

**DNB Boligkreditt AS**

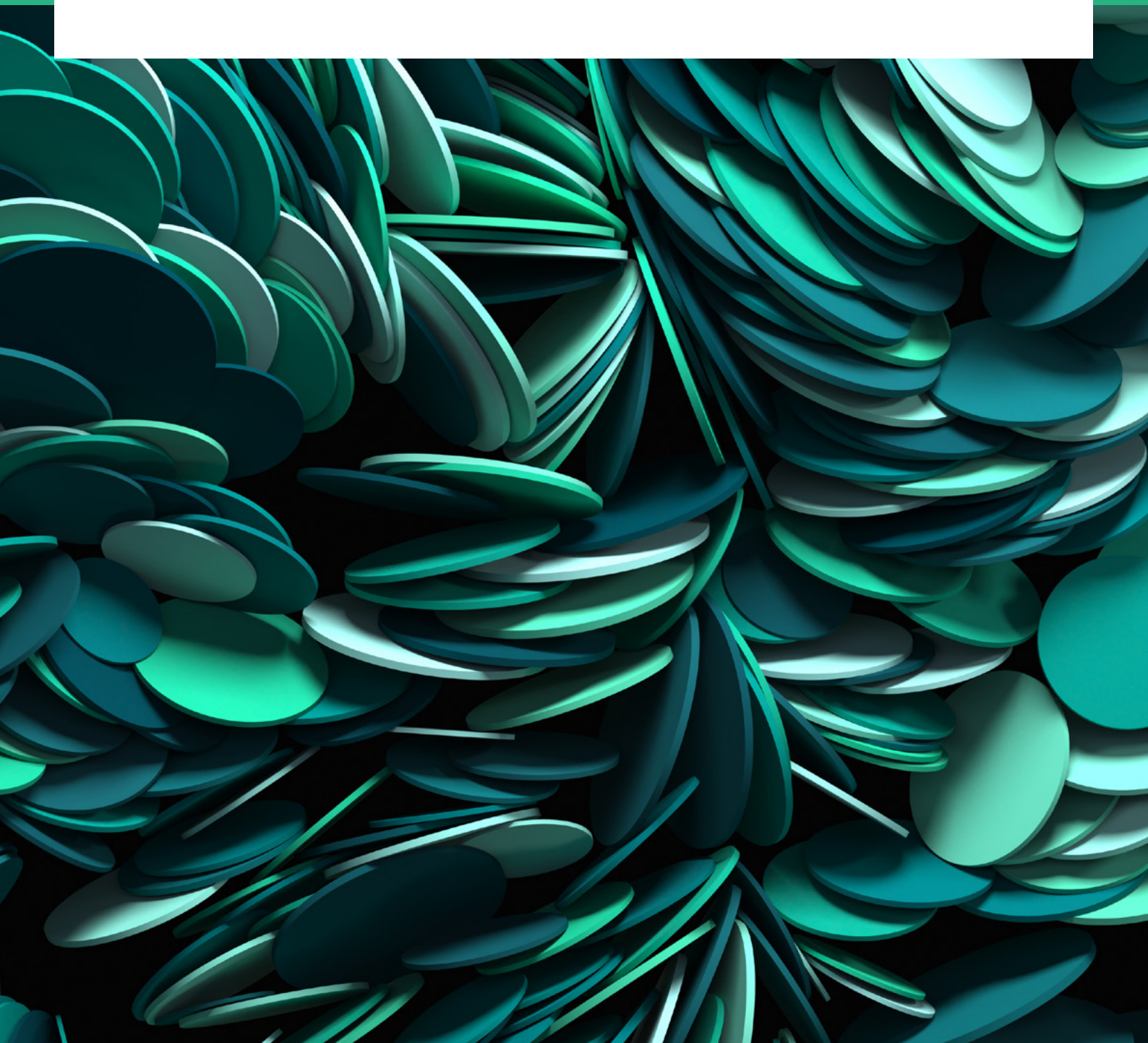
A company in the DNB Group

# Third quarter report 2021

(Unaudited)

