

DNB Boligkreditt AS

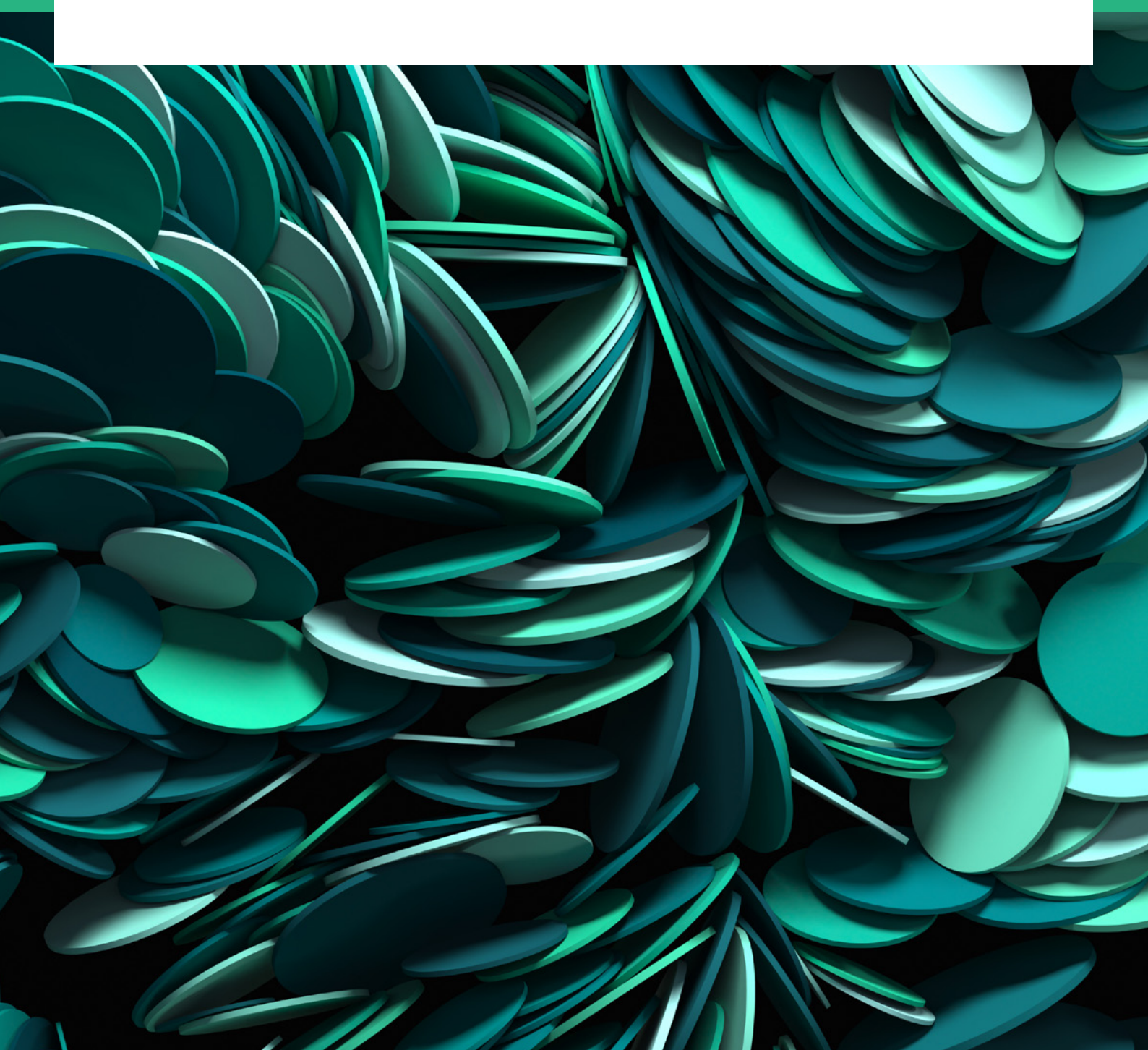
A company in the DNB Group

Second quarter and first half report 2021

(Unaudited)

DNB

Q2



Financial highlights

Income statement

<i>Amounts in NOK million</i>	DNB Boligkreditt AS				
	2nd quarter 2021	2nd quarter 2020	2021	January-June 2020	Full year 2020
Net interest income	1 568	997	3 000	2 276	5 495
Net other operating income	(293)	848	(996)	529	1 103
Of which net gains on financial instruments at fair value	(308)	833	(1 025)	502	1 047
Total operating expenses	(564)	73	(984)	(112)	(1 158)
Impairment of financial instruments	2	19	14	6	27
Pre-tax operating profit	713	1 937	1 033	2 700	5 467
Tax expense	(178)	(484)	(258)	(675)	(1 368)
Profit for the period	535	1 453	775	2 025	4 100

