

DNB Boligkreditt AS

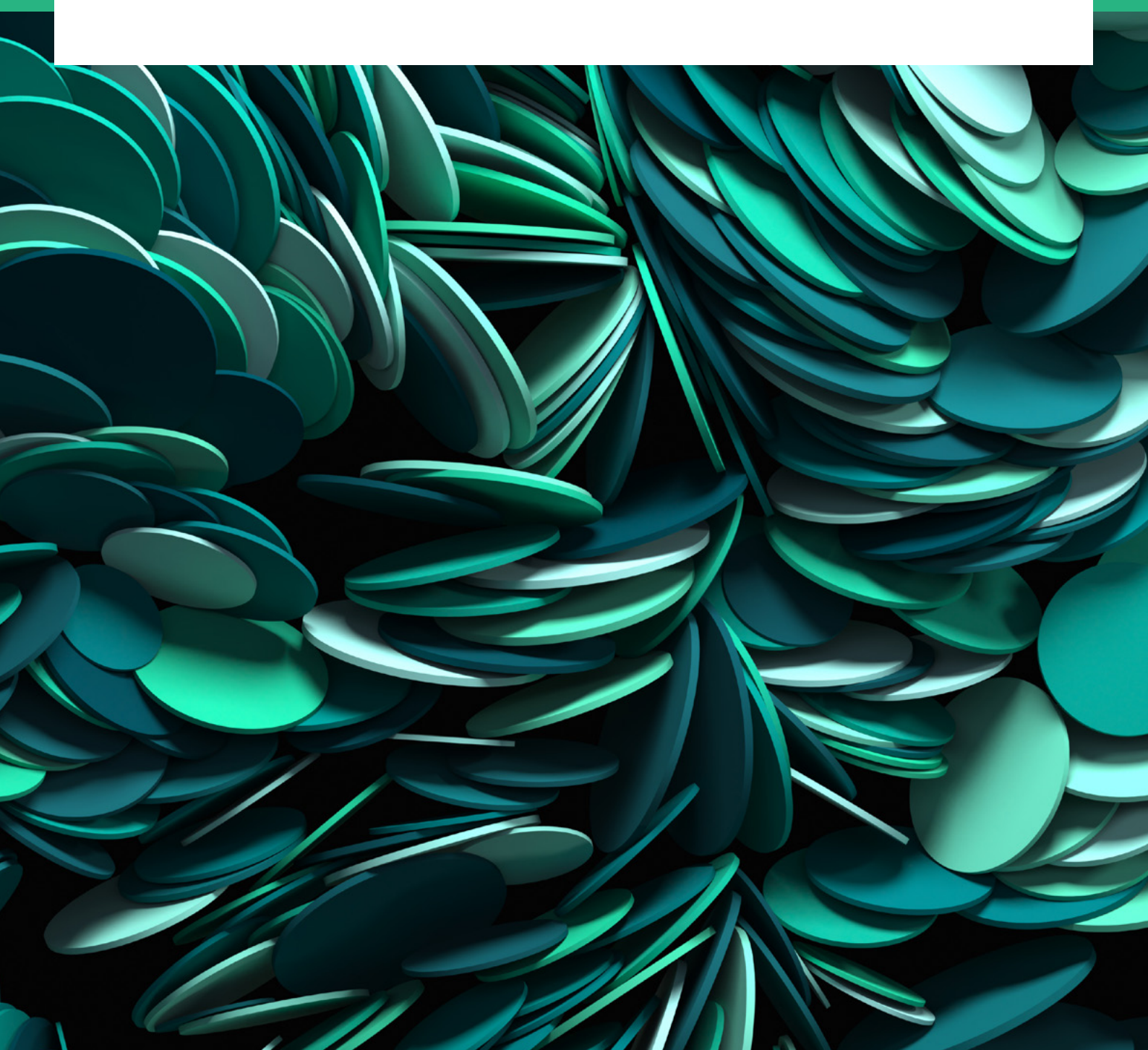
A company in the DNB Group

Fourth quarter report 2021

(Preliminary and unaudited)

DNB

Q4



Financial highlights

Income statement

<i>Amounts in NOK million</i>	DNB Boligkreditt AS			
	4th quarter 2021	4th quarter 2020	Full year 2021	Full year 2020
Net interest income	1 310	1 607	5 989	5 495
Net other operating income	378	360	(257)	1 103
Of which net gains on financial instruments at fair value	365	347	(313)	1 047
Total operating expenses	(289)	(504)	(1 944)	(1 158)
Impairment of financial instruments	3	5	5	27
Pre-tax operating profit	1 402	1 467	3 792	5 467
Tax expense	(350)	(368)	(948)	(1 368)
Profit for the period	1 051	1 100	2 844	4 100

