pre-tax profits (NOK million)
EUR	10	(87)	10	(306)
CHF	10	(2)	10	(4)
Others	10	(36)	10	(11)

Interest rate risk

DNB Boligkreditt is exposed to interest rate risk through its ordinary operations. The company's strategy is to swap to short-term fixed interest on all interest income and interest expenses. Fixed interest on the company's funding is managed through interest rate swaps and is managed relative to the company's customer loan portfolios, derivatives and bonds.

The Board of Directors sets interest risk limits for various fixed-rate periods. The positions are monitored on a daily basis, and monthly exposure reports are prepared for the management and for The Board of Directors.

The sensitivity analysis in the table below shows expected effects in the income statement for the company's portfolio of loans, derivatives, bonds and other funding measured at fair value in connection with a 1 percentage point parallel change in interest rates on the entire interest curve.

Interest rate risk

	Change in interest rate levels in basis points	Effect on
		pre-tax profits (NOK million)
2024	+ 100	28
	- 100	(28)
2023	+ 100	(58)
	- 100	58

Relative to the company's own funds of NOK 44,4 billion, the company's interest rate risk is considered to be insignificant. In the opinion of the company's management, the company does not assume greater interest rate risk than what is prudent, cf. the requirements in the Financial Institutions Regulations, chapter 11, section 11-1 Interest rate risk.

Basis risk and basis swap spreads

The company is exposed to basis risk, which is a type of market risk associated with imperfect hedging when using cross-currency interest rate swaps. The company enters into basis swaps to manage foreign currency risk and interest rate risk from its long-term borrowing in foreign currencies. DNB Boligkreditt's basis risk, as a result of imperfect hedging of positions in foreign currencies, is expected to be low.

The basis swaps are measured at fair value. There may be significant variations in the value of the basis swaps from day-to-day due to increases or reductions in the spreads, which causes unrealised gains and losses in the income statement. 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.

Note 10 Financial derivatives and hedge accounting

DNB Boligkreditt uses derivatives to manage liquidity and market risk arising from the company's ordinary operations, hereunder to achieve desired interest rates and foreign exchanges rates according to the risk management strategy. See note 9 Market risk for more information about interest rate risk and currency risk in DNB Boligkreditt.

DNB Boligkreditt uses interest rate swaps to hedge risk associated with fixed interest rate funding and lending. Swaps are contracts in which the parties exchange cash flows for a fixed amount over the contractual period. The swaps used by DNB Boligkreditt are tailor-made to hedge the company's risk. DNB Bank acts as counterparty for all swap contracts.

<i>Amounts in NOK million</i>	31 December 2024			31 December 2023		
	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
Derivatives in economic hedges						
Interest rate-related contracts						
Swaps	505 453	1 329	260	361 100	1 002	245
Total interest rate-related contracts	505 453	1 329	260	361 100	1 002	245
Foreign exchange-related contracts						
Swaps	543 710	35 293	7 995	232 472	30 827	8 121
Total foreign exchange-related contracts	543 710	35 293	7 995	232 472	30 827	8 121
Total financial derivatives trading	1 049 163	36 623	8 254	593 572	31 829	8 366
Derivatives designated as hedging						
Fair value hedges of interest rate risk						
Interest rate swaps	233 615	3 373	11 088	223 692	1 885	15 004
Total financial derivatives hedge accounting	233 615	3 373	11 088	223 692	1 885	15 004
Total financial derivatives	1 282 778	39 996	19 343	817 263	33 714	23 370
Total cash collateral received						16 054

Hedge accounting

DNB Boligkreditt applies fair value hedging of interest rate risk on issued bonds in foreign currency with fixed interest. See note 1 Accounting principles for information about hedge accounting and the presentation of financial derivatives in the financial statements.

In fair value hedges of interest rate risk, the interest rate exposure on fixed-rate borrowings is converted to floating rates. Only the interest rate component is hedged. Interest rate swaps are used to hedge the interest rate component, where the change in fair value is a result of the changes in the swap interest rate.

The critical terms of the hedging instruments and the hedging items are set to match at the inception of the hedge and the hedge ratio is 1:1. Consequently, there was no significant hedge ineffectiveness during the year.

