



DNB
Boligkreditt
A company in the DNB Group

Annual report 2023

Financial highlights

Statement of comprehensive income

<i>Amounts in NOK million</i>	2023	2022	2021	2020	2019
Net interest income	2 741	2 971	5 989	5 495	4 763
Net other operating income	(595)	1 358	(257)	1 103	388
<i>Of which net gains on financial instruments at fair value</i>	(629)	1 328	(313)	1 047	330
Operating expenses	1 795	1 345	(1 944)	(1 158)	(807)
Impairment of financial instruments	(31)	(25)	5	27	16
Pre-tax operating profit	3 910	5 649	3 792	5 467	4 360
Tax expense	(987)	(1 412)	(948)	(1 368)	(1 089)
Profit for the year	2 923	4 237	2 844	4 100	3 271

Balance sheet

<i>Amounts in NOK million</i>	31 Dec. 2023	31 Dec. 2022	31 Dec. 2021	31 Dec. 2020	31 Dec. 2019
Total assets	737 661	732 992	746 367	740 132	693 855
Loans to customers	690 654	686 604	689 142	676 511	636 786
Debt securities issued	383 695	365 316	440 950	521 195	471 715
Total equity	41 565	40 375	38 933	47 463	46 621

Key figures

	2023	2022	2021	2020	2019
Return on equity, annualised (%) ¹	7.4	10.7	6.5	8.8	7.3
Total average spread for lending (%) ¹	0.30	0.29	0.77	0.75	0.62
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	0.31	0.25	0.24	0.13	0.15
Net loans and financial commitments in stage 3, end of period (NOK million) ¹	2 175	1 709	1 660	851	982
Common equity Tier 1 capital ratio end of period (%)	19.6	18.7	18.7	23.6	24.5
Capital ratio end of period (%)	22.0	21.5	21.5	26.6	27.6
Common equity Tier 1 capital (NOK million)	37 326	34 825	34 708	42 036	42 132
Total risk exposure amount (NOK million)	190 316	186 016	185 640	177 880	171 652
Number of full-time positions at end of period	5	5	6	6	5

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

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Directors' report 2023

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, International Financial Reporting Standards, approved 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 2023

DNB Boligkreditt recorded a profit of NOK 2 923 million in 2023, compared with a profit of NOK 4 237 million in 2022.

Loans to customers increased by 0.6 per cent throughout the year, while outstanding covered bonds increased by 5.0 per cent.

A lowered interest rate margin gave a decline in net interest income by 7.7 per cent. A loss on financial instruments of NOK 629 million was recorded in 2023, compared with a gain of NOK 1 328 million in 2022. 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 690,7 billion at year-end 2023, an increase of NOK 4.1 billion or 0.6 per cent over the preceding 12 months. Debt securities issued in the form of covered bonds increased from NOK 365.3 billion in 2022 to NOK 383.7 billion at year-end 2023.

In the course of 2023, the company launched new bond issues under existing funding programmes, whose limits are EUR 60 billion and USD 12 billion, respectively. The market remained attractive for covered bond issuers with a strong credit rating in 2023, but the company's need for covered bonds was reduced throughout the year. The company issued covered bonds for a total of NOK 88 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 the strategy and the Group's corporate governance, and through an integrated annual report and reporting in accordance with GRI (Global Reporting Initiative), DNB Boligkreditt meets the authorities' requirements for sustainability reporting. Read more about DNB's updated sustainability ambitions and how sustainability is taken into account and safeguarded in all our activities in the chapter Sustainability in the DNB Group's annual report. Reporting required by the Norwegian Transparency may be found on dnb.no/om-oss/barekraft/menneskerettigheter (currently in Norwegian only).

Review of the annual accounts

DNB Boligkreditt recorded a profit of NOK 2 923 million in 2023, compared with a profit of NOK 4 237 million in 2022.

Total income

Income totaled NOK 2 146 million in 2023, down from NOK 4 328 million in 2022.

Amounts in NOK million	2023	Change	2022
Total income	2 146	(2 182)	4 328
Net interest income		(230)	
Net commission and fee income		(8)	
Net gains on financial instruments at fair value		(1 957)	
Net other income		13	

The decrease in net interest income was due to a lowered interest rate margin.

A net loss of NOK 629 million on financial instruments was recorded in 2023, 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 positive effects from financial instruments in 2022 were due to an increase 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 1 915 million in 2023, down from a negative NOK 1 442 million in 2022.

The company has generally recorded low impairment losses on loans. In 2023, the company reported a net impairment loss of NOK 31 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 2023, DNB Boligkreditt had total assets of NOK 737.7 billion, an increase of NOK 4.7 billion or 0.6 per cent from year-end 2022.

Amounts in NOK million	31 Dec. 2023	Change	31 Dec. 2022
Total assets	737 661	4 669	732 992
Loans to customers		4 050	
Financial derivatives		16 129	
Other assets		(15 510)	
Total liabilities	696 096	3 479	692 617
Due to credit institutions		(13 591)	
Financial derivatives		(3 814)	
Debt securities issued		18 379	
Other liabilities		2 505	

The increase in loans to customers originates from the merger with Sbanken Boligkreditt AS. Throughout the year there was a lowered acquisition of residential mortgage portfolios from DNB Bank.

Debt securities issued increased by a net NOK18.4 billion from year-end 2022. The company issued covered bonds under existing programmes totaling NOK 88 billion in 2023. The volume of covered bond issues was lower than in the previous years due to the Group's reduced need for this funding instrument. Total debt securities issued amounted to NOK 383.7 billion at year-end 2023.

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 2023, the company's equity totaled NOK 41.6 billion, of which NOK 37.3 billion represented Tier 1 capital. Own funds in the company was NOK 41.8 billion. As per end-December the CET1 capital ratio was 19.6 per cent, while the total capital ratio was 22.0 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 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 2023 the CET1 capital ratio was 19.6 per cent.

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 2023 the leverage ratio of DNB Boligkreditt was 4.8 per cent.