Balance sheet

<i>Amounts in NOK million</i>	31 Dec. 2021	31 Dec. 2020
Total assets	746 367	740 132
Loans to customers	689 142	676 511
Debt securities issued	440 950	521 195
Total equity	38 933	47 463

Key figures and alternative performance measures

	4th quarter 2021	4th quarter 2020	Full year 2021	Full year 2020
Return on equity, annualised (%) ¹⁾	10.8	9.3	6.5	8.8
Total average spreads for lending (%) ¹⁾	0.64	0.88	0.77	0.75
Impairment relative to average net loans to customers, annualised (per cent) ¹⁾	0.00	0.00	0.00	0.00
Net loans and financial commitments in stage 3, per cent of net loans ¹⁾	0.24	0.13	0.24	0.13
Net loans and financial commitments in stage 3, (NOK million) ¹⁾	1 660	851	1 660	851
Common equity Tier 1 capital ratio end of period (%)	18.7	23.6	18.7	23.6
Capital ratio end of period (%)	21.5	26.6	21.5	26.6
Common equity Tier 1 capital (NOK million)	34 708	42 036	34 708	42 036
Total risk exposure amount (NOK million)	185 640	177 880	185 640	177 880
Number of full-time positions at end of period	6	6	6	6

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

Fourth quarter report 2021

Directors' report	4
--------------------------------	---

Accounts

Comprehensive income statement	7
Balance sheet	7
Statement of changes in equity.....	8
Cash flow statement.....	9
Note 1 Basis for preparation.....	10
Note 2 Capital adequacy	10
Note 3 Development in accumulated impairment of financial instruments.....	11
Note 4 Debt securities issued	11
Note 5 Subordinated loan capital	13
Note 6 Financial instruments at fair value.....	14
Note 7 Information on related parties.....	14

Contact information	15
----------------------------------	----

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

Directors' report

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

Financial accounts

DNB Boligkreditt recorded a profit of NOK 1 051 million in the fourth quarter of 2021, compared with a profit of NOK 1 100 million in the fourth quarter of 2020.

Total income

Income totalled NOK 1 687 million in the fourth quarter of 2021, down from NOK 1 966 million in the year-earlier period.

Amounts in NOK million	4th quarter		4th quarter
	2021	Change	2020
Total income	1 687	(279)	1 966
Net interest income		(297)	
Net commission and fee income		(2)	
Net gains/(losses) on financial instruments at fair value		20	

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

Operating expenses and impairment of loans

Operating expenses are volatile due to the management fee paid to DNB Bank. The cooperation with DNB Bank is formalised through an extensive servicing agreement that ensures DNB Boligkreditt sound competence in key areas and cost-effective operations. The management fee calculation is based primarily on lending volume and the spreads achieved, thus the fee will fluctuate with the net interest income. The servicing agreement also ensures DNB Boligkreditt a minimum fee based on the net interest rate margin achieved on loans to customers. The fee structure shall ensure a stable return on equity and the fee amounted to NOK 294 million in the fourth quarter of 2021, down from 477 NOK million in the fourth quarter of 2020.

The company has generally recorded low impairment losses on loans. In the fourth quarter of 2021, the company reported net recoveries on impairment losses of NOK 3 million. The Board of Directors considers the level of impairment to be satisfactory relative to the high quality of the loan portfolio.

Funding, liquidity and balance sheet

Balance sheet

At end-December 2021, DNB Boligkreditt had total assets of NOK 746.4 billion, an increase of NOK 6.2 billion from end-December 2020.

Amounts in NOK million	31 Dec.		31 Dec.
	2021	Change	2020
Total assets	746 367	6 235	740 132
Loans to customers		12 631	
Financial derivatives		(16 313)	
Deferred tax assets		2 949	
Other assets		6 968	
Total liabilities	707 434	14 765	692 669
Due to credit institutions		85 278	
Financial derivatives		11 271	
Debt securities issued		(80 245)	
Other liabilities		(1 539)	

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

Debt securities issued were down by net NOK 80.2 billion from end-December 2020. New issues of covered bonds have been lower than in previous years, and the appreciation of NOK has also lowered the market value of covered bonds issued in other currencies. The company issued covered bonds under existing programmes totalling NOK 26.6 billion in 2021. Total debt securities issued amounted to NOK 441.0 billion at end-December 2021.