Fair value hedges of interest rate risk as at 31 December 2024

<i>Amounts in NOK million</i>	Balance sheet item	Carrying amount	Accumulated fair value adjustment of the hedged item	Value changes used for calculating hedge ineffectiveness
Hedged exposure				
Issued bonds	Debt securities issued	226 798	(8 440)	(5 299)
Hedging instrument				
Interest rate swaps	Financial derivatives			5 313

Fair value hedges of interest rate risk as at 31 December 2023

<i>Amounts in NOK million</i>	Balance sheet item	Carrying amount	Accumulated fair value adjustment of the hedged item	Value changes used for calculating hedge ineffectiveness
Hedged exposure				
Issued bonds	Debt securities issued	212 267	(13 309)	(10 343)
Hedging instrument				
Interest rate swaps	Financial derivatives			10 221

Note 10 Financial derivatives and hedge accounting (continued)

Maturity of interest rate swaps held as hedging instruments at 31 December 2024

<i>Amounts in NOK million</i>	Maturity				
	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Fair value hedges of interest rate risk, nominal amounts					
Hedges of issued bonds	295	1 013	27 443	123 488	81 376

Maturity of interest rate swaps held as hedging instruments at 31 December 2023

<i>Amounts in NOK million</i>	Maturity				
	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Fair value hedges of interest rate risk, nominal amounts					
Hedges of issued bonds	10 784	1 738	25 813	117 625	67 732

Note 11 Liquidity risk

Liquidity risk is the risk that DNB Boligkreditt will be unable to meet its obligations as they fall due or will be unable to meet its liquidity obligations without a substantial rise in associated costs.

The Group's principles for risk appetite defines the limits for liquidity management in DNB, including DNB Boligkreditt. The liquidity strategy and risk limits framework include internal limits which restrict the short-term maturity of liabilities within different time frames. The various maturities are subject to stress testing and a contingency plan has been established to handle market events. In addition, limits have been set for structural liquidity risk, which implies that lending to customers should largely be financed through customer deposits, subordinated capital and long-term funding. Ordinary senior bond debt and covered bonds are the major sources of long-term funding.

The principles for Group liquidity risk management and control are set in a Group risk policy and further elaborated in a Group instruction for management, reporting and control of liquidity risk. This instruction sets out detailed requirements for governance, accountability and responsibilities related to monitoring, measurement, controls and reporting of liquidity risk. Group Treasury manages the liquidity risk on a daily basis, while Group Risk Management represents the independent second line risk management function.

In addition, the Board of Directors of DNB Boligkreditt sets annual limits for the company's liquidity risk. The limits follow from a separate policy document for liquidity risk in DNB Boligkreditt. The liquidity policy is subject to annual review by the company's board.

Covered bonds are the company's primary source of funding. The mortgage credit institution shall also, at all times, maintain a liquidity buffer in its cover pool that at minimum corresponds to the liquidity outflow in the Covered Bonds programme 180 days ahead. In a situation where the net cash flow from the lending and funding activities is negative, the company has an overdraft facility in DNB Bank ASA with a total limit of NOK 260 billion by end December 2024.

DNB Boligkreditt, as a subsidiary of a systemic important institution in Norway, has a regulatory LCR requirement of 100 per cent, which is fulfilled. DNB Boligkreditt also has a regulatory NSFR requirement of 100 per cent, which is fulfilled.

The table below displays undiscounted contractual cash flows. The maturity analysis is based on the earliest date on which DNB Boligkreditt may be required to make payment, without taking probability assumptions into account.

Note 11 Liquidity risk (continued)

Residual maturity as at 31 December 2024

<i>Amounts in NOK million</i>	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Loans to and deposits with credit institutions	24 572						24 572
Loans to customers	4 441	10 143	42 212	233 974	995 088		1 285 858
Total	29 013	10 143	42 212	233 974	995 088		1 310 430
Liabilities							
Due to credit institutions			183 191	73 905			257 096
Debt securities issued	1 064	2 413	146 848	267 897	82 476		500 699
Other liabilities	264						264
Subordinated loan capital		76	227	5 407			5 710
Total	1 328	2 488	330 266	347 210	82 476		763 769
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cashflows	1 076	2 306	39 547	151 854	92 952		287 734
Outgoing cashflows	1 271	2 656	38 381	148 891	83 760		274 959
Financial derivatives, net settlement	(250)	(471)	(1 578)	(2 675)	(3 885)		(8 858)
Total financial derivatives	(195)	(350)	1 166	2 962	9 191		12 776
Credit lines, commitments and documentary credit	113 874						113 874