DNB

Q3



# Financial highlights

## Income statement

<i>Amounts in NOK million</i>	<b>DNB Boligkreditt AS</b>				
	3rd quarter 2021	3rd quarter 2020	January-September		Full year
			2021	2020	2020
Net interest income	1 679	1 612	4 679	3 888	5 495
Net other operating income	362	214	(635)	743	1 103
Of which net gains on financial instruments at fair value	347	198	(678)	700	1 047
Total operating expenses	(671)	(542)	(1 655)	(654)	(1 158)
Impairment of financial instruments	(12)	16	2	23	27
Pre-tax operating profit	1 357	1 300	2 391	4 000	5 467
Tax expense	(339)	(325)	(598)	(1 000)	(1 368)
<b>Profit for the period</b>	<b>1 018</b>	<b>975</b>	<b>1 793</b>	<b>3 000</b>	<b>4 100</b>

## Balance sheet

<i>Amounts in NOK million</i>	30 Sept. 2021	31 Dec. 2020	30 Sept. 2020
Total assets	717 117	740 132	761 466
Loans to customers	692 211	676 511	677 546
Debt securities issued	470 815	521 195	546 758
Total equity	37 864	47 463	46 364

## Key figures and alternative performance measures

	3rd quarter 2021	3rd quarter 2020	January-September		Full year
			2021	2020	2020
Return on equity, annualised (%) <sup>1)</sup>	9.3	8.5	5.3	8.7	8.8
Total average spreads for lending (%) <sup>1)</sup>	0.87	0.89	0.81	0.71	0.75
Impairment relative to average net loans to customers, annualised (per cent) <sup>1)</sup>	(0.01)	0.01	0.00	0.00	0.00
Net loans and financial commitments in stage 3, per cent of net loans <sup>1)</sup>	0.29	0.14	0.29	0.14	0.13
Net loans and financial commitments in stage 3, (NOK million) <sup>1)</sup>	2 011	925	2 011	925	851
Common equity Tier 1 capital ratio end of period (%)	19.1	23.1	19.1	23.1	23.6
Capital ratio end of period (%)	22.0	26.0	22.0	26.0	26.6
Common equity Tier 1 capital (NOK million)	34 728	42 012	34 728	42 012	42 036
Risk-weighted assets (NOK million)	181 585	181 662	181 585	181 662	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](#).

# Third quarter 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 1 018 million in the third quarter of 2021, compared with a profit of NOK 975 million in the third quarter of 2020.

### Total income

Income totalled NOK 2 040 million in the third quarter of 2021, up from NOK 1 826 million in the year-earlier period.

Amounts in NOK million	3rd quarter		3rd quarter
	2021	Change	2020
Total income	2 040	214	1 826
Net interest income		67	
Net commission and fee income		(2)	
Net gains/(losses) on financial instruments at fair value		149	

Compared to the same period in the previous year, the net interest income has increased, due to an increase in lending volume. The recorded gains 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 631 million in the third quarter of 2021, up from NOK 507 million in the third quarter of 2020.

The company has generally recorded low impairment losses on loans. In the third quarter of 2021, the company reported a net impairment loss of NOK 12 million. The Board of Directors considers the level of impairment to be satisfactory relative to the high quality of the loan portfolio.

### Funding, liquidity and balance sheet

#### Balance sheet

At end-September 2021, DNB Boligkreditt had total assets of NOK 717.1 billion, a decrease of NOK 44.2 billion from end-September 2020.