Risk and capital adequacy

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

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

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

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

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

At end-December 2021, the company's equity totalled NOK 38.9 billion, of which NOK 34.7 billion represented Tier 1 capital. Own funds in the company was NOK 39.9 billion. The Tier 1 capital ratio was 18.7 per cent, while the capital adequacy ratio was 21.5 per cent.

New regulatory framework

New rules on covered bonds

On 17 December 2021, the Norwegian Ministry of Finance proposed new legislation to implement the Covered Bonds Directive in Norway. The EU Directive is based on the same principles as the current Norwegian covered bonds framework. Major changes are therefore not required. Common rules and definitions will make it easier for Norwegian and international investors to assess the quality and risk of covered bonds, and they may accentuate the high quality of Norwegian covered bonds. A large part of DNB's lending activities is funded by issuing covered bonds.

The Covered Bonds Directive has not yet been incorporated into the EEA Agreement. However, the Ministry of Finance has emphasised that the new rules should enter into force in Norway in parallel with the date of entry into force in the EU, which is 8 July 2022, since the covered bonds market is largely a European one.

New Act on sustainability-related disclosures adopted by the Storting

In December 2021, the Storting (Norwegian parliament) adopted a new act that implements the EU Regulation on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation – SFDR) and the EU taxonomy for sustainable activities (Taxonomy Regulation) in Norwegian law. Among other things, the act requires banks, insurance companies and listed companies with more than 500 employees to include information in their annual reports on the extent to which their activities can be classified as sustainable under the EU taxonomy. It will only be possible for the act to enter into force once the two regulations have been incorporated into the EEA Agreement and have entered into force in the EEA. The Ministry of Finance expects the EEA process to be concluded during the first half of 2022.

In order for all relevant Norwegian players to be able to report in accordance with the taxonomy, clarifications are needed with regard to the classification of certain financial activities, including activities in the building, construction and real estate sector. The Government is working to clarify relevant definitions and similar matters, so that Norwegian players can classify their activities in accordance with the legislation.

Increased countercyclical capital buffer and key policy rate

Norway's central bank, Norges Bank, sets the level of the countercyclical capital buffer, which is a time-varying capital requirement for banks. On 16 September 2021, Norges Bank decided to increase the requirement to 2.0 per cent with effect from 31 December 2022, in line with previous signals. Norges Bank points to the fact that creditworthy enterprises and households appear to have ample access to credit, and that a relatively small share of the banks' exposures are to the industries that have been most directly affected by infection control measures. It emphasises that Norwegian banks are profitable and have low loan losses, but that losses may increase if more long-term infection control measures are needed. In light of Norges Bank's current assessment of economic developments and of banks' prospected losses and lending capacity, the buffer requirement will be increased to 2.5 per cent during the first half of 2022, taking effect one year after the decision is made.

At the same time, Norges Bank decided to raise the key policy rate from 0.25 to 0.5 per cent with effect from 17 December 2021. In connection with the decision, Norges Bank stated that there is considerable uncertainty about the future course of the pandemic, but that developments in the Norwegian economy indicate that the interest rate will in all probability be raised further in March 2022.

The next generation of capital requirement rules are in the pipeline

On 27 October 2021, the European Commission presented a regulatory proposal introducing the last part of the international

Basel III recommendations in the EU, in the form of a proposed Regulation (CRR III) and Directive (CRD VI), also known as the 2021 EU Banking Package. The new rules include a new standard method for calculating capital requirements for credit risk that is more accurate and risk sensitive. A new output floor is also introduced for banks using the IRB (internal ratings-based) approach, which sets a lower limit on the capital requirements that banks calculate when using internal models. According to the new output floor, the value of risk-weighted assets must not be set lower than 72.5 per cent of what they would have been calculated as under the new standardised approach.

The European Commission proposes to introduce the new rules from 1 January 2025. The new output floor for capital requirements for banks using the IRB approach is to be introduced gradually from 1 January 2025, over a five-year period. Discussion of the proposed 2021 Banking Package in the European Parliament and Council is expected to take a couple of years.

New rules on securitisation

In 2021, the EU adopted amendments to the securitisation rules, partly in the form of a new framework for simple, transparent and standardised securitisation (STS) for synthetic securitisation, i.e. transactions where the lender can transfer credit risk to investors without transferring the underlying loans to a special purpose vehicle (SPV). The amendments also include rules to make it easier to securitise stage 3 loans. On behalf of the Ministry of Finance, Finanstilsynet has looked into possible amendments to Norwegian law to implement the new EU rules, and has written a report on the matter. The report was circulated for public consultation in the autumn of 2021 and is now being considered by the Ministry of Finance. The EU rules and legislation on securitisation are EEA-relevant and are expected to be incorporated into the EEA Agreement.