Employees and environment

During 2023 DNB Boligkreditt had five 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

Norwegian Act implementing the EU Taxonomy Regulation and SFDR entered into force

The new Norwegian Act relating to sustainable finance entered into force on 1 January 2023. The Act (available in Norwegian only) implements the EU Taxonomy Regulation for sustainable activities (EU taxonomy) and the Sustainable Finance Disclosure Regulation (SFDR) in Norway. The EU taxonomy is a classification system that introduces a set of common criteria for what can be considered environmentally sustainable (green) economic activities. The Taxonomy Regulation introduces a new reporting requirement for large non-financial corporations as well as for financial institutions. Banks will be required to report on the proportion of loans granted to activities that are defined as green under the taxonomy ("Green Asset Ratio").

Implementation of the Corporate Sustainability Reporting Directive (CSRD) in Norway

In the autumn of 2022, the EU adopted the Corporate Sustainability Reporting Directive (CSRD), which includes a new set of rules for sustainability reporting. The aim of the new rules is to ensure better, more complete, and more easily accessible information on companies' sustainability performance. The reporting requirement will apply to all major Norwegian companies and will be much more comprehensive and detailed than it is today. In Norway, more than 1 700 companies will be subject to a formal reporting requirement under the CSRD. The sustainability reporting under CSRD must provide information on the company's impact on sustainability factors and on how sustainability factors affect the company's development, performance, and position. The topics for reporting include the company's plans for ensuring that its business model and strategy are compatible with the transition to a sustainable economy and the goals of the Paris Agreement. For the largest listed companies, including DNB, the first reporting of this kind is due in 2025 (for the accounting year 2024). The Norwegian authorities aim to follow the same timeline as the EU, but there may be some delays in the Norwegian timeline. Part of the reporting is to be included in the management report (Directors' report) and must be available in a digital format. An independent assurance on the sustainability reporting must also be provided.

Amendments to the Norwegian Lending Regulations entered into force on 1 January 2023

Until the end of 2022, banks factored in an interest rate increase of at least 5 percentage points when assessing customers' debt servicing capacity. This requirement changed on 1 January 2023, meaning banks should now base their decision on an interest rate increase of at least 3 percentage points. However, banks must still apply an interest rate of at least 7 per cent (meaning this will have an effect when the lending rate is lower than 4 per cent). For fixed rate loans, an interest rate increase is to be applied from the end of the fixed-rate period, as is the current practice.

The flexibility quota for home mortgages will be maintained at 10 per cent (8 per cent in Oslo). The Norwegian Lending Regulations, which are temporary rules that regulate the lending practices of financial institutions with regard to consumer loans, was extended until 2024.

Counter-cyclical capital buffer maintained at current level

At its meeting on 1 November 2023, the Monetary Policy and Financial Stability Committee of the Norwegian central bank, Norges Bank, decided to maintain the counter-cyclical capital buffer requirement at 2.5 per cent. According to Norges Bank, the purpose of the counter-cyclical capital buffer is to help make banks more resilient and to reduce the risk of them exacerbating a downturn in the economy.

Increased systemic risk buffer requirement for banks using the standardised approach

In 2019, the Norwegian Ministry of Finance decided to increase the systemic risk buffer requirement from 3 to 4.5 per cent. The requirement entered into force at year-end 2020 for banks using the advanced IRB approach (A-IRB) and was initially meant to apply from the end of 2022 to other banks. In December 2022, the transitional rule was extended by one year until year-end 2023, and the new requirement thus applied from 1 January 2024. The Swedish, Danish and Finnish authorities have all made decisions concerning reciprocity for the Norwegian systemic risk buffer (SyRB) requirement. Both Sweden and Denmark have decided to fully reciprocate the Norwegian SyRB, while the Finnish authorities have only recognised partial reciprocity, with a systemic risk buffer of 3.5 per cent on Norwegian exposures as of 1 July 2024.

Agreement in the EU on the implementation of Basel IV (CRR3/CRD6) – and the Norwegian implementation

On 6 December 2023, the EU countries approved the agreement on the implementation of the final parts of the Basel IV recommendations in the EU. The regulatory changes include a new standardised approach for calculating capital requirements for credit risk and a new capital requirement floor for banks using internal models, as well as new requirements for ESG risk assessments and enhanced supervision. The regulatory amendments for implementing Basel IV are set out in the CRR3 and the CRD6. This legislation has EEA relevance and the Ministry's goal is that the new standardised approach and the other amendments in the CRR3 will enter into force in Norway on the same date as in the EU, that is, from 1 January 2025 while the rules in the CRD6 will apply from mid-2025. The Ministry of Finance gave Finanstilsynet the task of preparing a consultation paper on the implementation of expected EEA rules corresponding to those set out in the CRR3 and the CRD6. Finanstilsynet is also to assess the effects of the rules, and whether any options available to Norway, such as national regulatory measures, should be used, and if so, how.

Additional employer's national insurance contribution of 5 per cent for salaries above NOK 850 000

On 1 January 2023, an additional employer's national insurance contribution of 5 per cent was introduced for employees with an annual income of more than NOK 750 000. This fee applied to the part of the salary that exceeded NOK 750 000 and was described by the authorities as a measure adapted to the situation at the time and intended to contribute to covering the national budget for 2023. In connection with the national budget for 2024, a political decision was made to phase out the additional employer's national insurance contribution. From 1 January 2024, the threshold for this contribution will be raised from NOK 750 000 to NOK 850 000.

Macroeconomic developments

In 2023, the key policy rate also rose in Norway, from 2.75 per cent at the beginning of the year to 4.50 per cent at the central bank's monetary policy meeting in December. The Norwegian krone weakened against the euro, from NOK 10.50 at the beginning of 2023 to NOK 12.00 at the end of May 2023. This weakening contributed to the Norwegian central bank, Norges Bank, raising the key policy rate by 0.5 percentage points at its meeting in June, rather than the warned increase of 0.25 percentage points. The Norwegian krone strengthened somewhat after this, but weakened again in the fourth quarter, and until the monetary policy meeting in December, it was somewhat weaker than forecast by the central bank. Norges Bank therefore decided to raise the key policy rate again in December, even though other central banks did not change their key policy rates. At the end of the year the EUR/NOK exchange rate was recorded at 11.22. Against the dollar, the Norwegian krone weakened from USD/NOK 9.80 at the end of 2022 to USD/NOK 10.17 at the end of 2023.