Amounts in NOK million	30 Sept.		30 Sept.
	2021	Change	2020
Total assets	717 117	(44 349)	761 466
Loans to customers		14 665	
Financial derivatives		(45 264)	
Other assets		(13 750)	
Total liabilities	679 253	(35 849)	715 102
Due to credit institutions		45 054	
Financial derivatives		(2 523)	
Debt securities issued		(75 943)	
Deferred taxes		(4 117)	
Other liabilities		1 680	

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 75.9 billion from end-September 2020. New issues of covered bonds have been lower than in previous years, and the depreciation of NOK has also lowered the market value of covered bonds issued in other currencies. The company issued covered bonds under existing programmes totalling NOK 26.6 billion in the first three quarters of 2021. Total debt securities issued amounted to NOK 470.8 billion at end-September 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-September 2021, the company's equity totalled NOK 37.9 billion, of which NOK 34.7 billion represented Tier 1 capital. Own funds in the company was NOK 39.9 billion. The Tier 1 capital ratio was 19.1 per cent, while the capital adequacy ratio was 22.0 per cent.

## New regulatory framework

### Counter-cyclical capital buffer requirement likely to increase from 31 December 2022

The Ministry of Finance has decided to delegate the task of setting the counter-cyclical capital buffer requirement for banks to the Norwegian central bank, Norges Bank. Norges Bank is also responsible for providing guidance to the Ministry on a regular basis concerning the size of the systemic risk buffer that should be held by banks.

The counter-cyclical capital buffer requirement is currently 1 per cent, but it will increase to 1.5 per cent with effect from 30 June 2022. On 23 September, Norges Bank decided to maintain the current requirement. In light of Norges Bank's current assessment of economic developments and the prospected losses and lending capacity of banks, the buffer requirement will be increased to 2 per cent in December 2021, effective from 31 December 2022. In its capital planning, DNB has factored in that the buffer requirement in Norway is expected to return to the pre-pandemic level of 2.5 per cent in the somewhat longer term.

### Finanstilsynet's activities to be assessed by new committee

On 3 September 2021, the Government appointed a committee for reviewing and assessing Finanstilsynet's activities, and for proposing a new financial supervisory act that reflects current developments in both the regulatory area and the supervisory area. The committee's tasks include reviewing the division of responsibilities between the Ministry and the supervisory authority and their ways of working, as well as considering alternative ways of approaching this work. The deadline for the committee's work is 1 December 2022.

### Macroeconomic developments

The first half of 2021 was made up of two contrasting phases, with high infection rates and infection control measures dampening the level of activity in the first quarter, and a gradual improvement in the second quarter, with lower infection rates and the vaccination programme getting off to a good start. When most shops and other service providers reopened before the summer, consumption levels started to rise and there was a sharp increase in economic activity in May and June. In the middle of the third quarter, there was a new wave of infection that particularly affected the young and unvaccinated, but towards the end of the quarter, infection rates started to fall again. This wave of infection resulted in fewer cases of serious illness, and no new stringent restrictions impacting activities were introduced. Due to the high level of public support for the vaccine in Norway, the authorities were able to remove the last of the restrictions on 25 September, with just a few exceptions, and thus 'reopen' society.

Value creation in the Norwegian economy, measured in terms of mainland GDP, fell by 1 per cent in the first quarter, but rose by 1.4 per cent in the second quarter. Viewed by subcomponents, both the decline and the subsequent upturn in value creation were quite synchronised, although the size of the effect varied between the subcomponents. Variations in private consumption have had the greatest impact on the overall picture and provided a considerable positive boost towards the end of the second quarter. This resulted in good momentum into the second half of the year, and growth may exceed 3 per cent in the third quarter.

