4 DNB BOLIGKREDITT AS

– a company in the DNB Group

Fourth quarter report 2013

(PRELIMINARY AND UNAUDITED)

Key figures

DNB Boligkreditt AS

Statement of comprehensive income *Amounts in NOK million*	4th quarter 2013	4th quarter 2012	Full year 2013	Full year 2012 [2]
Net interest income	2 041	1 375	7 169	4 031
Net other operating income	(276)	(93)	(631)	(3 469)
- net gains (losses) on financial instruments at fair value	(286)	(112)	(697)	(3 543)
Operating expenses	1 644	1 004	5 620	2 592
Impairments on loans and commitments	8	10	16	8
Pre tax operating profit	113	269	901	(2 038)
Taxes	16	75	238	(571)
Profit for the period	96	194	663	(1 467)

Balance sheet *Amounts in NOK million*	31 Dec. 2013	31 Dec. 2012 [2]
Total assets	578 420	562 118
Loans to customers	532 284	519 362
Debt securities issued	420 451	382 531
Total equity	24 979	22 312

Key figures *Per cent*	4th quarter 2013	4th quarter 2012	Full year 2013	Full year 2012 [2]
Combined weighted total average spread for loans [1]	1.44	0.83	1.21	0.60
Return on equity, annualised [3]	1.7	3.5	2.9	(3.5)
Tier 1 capital ratio at end of period [4]	10.8	10.3	10.8	10.3
Capital ratio at end of period [4]	13.0	11.2	13.0	11.2
Impairments relative to net loans to customers, annualised	0.00	0.00	0.00	0.00
Net non-performing and impaired loans, per cent of net loans	0.14	0.13	0.14	0.13

1) *Based on nominal values excluding impaired loans, measured against actual funding cost.*
2) *Due to changes in principles, some comparative figures have been restated. See further details in note 1 Accounting principles.*
3) *Average equity is calculated on the basis of book value of equity.*
4) *The loss for the period is included in Tier 1 capital.*

Fourth quarter report 2013

Directors' report

DNB Boligkreditt AS is the DNB Group's vehicle for the issue of covered bonds based on residential mortgages. The company's offices are 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. On 17th of January 2014, Fitch Ratings affirmed and withdrew the A+ rating of both DNB Bank and its special purpose entity DNB Boligkreditt at the issuer's request. In addition, the rating on DNB Boligkreditt's covered bond programmes was affirmed at AAA and subsequently withdrawn. DNB Boligkreditt's covered bond programmes continue to be rated AAA by Moody's and Standard & Poor's.

Financial accounts

DNB Boligkreditt recorded a profit of NOK 96 million in the fourth quarter of 2013, compared with a profit of NOK 194 million in the fourth quarter of 2012. The profit for the full year 2013 was NOK 663 million, compared with a loss of NOK 1 467 million in 2012.

Total income

Income totalled NOK 1 765 million in the fourth quarter of 2013, up from NOK 1 282 million in the year-earlier period.

Amounts in NOK million	4th quarter 2013	Change	4th quarter 2012
Total income	1 765	483	1 282
Net interest income		666	
Net commission and fee income		(9)	
Net gains (losses) on financial instruments at fair value		(174)	
Net other income		(0)	

The improvement in net interest income was mainly due to wider interest rate spreads.

The recorded losses on financial instruments reflect the effects of unrealised changes in the market value of covered bonds, derivatives and loans recorded 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.

Amounts in NOK million	2013	Change	2012
Total income	6 538	5 976	562
Net interest income		3 138	
Net commission and fee income		(9)	
Net gains (losses) on financial instruments at fair value		2 846	
Net other income		1	

There was a continuous increase in interest rate spreads during 2013.

The negative effects of financial instruments were mainly due to a reduction in the market value of basis swaps. The effect was negative in both 2012 and 2013, though it was less negative in 2013.

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. The size of the management fee to the bank is related to net interest income. The fee amounted to NOK 1 639 million in the fourth quarter of 2013, up from NOK 994 million in the fourth quarter the year before. The management fee for the full year 2013 was NOK 5 568 million.

The company has generally recorded low impairment losses on loans. In 2013, impairment losses amounted to NOK 16.3 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 year-end 2013, DNB Boligkreditt had total assets of NOK 578.4 billion under management, an increase of NOK 16.3 billion or 2.9 per cent from year-end 2012.

Amounts in NOK million	31 Dec. 2013	Change	31 Dec. 2012
Total assets	578 419	16 302	562 118
Loans to customers		12 922	
Financial derivatives		16 135	
Other assets		(12 755)	
Total liabilities	553 441	13 635	539 806
Due to credit institutions		(15 023)	
Financial derivatives		(12 256)	
Debt securities issued		37 920	
Subordinated loan capital		2 802	
Other liabilities		191	

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

Debt securities issued increased by a net NOK 37.9 billion from year-end 2012. The company issued covered bonds under existing programmes totalling NOK 57.2 billion during 2013. Total debt securities issued amounted to NOK 420.5 billion at year-end 2013.