Macroeconomic developments

Increased COVID-19 infection rates and a tightening of infection control measures contributed to a fall in economic activity in Norway at the beginning of 2021. This particularly affected the service industries in the transport sector, with the exception of foreign shipping, as well as accommodation and catering businesses, culture and entertainment activities and the provision of other services. Mainland GDP declined by 0.7 per cent from the fourth quarter of 2020 to the first quarter of 2021. The turnaround came in May, and mainland GDP rose by a total of 2.3 per cent from April to June. The upturn in economic activity also had a clear impact on the labour markets. The number of registered unemployed, calculated as a percentage of the workforce, decreased from 3.8 per cent in December 2020 to 2.2 per cent in December 2021. Towards the end of the year, COVID-19 infection rates rose again, and the Omicron variant of the virus began to gain ground. This may have resulted in a lower level of activity in December and a slower pace at the start of 2022.

In Norwegian fiscal policy, the national budget that was adopted entailed a clear fiscal tightening following the many support measures in 2021. The use of money from Norway's oil fund, officially known as the Government Pension Fund Global, was estimated to amount to 2.6 per cent of the fund. On 12 December, national infection control measures were introduced once again, but these measures were not as far-reaching as those introduced at the beginning of the year. Towards the end of the year, the Government proposed a salary support scheme for those affected by the measures. The measures may contribute to weakening the national budget somewhat.

In the second half of 2021, electricity prices rose markedly. The increase can be linked to higher electricity prices in Europe and increased transmission capacity from Norway. The increase in electricity prices resulted in a sharp increase in public revenue, with a significant share of this being paid by households. The Government adopted a package of measures aimed at reducing the

impact on households, under which the state is to pay the portion of the electricity price above 70 øre (NOK 0.7) per kilowatt-hour. The rise in electricity prices also resulted in average consumer price growth of 3.5 per cent for the year 2020–2021, and consumer price growth of 5.3 per cent when comparing December 2021 with December 2020. Adjusted for fees and energy prices, year on-year-inflation was 1.8 per cent in December. In the housing market, the strong price growth continued during the first quarter, but then slowed significantly. Monthly price growth averaged 0.2 per cent over the past nine months.

The Norwegian central bank, Norges Bank, raised the key policy rate from 0 per cent to 0.25 per cent in September, and then further to 0.50 per cent in December. The background for this was that economic growth had led to increased – and in due course normal – utilisation of capacity, while at the same time there were indications that inflation would remain around target. In Norges Bank's view, it was thus no longer necessary to maintain the powerful monetary policy stimuli. Norges Bank gave notice of a further increase in interest rates during 2022, stating that the next increase would most probably take place in March this year. The rise in inflation in December makes a further rise in interest rates likely.

Future prospects

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

In the period 2022 to 2023, the annual increase in lending volumes is expected to be around 3 to 4 per cent. Norges Bank's own forecasts indicate that the key policy rate is expected to

increase by 0.25 per cent in March. A further two hikes of 0.25 per cent is also expected, bringing the key policy rate to 1.25 per cent by the end of 2022. Thereafter, another two hikes are projected by the second half of 2024, taking the key policy rate to 1.75 per cent.

The common equity Tier 1 (CET1) capital ratio requirement for DNB Boligkreditt is 14.80 per cent, while the Tier 1 requirement is 16.30 per cent. The Norwegian Ministry of Finance has announced an increase in the counter-cyclical buffer requirement from 1 to 1.5 per cent with effect from June 2022, and an additional increase to 2 per cent from December 2022. In its capital planning, DNB Boligkreditt has taken into account the full counter-cyclical buffer requirement of 2.5 per cent in Norway, which is expected to take full effect in 2023. This will increase the regulatory requirement for the Tier 1 ratio level to 18.55 per cent, including a management buffer of 0.75 per cent.

The CET1 capital ratio was 23.3 per cent as at 30 June 2021. The very high ratio was due to the removal of the Basel I floor as from year-end 2019. At its Annual General Meeting on 16th April 2021, DNB Boligkreditt decided to undertake a reduction in capital totaling NOK 7.3 billion to be paid to the company's shareholder DNB Bank ASA. The reduction in capital was approved by Finanstilsynet on 1 July 2021 and completed in accordance with the provisions of the Norwegian Companies Act on 1 September 2021. As per 31 December the CET1 capital ratio was reduced to 18.7 per cent.