There has been a close correlation between the registered unemployment rate and developments in infection control measures and activity levels. In January 2021, unemployment peaked at 4.4 per cent in connection with new shutdowns. Since then, the unemployment rate has fallen considerably, in step with reopening of society. This reduction has primarily been driven by the hardest hit industries, which underlines that the political measures have had the intended effect. Companies have been able to bring workers back quickly as the opportunities have presented themselves. At the end of September, the unemployment rate was 2.4 per cent. The social partners based the pay settlements on a limit of 2.7 per cent. Current statistics indicate that wage growth may be higher than this, and DNB Markets has predicted that wage growth this year will be 3.3 per cent. The improvement in the labour market supports this. In the housing market, price growth slowed markedly in the second quarter, and average monthly growth was 0.3 per cent. Price developments slowed slightly more in Oslo than in the rest of the country. The average price growth in the housing market remained at 0.3 per cent in the third quarter. Fewer residential properties were sold in the third quarter of this year, compared with the third quarter of last year, whereas in the first and second quarters of this year, there was an increase in the number of sales. Residential property sales nevertheless remained at a high level in the third quarter.

On 23 September, Norges Bank announced that it had decided to raise the key policy rate from zero to 0.25 per cent, as it had long suggested it would. Norges Bank also stated that another rate hike will most likely occur in December this year. The interest rate path presented by Norges Bank indicates that it believes the interest rate will also be raised in March and June next year. After that, the pace will slow somewhat, and the next rate hike will occur at some point during the second half of 2022. Compared with the interest rate path presented in June, the path from September was raised slightly in 2023 and 2024, ending 12 basis points above the June interest rate path. In June, the Ministry of Finance decided to increase the counter-cyclical capital buffer for banks. On 3 September, the authority to make decisions on the counter-cyclical capital buffer for banks was transferred to Norges Bank. At its September meeting, Norges Bank decided to retain the current requirement, but stated that it envisaged that the requirement will be increased to 2.0 per cent in December this year, before returning to the pre-pandemic level of 2.5 per cent in a somewhat longer perspective.

### Future prospects

DNB Boligkreditt's activity level was less impacted by the COVID-19 pandemic than expected in the first three quarters of 2021. Housing prices were up in the first half, but flat in the third quarter for 2021. 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. In addition to the key policy rate hike of 0.25 per cent in September, Norges Bank's own forecasts indicate that the key policy rate is expected to increase by 0.25 per cent in December and by a further 0.25 per cent each quarter until reaching 1.25 per cent in September 2022. Thereafter, another two hikes are projected by the end of 2024, taking the key policy rate to 1.70 per cent.

The common equity Tier 1 (CET1) capital ratio requirement for DNB Boligkreditt is 15.55 per cent, while the Tier 1 requirement is 17.05 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, which is expected to take full effect in 2023. This will increase the supervisory expectation for the Tier 1 ratio level to 18.55 per cent.

The common CET1 capital ratio was 23.3 per cent as at 30 June 2021. The very high ratio was due to the removal of the Basel I floor as from year-end 2019. At its Annual General Meeting on 16th April 2021, DNB Boligkreditt decided to undertake a reduction in capital totaling NOK 7.3 billion to be paid to the company's

shareholder DNB Bank ASA. The reduction in capital was approved by Finanstilsynet on 1 July 2021 and completed in accordance with the provisions of the Norwegian Companies Act on 1 September 2021. As per 30 September the CET1 capital ratio thus was reduced to 19.1 per cent.

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 DNB Group's reduced need for this funding instrument.


Oslo, 20 October 2021  
The Board of Directors of DNB Boligkreditt AS



Henrik Lidman  
(Chair of the Board)