Residual maturity as at 31 December 2023¹

<i>Amounts in NOK million</i>	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Loans to and deposits with credit institutions	17 732						17 732
Loans to customers	4 200	9 227	40 822	225 200	947 791		1 227 240
Total	21 931	9 227	40 822	225 200	947 791		1 244 971
Liabilities							
Due to credit institutions			184 469	106 579			291 047
Debt securities issued	1 095	13 818	42 524	284 111	68 832		410 380
Other liabilities	45						45
Subordinated loan capital		76	228	5 718			6 022
Total	1 140	13 894	227 221	396 408	68 832		707 495
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cashflows	11 730	3 237	32 594	147 948	86 272		281 781
Outgoing cashflows	10 926	2 969	30 627	141 926	78 560		265 007
Financial derivatives, net settlement	(724)	(1 895)	(5 134)	(14 167)	(11 371)		(33 291)
Total financial derivatives	79	(1 627)	(3 167)	(8 144)	(3 659)		(16 518)
Credit lines, commitments and documentary credit	107 728						107 728

¹ Effective from 2024, the figures in the table reflect undiscounted cash flows. Figures for previous periods have been adjusted accordingly.

Note 12 Net interest income

<i>Amounts in NOK million</i>	2024			2023		
	Measured at FVTPL	Measured at amortised cost ¹	Total	Measured at FVTPL	Measured at amortised cost ¹	Total
Interest on amounts due from credit institutions		893	893		548	548
Interest on loans to customers	1 159	37 576	38 735	1 011	30 632	31 643
Front-end fees etc.	2	1	3	1	1	2
Other interest income	(4)	222	217		229	229
Total interest income	1 157	38 691	39 848	1 012	31 410	32 422
Interest on amounts due to credit institutions		(15 816)	(15 816)		(15 824)	(15 824)
Interest on debt securities issued	(205)	(18 964)	(19 170)	(235)	(14 144)	(14 379)
Interest on subordinated loan capital		(308)	(308)		(298)	(298)
Contribution to the resolution fund		(120)	(120)		(140)	(140)
Other interest expenses ²	529		529	960		960
Total interest expenses	323	(35 209)	(34 885)	725	(30 406)	(29 681)
Net interest income	1 480	3 483	4 963	1 737	1 004	2 741

1 Includes hedged items.

2 Other interest expenses include interest rate adjustments resulting from interest rate swaps. Derivatives are measured at FVTPL.

Note 13 Net commission and fee income

<i>Amounts in NOK million</i>	2024	2023
Other commissions and fees	38	42
Commission and fee income	38	42
Custodial services	(4)	(3)
Other commissions and fees	0	(0)
Commission and fee expenses	(4)	(4)
Net commission and fee income	33	38

Note 14 Net gains on financial instruments at fair value

Amounts in NOK million	2024	2023
Foreign exchange and financial derivatives	367	465
Basis swaps	(2 006)	(1 154)
Net gains on financial instruments, mandatorily at FVTPL ¹	(1 640)	(689)
Loans at fair value (fixed-rate loans) ²	(100)	176
Commercial paper and bonds		(3)
Financial liabilities (long-term borrowing in NOK) ³	26	9
Net gains on financial instruments, designated as at FVTPL	(74)	182
Financial derivatives, hedging ⁴	5 313	10 221
Financial liabilities, hedged items ⁴	(5 299)	(10 343)
Net gains on hedged items	14	(122)
Net gains on financial instruments at FVTPL	(1 700)	(629)

- DNB Boligkreditt enters into swaps to manage interest-rate risk for the fixed-rate loans and bonds issued in Norwegian kroner. Such derivatives are measured at fair value. Additionally, the company enters into basis swaps to manage foreign currency risk from DNB Boligkreditt's long-term borrowing in foreign currencies. The swaps are entered into at the time of issuing the bonds and are continuously monitored until maturity. Hedge accounting is not used for these economic hedges. These derivatives are carried at fair value. There may be significant variations in the value of the basis swaps from day to day, due to changes in basis swap spreads which are recorded as unrealised gains and losses in the total comprehensive income for the period.*
- DNB Boligkreditt's fixed-rate loans are measured at fair value. Reduced interest rates, including credit margins, will increase the fair value of already originated loans. The change in fair value due to credit risk amounted to a NOK 16 million loss during the year and a NOK 56 million loss cumulatively. Credit risk reflected in fair value measurements is based on normalised losses and changes in normalised losses in the relevant portfolio. The fair value adjustments of the company's fixed-rate loans are reversed over the loans' remaining term to maturity.*
- DNB Boligkreditt's fixed-rate long-term borrowing in Norwegian kroner is carried at fair value and changes in fair value due to credit risk are recognised in other comprehensive income. The market value of such funding is impacted by the interest rate, including own credit risk premium. Reduced interest rates, including own credit risk premium, will increase the fair value of already issued Norwegian kroner liabilities. However, new funding issued at lower credit risk premiums will over time lead to decreased interest expenses. The fair value adjustments of the company's Norwegian kroner debt are reversed over the loans' remaining term to maturity.*
- DNB Boligkreditt uses hedge accounting only for the interest rate component inherent in the long-term borrowings in foreign currency. With respect to hedged liabilities, the change in fair value of the hedged item due to the hedged risk is charged to the income statement. Changes in fair value arising from hedged risk are presented under Net gains on financial derivatives, hedging. Derivatives that are designated as hedging instruments in hedging relationships are measured at fair value. Foreign currency borrowing is hedged with swaps ensuring a high correlation between interest rates on the hedged items and the hedging instruments. In the table, the interest rate exposure of the short leg of the swap, representing a three-month unhedged interest rate exposure, is included in changes in value of the hedging instrument.*