The growth in activity in the Norwegian economy slowed in 2023. Preliminary figures show that mainland GDP rose by 0.1 per cent in both the second and third quarters, compared with the previous quarter. Growth of about 1 per cent is expected for 2023, adjusted for changes in the number of business days. The situation in the Norwegian economy is complex. Petroleum-related industries have operated at close to full capacity, and parts of the service sector have made substantial contributions to growth during the past year. However, there has been a pronounced decline in housing construction, and parts of the retail sector have experienced a fairly sharp fall in activity from the high levels during the pandemic.

In December 2023, consumer prices rose 4.8 per cent, compared with the same month a year earlier. Inflation showed a declining tendency throughout the year, but particularly low energy prices resulted in CPI growth of a mere 3.3 per cent year-on-year in September 2023. Core inflation, measured by annual growth in the CPI-ATE, was 5.5 per cent in December, while growth from 2022 to 2023 was 6.2 per cent. While inflation in 2022 and into 2023 was to a great extent linked to energy and import prices, wage growth and corporate margins became increasingly important for inflation in 2023. In 2023, the rise in wages and prices appeared to be similar.

House prices, adjusted for seasonal variation, rose slightly through all of the three last months of 2023, but ended down by 0.3 per cent for the year as a whole, compared with 2022. However, there were considerable differences in developments in prices in different parts of the country. Total sales of used homes declined, but were at about the same level as in the years before the pandemic.

Households' credit growth declined during 2023 and was 3.3 per cent year-on-year in November. By comparison, at the end of 2022, household credit growth was 4.1 per cent.

Future prospects

There are indications that inflation will decline in 2024 and real wages will rise somewhat. In addition, the interest rates of households may decline slightly in the second half of the year. If so, these developments will, combined, contribute to strengthening demand from consumers and strengthening the demand for homes.

In the period 2024 to 2025, the annual increase in lending volume is expected to be around 2 per cent.

The common equity Tier 1 (CET1) capital ratio requirement for DNB Boligkreditt is 16.30 per cent, while the Tier 1 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 expects the capital requirements to be unchanged. As per 31 December 2023 the CET1 capital ratio was 19.6 per cent.

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 Group's need for this funding instrument.

Group contributions and the allocation of profits

The profit for 2023 was NOK 2 923 million.

Taxable profits and losses in the Norwegian companies within the DNB Group are netted by group contributions with tax effects. The Board of Directors proposes that net NOK 2 900 million is allocated as a group contribution to DNB Bank ASA.

Oslo, 13 March 2024

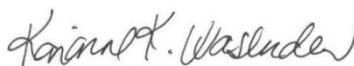
The Board of Directors of DNB Boligkreditt AS



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	2023	2022
Interest income, amortised cost	12	31 410	17 433
Other interest income	12	1 012	969
Interest expenses, amortised cost	12	(29 143)	(10 468)
Other interest expenses	12	(539)	(4 963)
Net interest income	12	2 741	2 971
Commission and fee income	13	42	50
Commission and fee expenses	13	(4)	(4)
Net gains on financial instruments at fair value	14, 24	(629)	1 328
Other income		(4)	(16)
Net other operating income		(595)	1 358
Total income		2 146	4 328
Salaries and other personnel expenses	15, 23	(10)	(8)
Other income (expenses) related to management fee		1 915	1 442
Other expenses exclusive management fee	24	(110)	(89)
Total operating expenses		1 795	1 345
Impairment of financial instruments	6, 8	(31)	(25)
Pre-tax operating profit		3 910	5 649
Tax expense	16	(987)	(1 412)
Profit for the year		2 923	4 237
Other comprehensive income that will not be reclassified to profit or loss		(8)	63
Tax		2	(16)
Comprehensive income for the year		2 916	4 284
Profit for the year as a percentage of total assets		0.41	0.59
Portion attributable to shareholders		2 912	4 284
Portion attributable to additional Tier 1 capital holders		5	

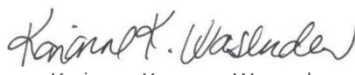
Balance sheet

Amounts in NOK million	Note	31 Dec. 2023	31 Dec. 2022
Assets			
Due from credit institutions	11, 17, 18, 19, 24	13 168	26 418
Loans to customers	5, 7, 11, 17, 18, 19	690 654	686 604
Financial derivatives	9, 10, 17, 19, 20, 24	33 714	17 585
Deferred tax assets	16		1 822
Other assets	11, 17	126	563
Total assets		737 661	732 992
Liabilities and equity			
Due to credit institutions	11, 17, 18, 24	280 921	294 512
Financial derivatives	9, 10, 17, 18, 19, 20, 24	23 370	27 184
Debt securities issued	11, 17, 19, 21, 24	383 695	365 316
Deferred taxes	16	3 514	
Other liabilities	11, 17, 24	46	360
Provisions		33	31
Subordinated loan capital	11, 17, 18, 22, 24	4 518	5 214
Total liabilities		696 096	692 617
Share capital		4 527	4 527
Share premium		25 149	25 149
Other equity		11 889	10 699
Total equity		41 565	40 375
Total liabilities and equity		737 661	732 992

Oslo, 13 March 2024
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 2021	4 527	25 149		(23)	9 280	38 933
Profit for the year					4 237	4 237
Actuarial gains and losses					(1)	(1)
Financial liabilities designated at FVTPL, changes in credit risk				63		63
Tax on other comprehensive income				(16)	0	(16)
Total comprehensive income for the year				48	4 236	4 284
Group contribution paid					(2 842)	(2 842)
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	0	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

Share capital

All shares and voting rights of the company are held by DNB Bank ASA. Share capital at the end of 2023 was NOK 4 527 million (1 share at NOK 4 527 million).