Jørn E. Pedersen



Toril Steinmo



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

## Comprehensive income statement

		DNB Boligkreditt AS				
<i>Amounts in NOK million</i>	Note	3rd quarter 2021	3rd quarter 2020	January-September 2021	September 2020	Full year 2020
Interest income, amortised cost		2 874	2 839	8 550	10 576	13 440
Other interest income		256	279	785	852	1 130
Interest expenses, amortised cost		(434)	(502)	(1 352)	(3 013)	(3 485)
Other interest expenses		(1 017)	(1 005)	(3 304)	(4 527)	(5 590)
<b>Net interest income</b>		<b>1 679</b>	<b>1 612</b>	<b>4 679</b>	<b>3 888</b>	<b>5 495</b>
Commission and fee income		15	17	46	46	61
Commission and fee expenses		(0)	(0)	(3)	(2)	(3)
Net gains on financial instruments at fair value		347	198	(678)	700	1 047
Other income						(2)
<b>Net other operating income</b>		<b>362</b>	<b>214</b>	<b>(635)</b>	<b>743</b>	<b>1 103</b>
<b>Total income</b>		<b>2 040</b>	<b>1 826</b>	<b>4 044</b>	<b>4 632</b>	<b>6 598</b>
Salaries and other personnel expenses		(3)	(3)	(10)	(8)	(11)
Other expenses	7	(667)	(539)	(1 644)	(646)	(1 146)
<b>Total operating expenses</b>		<b>(671)</b>	<b>(542)</b>	<b>(1 655)</b>	<b>(654)</b>	<b>(1 158)</b>
Impairment of financial instruments	3	(12)	16	2	23	27
<b>Pre-tax operating profit</b>		<b>1 357</b>	<b>1 300</b>	<b>2 391</b>	<b>4 000</b>	<b>5 467</b>
Tax expense		(339)	(325)	(598)	(1 000)	(1 368)
<b>Profit for the period</b>		<b>1 018</b>	<b>975</b>	<b>1 793</b>	<b>3 000</b>	<b>4 100</b>
Other comprehensive income that will not be reclassified to profit or loss		(0)	(15)	3	18	18
Tax		0	4	(1)	(5)	(4)
<b>Total comprehensive income for the period</b>		<b>1 018</b>	<b>964</b>	<b>1 796</b>	<b>3 014</b>	<b>4 113</b>

## Balance sheet

		DNB Boligkreditt AS		
<i>Amounts in NOK million</i>	Note	30 Sept. 2021	31 Dec. 2020	30 Sept. 2020
<b>Assets</b>				
Due from credit institutions	7	8 027	26 175	21 796
Loans to customers	3, 6	692 211	676 511	677 546
Financial derivatives	6	16 860	37 442	62 124
Other assets		19	5	1
<b>Total assets</b>		<b>717 117</b>	<b>740 132</b>	<b>761 466</b>
<b>Liabilities and equity</b>				
Due to credit institutions	7	190 665	150 423	145 611
Financial derivatives	6	8 021	9 580	10 544
Debt securities issued	4, 6	470 815	521 195	546 758
Payable taxes		3 684	5 464	1 983
Deferred taxes		655	655	4 772
Other liabilities		175	114	200
Provisions		32	32	30
Subordinated loan capital	5	5 205	5 206	5 205
<b>Total liabilities</b>		<b>679 253</b>	<b>692 669</b>	<b>715 102</b>
Share capital		4 527	5 257	5 257
Share premium		25 149	31 719	31 719
Other equity		8 188	10 487	9 388
<b>Total equity</b>		<b>37 864</b>	<b>47 463</b>	<b>46 364</b>
<b>Total liabilities and equity</b>		<b>717 117</b>	<b>740 132</b>	<b>761 466</b>

## 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
<b>Balance sheet as at 31 December 2019</b>	<b>5 257</b>	<b>31 719</b>	<b>(59)</b>	<b>9 704</b>	<b>46 621</b>
Profit for the period				3 000	3 000
Financial liabilities designated at FVTPL, changes in credit risk			18		18
Tax on other comprehensive income			(5)		(5)
Comprehensive income for the period			14	3 000	3 014
Group contribution paid				(3 270)	(3 270)
<b>Balance sheet as at 30 September 2020</b>	<b>5 257</b>	<b>31 719</b>	<b>(45)</b>	<b>9 434</b>	<b>46 364</b>
<b>Balance sheet as at 31 December 2020</b>	<b>5 257</b>	<b>31 719</b>	<b>(44)</b>	<b>10 531</b>	<b>47 463</b>
Profit for the period				1 793	1 793
Financial liabilities designated at FVTPL, changes in credit risk			3		3
Tax on other comprehensive income			(1)		(1)
Comprehensive income for the period			3	1 793	1 796
Repaid capital	(730)	(6 570)			(7 300)
Group contribution paid				(4 095)	(4 095)
<b>Balance sheet as at 30 September 2021</b>	<b>4 527</b>	<b>25 149</b>	<b>(41)</b>	<b>8 229</b>	<b>37 864</b>