Balance sheet

<i>Amounts in NOK million</i>	30 June 2021	31 Dec. 2020	30 June 2020
Total assets	721 855	740 132	725 038
Loans to customers	691 908	676 511	659 489
Debt securities issued	474 791	521 195	536 452
Total equity	44 146	47 463	45 400

Key figures and alternative performance measures

	2nd quarter 2021	2nd quarter 2020	2021	January-June 2020	Full year 2020
Return on equity, annualised (%) ¹⁾	4.8	12.7	3.4	8.8	8.8
Total average spreads for lending (%) ¹⁾	0.81	0.54	0.78	0.62	0.75
Impairment relative to average net loans to customers, annualised (per cent) ¹⁾	0.00	0.01	0.00	0.00	0.00
Net loans and financial commitments in stage 3, per cent of net loans ¹⁾	0.29	0.15	0.29	0.15	0.13
Net loans and financial commitments in stage 3, (NOK million) ¹⁾	2 011	995	2 011	995	851
Common equity Tier 1 capital ratio end of period (%)	23.3	23.3	23.3	23.3	23.6
Capital ratio end of period (%)	26.2	26.2	26.2	26.2	26.6
Common equity Tier 1 capital (NOK million)	42 009	42 030	42 009	42 030	42 036
Risk-weighted assets (NOK million)	180 424	180 025	180 424	180 025	177 880
Number of full-time positions at end of period	7	6	7	6	6

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

Second quarter and first half report 2021

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

Directors' report

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

Financial accounts

DNB Boligkreditt recorded a profit of NOK 535 million in the second quarter of 2021, compared with a profit of NOK 1 453 million in the second quarter of 2020.

Total income

Income totalled NOK 1 275 million in the second quarter of 2021, down from NOK 1 845 million in the year-earlier period.

Amounts in NOK million	2nd quarter		2nd quarter
	2021	Change	2020
Total income	1 275	(570)	1 845
Net interest income		571	
Net commission and fee income		1	
Net gains/(losses) on financial instruments at fair value		(1 142)	

Compared to the same period in the previous year, the net interest income has increased, due to a combination of increased lending volume and an increase in interest rate margins. The recorded losses on financial instruments reflect the effects of unrealised changes in the market value of covered bonds, derivatives and loans measured at fair value. Gains and losses from such instruments tend to vary considerably from quarter to quarter and will typically be reversed in subsequent periods due to stabilising markets or because the maturity dates of the instruments are approaching.

Operating expenses and impairment of loans

Operating expenses are volatile due to the management fee paid to DNB Bank. The cooperation with DNB Bank is formalised through an extensive servicing agreement that ensures DNB Boligkreditt sound competence in key areas and cost-effective operations. The management fee calculation is based primarily on lending volume and the spreads achieved, thus the fee will fluctuate with the net interest income. The servicing agreement also ensures DNB Boligkreditt a minimum fee based on the net interest rate margin achieved on loans to customers. The fee amounted to NOK 530 million in the second quarter of 2021, up from a negative NOK 101 million in the second quarter of 2020.

The company has generally recorded low impairment losses on loans. In the second quarter of 2021, the company reported net recoveries on impairment of financial instruments of NOK 2 million. The Board of Directors considers the level of impairment to be satisfactory relative to the high quality of the loan portfolio.

Funding, liquidity and balance sheet

Balance sheet

At end-June 2021, DNB Boligkreditt had total assets of NOK 721.9 billion, a decrease of NOK 3.2 billion from end-June 2020.

Amounts in NOK million	30 June	Change	30 June
	2021		2020
Total assets	721 855		725 038
Loans to customers		32 419	
Financial derivatives		(38 008)	
Other assets		2 406	
Total liabilities	677 708	(1 930)	679 638
Due to credit institutions		64 891	
Financial derivatives		(3 031)	
Debt securities issued		(61 661)	
Deferred taxes		(4 092)	
Other liabilities		1 963	

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

Debt securities issued were down by net NOK 38.0 billion from end-June 2020. The company issued covered bonds under existing programmes totalling NOK 26.6 billion in the first half of 2021. Total debt securities issued amounted to NOK 474.8 billion at end-June 2021.