Group contribution

The Board of Directors proposes to provide NOK 9 050 million without tax effect as Group contribution to DNB Bank. The proposal is conditional on a Group contribution of NOK 8 200 million with tax effect (net NOK 6 150 million after tax) being paid from DNB Bank to DNB Boligkreditt at the same time. The net Group contribution is thus proposed to be NOK 2 900 million.

Cash flow statement

<i>Amounts in NOK million</i>	2023	2022
Operating activities		
Net receipts on loans to customers	23 988	12 378
Receipts on issued bonds and commercial paper	90 668	90 000
Payments on redeemed bonds and commercial paper	(119 107)	(154 180)
Net receipts on loans from credit institutions	4 974	65 499
Interest received	31 811	17 761
Interest paid	(29 106)	(14 193)
Net receipts on commissions and fees	38	46
Net receipts for operating activities	1 501	1 102
Taxes paid	(19)	(3 911)
Net cash flow relating to operating activities	4 747	14 502
Investing activities		
Purchase of loan portfolio	(1 685)	(11 332)
Sale of loan portfolio	535	620
Net cash flow relating to investing activities	(1 150)	(10 712)
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	240	(3 790)
Net cash flow from financing activities	(691)	(3 790)
Net cash flow	2 906	0
Cash as at 1 January	0	0
Net payments of cash	2 906	0
Merger Sbanken Boligkreditt	2 420	
Cash at end of period	5 327	0

Included in the cash balances at end of the year, are restricted amounts of NOK 408 163 (NOK 302 714 for 2022) related to withholding employee taxes.

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 2023 were authorised for issue by the Board of Directors on 13 March 2024.

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.

Intragroup merger

The merger of DNB Boligkreditt AS and Sbanken Boligkreditt AS was completed on 4 September 2023.

The merger was completed with accounting and tax continuity. No additional consideration has been paid. As part of the merger, Sbanken Boligkreditt's net assets were transferred to DNB Boligkreditt with company continuity in the company accounts, which means that the book values in Sbanken Boligkreditt's accounts at the date of completion formed the basis for the merger.

Comparative figures for DNB Boligkreditt AS have not been restated. As a result of the merger, DNB Boligkreditt's equity increased by NOK 2 614 million (including NOK 226 million in additional Tier 1 capital) at the date of completion.

Changes in accounting principles

As of 1 January 2023, DNB Boligkreditt AS presents the line items "Receipts on issued bonds and commercial paper", "Payments on redeemed bonds and commercial paper", "Interest paid" and "Interest received" as cash flow from operating activities in the cash flow statement. The changes are reflected in the comparative figures.

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 assets are recognised in the balance sheet either on the trade date or the settlement date. Trade date accounting is applied for financial assets measured at fair value through profit or loss, while settlement date accounting is applied for financial assets measured at amortised cost.

Financial liabilities are recognised in the balance sheet on the date when DNB Boligkreditt becomes a party to the contractual provisions of the instrument.

Derecognition

Financial assets are derecognised when the right to receive and retain 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 an 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 Boligkredit'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 Boligkredit, 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 Boligkredit'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 Boligkredit'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 Boligkredit'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 the economic hedge relationships that qualify for hedge accounting. 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, judgments and assumptions

When preparing the financial statements, management makes estimates, judgment 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 judgment 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.

DNB Boligkreditt, based on its current capital structure, is adequately capitalised as at 31 December 2023. 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. 2023	31 Dec. 2022
Share capital	4 527	4 527
Other equity	37 038	35 848
Total equity	41 565	40 375
Deductions		
IRB provisions shortfall (-)	(1 005)	(949)
Additional value adjustments (AVA)	(305)	(441)
(Gains) or losses on liabilities at fair value resulting from own credit risk	(19)	(25)
(Gains) or losses on derivative liabilities resulting from own credit risk (DVA)	(11)	(25)
Group contributions	(2 900)	(4 110)
Common Equity Tier 1 capital	37 326	34 825
Tier 2 capital instruments	4 500	5 200
Own funds	41 826	40 025
Total risk exposure amount	190 316	186 016
Minimum capital requirement	15 225	14 881
Common Equity Tier 1 capital ratio (%)	19.6	18.7
Capital ratio (%)	22.0	21.5

Specification of exposures

<i>Amounts in NOK million</i>	Nominal exposure 31 Dec. 2023	Exposure at default EAD 31 Dec. 2023	Risk exposure amount REA 31 Dec. 2023	Capital requirement 31 Dec. 2023	Capital requirement 31 Dec. 2022
IRB approach					
Corporate	457	457	187	15	11
Retail - secured by immovable property	756 755	756 755	162 518	13 001	13 103
Total credit risk, IRB approach	757 212	757 212	162 704	13 016	13 113
Standardised approach					
Institutions	20 989	20 989	4 198	336	94
Corporate	17 190	17 184	4 707	377	423
Retail	490	355	266	21	25
Retail - secured by immovable property	24 543	24 430	8 582	687	18
Other assets	435	415	526	42	390
Total credit risk, standardised approach	63 646	63 373	18 280	1 462	950
Total credit risk	820 858	820 585	180 984	14 479	14 063
Currency risk			3 220	258	151
Operational risk			6 112	489	667
Total risk exposure amount and capital requirements			190 316	15 225	14 881

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 residual value risk and concentration risk. Residual risk is the risk that the value of securing an exposure is lower than expected. 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 based on the 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.

DNB's risk classification¹

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		
7		2.00	3.00	Ba3	BB-
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. DNB Boligkreditt acquires the loans from DNB Bank. The loans are originally granted to customers by DNB Bank, based on the groups 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 has adopted the ECL policies as set by DNB Group and applies a three-stage approach when assessing 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.
- 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 judgments, and DNB has established an advisory forum for the Group's Chief Financial Officer to address the judgments. 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 90 per cent compared with the ECL which is recognised in the financial statements at 31 December 2023 for the same stages.