Note 15 Salaries and other personnel expenses

Amounts in NOK million	2024	2023
Salaries	(6)	(6)
Employer's national insurance contributions	(2)	(1)
Pension expenses	(2)	(2)
Other personnel expenses	(0)	(0)
Salaries and other personnel expenses	(11)	(10)

At year-end, DNB Boligkreditt had four employees calculated on a full-time basis and five employees a year earlier.

The employees in DNB Boligkreditt have the same pension benefits as the other employees in the DNB Group.

Note 16 Taxes

Tax expense on pre-tax operating profit		
<i>Amounts in NOK million</i>	2024	2023
Current taxes		
Changes in deferred taxes	(855)	(987)
Tax expense	(855)	(987)
Reconciliation of tax expense against nominal tax rate		
<i>Amounts in NOK million</i>	2024	2023
Pre-tax operating profit	3 421	3 910
Estimated tax expense at nominal tax rate 22 per cent	(753)	(860)
Tax effect of financial tax in Norway	(103)	(117)
Tax effect of other tax-exempt income and non-deductible expenses		(10)
Tax expense	(855)	(987)
Effective tax rate	25%	25%
Income tax on other comprehensive income		
<i>Amounts in NOK million</i>	2024	2023
Items that will not be reclassified to the income statement	3	2
Total income tax on other comprehensive income	3	2
Deferred tax assets/(deferred taxes)		
25 per cent deferred tax calculation on all temporary differences (Norway)		
<i>Amounts in NOK million</i>	2024	2023
The year's changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	(3 514)	1 822
Changes recorded against profits	(855)	(984)
Deferred tax asset/liability associated with merger		(4)
Changes due to received group contribution	(2 050)	(4 350)
Changes recognised against comprehensive income	3	2
Deferred tax assets/(deferred taxes) as at 31 December	(6 417)	(3 514)
Deferred tax assets and deferred taxes in the balance sheet relates to the following temporary differences		
<i>Amounts in NOK million</i>	31 Dec. 2024	31 Dec. 2023
Deferred taxes		
Debt securities issued	(2 183)	(3 388)
Financial derivatives	(5 010)	(2 480)
Other financial instruments	322	297
Net pension liabilities	7	7
Tax losses carried forward	448	2 050
Total deferred tax asset/(deferred taxes)	(6 417)	(3 514)

Note 17 Classification of financial instruments

As at 31 December 2024

Amounts in NOK million	Mandatorily at FVTPL		Designated as at FVTPL ²	Amortised cost ³	Total
	Trading	Other ¹			
Due from credit institutions				40 993	40 993
Loans to customers			41 211	686 547	727 758
Financial derivatives	36 623	3 373			39 996
Other assets				232	232
Total financial assets	36 623	3 373	41 211	727 773	808 979
Due to credit institutions				248 751	248 751
Financial derivatives	24 308	11 088			35 397
Debt securities issued			4 966	467 411	472 378
Other liabilities				232	232
Subordinated loan capital				4 518	4 518
Total financial liabilities⁴	24 308	11 088	4 966	720 912	761 275

1 Designated hedging instruments.

2 For liabilities designated as at FVTPL, changes in fair value due to credit risk are recognised in other comprehensive income.