Covered bonds have gained a leading position as a funding vehicle for Norwegian banks. Norwegian covered bonds still seem attractive, with relatively low credit and market risk. The volume of covered bond issues the next couple of years is however expected to be lower than in the previous years, due to the DNB Group's reduced need for this funding instrument.

Oslo, 9 February 2022

The Board of Directors of DNB Boligkreditt AS



Henrik Lidman
(Chair of the Board)



Jørn E. Pedersen



Toril Steinmo



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

Comprehensive income statement

		DNB Boligkreditt AS			
		4th quarter 2021	4th quarter 2020	Full year 2021	Full year 2020
<i>Amounts in NOK million</i>	Note				
Interest income, amortised cost		3 055	2 864	11 605	13 440
Other interest income		242	277	1 027	1 130
Interest expenses, amortised cost		(781)	(472)	(2 134)	(3 485)
Other interest expenses		(1 206)	(1 063)	(4 510)	(5 590)
Net interest income		1 310	1 607	5 989	5 495
Commission and fee income		13	15	59	61
Commission and fee expenses		(1)	(1)	(4)	(3)
Net gains on financial instruments at fair value		365	347	(313)	1 047
Other income		1	(2)	1	(2)
Net other operating income		378	360	(257)	1 103
Total income		1 687	1 966	5 731	6 598
Salaries and other personnel expenses		(2)	(3)	(13)	(11)
Other expenses	7	(287)	(501)	(1 931)	(1 146)
Total operating expenses		(289)	(504)	(1 944)	(1 158)
Impairment of financial instruments	3	3	5	5	27
Pre-tax operating profit		1 402	1 467	3 792	5 467
Tax expense		(350)	(368)	(948)	(1 368)
Profit for the period		1 051	1 100	2 844	4 100
Other comprehensive income that will not be reclassified to profit or loss		24	0	28	18
Tax		(6)	0	(7)	(4)
Total comprehensive income for the period		1 069	1 100	2 865	4 113

Balance sheet

		DNB Boligkreditt AS	
		31 Dec. 2021	31 Dec. 2020
<i>Amounts in NOK million</i>	Note		
Assets			
Due from credit institutions	7	33 092	26 175
Loans to customers	3, 6	689 142	676 511
Financial derivatives	6	21 129	37 442
Deferred tax assets		2 949	
Other assets		55	5
Total assets		746 367	740 132
Liabilities and equity			
Due to credit institutions	7	235 701	150 423
Financial derivatives	6	20 850	9 580
Debt securities issued	4, 6	440 950	521 195
Payable taxes		4 557	5 464
Deferred taxes			655
Other liabilities		136	114
Provisions		32	32
Subordinated loan capital	5	5 207	5 206
Total liabilities		707 434	692 669
Share capital		4 527	5 257
Share premium		25 149	31 719
Other equity		9 257	10 487
Total equity		38 933	47 463
Total liabilities and equity		746 367	740 132

Statement of changes in equity

	DNB Boligkreditt AS				
<i>Amounts in NOK million</i>	Share capital	Share premium	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 December 2019	5 257	31 719	(59)	9 704	46 621
Profit for the period				4 100	4 100
Actuarial gains and losses				(2)	(2)
Financial liabilities designated at FVTPL, changes in credit risk			20		20
Tax on other comprehensive income			(5)	0	(4)
Comprehensive income for the period			15	4 098	4 113
Group contribution paid				(3 270)	(3 270)
Balance sheet as at 31 December 2020	5 257	31 719	(44)	10 531	47 463
Profit for the period				2 844	2 844
Actuarial gains and losses				(1)	(1)
Financial liabilities designated at FVTPL, changes in credit risk			28		28
Tax on other comprehensive income			(7)	0	(7)
Comprehensive income for the period			21	2 844	2 865
Repaid capital	(730)	(6 570)			(7 300)
Group contribution paid				(4 095)	(4 095)
Balance sheet as at 31 December 2021	4 527	25 149	(23)	9 280	38 933

Share capital

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

At its Annual General Meeting on 16 April 2021, DNB Boligkreditt decided to undertake a reduction in capital totalling NOK 7.3 billion to be paid to the company's shareholder DNB Bank. The reduction in capital was approved by Finanstilsynet (the Financial Supervisory Authority of Norway) on 1 July 2021 and completed in accordance with the provisions of the Norwegian Companies Act on 1 September 2021.