The following table shows selected base case macroeconomic variables for the period 2023 to 2025 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		
	2023	2024	2025	2023	2024	2025
Norwegian house price index, year-to-year growth	(0.5)	(0.6)	4.7	(0.5)	(8.0)	(8.0)
Norwegian registered unemployment rate	1.8	2.4	2.8	1.9	2.8	3.2
NIBOR 3-month interest rate	4.2	4.9	4.0	4.1	5.5	4.1

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 the group 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 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

Loans as at 31 December 2022

<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	519 272	890		27 541	547 703
5 - 7	103 614	21 208		6 679	131 500
8 - 10	3 065	2 455		239	5 760
Credit impaired			1 668	39	1 707
Total	625 952	24 552	1 668	34 499	686 670

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

Financial commitments as at 31 December 2022

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Risk grade based on probability of default				
1 - 4	85 890	9		85 899
5 - 7	11 541	3 194		14 735
8 - 10	37	178		215
Credit impaired			27	27
Total	97 468	3 381	27	100 877

Note 6 Impairment of financial instruments

Amounts in NOK million	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Increased expected credit loss	(33)	(62)	(81)	(176)	(21)	(45)	(43)	(109)
Decreased expected credit loss	28	53	60	141	10	31	44	84
Write-offs			(7)	(7)			(12)	(12)
Recoveries on loans previously written off			10	10			11	11
Other								
Total impairment	(4)	(9)	(18)	(31)	(11)	(14)	1	(25)

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity, were NOK 13 million as at 31 December 2023 (NOK 11 million as at 31 December 2022).

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.
- Exchange rate effect from consolidation and other changes affecting the gross carrying amount.

Loans at amortised cost

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	637 843	14 526	1 592	653 961
Transfer to stage 1	25 216	(24 611)	(605)	
Transfer to stage 2	(41 508)	41 693	(185)	
Transfer to stage 3	(557)	(759)	1 316	
Originated and purchased	115 478		93	115 571
Derecognition	(110 519)	(6 297)	(544)	(117 361)
Gross carrying amount as at 31 December 2022	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

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 2022	(8)	(9)	(23)	(40)
Transfer to stage 1	(14)	14		
Transfer to stage 2	2	(2)		
Transfer to stage 3				
Originated and purchased	(6)	(1)		(6)
Increased expected credit loss	(15)	(37)	(45)	(97)
Decreased (reversed) expected credit loss	23	2	41	66
Write-offs			1	1
Derecognition		9		9
Accumulated impairment as at 31 December 2022	(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)

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 2023 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

	2023		2022	
	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	(306)	10	(171)
USD	10	(0)	10	(0)
CHF	10	(4)	10	(3)
Others	10	(11)	10	(15)

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.

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)
2023	+ 100	(58)
	- 100	58
2022	+ 100	(90)
	- 100	90

Relative to the company's own funds of NOK 41,8 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. 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. Accumulated negative effects from changes in basis swap spreads per year-end 2023 were approximately NOK 0,6 billion.

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.

Amounts in NOK million	31 December 2023			31 December 2022		
	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	361 100	1 002	245	221 357	1 340	289
Total interest rate-related contracts	361 100	1 002	245	221 357	1 340	289
Foreign exchange-related contracts						
Swaps	232 472	30 827	8 121	272 317	14 887	4 772
Total foreign exchange-related contracts	232 472	30 827	8 121	272 317	14 887	4 772
Total financial derivatives trading	593 572	31 829	8 366	493 674	16 227	5 061
Derivatives designated as hedging						
Fair value hedges of interest rate risk						
Interest rate swaps	223 692	1 885	15 004	264 594	1 358	22 122
Total financial derivatives hedge accounting	223 692	1 885	15 004	264 594	1 358	22 122
Total financial derivatives	817 263	33 714	23 370	758 268	17 585	27 184

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 objects 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 2023

Amounts in NOK million	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

Fair value hedges of interest rate risk as at 31 December 2022

Amounts in NOK million	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	243 348	(21 916)	31 506
Hedging instrument				
Interest rate swaps	Financial derivatives			(31 081)

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

Amounts in NOK million	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

Maturity of interest rate swaps held as hedging instruments at 31 December 2022

Amounts in NOK million	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	17 480	1 725	51 877	120 155	73 358

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 DNB Group's risk appetite framework 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.

Covered bonds are the company's primary source of funding. According to Section 11-12 of the Financial Institutions Act, *"mortgage credit institutions shall ensure that the payment flows from the cover pool enable the institution to cover their payment obligations towards holders of covered bonds, counterparties to derivatives contracts and expected costs of operation and termination of the covered bond programme"*. 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 325 billion by end December 2023.

According to part V, section 16, of the CRR/CRD regulations, *"the institution shall regularly perform stress tests to assess its liquidity situation. Experience from the stress tests shall be taken into account in the liquidity strategy, guidelines and limits for liquidity risk, as well as in contingency plans"*. As part of the liquidity risk management, the company prepares liquidity stress tests with quarterly reporting to the Board of Directors. Important parameters in the stress tests are developments in non-performing volume and reductions in housing prices.

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.

Residual maturity as at 31 December 2023

<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	13 169						13 169
Loans to customers	1 875	113	170	5 812	684 018		691 988
Total	15 044	113	170	5 812	684 018		705 157
Liabilities							
Due to credit institutions	280 921						280 921
Debt securities issued	710	12 886	38 134	276 306	69 210		397 246
Other liabilities	45						45
Subordinated loan capital				4 518			4 518
Total	281 676	12 886	38 134	280 823	69 210		682 729
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cashflows	11 730	3 237		147 948	86 272		249 187
Outgoing cashflows	10 926	2 969	(121)	141 926	78 560		234 259
Financial derivatives, net settlement	(724)	(1 895)		(14 167)	(11 371)		(28 158)
Total financial derivatives	79	(1 627)		(8 144)	(3 659)		(13 351)
Credit lines, commitments and documentary credit	3 800	613		5 167	98 019		107 600

Nominal future interest payments in excess of accrued interest are not included on the balance sheet date.