3 Debt securities issued which are subject to hedge accounting are classified as liabilities carried at amortised cost.

4 Contractual obligations of financial liabilities designated as at fair value totalled NOK 5 225 million.

As at 31 December 2023

Amounts in NOK million	Mandatorily at FVTPL		Designated as at FVTPL ²	Amortised cost ³	Total
	Trading	Other ¹			
Due from credit institutions				13 168	13 168
Loans to customers			32 035	658 618	690 654
Financial derivatives	31 829	1 885			33 714
Other assets				126	126
Total financial assets	31 829	1 885	32 035	671 912	737 661
Due to credit institutions				280 921	280 921
Financial derivatives	8 366	15 004			23 370
Debt securities issued			5 993	377 701	383 695
Other liabilities				45	45
Subordinated loan capital				4 518	4 518
Total financial liabilities⁴	8 366	15 004	5 993	663 185	692 548

1 Designated hedging instruments.

2 For liabilities designated as at FVTPL, changes in fair value due to credit risk are recognised in other comprehensive income.

3 Debt securities issued which are subject to hedge accounting are classified as liabilities carried at amortised cost.

4 Contractual obligations of financial liabilities designated as at fair value totalled NOK 6 236 million.

Note 18 Fair value of financial instruments at amortised cost

The table below includes the fair value of financial instruments at amortised cost. Financial instruments held at amortised cost where amortised cost is a reasonable approximation of fair value are excluded.

Amounts in NOK million	31 December 2024				31 December 2023			
	Carrying amount	Level 2	Level 3	Fair value	Carrying amount	Level 2	Level 3	Fair value
Liabilities								
Debt securities issued	467 411	434 818	34 245	469 064	377 701	345 637	33 046	378 683
Subordinated loan capital	4 518		4 675	4 675	4 518		4 518	4 518

Debt securities issued and subordinated loan capital

The valuation in level 2 is based on observable market data in the form of interest rate curves and credit margins when available, while the valuation in level 3 is based on internal models. These instruments consist mainly of funding in foreign currency and floating rate securities in Norwegian kroner (NOK).

Note 19 Financial instruments at fair value

<i>Amounts in NOK million</i>	Level 1	Level 2	Level 3	Total
Assets as at 31 December 2024				
Loans to customers			41 211	41 211
Financial derivatives		39 996		39 996
Liabilities as at 31 December 2024				
Debt securities issued		4 966		4 966
Financial derivatives		35 397		35 397
Assets as at 31 December 2023				
Loans to customers			32 035	32 035
Financial derivatives		33 714		33 714
Liabilities as at 31 December 2023				
Debt securities issued		5 993		5 993
Financial derivatives		23 370		23 370

The levels

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1

Valuation based on quoted, unadjusted prices in active markets for identical assets and liabilities. DNB Boligkreditt has no financial instruments in this category.

Level 2

Other techniques for which all inputs that have a significant effect on the measured fair value are observable, either directly or indirectly.

Valuation of interest rate swaps and currency swaps is based on level 2 techniques. The valuation is based on swap curves that are based on observable market prices. Credit risk is considered to have an insignificant effect on the fair value.

Debt securities issued in Norwegian kroner are also measured at fair value based on level 2 techniques. The valuation of the bonds is primarily based on observable market data in the form of interest rate curves and credit margins.

Level 3

Techniques for which inputs that have a significant effect on the recognised fair value are not based on observable market data. Gains or losses, that occur when the estimated fair value is different from the transaction price (day-one gain/loss) has not had significant impact to the financial statement neither for 2024 nor 2023.

Loans consist primarily of fixed-rate loans in Norwegian kroner. The value of fixed-rate loans is determined by discounting agreed cash flows over the term of the loan, using a discount factor adjusted for margin requirements. The discount factor used has as a starting point a swap rate based on a duration equal to the average remaining lock-in period for the relevant fixed-rate loans. The assumptions underlying the calculation of the margin requirement are based on a review of the market conditions on the balance sheet date and on an assessment of the deliberations made by external investors when investing in a corresponding portfolio.

Financial instruments at fair value, level 3

<i>Amounts in NOK million</i>	Loans to customers
Carrying amount as at 31 December 2022	
Net gains recognised in the income statement	269
Additions/purchases	3 509
Sales	(48)
Settled	(6 193)
Carrying amount as at 31 December 2023	
Net gains recognised in the income statement	(78)
Additions/purchases	15 111
Sales	(22)
Settled	(5 835)
Carrying amount as at 31 December 2024	
	41 211

¹ Accumulated fair value adjustments on loans to customers in level 3 were minus NOK 1 287 million at 31 December 2024.

Sensitivity analysis, level 3

An increase in the discount rate on fixed-rate loans by 10 basis points will decrease the fair value by NOK 104 million.