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

Cash flow statement

DNB Boligkreditt AS

Amounts in NOK million

	Full year 2021	Full year 2020
Operating activities		
Net receipts on loans to customers	12 376	10 083
Interest received from customers	12 566	14 870
Net receipts/(payments) on loans from credit institutions	78 367	(23 662)
Interest received from credit institutions	20	35
Interest paid to credit institutions	(2 087)	(2 144)
Net receipts on commissions and fees	55	58
Payments for operating expenses	(2 061)	(1 111)
Taxes paid	(5 465)	(2 104)
Net cash flow relating to operating activities	93 771	(3 975)
Investing activities		
Net purchase of loan portfolio	(26 034)	(49 166)
Net cash flow relating to investing activities	(26 034)	(49 166)
Financing activities		
Receipts on issued bonds and commercial paper	26 597	123 295
Payments on redeemed bonds and commercial paper	(78 571)	(59 243)
Interest payments on issued bonds and commercial paper	(4 265)	(7 546)
Interest payments on subordinated loan capital	(105)	(138)
Repaid capital	(7 300)	
Group contribution payments	(4 095)	(3 270)
Net cash flow from financing activities	(67 738)	53 099
Net cash flow	(1)	(43)
Cash as at 1 January	2	45
Net payments of cash	(1)	(43)
Cash at end of period	0	2

Note 1 Basis for preparation

The quarterly financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as issued by the International Accounting Standards Board and as adopted by the European Union. When preparing the consolidated financial statements, the management makes estimates, judgements and assumptions that affect the application of the accounting principles, as well as income, expenses, and the carrying amount of assets and liabilities. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgement is applied can be found in Note 1 Accounting principles in the annual report for 2020. In the interim report, the accounting policies, significant estimates, and areas where judgement is applied are in conformity with those described in the annual report.

Note 2 Capital adequacy

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

Own funds	DNB Boligkreditt AS	
	31 Dec. 2021	31 Dec. 2020
<i>Amounts in NOK million</i>		
Share capital	4 527	5 257
Other equity	34 406	42 206
Total equity	38 933	47 463
Regulatory adjustments		
IRB provisions shortfall (-)	(1 046)	(960)
Additional value adjustments (AVA)	(341)	(406)
(Gains) or losses on liabilities at fair value resulting from own credit risk	23	44
(Gains) or losses on derivative liabilities resulting from own credit risk (DVA)	(18)	(10)
Group contributions	(2 843)	(4 095)
Common equity Tier 1 capital	34 708	42 036
Tier 2 capital	5 200	5 200
Own funds	39 908	47 236
Total risk exposure amount	185 640	177 880
Minimum capital requirement	14 851	14 230
Common equity Tier 1 capital ratio (%)	18.7	23.6
Capital ratio (%)	21.5	26.6

Specification of exposures	DNB Boligkreditt AS				
	Nominal exposure	Exposure at default	Risk amount	Capital requirement	Capital requirement
	31 Dec. 2021	31 Dec. 2021	31 Dec. 2021	31 Dec. 2021	31 Dec. 2020
<i>Amounts in NOK million</i>					
IRB approach					
Corporate	321	321	108	9	14
Retail - secured by immovable property	760 573	760 573	161 084	12 887	12 431
Total credit risk, IRB approach	760 894	760 894	161 192	12 895	12 446
Standardised approach					
Institutions	9 567	9 567	1 913	153	711
Corporate	20 160	20 135	5 621	450	427
Retail	570	416	312	25	26
Retail - secured by immovable property	856	778	488	39	23
Other assets	2 949	2 949	7 372	590	6
Total credit risk, standardised approach	34 102	33 845	15 707	1 257	1 193
Total credit risk	794 996	794 739	176 899	14 152	13 638
Credit value adjustment (CVA)					
Operational risk			8 741	699	592
Total risk exposure amount			185 640	14 851	14 230

Note 3 Development in accumulated impairment of financial instruments

Loans to customers at amortised cost

DNB Boligkreditt AS

Amounts in NOK million	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 31 Dec.	(14)	(13)	(40)	(66)	(12)	(28)	(63)	(103)
Transfer to stage 1	(11)	11			(31)	24	7	
Transfer to stage 2	1	(1)			2	(20)	18	
Transfer to stage 3		1	(1)			1	(1)	
Originated and purchased during the period	(6)	(1)		(7)	(10)	(2)		(12)
Increased expected credit loss	(6)	(19)	(45)	(70)	(16)	(31)	(60)	(108)
Decreased (reversed) expected credit loss	28	3	54	85	54	26	51	131
Write-offs			8	8			8	9
Derecognition		10		10		18		18
Accumulated impairment as at 31 Dec. ¹⁾	(8)	(9)	(23)	(40)	(14)	(13)	(40)	(66)

1) On 1 January 2021, DNB introduced a new definition of default. According to the new definition for customers in probation after default, the effect on expected credit loss was not significant as at 31 December 2021.