Risk and capital adequacy

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

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

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

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

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

At end-June 2021, the company's equity totalled NOK 44.1 billion, of which NOK 42.0 billion represented Tier 1 capital. Total primary capital in the company was NOK 47.2 billion. The Tier 1 capital ratio was 23.3 per cent, while the capital adequacy ratio was 26.2 per cent.

New regulatory framework

European Systemic Risk Board has asked other countries to recognise Norwegian capital requirements

On 30 April, the European Systemic Risk Board (ESRB) adopted a recommendation that other EEA countries should recognise Norwegian capital requirements for banks, so that these requirements can also be made applicable to foreign banks in Norway. The recommendation applies to the new systemic risk buffer requirement and the temporary risk weight floors of home mortgages and commercial property loans, which were introduced for Norwegian banks from the end of 2020. Other EEA countries are advised to recognise the Norwegian systemic risk buffer requirement within 18 months, and the floors for risk weighting within 3 months. On 21 June 2021, the Swedish financial supervisory authority (FI) confirmed that it will recognise the risk weight floors for real estate exposures with effect from 30 September 2021.

The recommendation came after the Norwegian Ministry of Finance, on 2 February this year, asked the ESRB to recommend that other EEA countries' authorities recognise the Norwegian requirements. The Ministry emphasises that capital requirements that are as similar as possible for Norwegian and foreign banks contribute to stability and equal conditions of competition in the Norwegian banking market.

Counter-cyclical capital buffer requirement increased to 1.5 per cent

The Ministry of Finance has decided to increase the countercyclical capital buffer to 1.5 per cent as of 30 June 2022, in line with guidance from the Norwegian central bank, Norges Bank. The requirement was lowered from 2.5 per cent to 1 per cent in March last year, to prevent more stringent lending practices in banks from reinforcing a downturn in the economy.

Norges Bank's current assessment of economic developments, projected losses and banks' expected lending capacity indicates that guidance will be given to further increase the buffer requirement in the course of 2021. In its capital planning, DNB has factored in that the buffer requirement in Norway is expected to return to 2.5 per cent.

Circular on IRB models

On 9 June 2021, Finanstilsynet published a circular that is intended to guide banks on the Authority's practice for the approval and supervision of IRB models. DNB's assessment is that the circular does not suggest that there will be any significant changes to the capital adequacy calculation. Nevertheless, the circular contains important points that will entail stricter regulation of risk weights than proposed in the EU capital requirements rules and legislation. Finanstilsynet warns that if the effective maturity parameter (M), which is used, among other things, in the risk weight calculation for the financing of commercial property, does not reflect the actual maturity, this must be considered as a risk in the calculation of pillar 2 capital requirements.

Changes in the banking rules and legislation for problem loans

The Ministry of Finance has recently laid down amendments to the Norwegian CRR/CRD IV Regulations, which implement the EU Regulation on loss coverage for non-performing exposures. The Regulation amends the EU Capital Requirements Regulation (CRR), and introduces requirements relating to reductions in companies' common equity Tier 1 capital for problem loans that have not been sufficiently written down. The new rules will apply to loans granted after 7 February 2020. A new directive that is to help strengthen the secondary market for problem loans is being prepared in the EU, and the Ministry of Finance has announced that it will consider implementing this directive once it has been finalised.

Deferred implementation of new guidelines on granting loans

On 29 May 2020, the European Banking Authority (EBA) published new guidelines for granting and monitoring loans. The purpose of the guidelines is to ensure a common minimum standard for lending practices and to harmonise supervisory practices. The guidelines took effect on 30 June 2021, but in several countries there are concerns that a number of issues and interpretations have not yet been clarified. Finanstilsynet has made clear that some more time will be needed for the implementation of the guidelines, and that the new requirements will not be made fully applicable in Norway until 1 January 2022. Finanstilsynet will clarify the implementation of certain parts of the EBA guidelines, including the use of statistical models for the valuation of real estate, through a circular and by updating risk modules.

Bill on sustainability-related disclosures submitted to the Storting

On 4 June 2021, the Ministry of Finance presented a proposal for a new act on the disclosure of sustainability-related information in the financial sector. The draft legislation (bill) covers the Norwegian implementation of the EU Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy Regulation. Both Regulations are EEA relevant, but they have not yet been incorporated into the EEA Agreement. The bill will not be considered by the Storting (Norwegian parliament) until autumn 2021 at the earliest.