Note 11 Liquidity risk (continued)

Residual maturity as at 31 December 2022

<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	26 418						26 418
Loans to customers	1 782	107	467	5 367	680 498		688 221
Total	28 200	107	467	5 367	680 498		714 639
Liabilities							
Due to credit institutions	294 512						294 512
Debt securities issued	17 480	3 524	52 818	238 878	74 773		387 473
Other liabilities	359						359
Subordinated loan capital		14	5 200				5 214
Total	312 351	3 538	58 018	238 878	74 773		687 558
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cashflows	17 978	2 615	56 025	136 875	81 919		295 412
Outgoing cashflows	18 651	2 639	59 450	142 638	81 331		304 709
Financial derivatives, net settlement	20	(1 127)	(1 474)	(3 663)	(2 186)		(8 430)
Total financial derivatives	(654)	(1 150)	(4 899)	(9 425)	(1 599)		(17 727)
Credit lines, commitments and documentary credit	3 557	543	138	4 260	92 375		100 873

Nominal future interest payments in excess of accrued interest are not included on the balance sheet date.

Note 12 Net interest income

<i>Amounts in NOK million</i>	2023			2022		
	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		548	548		197	197
Interest on loans to customers	1 011	30 632	31 643	967	17 009	17 976
Front-end fees etc.	1	1	2	2	1	3
Other interest income		229	229		227	227
Total interest income	1 012	31 410	32 422	969	17 433	18 402
Interest on amounts due to credit institutions		(15 824)	(15 824)		(7 268)	(7 268)
Interest on debt securities issued	(235)	(14 144)	(14 379)	(244)	(2 890)	(3 134)
Interest on subordinated loan capital		(298)	(298)		(174)	(174)
Contribution to the resolution fund		(140)	(140)		(136)	(136)
Other interest expenses ²	960		960	(4 719)		(4 719)
Total interest expenses	725	(30 406)	(29 681)	(4 963)	(10 468)	(15 431)
Net interest income	1 737	1 004	2 741	(3 994)	6 965	2 971

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

Amounts in NOK million	2023	2022
Other commissions and fees	42	50
Commission and fee income	42	50
Custodial services	(3)	(4)
Other commissions and fees	(0)	(0)
Commission and fee expenses	(4)	(4)
Net commission and fee income	38	46

Note 14 Net gains on financial instruments at fair value

Amounts in NOK million	2023	2022
Foreign exchange and financial derivatives	465	347
Basis swaps	(1 154)	1 583
Net gains on financial instruments, mandatorily at FVTPL ¹	(689)	1 930
Loans at fair value (fixed-rate loans) ²	176	(1 386)
Commercial paper and bonds	(3)	
Financial liabilities (long-term borrowing in NOK) ³	9	358
Net gains on financial instruments, designated as at FVTPL	182	(1 028)
Financial derivatives, hedging ⁴	10 221	(31 081)
Financial liabilities, hedged items ⁴	(10 343)	31 506
Net gains on hedged items	(122)	425
Net gains on financial instruments at FVTPL	(629)	1 328

- 1) 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.
- 2) 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 1 million gain during the year and a NOK 40 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.
- 3) 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.
- 4) 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 is charged to the income statement. Derivatives that are designated as hedging instruments in hedging relationships are measured at fair value. Changes in fair value arising from hedged risk are presented under Net gains on financial derivatives, hedging. 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	2023	2022
Salaries	(6)	(6)
Employer's national insurance contributions	(1)	(1)
Pension expenses	(2)	(0)
Other personnel expenses	(0)	(0)
Salaries and other personnel expenses	(10)	(8)

At year-end, DNB Boligkreditt had five 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>	2023	2022
Current taxes		(301)
Changes in deferred taxes	(987)	(1 111)
Tax expense	(987)	(1 412)
Reconciliation of tax expense against nominal tax rate		
<i>Amounts in NOK million</i>	2023	2022
Pre-tax operating profit	3 910	5 649
Estimated tax expense at nominal tax rate 22 per cent	(860)	(1 243)
Tax effect of financial tax in Norway	(117)	(169)
Tax effect of other tax-exempt income and non-deductive expenses	(10)	
Tax expense	(987)	(1 412)
Effective tax rate	25%	25%
Income tax on other comprehensive income		
<i>Amounts in NOK million</i>	2023	2022
Items that will not be reclassified to the income statement	2	(16)
Total income tax on other comprehensive income	2	(16)
Deferred tax assets/(deferred taxes)		
25 per cent deferred tax calculation on all temporary differences (Norway)		
<i>Amounts in NOK million</i>	2023	2022
The year's changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	1 822	2 949
Changes recorded against profits	(984)	(1 111)
Deferred tax asset/liability associated with merger	(4)	
Changes due to received group contribution	(4 350)	
Changes recognised against comprehensive income	2	(16)
Deferred tax assets/(deferred taxes) as at 31 December	(3 514)	1 822
Deferred tax assets and deferred taxes in the balance sheet relates to the following temporary differences		
<i>Amounts in NOK million</i>	31 Dec. 2023	31 Dec. 2022
Deferred taxes		
Debt securities issued	(3 388)	(5 539)
Financial derivatives	(2 480)	2 624
Other financial instruments	297	359
Net pension liabilities	7	7
Tax losses carried forward	2 050	4 371
Total deferred tax asset/(deferred taxes)	(3 514)	1 822

DNB Boligkreditt AS was merged with Sbanken Boligkreditt AS with effect from 4 September 2023. For accounting purpose, the merger will be treated in accordance with entity continuity method with accounting effect from 4 September 2023. For tax purpose the merger is carried out with full tax continuity in accordance with the Norwegian Tax Act. Profit/loss before tax in Sbanken Boligkreditt AS for the period 1 January 2023 to 4 September are included as a permanent difference in the tax calculation.