Note 4 Debt securities issued

Debt securities issued

DNB Boligkreditt AS

Amounts in NOK million	31 Dec.	31 Dec.
	2021	2020
Listed covered bonds, nominal amount	371 612	430 280
Private placements under the bond programme, nominal amount	56 195	64 832
Total bonds, nominal amount	427 808	495 112
Accrued interest	2 160	2 836
Unrealised losses ¹⁾	10 982	23 247
Adjustments	13 142	26 083
Total debt securities issued	440 950	521 195

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

Changes in debt securities issued

DNB Boligkreditt AS

Amounts in NOK million	Balance sheet	Issued	Matured/ redeemed	Exchange rate movements	Other changes	Balance sheet
	31 Dec. 2021					31 Dec. 2020
Bond debt, nominal amount	427 808	26 310	(79 362)	(14 252)		495 112
Value adjustments	13 142				(12 941)	26 083
Total debt securities issued	440 950	26 310	(79 362)	(14 252)	(12 941)	521 195

Maturity of debt securities issued

DNB Boligkreditt AS

Amounts in NOK million	Foreign currency		Total
	NOK		
2022	75 500	69 619	145 119
2023	257	67 636	67 893
2024	8 000	35 010	43 010
2025	11 500	31 584	43 084
2026 and later	3 600	125 102	128 702
Total bond debt	98 857	328 951	427 808

Note 4 Debt securities issued (continued)

Debt securities issued - matured/redeemed during the period						DNB Boligkreditt AS	
Amounts in NOK million ISIN Code	Currency	Matured redeemed amount	Interest	Issued	Matured	Remaining nominal amount	
						31 Dec. 2021	31 Dec. 2020
Private	EUR	471	Fixed	2011	2021	Redeemed	471
LUX	EUR	167	Fixed	2011	2021	Matured	167
LUX	EUR	105	Fixed	2011	2021	Redeemed	105
LUX	EUR	1 056	Fixed	2011	2021	Matured	1 056
CH0122955377	CHF	967	Fixed	2011	2021	Matured	967
Private	EUR	993	Fixed	2011	2021	Matured	993
XS0586938630	EUR	105	Floating	2011	2021	Matured	105
Private	EUR	376	Fixed	2011	2021	Redeemed	376
CH0122955377	CHF	580	Fixed	2011	2021	Matured	580
XS1344745481	EUR	15 687	Fixed	2016	2021	Matured	15 687
XS1363750321	EUR	105	Floating	2016	2021	Matured	105
Private	EUR	751	Fixed	2009	2021	Matured	751
NO0010566524	NOK	2 000	Fixed	2010	2021	Matured	2 000
NO0010566524	NOK	3 500	Fixed	2011	2021	Matured	3 500
US25600WAC47	USD	213	Fixed	2011	2021	Matured	213
LUX	EUR	50	Fixed	2011	2021	Redeemed	50
LUX	EUR	50	Fixed	2011	2021	Redeemed	50
LUX	EUR	200	Fixed	2011	2021	Redeemed	200
XS0637846725	EUR	15 029	Fixed	2011	2021	Matured	15 029
XS1062737587	EUR	1 252	Floating	2014	2021	Matured	1 252
XS1062737587	EUR	751	Floating	2015	2021	Matured	751
XS1249485092	EUR	250	Fixed	2015	2021	Matured	250
XS1416565205	EUR	751	Fixed	2016	2021	Matured	751
NO0010821051	NOK	10 000	Floating	2018	2021	Matured	10 000
Private	EUR	153	Fixed	2008	2021	Matured	153
LUX	EUR	102	Fixed	2011	2021	Redeemed	102
LUX	EUR	153	Fixed	2011	2021	Redeemed	153
LUX	EUR	305	Fixed	2011	2021	Matured	305
LUX	EUR	51	Fixed	2011	2021	Matured	51
XS0808607732	EUR	204	Floating	2012	2021	Matured	204
XS1103651953	EUR	255	Floating	2014	2021	Matured	255
XS1104019572	EUR	153	Fixed	2014	2021	Matured	153
XS1487833144	GBP	83	Floating	2016	2021	Matured	83
Private	EUR	203	Fixed	2010	2021	Matured	203
LUX	EUR	182	Fixed	2011	2021	Redeemed	182
LUX	EUR	324	Fixed	2011	2021	Matured	324
NO0010723471	NOK	104	Floating	2014	2021	Matured	104
XS1137512742	EUR	5 066	Floating	2014	2021	Matured	5 066
NO0010723471	NOK	2 000	Floating	2015	2021	Matured	2 000
XS1137512742	EUR	5 066	Floating	2015	2021	Matured	5 066
NO0010723471	NOK	4 000	Floating	2016	2021	Matured	4 000
XS1501425042	GBP	530	Fixed	2016	2021	Matured	530
NO0010723471	NOK	4 896	Floating	2017	2021	Matured	4 896
XS1735612290	NOK	120	Floating	2017	2021	Redeemed	120
Total debt securities issued, nominal value		79 362					79 362