New proposals to improve real estate broking

In October 2019, the Ministry of Finance appointed a committee to evaluate the current Norwegian Estate Agency Act. On 4 June 2021, the committee submitted its recommendations to the Ministry. The purpose of the recommendations is, among other things, to ensure safe and simple real estate broking, to strengthen consumer rights and to reduce the time pressure in the home purchasing process. The recommendations have been circulated for public comment.

Rule changes in the field of anti-money laundering (AML)

The Ministry of Finance has decided on amendments to the Norwegian regulations relating to anti-money laundering and to payment services. The amendments concern, for example, providers of virtual currency services, the issuance of e-money, the termination and blocking of customer relationships, minimum requirements for electronic monitoring systems, and rules on high-risk countries. They are partly based on changes in international standards (FATF) and the EU's 5th Anti-Money Laundering Directive. Most of the new regulatory provisions will come into force on 1 July 2021.

Macroeconomic developments

After a downturn in economic activity in the first quarter, this development was gradually reversed during the second quarter. The number of infection rates has been reduced and in April the Government initiated the first of a total of four steps in the reopening of the economy. Step two was introduced at the end of May, and the Government reopened Norwegian society even more towards the end of June. The easing of the infection control measures contributed to economic activity picking up during the second quarter.

Despite a decline in mainland GDP in the first quarter, the recorded unemployment rate remained unchanged at 4 per cent, adjusted for normal seasonal variations. However, the upturn in activity in May and June helped bring registered unemployment down to 2.9 per cent in June. The largest reduction in unemployment in the second quarter, in percentage terms was among employees in the transport and tourism sector.

Annual consumer price growth was 3 per cent in the first quarter, declining to 2.7 per cent in May. Adjusted for developments

in energy prices and fees, there was a more marked reduction in consumer price growth: from 2.7 per cent in the first quarter to 1.5 per cent in May. In the housing market, there are indications that the market might be cooling off. Prospects of increased interest rates may contribute to keeping price growth at a moderate level in the time ahead. Higher oil prices and increased activity have not yet led to any substantial strengthening of the Norwegian krone.

In the revised national budget for Norway, the Government proposed a further increase in the use of money from the Norwegian oil fund, and for 2021, the deficit is expected to increase by 4.3 per cent of mainland GDP. By contrast, Norges Bank has signaled a monetary policy involving a possible rise in the key policy rate in September this year and is expecting a clear upturn in economic activity in the second half of this year and the beginning of next. This will help raise capacity utilisation in the economy towards a normal level. Unemployment rates are projected to decline further. This will allow the central bank to start reducing the powerful monetary policy stimuli introduced during the pandemic. In the interest rate path presented in June, Norges Bank indicates that interest rates will go up by a quarter of a percentage point in September and December this year, and March and June next year, ending at close to 1 per cent.

Future prospects

DNB Boligkreditt's activity level was less impacted by the COVID-19 pandemic than expected in the first half of 2021. Housing prices were up and operating income was strong with very low impairment losses.

In the period 2021 to 2023, the annual increase in lending volumes is expected to be around 3 to 4 per cent.

The common equity Tier 1 (CET1) capital ratio was 23.3 per cent as at 30 June 2021. The very high ratio is due to the removal of the Basel I floor as from year-end 2019. The CET1 capital ratio requirement for DNB Boligkreditt is 15.55 per cent, while the Tier 1 requirement is 17.05 per cent. At its Annual General Meeting on 16th April 2021, DNB Boligkreditt decided to undertake a reduction in capital totalling NOK 7.3 billion. The payment is to be made to the company's shareholder DNB Bank ASA. The reduction in capital was approved by Finanstilsynet on the 1st of July 2021. The capital reduction will take place in accordance with the provisions of the Norwegian Companies Act which, among other things, requires a 6-week creditor notice period. Expected completion of the capital reduction is at the end of August 2021.