Note 20 Offsetting

DNB Boligkreditt AS enters into interest rate swaps and cross-currency swaps with DNB Bank to hedge interest rate risk and currency risk associated with funding and lending operations. All swap contracts are covered by master netting agreements that give right to offset financial assets and financial liabilities arising from the derivative exposure. Additionally, DNB Boligkreditt enters into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The purpose of the reverse repos is to fulfill the company's requirements under the Liquidity Coverage Ratio (LCR) regulations. The value of the repos amounted to NOK 24.6 billion at end-December 2024, recognised as "Due from credit institutions" in the financial statements.

The table below presents the potential effects of DNB Boligkreditt's netting arrangements on financial assets and financial liabilities.

<i>Amounts in NOK million</i>	Gross amount	Amounts offset in the statement of financial position	Carrying amount	Netting agreements	Other collateral	Amounts after possible netting
Assets as at 31 December 2024						
Due from credit institutions	24 572		24 572		24 572	
Financial derivatives	39 996		39 996	19 343	16 054	4 599
Liabilities as at 31 December 2024						
Financial derivatives	19 343		19 343	19 343		
Assets as at 31 December 2023						
Due from credit institutions	7 082		7 082		7 082	
Financial derivatives	33 714		33 714	23 370		10 343
Liabilities as at 31 December 2023						
Financial derivatives	23 370		23 370	23 370		

Note 21 Debt securities issued

<i>Amounts in NOK million</i>	31 Dec. 2024	31 Dec. 2023
Debt securities issued		
Covered bond debt, nominal amount	477 968	395 072
Value adjustments ¹	(5 590)	(11 377)
Total debt securities issued	472 378	383 695

<i>Amounts in NOK million</i>	Balance 31 Dec. 2024	Issued 2024 ²	Matured/ redeemed 2024 ²	Exchange movements 2024	Other changes 2024	Balance 31 Dec. 2023
Changes in debt securities issued						
Covered bond debt, nominal amount	477 968	123 128	(51 538)	11 307		395 072
Value adjustments ¹	(5 590)				5 787	(11 377)
Total debt securities issued	472 378	123 128	(51 538)	11 307	5 787	383 695

¹ Including accrued interest, fair value adjustments and premiums/discounts.

² Changes in debt securities issued do not include reset basis swaps. The cash flow effects of debt securities issued were NOK 123 062 million and NOK 46 490 million for issued and matured bonds, respectively.

Maturity of debt securities issued

<i>Amounts in NOK million</i>	NOK	Foreign currency	Total
2025	106 500	36 467	142 967
2026	72 500	41 655	114 155
2027	19 500	29 480	48 980
2028	13 000	32 196	45 196
2029	10 000	34 194	44 194
2030		3 093	3 093
2031 and later	1 100	78 284	79 384
Total covered bond debts, nominal amount	222 600	255 368	477 968

Note 21 Debt securities issued (continued)

<i>Amounts in NOK million</i>	31 Dec. 2024	31 Dec. 2023
Pool of eligible loans	723 955	662 690
Market value of eligible derivatives ¹	39 996	33 714
Total collateralised assets	763 951	696 403
Debt securities issued, carrying value	472 378	383 695
Valuation changes attributable to changes in credit risk on debt carried at fair value	16	26
Market value of eligible derivatives ¹	19 343	23 370
Debt securities issued, valued according to regulation ²	491 737	407 091
Collateralisation (per cent)	155.4	171.1

1 From and including the first quarter of 2024, eligible derivatives are presented with their gross value. Comparable figures have been changed accordingly.

2 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 22 Subordinated loan capital

<i>Amounts in NOK million</i>	Currency	Nominal	Interest rate	Issue date	Call date	Maturity date	31 Dec. 2024	31 Dec. 2023
Term subordinated loan capital	NOK	4 500	3 month Nibor + 205 bp	2023	2028	2033	4 500	4 500
Accrued interest							18	18
Total							4 518	4 518

Note 23 Remunerations

<i>Amounts in NOK 1000</i>	Fixed salary as at 31 Dec. 2024	Remuneration paid in 2024	Paid salaries 2024	Variable remuneration earned in 2024	Benefits in kind and other benefits in 2024	Accrued pension expenses in 2024 ¹	Total remuneration in 2024	Loan as at 31 Dec. 2024
The Board of Directors								
Henrik Lidman ²								7 784
Hans Olav Rønningen (CEO)	2 525		2 580		46	282	2 908	3 930
Bjørn Hauge Spjeld ²								5 658
Karianne Kvernmo Wasenden				117			117	3 249

1 Accrued pension expenses include pension rights earned during the year (service cost). The calculation of pension entitlements is based on the same economic and actuarial assumptions as those used in note G23 Pensions in the annual report 2024 for the DNB Group.