### 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 to be paid to the company's shareholder DNB Bank. The reduction in capital was approved by Finanstilsynet (the Financial Supervisory Authority of Norway) on 1 July 2021 and completed in accordance with the provisions of the Norwegian Companies Act on 1 September 2021.

After the capital reduction, share capital of the company is NOK 4 527 million (1 share at NOK 4 527 million).



## Cash flow statement

	DNB Boligkreditt AS		
	January-September	Full year	
<i>Amounts in NOK million</i>	2021	2020	2020
<b>Operating activities</b>			
Net payments on loans to customers	5 203	7 410	10 083
Interest received from customers	9 363	11 743	14 870
Net received/paid on loans from credit institutions	58 389	(24 095)	(23 662)
Interest received from credit institutions	7	35	35
Interest paid to credit institutions	(1 333)	(1 712)	(2 144)
Net receipts on commissions and fees	43	43	58
Payments for operating expenses	(1 678)	(506)	(1 111)
Taxes paid	(2 378)	(1 100)	(2 104)
<b>Net cash flow relating to operating activities</b>	<b>67 616</b>	<b>(8 182)</b>	<b>(3 975)</b>
<b>Investing activities</b>			
Net purchase of loan portfolio	(21 734)	(47 123)	(49 166)
<b>Net cash flow relating to investing activities</b>	<b>(21 734)</b>	<b>(47 123)</b>	<b>(49 166)</b>
<b>Financing activities</b>			
Receipts on issued bonds and commercial paper	26 597	95 379	123 295
Payments on redeemed bonds and commercial paper	(57 733)	(30 249)	(59 243)
Interest payments on issued bonds and commercial paper	(3 276)	(6 485)	(7 546)
Interest payments on subordinated loan capital	(77)	(113)	(138)
Repaid capital	(7 300)		
Group contribution payments	(4 095)	(3 270)	(3 270)
<b>Net cash flow from financing activities</b>	<b>(45 884)</b>	<b>55 262</b>	<b>53 099</b>
<b>Net cash flow</b>	<b>(1)</b>	<b>(43)</b>	<b>(43)</b>
Cash as at 1 January	2	45	45
Net receipts/payments of cash	(1)	(43)	(43)
Cash at end of period	0	2	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 Sept. 2021	31 Dec. 2020
<i>Amounts in NOK million</i>		
Share capital	4 527	5 257
Other equity	31 544	42 206
Total equity	36 071	47 463
Regulatory adjustments		
IRB provisions shortfall (-)	(1 041)	(960)
Additional value adjustments (AVA)	(327)	(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)
Group contributions		(4 095)
Common equity Tier 1 capital	34 728	42 036
Term subordinated loan capital	5 200	5 200
Tier 2 capital	5 200	5 200
Own funds	39 928	47 236
Total risk exposure amount	181 585	177 880
Minimum capital requirement	14 527	14 230
Common equity Tier 1 capital ratio (%)	19.1	23.6
Capital ratio (%)	22.0	26.6