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

Oslo, 12 July 2021

The Board of Directors of DNB Boligkreditt AS



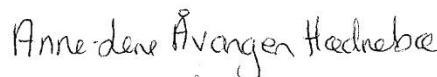
Reidar Bolme
(Chair of the Board)



Jørn E. Pedersen



Toril Steinmo



Anne-Lene Åvanger Hødnebo
(Chief Executive Officer, CEO)

Comprehensive income statement

		DNB Boligkreditt AS				
<i>Amounts in NOK million</i>	Note	2nd quarter 2021	2nd quarter 2020	2021	January-June 2020	Full year 2020
Interest income, amortised cost		2 856	3 242	5 677	7 737	13 440
Other interest income		262	283	529	573	1 130
Interest expenses, amortised cost		(410)	(1 043)	(919)	(2 511)	(3 485)
Other interest expenses		(1 139)	(1 484)	(2 287)	(3 522)	(5 590)
Net interest income		1 568	997	3 000	2 276	5 495
Commission and fee income		16	15	30	29	61
Commission and fee expenses		(1)	(1)	(2)	(2)	(3)
Net gains on financial instruments at fair value		(308)	833	(1 025)	502	1 047
Other income						(2)
Net other operating income		(293)	848	(996)	529	1 103
Total income		1 275	1 845	2 003	2 805	6 598
Salaries and other personnel expenses		(3)	(4)	(7)	(5)	(11)
Other expenses	7	(561)	77	(977)	(107)	(1 146)
Total operating expenses		(564)	73	(984)	(112)	(1 158)
Impairment of financial instruments	3	2	19	14	6	27
Pre-tax operating profit		713	1 937	1 033	2 700	5 467
Tax expense		(178)	(484)	(258)	(675)	(1 368)
Profit for the period		535	1 453	775	2 025	4 100
Other comprehensive income that will not be reclassified to profit or loss		9	(71)	4	33	18
Tax		(2)	18	(1)	(8)	(4)
Total comprehensive income for the period		542	1 400	778	2 050	4 113

Balance sheet

		DNB Boligkreditt AS		
<i>Amounts in NOK million</i>	Note	30 June 2021	31 Dec. 2020	30 June 2020
Assets				
Due from credit institutions	7	9 926	26 175	7 539
Loans to customers	3, 6	691 908	676 511	659 489
Financial derivatives	6	19 996	37 442	58 004
Other assets		24	5	6
Total assets		721 855	740 132	725 038
Liabilities and equity				
Due to credit institutions	7	184 438	150 423	119 547
Financial derivatives	6	8 925	9 580	11 956
Debt securities issued	4, 6	474 791	521 195	536 452
Payable taxes		3 344	5 464	1 687
Deferred taxes		655	655	4 747
Other liabilities		316	114	15
Provisions		32	32	30
Subordinated loan capital	5	5 205	5 206	5 205
Total liabilities		677 708	692 669	679 638
Share capital		5 257	5 257	5 257
Share premium		31 719	31 719	31 719
Other equity		7 170	10 487	8 424
Total equity		44 146	47 463	45 400
Total liabilities and equity		721 855	740 132	725 038

Statement of changes in equity

DNB Boligkreditt AS

<i>Amounts in NOK million</i>	Share capital	Share premium	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 December 2019	5 257	31 719	(59)	9 704	46 621
Profit for the period				2 025	2 025
Financial liabilities designated at FVTPL, changes in credit risk			33		33
Tax on other comprehensive income			(8)		(8)
Comprehensive income for the period			25	2 025	2 050
Group contribution paid				(3 270)	(3 270)
Balance sheet as at 30 June 2020	5 257	31 719	(34)	8 459	45 400
Balance sheet as at 31 December 2020	5 257	31 719	(44)	10 531	47 463
Profit for the period				775	775
Financial liabilities designated at FVTPL, changes in credit risk			4		4
Tax on other comprehensive income			(1)		(1)
Comprehensive income for the period			3	775	778
Group contribution paid				(4 095)	(4 095)
Balance sheet as at 30 June 2021	5 257	31 719	(41)	7 211	44 146

Share capital

All shares and voting rights of the company are held by DNB Bank ASA. Share capital at the beginning of 2021 was NOK 5 257 million (52 570 000 shares at NOK 100).

At its Annual General Meeting on 16 April 2021, DNB Boligkreditt decided to undertake a reduction in capital totalling NOK 7.3 billion. The payment is to be made to the company's shareholder DNB Bank ASA. The reduction in capital was approved by Finanstilsynet (the Financial Supervisory Authority of Norway) on the 1st of July 2021. The capital reduction will take place in accordance with the provisions of the Norwegian Companies Act which, among other things, requires a 6-week creditor notice period. Expected completion of the capital reduction is at the end of August 2021.