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 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.

As at year-end 2013, the company's equity totalled NOK 25.0 billion, of which NOK 24.1 billion represented Tier 1 capital. Total primary capital in the company was NOK 28.8 billion. The Tier 1 capital ratio was 10.8 per cent, while the capital adequacy ratio was 13.0 per cent.

In October 2013, the Ministry of Finance determined that the current so-called Basel I floor will be retained, resulting in an actual risk weight of 40 per cent on residential mortgages. On this basis, DNB Boligkreditt was recapitalised in the fourth quarter of 2013.

New regulatory framework

The EU's new capital adequacy regulations, CRR and CRD IV, entered into force on 1 January 2014. The regulations are based on the Basel Committee's recommendations on new and stricter capital and liquidity standards, Basel III. Norway has chosen to introduce the capital requirements earlier than on the implementation date specified in the international regulations. The new legislation became effective as from 1 July 2013 and requires a common equity Tier 1 capital ratio of minimum 9 per cent and a capital adequacy ratio of 12.5 per cent. The requirement will be increased to 10.0 per cent by 1 July 2014, while the capital adequacy requirement will be increased to 13.5 per cent.

Requirements have also been introduced for a special buffer for systemically important institutions of 2.0 per cent common equity Tier 1 capital, as well as a counter-cyclical capital buffer of maximum 2.5 per cent. These buffers will apply to banks, but are not relevant for DNB Boligkreditt.

In October 2013, the Ministry of Finance also determined rules for the weighting of bank's residential mortgages in capital adequacy calculations. For systemic reasons, the Norwegian authorities have increased calculated capital according to internal models. The minimum requirement for the model parameter “loss given default”, LGD, has thus been increased from 10 to 20 per cent in the capital adequacy regulations. The requirements entered into force on 1 January 2014, and the Norwegian authorities have announced that it might be relevant to further increase residential mortgage risk weights by adjusting the bank's “probability of default”, PD, estimate.

However, prevailing rules relating to the so-called Basel I floor will be retained until 2017. For DNB Boligkreditt, the Basel I floor will still represent the actual limit for risk-weighted assets, resulting in an actual risk weight of as much as 40 per cent on home mortgages. DNB Boligkreditt's average risk weight on residential mortgages is approximately 12 per cent according to Basel II. In order to meet the new requirements by 1 July 2014, DNB Boligkreditt will be further capitalised during the first half of 2014.

Macroeconomic developments

International economic growth remains moderate, and there are large differences between individual countries. In the US and Great Britain, economic growth increased markedly through 2013. After declining for six consecutive quarters, the euro economy showed a slight rebound from the second quarter of the year. However, there are great variations within the eurozone, ranging from strong growth in Germany to downturns in Italy and France. The picture is also mixed among emerging economies. In China, growth rebounded in 2013, while India and Mexico struggled with very weak growth rates.

In Norway, growth in the mainland economy was below the trend growth rate throughout 2013. There was a healthy trend in the engineering industry, mainy due to rising petroleum investment, while a number of other industry sectors showed a less favourable development as a result of the international recession. Norwegian exports stagnated in 2013, but due to a markedly weaker Norwegian krone and slightly stronger international growth, exports are expected to pick up in the period ahead.

Housing prices in Norway showed a decline in the second half of 2013, and at year-end 2013 prices were slightly lower than a year before. Households have become more pessimistic about the Norwegian economy, and the weak price trend in the housing market is expected to continue.

The market remained attractive for covered bond issuers with strong credit ratings in 2013. Lower returns in other asset classes seemed to have a positive impact on the demand for covered bonds from highly rated issuers, especially covered bond issues with a long term to maturity. However, the volume of covered bonds issued in 2013 were rather low compared to 2012.

Future prospects

According to current economic forecasts, a cautious recovery is expected in both the Norwegian and the international economy, though developments remain highly uncertain. In Norway, the uncertainty relates to housing market trends, though updated forecasts do not indicate any significant reduction in values in the Norwegian housing market in 2014.

In consequence of the interest rate increases implemented for personal and corporate customers in 2013, the level of interest income has risen. This was a step to meet the new capital requirements that will be gradually introduced. The particularly strict requirements for Norwegian financial institutions mean that competitors that are not subject to the same capital requirements may be in a better position to increase their market shares at the expense of Norwegian institutions. This applies to international banks, but also to Norwegian government-backed institutions that offer residential mortgages. DNB Boligkreditt expects spreads to remain relatively stable in the coming period, while volumes are expected to follow the general market trend. The company will build additional capital in accordance with the authorities' requirements.

Covered bonds have gained a leading position as a funding vehicle for Norwegian banks. Norwegian covered bonds still seem to be regarded as attractive investments with relatively low credit and market risk. The volume of covered bond issues in 2014 are expected to be on a level with 2013. This provides a further sound basis for DNB Boligkreditt's funding activities.