### Specification of exposures

	DNB Boligkreditt AS				
	Nominal exposure	Exposure at default EAD	Risk amount REA	Capital requirement	Capital requirement
	30 Sept. 2021	30 Sept. 2021	30 Sept. 2021	30 Sept. 2021	31 Dec. 2020
<i>Amounts in NOK million</i>					
IRB approach					
Corporate	253	253	81	6	14
Retail - secured by immovable property	761 851	761 851	161 183	12 895	12 431
Total credit risk, IRB approach	762 104	762 104	161 264	12 901	12 446
Standardised approach					
Institutions	33 875	33 875	6 775	542	711
Corporate	20 238	20 225	5 536	443	427
Retail	663	481	361	29	26
Retail - secured by immovable property	674	608	247	20	23
Other assets					6
Total credit risk, standardised approach	55 450	55 189	12 919	1 034	1 193
Total credit risk	817 555	817 293	174 182	13 935	13 638
Credit value adjustment (CVA)					
Operational risk			7 403	592	592
Total risk exposure amount			181 585	14 527	14 230

## Note 3 Development in accumulated impairment of financial instruments

### Loans to customers at amortised cost

DNB Boligkreditt AS

Amounts in NOK million	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Accumulated impairment as at 31 Dec.</b>	<b>(14)</b>	<b>(13)</b>	<b>(40)</b>	<b>(66)</b>	<b>(12)</b>	<b>(28)</b>	<b>(63)</b>	<b>(103)</b>
Transfer to stage 1	(9)	9			(25)	20	4	
Transfer to stage 2	1	(1)			1	(17)	15	
Transfer to stage 3		1	(1)		0	1	(1)	
Originated and purchased during the period	(5)	(1)		(6)	(9)	(2)		(10)
Increased expected credit loss	(5)	(15)	(37)	(57)	(14)	(27)	(48)	(89)
Decreased (reversed) expected credit loss	23	2	42	67	44	22	39	104
Derecognition		8		8		15		15
Write-offs			5	5			8	8
<b>Accumulated impairment as at 30 Sept. <sup>1)</sup></b>	<b>(9)</b>	<b>(10)</b>	<b>(30)</b>	<b>(49)</b>	<b>(14)</b>	<b>(16)</b>	<b>(45)</b>	<b>(75)</b>

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 September 2021.

## Note 4 Debt securities issued

### Debt securities issued

DNB Boligkreditt AS

Amounts in NOK million	30 Sept. 2021	31 Dec. 2020	30 Sept. 2020
Listed covered bonds, nominal amount	396 879	430 280	447 018
Private placements under the bond programme, nominal amount	57 716	64 832	71 165
Total bonds, nominal amount	454 595	495 112	518 182
Accrued interest	2 166	2 836	2 892
Unrealised losses <sup>1)</sup>	14 054	23 247	25 684
Adjustments	16 220	26 083	28 576
<b>Total debt securities issued</b>	<b>470 815</b>	<b>521 195</b>	<b>546 758</b>

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

Amounts in NOK million	Balance sheet 30 Sept. 2021	Issued 2021	Matured/ redeemed 2021	Exchange rate movements 2021	Other changes 2021	Balance sheet 31 Dec. 2020
	Bond debt, nominal amount	454 595	26 310	(56 870)	(9 957)	
Value adjustments	16 220				(9 863)	26 083
<b>Total debt securities issued</b>	<b>470 815</b>	<b>26 310</b>	<b>(56 870)</b>	<b>(9 957)</b>	<b>(9 863)</b>	<b>521 195</b>

### Maturity of debt securities issued

DNB Boligkreditt AS

Amounts in NOK million	Foreign currency		Total
	NOK		
2021	11 000	11 373	22 373
2022	75 500	70 317	145 817
2023		68 407	68 664
2024	8 000	35 605	43 605
2025 and later	15 220	158 918	174 138
<b>Total bond debt</b>	<b>109 977</b>	<b>344 618</b>	<b>454 595</b>