Cash flow statement

<i>Amounts in NOK million</i>	January-June 2021	2020	Full year 2020
Operating activities			
Net payments on loans to customers	3 514	7 660	10 083
Interest received from customers	6 239	8 641	14 870
Net received/paid on loans from credit institutions	50 263	(35 903)	(23 662)
Interest received from credit institutions	5	35	35
Interest paid to credit institutions	(866)	(1 360)	(2 144)
Net receipts on commissions and fees	28	27	58
Payments for operating expenses	(851)	(101)	(1 111)
Taxes paid	(2 378)	(1 100)	(2 104)
Net cash flow relating to operating activities	55 953	(22 100)	(3 975)
Investing activities			
Net purchase of loan portfolio	(19 471)	(29 425)	(49 166)
Net cash flow relating to investing activities	(19 471)	(29 425)	(49 166)
Financing activities			
Receipts on issued bonds and commercial paper	26 597	88 950	123 295
Payments on redeemed bonds and commercial paper	(56 595)	(28 931)	(59 243)
Interest payments on issued bonds and commercial paper	(2 338)	(5 180)	(7 546)
Interest payments on subordinated loan capital	(53)	(88)	(138)
Group contribution payments	(4 095)	(3 270)	(3 270)
Net cash flow from financing activities	(36 484)	51 481	53 099
Net cash flow	(1)	(44)	(43)
Cash as at 1 January	2	45	45
Net receipts/payments of cash	(1)	(44)	(43)
Cash at end of period	0	0	2

Note 1 Basis for preparation

The quarterly financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as issued by the International Accounting Standards Board and as adopted by the European Union. When preparing the consolidated financial statements, the management makes estimates, judgements and assumptions that affect the application of the accounting principles, as well as income, expenses, and the carrying amount of assets and 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. A description of the accounting policies, significant estimates and areas where judgement is applied can be found in Note 1 Accounting principles in the annual report for 2020. In the interim report, the accounting policies, significant estimates, and areas where judgement is applied are in conformity with those described in the annual report.

Note 2 Capital adequacy

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

Own funds	DNB Boligkreditt AS	
	30 June 2021	31 Dec. 2020
<i>Amounts in NOK million</i>		
Share capital	5 257	5 257
Other equity	38 114	42 206
Total equity	43 371	47 463
Regulatory adjustments		
IRB provisions shortfall (-)	(1 026)	(960)
Additional value adjustments (AVA)	(360)	(406)
(Gains) or losses on liabilities at fair value resulting from own credit risk	41	44
(Gains) or losses on derivative liabilities resulting from own credit risk (DVA)	(17)	(10)
Proposed group contributions for payment		(4 095)
Common equity Tier 1 capital	42 009	42 036
Term subordinated loan capital	5 200	5 200
Tier 2 capital	5 200	5 200
Own funds	47 209	47 236
Total risk exposure amount	180 424	177 880
Minimum capital requirement	14 434	14 230
Common equity Tier 1 capital ratio (%)	23.3	23.6
Capital ratio (%)	26.2	26.6

Specification of exposures	DNB Boligkreditt AS				
	Nominal exposure	Exposure at default EAD	Risk amount REA	Capital requirement	Capital requirement
	30 June 2021	30 June 2021	30 June 2021	30 June 2021	31 Dec. 2020
<i>Amounts in NOK million</i>					
IRB approach					
Corporate	215	215	72	6	14
Retail - secured by immovable property	755 234	755 234	160 269	12 821	12 431
Total credit risk, IRB approach	755 449	755 449	160 341	12 827	12 446
Standardised approach					
Institutions	24 199	24 199	4 840	387	711
Corporate	20 119	20 104	5 498	440	427
Retail	649	479	359	29	26
Retail - secured by immovable property	5 669	5 491	1 935	155	23
Other assets	43	33	49	4	6
Total credit risk, standardised approach	50 678	50 306	12 681	1 014	1 193
Total credit risk	806 127	805 754	173 021	13 842	13 638
Credit value adjustment (CVA)					
Operational risk			7 403	592	592
Total risk exposure amount			180 424	14 434	14 230

Note 3 Development in accumulated impairment of financial instruments

Loans to customers at amortised cost

DNB Boligkreditt AS

Amounts in NOK million	Jan.-June 2021				Jan.-June 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 Dec.	(14)	(13)	(40)	(66)	(12)	(28)	(63)	(103)
Transfer to stage 1	(7)	7			(16)	13	3	
Transfer to stage 2					1	(11)	10	
Transfer to stage 3		1	(1)					
Originated and purchased during the period	(4)	(0)		(4)	(6)	(1)		(7)
Increased expected credit loss	(3)	(10)	(19)	(33)	(11)	(19)	(34)	(64)
Decreased (reversed) expected credit loss	17	2	30	48	25	16	26	67
Derecognition		7		7		11		11
Write-offs			2	2			6	6
Accumulated impairment as at 30 June ¹⁾	(11)	(8)	(28)	(47)	(19)	(19)	(53)	(91)

1) On 1 January 2021, DNB introduced a new definition of default. According to the new definition for customers in probation after default, the effect on expected credit loss was not significant as at 30 June 2021.