Note 17 Classification of financial instruments

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 liabilities ⁴	8 366	15 004	5 993	663 185	692 548

1) Derivatives used as 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.

As at 31 December 2022

Amounts in NOK million	Mandatorily at FVTPL		Designated as at FVTPL ²	Amortised cost ³	Total
	Trading	Other ¹			
Due from credit institutions				26 418	26 418
Loans to customers			34 499	652 105	686 604
Financial derivatives	16 227	1 358			17 585
Other assets				563	563
Total financial assets	16 227	1 358	34 499	679 086	731 170
Due to credit institutions				294 512	294 512
Financial derivatives	5 061	22 122			27 184
Debt securities issued			6 191	359 125	365 316
Other liabilities				359	359
Subordinated loan capital				5 214	5 214
Total financial liabilities ⁴	5 061	22 122	6 191	659 210	692 585

1) Derivatives used as 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 6 432 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 2023				31 December 2022			
	Carrying amount	Level 2	Level 3	Fair value	Carrying amount	Level 2	Level 3	Fair value
Liabilities								
Debt securities issued	377 701	345 637	33 046	378 683	359 125	328 551	31 213	359 764
Subordinated loan capital	4 518		4 518	4 518	5 214		5 241	5 241

Debt securities issued and subordinated loan capital

Debt securities issued in currency are measured at amortised cost and are subject to hedge accounting of its interest rate risk. The hedge relationships between the bonds and their designated interest rate swaps are considered to be effective and accounted for as fair value hedges. The amortised cost value is adjusted by the fair value change of the hedged risk. However, changes in credit risk are not accounted for.

Subordinated loan capital has floating interest rates with a fixed margin.

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 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
Assets as at 31 December 2022				
Loans to customers			34 499	34 499
Financial derivatives		17 585		17 585
Liabilities as at 31 December 2022				
Debt securities issued		6 191		6 191
Financial derivatives		27 184		27 184

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 2023 nor 2022.

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 2021	35 221
Net gains recognised in the income statement	(1 472)
Additions/purchases	9 704
Sales	(1 366)
Settled	(7 589)
Carrying amount as at 31 December 2022	34 499
Net gains recognised in the income statement	269
Additions/purchases	3 509
Sales	(48)
Settled	(6 193)
Carrying amount as at 31 December 2023¹	32 035

1) Accumulated fair value adjustments on loans to customers in level 3 were minus NOK 1 187 million at 31 December 2023.

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 7.1 billion at end-December 2023, 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 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		
Assets as at 31 December 2022						
Due from credit institutions	25 579		25 579		25 579	
Financial derivatives	17 585		17 585	17 585		
Liabilities as at 31 December 2022						
Financial derivatives	27 184		27 184	17 585		9 599

Note 21 Debt securities issued

Debt securities issued			
<i>Amounts in NOK million</i>		31 Dec. 2023	31 Dec. 2022
Covered bond debt, nominal amount		395 072	385 674
Value adjustments ¹		(11 377)	(20 358)
Total debt securities issued		383 695	365 316

Changes in debt securities issued							
<i>Amounts in NOK million</i>	Balance 31 Dec. 2023	Issued 2023 ²	Matured/ redeemed 2023 ²	Exchange movements 2023	Other changes 2023	Merger with Sbanken Boligkreditt 2023	Balance 31 Dec. 2022
Covered bond debt, nominal amount	395 072	88 017	(121 615)	17 496		25 500	385 674
Value adjustments ¹					8 981		(20 358)
Total debt securities issued	383 695	88 017	(121 615)	17 496	8 981	25 500	365 316

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 90 668 million and NOK 119 107 million for issued and matured bonds, respectively.

Maturity of debt securities issued

<i>Amounts in NOK million</i>	NOK	Foreign currency	Total
2024	13 000	38 447	51 447
2025	56 500	34 939	91 439
2026	72 500	39 650	112 150
2027	19 500	21 059	40 559
2028		30 646	30 646
2029		2 422	2 422
2030 and later	1 100	65 309	66 409
Total covered bond debts, nominal amount	162 600	232 472	395 072

Note 21 Debt securities issued (continued)

Debt securities issued - matured/redeemed during the period

Amounts in NOK million		Matured/ redeemed amount	Interest	Issued	Matured		Remaining nominal amount	
ISIN Code	Currency						31 Dec. 2023	31 Dec. 2022
Private	EUR	263	Fixed	2010	2023	Matured		263
Private	EUR	105	Fixed	2013	2023	Matured		105
XS0877622620	EUR	158	Fixed	2013	2023	Matured		158
Private	EUR	1 388	Fixed	2013	2023	Matured		1 388
Private	EUR	53	Fixed	2016	2023	Matured		53
XS1756428469	EUR	15 776	Fixed	2018	2023	Matured		15 776
Private	EUR	342	Fixed	2008	2023	Matured		342
Private	EUR	1 265	Fixed	2008	2023	Redeemed		1 265
Private	EUR	171	Fixed	2008	2023	Matured		171
LUX	EUR	968	Fixed	2011	2023	Matured		968
XS0922846620	EUR	228	Fixed	2013	2023	Matured		228
Private	EUR	171	Floating	2013	2023	Matured		171
XS1396253236	EUR	17 089	Fixed	2016	2023	Matured		17 089
XS182007382	EUR	570	Floating	2018	2023	Matured		570
XS1847812713	USD	10 459	Fixed	2018	2023	Matured		10 459
LUX	EUR	1 753	Fixed	2011	2023	Matured		1 753
XS1487679802	EUR	584	Fixed	2016	2023	Matured		584
XF0004258418	EUR	113	Fixed	2010	2023	Matured		113
Private	EUR	169	Fixed	2012	2023	Matured		169
NO0010694474	NOK	257	Fixed	2018	2023	Matured		257
XS1909061597	EUR	19 734	Fixed	2018	2023	Matured		19 734
NO0012427055	NOK	50 000	Floating	2022	2023	Redeemed		50 000
Total debt securities matured/ redeemed, nominal amount		121 615						121 615