Note 4 Debt securities issued (continued)

Cover pool	DNB Boligkreditt AS	
	31 Dec. 2021	31 Dec. 2020
<i>Amounts in NOK million</i>		
Pool of eligible loans	687 034	673 513
Market value of eligible derivatives	279	27 862
Total collateralised assets	687 313	701 375
Debt securities issued, carrying value	440 950	521 195
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(30)	(59)
Debt securities issued, valued according to regulation ¹⁾	440 920	521 137
Collateralisation (per cent)	155.9	134.6

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

Note 5 Subordinated loan capital

<i>Amounts in NOK million</i>	Currency	Nominal amount	Interest rate	Issue date	Call date	Maturity date	DNB Boligkreditt AS	
							31 Dec. 2021	31 Dec. 2020
Term subordinated loan capital	NOK	1 900	3 month Nibor + 160 bp	2018	2023	2028	1 900	1 900
Term subordinated loan capital	NOK	3 300	3 month Nibor + 160 bp	2018	2023	2028	3 300	3 300
Accrued interest							7	6
Total subordinated loan capital							5 207	5 206

Note 6 Financial instruments at fair value

<i>Amounts in NOK million</i>	DNB Boligkreditt AS			
	Level 1	Level 2	Level 3	Total
Assets as at 31 December 2021				
Loans to customers			35 221	35 221
Financial derivatives		21 129		21 129
Liabilities as at 31 December 2021				
Debt securities issued		12 196		12 196
Financial derivatives		20 850		20 850
Assets as at 31 December 2020				
Loans to customers			40 934	40 934
Financial derivatives		37 442		37 442
Liabilities as at 31 December 2020				
Debt securities issued		17 177		17 177
Financial derivatives		9 580		9 580

Financial instruments at fair value, level 3

<i>Amounts in NOK million</i>	DNB Boligkreditt AS	
		Loans to customers
Carrying amount as at 31 December 2019		41 489
Net gains recognised in the income statement		949
Additions/purchases		8 718
Sales		(113)
Settled		(10 109)
Carrying amount as at 31 December 2020		40 934
Net gains recognised in the income statement		(1 080)
Additions/purchases		6 419
Sales		(145)
Settled		(10 906)
Carrying amount as at 31 December 2021		35 221

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

Note 7 Information on related parties

DNB Bank ASA

In 2021, loan portfolios representing NOK 26.0 billion (NOK 49.2 billion in 2020) were transferred from the bank to DNB Boligkreditt in accordance with the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS".

The management fee paid to the bank for purchased services is recognised as "Other expenses" in the statement of comprehensive income and amounted to NOK 1 843 million in 2021 (NOK 1 047 million in 2020).

At end-December 2021, the bank had invested NOK 53.9 billion in covered bonds issued by DNB Boligkreditt.

In 2021, DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 32.7 billion at end-December 2021.

DNB Boligkreditt AS has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 245 billion.

DNB Livsforsikring AS

At end-December 2021 DNB Livsforsikring's holding of DNB Boligkreditt bonds was valued at NOK 260 million.

Contact information

DNB Boligkreditt AS

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

DNB

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

Chief Executive Officer

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

Financial reporting

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

Other sources of information

Annual and quarterly reports

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

Cover design: HyperRedink

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

DNB Boligkreditt AS

Mailing address:

P.O.Box 1600 Sentrum
N-0021 Oslo

Visiting address:

Dronning Eufemias gate 30
Bjørvika, Oslo