Note 4 Debt securities issued

Debt securities issued	DNB Boligkreditt AS		
	30 June 2021	31 Dec. 2020	30 June 2020
<i>Amounts in NOK million</i>			
Listed covered bonds, nominal amount	398 478	430 280	437 524
Private placements under the bond programme, nominal amount	58 756	64 832	70 457
Total bonds, nominal amount	457 234	495 112	507 981
Accrued interest	1 697	2 836	2 143
Unrealised losses ¹⁾	15 861	23 247	26 328
Adjustments	17 558	26 083	28 471
Total debt securities issued	474 791	521 195	536 452

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

Changes in debt securities issued	DNB Boligkreditt AS					
	Balance sheet 30 June 2021	Issued 2021	Matured/redeemed 2021	Exchange rate movements 2021	Other changes 2021	Balance sheet 31 Dec. 2020
<i>Amounts in NOK million</i>						
Bond debt, nominal amount	457 234	26 310	(55 412)	(8 776)		495 112
Value adjustments	17 558				(8 525)	26 083
Total debt securities issued	474 791	26 310	(55 412)	(8 776)	(8 525)	521 195

Maturity of debt securities issued	DNB Boligkreditt AS		
	NOK	Foreign currency	Total
<i>Amounts in NOK million</i>			
2021	11 000	12 885	23 885
2022	75 500	70 232	145 732
2023	257	68 623	68 880
2024	8 000	35 826	43 826
2025 and later	15 220	159 691	174 911
Total bond debt	109 977	347 257	457 234

Debt securities issued - matured/redeemed during the period						DNB Boligkreditt AS		
<i>Amounts in NOK million</i>	ISIN Code	Currency	Matured redeemed amount	Interest	Issued	Matured	Remaining nominal amount	
							30 June 2021	31 Dec. 2020
Private		EUR	471	Fixed	2011	2021	Redeemed	471
LUX		EUR	167	Fixed	2011	2021	Matured	167
LUX		EUR	105	Fixed	2011	2021	Redeemed	105
LUX		EUR	1 056	Fixed	2011	2021	Matured	1 056
CH0122955377		CHF	967	Fixed	2011	2021	Matured	967
Private		EUR	993	Fixed	2011	2021	Matured	993
XS0586938630		EUR	105	Floating	2011	2021	Matured	105
Private		EUR	376	Fixed	2011	2021	Redeemed	376
CH0122955377		CHF	580	Fixed	2011	2021	Matured	580
XS1344745481		EUR	15 687	Fixed	2016	2021	Matured	15 687
XS1363750321		EUR	105	Floating	2016	2021	Matured	105
Private		EUR	751	Fixed	2009	2021	Matured	751
NO0010566524		NOK	2 000	Fixed	2010	2021	Matured	2 000
NO0010566524		NOK	3 500	Fixed	2011	2021	Matured	3 500
US25600WAC47		USD	213	Fixed	2011	2021	Matured	213
LUX		EUR	50	Fixed	2011	2021	Redeemed	50
LUX		EUR	50	Fixed	2011	2021	Redeemed	50
LUX		EUR	200	Fixed	2011	2021	Redeemed	200
XS0637846725		EUR	15 029	Fixed	2011	2021	Matured	15 029
XS1062737587		EUR	1 252	Floating	2014	2021	Matured	1 252
XS1062737587		EUR	751	Floating	2015	2021	Matured	751
XS1249485092		EUR	250	Fixed	2015	2021	Matured	250
XS1416565205		EUR	751	Fixed	2016	2021	Matured	751
NO0010821051		NOK	10 000	Floating	2018	2021	Matured	10 000
Total debt securities issued, nominal value			55 412					55 412

Note 4 Debt securities issued (continued)