2 There is no remuneration paid to the Board members other than ordinary salaries paid by DNB Bank ASA.

Loans to senior executives and board members are granted at general terms applicable to all of the Group's employees.

Remunerations to the chief executive officer and "Remuneration paid in 2024" are paid by DNB Boligkreditt. Other remunerations are charged DNB Bank ASA.

DNB Boligkreditt has no contractual obligations to give the chief executive officer, members of the board or others special compensation in case of changes in conditions of employment. Nor has the company contractual obligations to offer bonuses, profit sharing arrangements or options benefiting the chief executive officer, the Board of Directors or others. For 2024, all of the Group's employees will receive a bonus of NOK 36 thousand. The bonus will be paid in 2025.

Remuneration to the statutory auditor

<i>Amounts in NOK 1000, excluding VAT</i>	2024	2023
Statutory audit	(937)	(1 203)
Other certification services ¹	(497)	(962)
Total remuneration to the statutory auditor	(1 434)	(2 165)

1 Of this, fees related to comfort letters for the covered bond programmes represented NOK 258 500 in 2024. In addition, remuneration to the independent investigator, pursuant to Section 11-14 of the Financial Institutions Act, represented NOK 258 113, which in 2024 was carried out by a company other than the statutory auditor

Note 24 Information on related parties

DNB Boligkreditt AS is a subsidiary within the DNB Group. During the year many transactions, mostly related to the ordinary course of business, take place between DNB Boligkreditt and other group entities. All transactions are at market terms.

Transactions with related parties

Amounts in NOK million	2024	2023
Assets		
Loans to and deposits with credit institutions	40 993	13 168
Financial derivatives	39 996	33 761
Other amount due	46	103
Liabilities		
Loans due to credit institutions	248 665	280 831
Subordinated loan capital	4 518	4 518
Financial derivatives	19 343	23 370
Cash collateral	16 054	
Debt securities issued	157 795	110 278
Other liabilities	222	36
Income and expenses		
Interest income	888	545
Interest expenses	(12 808)	(12 732)
Commissions payable	(4)	(3)
Other income (expenses) related to management fee	267	1 916
Other expenses exclusive management fee	(92)	(89)

The post "Net gains on financial instruments at fair value" in the Comprehensive income statement is based on transactions with external parties (fixed-rate mortgages and covered bonds), as well as transactions entered into with DNB Bank ASA (basis swaps and interest rate swaps). For more information, see note 14 Net gains on financial instruments at fair value.

Major transactions with related parties

DNB Bank ASA

DNB Bank ASA (the bank) is the parent of DNB Boligkreditt. As part of ordinary business transactions, a large number of banking transactions are entered into between DNB Boligkreditt and the bank, including loans, deposits and financial derivatives used in currency and interest rate risk management. All transactions are carried out at market terms and are regulated in the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS" (the transfer agreement) and the "Contract concerning purchase of management services" (the management agreement).

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. During 2024 portfolios of NOK 41.2 billion (NOK 1.2 billion in 2023) were transferred from the bank to DNB Boligkreditt.

Under the servicing agreement, DNB Boligkreditt purchases services from the bank, including services relating to administration, bank production, distribution, customer contact, IT operations and financial and liquidity management. DNB Boligkreditt pays an annual management fee for these services based on the lending volume under management and the achieved lending spreads. However, the servicing agreement also ensures DNB Boligkreditt a minimum margin achieved on loans to customers. A margin below the minimum level will be at DNB Bank's risk, resulting in a negative management fee (payment from DNB Bank to DNB Boligkreditt). The management fee paid to the bank for purchased services is recognised as 'Other income (expenses) related to management fee' in the comprehensive income statement and amounted to a negative NOK 267 million in 2024 (a negative NOK 1 915 million in 2023).

In the balance sheet "Due from credit institutions" and "Due to credit institutions" are solely outstanding with DNB Bank. All derivative contracts are with DNB Bank as counterparty. At year-end 2024, the bank had invested NOK 157.8 billion (NOK 110.3 billion in 2023) in covered bonds issued by DNB Boligkreditt.

DNB Boligkreditt enters into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 24.6 billion at end-December 2024 (NOK 7.1 billion in 2023).

As of end-December 2024, DNB Invest Denmark A/S' ownership of subordinated loans issued by DNB Boligkreditt amounted to NOK 4.5 billion.