Cover pool

Amounts in NOK million	31 Dec. 2023	31 Dec. 2022
Pool of eligible loans	662 690	683 646
Market value of eligible derivatives	10 343	
Total collateralised assets	673 033	683 646
Debt securities issued, carrying value	383 695	365 316
Valuation changes attributable to changes in credit risk on debt carried at fair value	26	33
Market value of eligible derivatives		9 599
Debt securities issued, valued according to regulation ¹	383 720	374 948
Collateralisation (per cent)	175.4	182.3

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 22 Subordinated loan capital

Amounts in NOK million	Currency	Nominal	Interest rate	Issue date	Call date	Maturity date	31 Dec. 2023	31 Dec. 2022
Term subordinated loan capital	NOK	1 900	3 month Nibor + 160 bp	2018	2023	2028		1 900
Term subordinated loan capital	NOK	3 300	3 month Nibor + 160 bp	2018	2023	2028		3 300
Term subordinated loan capital	NOK	4 500	3 month Nibor + 205 bp	2023	2028	2033	4 500	
Accrued interest							18	14
Total							4 518	5 214

Note 23 Remunerations

Amounts in NOK 1000	Fixed salary as at 31 Dec. 2023	Remuneration paid in 2023	Paid salaries 2023	Variable remuneration earned in 2023	Benefits in kind and other benefits in 2023	Accrued pension expenses in 2023 ¹	Total remuneration in 2023	Loan as at 31 Dec. 2023
The Board of Directors								
Sindre Andreas Espenes, CEO (until 30.11.23)			1 501		33	131	1 665	
Henrik Lidman ²								7 996
Hans Olav Rønningen (CEO) (from 01.12.23)	2 199		206			21	227	4 091
Bjørn Hauge Spjeld ²								4 665
Karianne Kvernmo Wasenden		111					111	9 324

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 2023 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 2023" 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 2023, all of the Group's employees will receive a bonus of NOK 33 thousand. The bonus will be paid in 2024.

Remuneration to the statutory auditor

Amounts in NOK 1000, excluding VAT	2023	2022
Statutory audit	(1 203)	(1 035)
Other certification services ¹	(962)	(609)
Total remuneration to the statutory auditor	(2 165)	(1 644)

1) Of this, remuneration to the independent investigator, pursuant to Section 11-14 of the Financial Institutions Act, represented NOK 646 771 in 2023. In addition, fees related to comfort letters for the covered bond programmes represented NOK 315 700 in 2023.

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

<i>Amounts in NOK million</i>	2023	2022
Assets		
Loans to and deposits with credit institutions	13 168	26 418
Financial derivatives	33 761	17 585
Other amount due	103	371
Liabilities		
Loans due to credit institutions	280 831	294 512
Subordinated loan capital	4 518	5 214
Financial derivatives	23 370	27 184
Debt securities issued	110 278	91 719
Other liabilities	36	360
Income and expenses		
Interest income	545	197
Interest expenses	(12 732)	(5 818)
Commissions payable	(3)	(4)
Fee expenses	1 827	1 369

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 2023 portfolios of NOK 1.2 billion (NOK 10.7 billion in 2022) 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 expenses' in the comprehensive income statement and amounted to a negative NOK 1 915 million in 2023 (a negative NOK 1 442 million in 2022).

In the balance sheet "Due from credit institutions" and "Due to credit institutions" are solely outstandings with DNB Bank. All derivative contracts are with DNB Bank as counterparty. At year-end 2023, the bank had invested NOK 110.3 billion (NOK 91.7 billion in 2022) 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 7.1 billion at end-December 2023 (NOK 25.6 billion in 2022).

As of end-December 2023, DNB Invest Denmark A/S' ownership of subordinated loans issued by DNB Boligkreditt amounted to NOK 4.5 billion.

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 325 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 2023, DNB Livforsikring's holding of DNB Boligkreditt bonds was valued at NOK 0.3 billion (NOK 0.3 billion in 2022).

Group contributions

The Board of Directors proposes to provide NOK 9 050 million without tax effect as Group contribution to DNB Bank. The proposal is conditional on a Group contribution of NOK 8 200 million with tax effect (NOK 6 150 million without tax effect) being paid from DNB Bank to DNB Boligkreditt at the same time. The net Group contribution is thus proposed to be NOK 2 900 million.

Statement

Pursuant to Section 5-5 of the Securities Trading Act

We hereby confirm that the annual accounts for the company for 2023 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, 13 March 2024

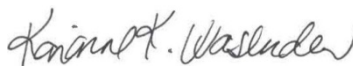
The Board of Directors of DNB Boligkreditt AS



Henrik Lidman
(Chair of the Board)



Bjørn Hauge Spjeld



Karianne Kvernmo Wasenden



Hans Olav Rønningen
(Chief Executive Officer, CEO)

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of DNB Boligkreditt AS

Opinion

We have audited the financial statements of DNB Boligkreditt AS (the Company), which comprise the balance sheet as at 31 December 2023, 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 legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2023 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 16 years from the election by the 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 2023. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

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 marketplace. The valuation of these instruments requires the use of judgement. Such instruments comprise assets of NOK 32 035 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 performed independent valuations for selected instruments and used external source data where available, and compared results of our valuations to the Company's 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. Management (the board of directors and the Chief Executive Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by applicable legal requirements and whether the other information is materially inconsistent with the

Independent auditor's report - DNB Boligkreditt AS 2023

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financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that the information required by applicable legal requirements is not included in the board of directors' report, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contain the information required by applicable legal 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 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 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, 13 March 2024
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan-Herman Stene
State Authorised Public Accountant (Norway)

Governing bodies

as at 31 December 2023

Board of Directors

Members

Henrik Lidman, Oslo

Bjørn Hauge Spjeld, Bergen

Karianne Kvernmo Wasenden, Oslo

Contact information

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Internet	dnb.no
Organisation number	NO 984 851 006

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.

DNB Boligkreditt AS

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