Cover pool	DNB Boligkreditt AS		
	30 June 2021	31 Dec. 2020	30 June 2020
<i>Amounts in NOK million</i>			
Pool of eligible loans	689 620	673 513	655 559
Market value of eligible derivatives	11 071	27 862	46 049
Total collateralised assets	700 691	701 375	701 608
Debt securities issued, carrying value	474 791	521 195	536 452
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(55)	(59)	(46)
Debt securities issued, valued according to regulation ¹⁾	474 736	521 137	536 406
Collateralisation (per cent)	147.6	134.6	130.8

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

Note 5 Subordinated loan capital

<i>Amounts in NOK million</i>	Currency	Nominal amount	Interest rate	Issue date	Call date	Maturity date	DNB Boligkreditt AS		
							30 June 2021	31 Dec. 2020	30 June 2020
Term subordinated loan capital	NOK	1 900	3 month Nibor + 160 bp	2018	2023	2028	1 900	1 900	1 900
Term subordinated loan capital	NOK	3 300	3 month Nibor + 160 bp	2018	2023	2028	3 300	3 300	3 300
Accrued interest							5	6	5
Total subordinated loan capital							5 205	5 206	5 205

Note 6 Financial instruments at fair value

<i>Amounts in NOK million</i>	DNB Boligkreditt AS			
	Level 1	Level 2	Level 3	Total
Assets as at 30 June 2021				
Loans to customers			38 846	38 846
Financial derivatives		19 996		19 996
Liabilities as at 30 June 2021				
Debt securities issued		12 339		12 339
Financial derivatives		8 925		8 925
Assets as at 30 June 2020				
Loans to customers			41 142	41 142
Financial derivatives		58 004		58 004
Liabilities as at 30 June 2020				
Debt securities issued		17 247		17 247
Financial derivatives		11 956		11 956

Financial instruments at fair value, level 3

<i>Amounts in NOK million</i>	DNB Boligkreditt AS	
		Loans to customers
Carrying amount as at 31 December 2019		
		41 489
Net gains recognised in the income statement		1 288
Additions/purchases		5 172
Sales		(72)
Settled		(6 736)
Carrying amount as at 30 June 2020		
		41 142
Carrying amount as at 31 December 2020		
		40 934
Net gains recognised in the income statement		(541)
Additions/purchases		3 539
Sales		(92)
Settled		(4 993)
Carrying amount as at 30 June 2021		
		38 846

For a further description of the instruments and valuation techniques, see DNB Boligkreditt's annual report for 2020.

Note 7 Information on related parties

DNB Bank ASA

In the first half of 2021, loan portfolios representing NOK 19.5 billion (NOK 29.4 billion in the first half of 2020) were transferred from the bank to DNB Boligkreditt in accordance with the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS".

The management fee paid to the bank for purchased services is recognised as "Other expenses" in the statement of comprehensive income and amounted to NOK 917 million in the first half of 2021 (NOK 63 million in the first half of 2020).

At end-June 2021, the bank had invested NOK 51.8 billion in covered bonds issued by DNB Boligkreditt.

In the first half of 2021 DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 8.5 billion at end-June 2021.

DNB Boligkreditt AS has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 200 billion.

DNB Livsforsikring AS

At end-June 2021 DNB Livsforsikring's holding of DNB Boligkreditt bonds was valued at NOK 266 million.

Statement

pursuant to Section 5-6 of the Securities Trading Act

We hereby confirm that the half-yearly financial statements for the company for the period 1 January through 30 June 2021 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole.

To the best of our knowledge, the half-yearly report gives a true and fair:

- overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements
- description of the principal risks and uncertainties facing the company over the next accounting period
- description of major transactions with related parties.

Oslo, 12 July 2021

The Board of Directors of DNB Boligkreditt AS



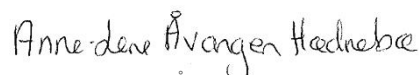
Reidar Bolme
(Chair of the Board)



Jørn E. Pedersen



Toril Steinmo



Anne-Lene Åvanger Hødnebø
(Chief Executive Officer, CEO)

Contact information

DNB Boligkreditt AS

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

DNB

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

Chief Executive Officer

Anne-Lene Åvangen Hødnebo
Tel: +47 97 01 83 95
anne-lene.avangen.hodnebo@dnb.no

Financial reporting

Roar Sørensen
Tel: +47 93 47 96 16
roar.sorensen@dnb.no

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.

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

DNB Boligkreditt AS

Mailing address:

P.O.Box 1600 Sentrum
N-0021 Oslo

Visiting address:

Dronning Eufemias gate 30
Bjørvika, Oslo