At end-December, DNB Bank had placed cash collateral of NOK 16.1 billion related to the CSA-agreement (Credit Support Annex) on derivatives against DNB Boligkreditt. DNB Boligkreditt only has derivative transactions with its parent company, DNB Bank ASA. The obligation to return the received cash collateral is presented as cash collateral liabilities in the balance sheet of DNB Boligkreditt, while the received cash collateral is placed in a separate deposit account at DNB Bank and presented as due from credit institutions.

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 260 billion.

DNB Livforsikring AS

As part of the company's ordinary investment activity, DNB Livforsikring has subscribed for covered bonds issued by DNB Boligkreditt. At year-end 2024, DNB Livforsikring's holding of DNB Boligkreditt bonds was valued at NOK 0.3 billion (NOK 0.3 billion in 2023).

Statement

Pursuant to Section 5-5 of the Securities Trading Act

We hereby confirm that the annual accounts for the company for 2024 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole.

The Directors' report gives a true and fair view of the development and performance of the business and the company, as well as a description of the principal risks and uncertainties facing the company.

Oslo, 18 March 2025

The Board of Directors of DNB Boligkreditt AS



Henrik Lidman
(Chair of the Board)



Bjørn Hauge Spjeld



Karianne Kvernmo Wasenden



Hans Olav Rønningen
(Chief Executive Officer, CEO)

To Annual General Meeting of DNB Boligkreditt AS

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of DNB Boligkreditt AS (the Company), which comprise the balance sheet as at 31 December 2024, the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2024 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 17 years from the election by the annual general meeting in 2008 for the accounting year 2008.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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Valuation of Financial Instruments

Basis for the key audit matter

Unlisted or illiquid financial instruments measured at fair value are valued based on models that use assumptions that are not observable in the market. The valuation of these instruments requires the use of judgement. Such instruments comprise assets of NOK 41 211 million measured at fair value in the balance sheet and classified as level 3 instruments within the fair value hierarchy. Due to the materiality of the unlisted or illiquid instruments, and the use of judgement, we considered the valuation of these instruments a key audit matter.

Level 3 instruments measured at fair value are disclosed in note 19 in the financial statements.

Our audit response

We assessed the design and tested the operating effectiveness of internal controls over the valuation process including management's determination and approval of assumptions and methodologies used in model-based calculations as well as management's review of valuations provided by internal experts. We also assessed pricing model methodologies against industry practice and valuation guidelines. We obtained external source data where available and compared the results to the Company's input for valuations.

IT environment supporting financial reporting

Basis for the key audit matter

The Company has a complex and automated IT environment and is dependent on IT processes for reporting of financial information. To ensure complete and accurate processing and reporting of financial data it is important that controls over appropriate access rights and system changes are designed and operate effectively. Also, controls over transaction processing need to be designed and operate effectively. The operation of the IT environment is largely outsourced to various service providers. The IT environment supporting the financial reporting process is considered a key audit matter as the IT environment is critical to ensure accurate, complete, and reliable financial reporting.

Our audit response

We obtained an understanding of the Company's IT environment, including outsourced services and controls related to financial reporting. We tested IT general controls over access management, change management and IT operations. Further we tested automated controls in the IT environment supporting financial reporting. For IT systems outsourced to service providers we evaluated third party attestation reports (ISAE 3402 reports) and assessed and tested the effectiveness of the controls. We involved specialists on our team in the understanding the IT environment and in assessing and testing the operative effectiveness of controls.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. The board of directors and Chief Executive Officer (management) is responsible for the other information. Our opinion on the financial statements does not cover the information in the Board of Directors' report and the other information presented with the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the information in the Board of Directors' report and for the other information presented with the financial statements. The purpose is to consider if there is material inconsistency between the information in the Board of Directors' report and the other information presented with the financial statements and the financial statements or

Independent auditor's report - DNB Boligkreditt AS 2024

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our knowledge obtained in the audit, or otherwise the information in the Board of Directors' report and for the other information presented with the financial statements otherwise appears to be materially misstated. We are required to report that fact if there is a material misstatement in the Board of Directors' report and the other information presented with the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements

Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained

Independent auditor's report - DNB Boligkreditt AS 2024

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up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 18 March 2025
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan-Herman Stene
State Authorised Public Accountant (Norway)

Independent auditor's report - DNB Boligkreditt AS 2024

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Governing bodies

as at 31 December 2024

Board of Directors

Members

Henrik Lidman, Oslo

Bjørn Hauge Spjeld, Bergen

Karianne Kvernmo Wasenden, Oslo

Contact information

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DNB Bank ASA

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Other sources of information

Annual and quarterly reports

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

To simplify life for people and businesses and make them prosper - that's why we're building the world's best bank for Norway

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