## Note 4 Debt securities issued (continued)

Debt securities issued - matured/redeemed during the period						DNB Boligkreditt AS	
Amounts in NOK million		Matured redeemed amount	Interest	Issued	Matured	Remaining nominal amount	
ISIN Code	Currency					30 Sept. 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
Private	EUR	153	Fixed	2008	2021	Matured	153
LUX	EUR	102	Fixed	2011	2021	Redeemed	102
LUX	EUR	153	Fixed	2011	2021	Redeemed	153
LUX	EUR	305	Fixed	2011	2021	Matured	305
LUX	EUR	51	Fixed	2011	2021	Matured	51
XS0808607732	EUR	204	Floating	2012	2021	Matured	204
XS1103651953	EUR	255	Floating	2014	2021	Matured	255
XS1104019572	EUR	153	Fixed	2014	2021	Matured	153
XS1487833144	GBP	83	Floating	2016	2021	Matured	83
<b>Total debt securities issued, nominal value</b>		<b>56 870</b>					<b>56 870</b>

Cover pool	DNB Boligkreditt AS		
	30 Sept. 2021	31 Dec. 2020	30 Sept. 2020
Amounts in NOK million			
Pool of eligible loans	690 135	673 513	674 034
Market value of eligible derivatives	8 839	27 862	51 581
<b>Total collateralised assets</b>	<b>698 974</b>	<b>701 375</b>	<b>725 615</b>
Debt securities issued, carrying value	470 815	521 195	546 758
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(55)	(59)	(60)
<b>Debt securities issued, valued according to regulation <sup>1)</sup></b>	<b>470 760</b>	<b>521 137</b>	<b>546 698</b>
Collateralisation (per cent)	148.5	134.6	132.7

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

## Note 5 Subordinated loan capital

							DNB Boligkreditt AS		
<i>Amounts in NOK million</i>	Currency	Nominal amount	Interest rate	Issue date	Call date	Maturity date	30 Sept. 2021	31 Dec. 2020	30 Sept. 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
<b>Total subordinated loan capital</b>							<b>5 205</b>	<b>5 206</b>	<b>5 205</b>

## Note 6 Financial instruments at fair value

<i>Amounts in NOK million</i>		Level 1	Level 2	DNB Boligkreditt AS	
				Level 3	Total
<b>Assets as at 30 September 2021</b>					
Loans to customers				37 314	37 314
Financial derivatives			16 860		16 860
<b>Liabilities as at 30 September 2021</b>					
Debt securities issued			12 296		12 296
Financial derivatives			8 021		8 021
<b>Assets as at 30 September 2020</b>					
Loans to customers				41 637	41 637
Financial derivatives			62 124		62 124
<b>Liabilities as at 30 September 2020</b>					
Debt securities issued			17 318		17 318
Financial derivatives			10 544		10 544

### Financial instruments at fair value, level 3

<i>Amounts in NOK million</i>		DNB Boligkreditt AS	
		Loans to customers	
<b>Carrying amount as at 31 December 2019</b>		<b>41 489</b>	
Net gains recognised in the income statement		1 365	
Additions/purchases		7 385	
Sales		(85)	
Settled		(8 518)	
<b>Carrying amount as at 30 September 2020</b>		<b>41 637</b>	
<b>Carrying amount as at 31 December 2020</b>		<b>40 934</b>	
Net gains recognised in the income statement		(805)	
Additions/purchases		5 214	
Sales		(127)	
Settled		(7 901)	
<b>Carrying amount as at 30 September 2021</b>		<b>37 314</b>	

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

## **Note 7      Information on related parties**

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### **DNB Bank ASA**

In the first three quarters of 2021, loan portfolios representing NOK 21.7 billion (NOK 47.1 billion in the first three quarters 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 1 548 million in the first three quarters of 2021 (NOK 570 million in the first three quarters of 2020).

At end-September 2021, the bank had invested NOK 52.0 billion in covered bonds issued by DNB Boligkreditt.

In the first three quarters of 2021 DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 6.5 billion at end-September 2021.

DNB Boligkreditt AS has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 220 billion.

### **DNB Livsforsikring AS**

At end-September 2021 DNB Livsforsikring's holding of DNB Boligkreditt bonds was valued at NOK 269 million.

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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](http://ir.dnb.no).

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So you can stay ahead.**

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