Oslo, 5 February 2014
The Board of Directors of DNB Boligkreditt AS

Bjørn Erik Næss
(chairman)

Eva-Lill Strandskogen

Stein Ove Steffensen

Elisabeth Ege

Rein Øsebak

Øyvind Birkeland
(chief executive officer)

Statement of comprehensive income

DNB Boligkreditt AS

Amounts in NOK 1 000	Note	4th quarter 2013	4th quarter 2012	Full year 2013	Full year 2012 [1)]
Total interest income	7	5 284 862	4 876 814	20 475 799	18 960 566
Total interest expenses	7	3 244 207	3 501 660	13 307 101	14 929 763
Net interest income	7	**2 040 655**	**1 375 154**	**7 168 699**	**4 030 802**
Commission and fee income		9 998	18 927	61 843	70 365
Commission and fee expenses		501	455	2 014	1 814
Net gains (losses) on financial instruments at fair value	8	(286 390)	(112 339)	(697 112)	(3 542 632)
Other income		1 002	1 200	6 735	5 394
Net other operating income		**(275 891)**	**(92 667)**	**(630 548)**	**(3 468 686)**
Total income		**1 764 764**	**1 282 487**	**6 538 150**	**562 116**
Salaries and other personnel expenses	9	1 899	5 303	24 124	19 233
Other expenses	9, 15	1 642 036	998 335	5 596 364	2 573 057
Total operating expenses	9	**1 643 935**	**1 003 638**	**5 620 488**	**2 592 290**
Impairments on loans and commitments	10	8 287	9 822	16 260	8 074
Pre-tax operating profit		**112 542**	**269 027**	**901 402**	**(2 038 248)**
Taxes		16 400	75 261	238 068	(570 775)
Profit for the period		**96 143**	**193 765**	**663 334**	**(1 467 472)**
Other comprehensive income		3 509	-	3 509	6 305
Total comprehensive income for the period		**99 652**	**193 765**	**666 843**	**(1 461 167)**

1) *Due to changes in principles, some comparative figures have been restated. See further details in note 1 Accounting principles.*

Balance sheet

DNB Boligkreditt AS

Amounts in NOK 1 000	Note	31 Dec. 2013	31 Dec. 2012 [1)]
Assets			
Due from credit institutions	14,15	347 081	13 098 740
Loans to customers	10,13,14	532 284 013	519 362 406
Financial derivatives	13,15	45 786 413	29 651 578
Other assets		2 199	5 382
Total assets		**578 419 706**	**562 118 106**
Liabilities and equity			
Due to credit institutions	14,15	115 105 033	130 128 238
Financial derivatives	13,15	11 987 418	24 243 408
Debt securities issued	11,13,14	420 451 451	382 530 982
Payable taxes		108	285 527
Deferred taxes		398 892	159 460
Other liabilities		612 370	374 143
Provisions		25 500	26 326
Subordinated loan capital	12,14	4 860 381	2 058 313
Total liabilities		**553 441 154**	**539 806 398**
Share capital		2 727 000	2 527 000
Share premium reserve		18 693 000	16 893 000
Other equity		3 558 552	2 891 707
Total equity		**24 978 552**	**22 311 707**
Total liabilities and equity		**578 419 706**	**562 118 106**

1) *Due to changes in principles, some comparative figures have been restated. See further details in note 1 Accounting principles.*

Statement of changes in equity

DNB Boligkreditt AS

Amounts in NOK 1000	Share capital	Share premium reserve	Actuarial profit and loss	Other equity	Total equity
Balance sheet as at 31 December 2011	**1 827 000**	**10 593 000**	**-**	**5 076 110**	**17 496 110**
Implementation of the amended IAS 19 - Employee Benefits 1)	-	-	(3 158)	-	(3 158)
Balance sheet as at 1 January 2012	**1 827 000**	**10 593 000**	**(3 158)**	**5 076 110**	**17 492 952**
Profit for the period	-	-	-	(1 461 167)	(1 461 167)
Other comprehensive income	-	-	0	-	-
Total comprehensive income for the period	**-**	**-**	**0**	**(1 461 167)**	**(1 461 167)**
Group contribution paid				(720 000)	(720 000)
Share issue 21 March 2012	300 000	2 700 000	0	0	3 000 000
Share issue 25 September 2012	400 000	3 600 000	0	0	4 000 000
Balance sheet as at 31 December 2012	**2 527 000**	**16 893 000**	**(3 158)**	**2 894 943**	**22 311 784**
Balance sheet as at 31 December 2012	**2 527 000**	**16 893 000**	**0**	**2 888 559**	**22 308 560**
Implementation of the amended IAS 19 - Employee Benefits 1)	-	-	3 147	-	3 147
Balance sheet as at 1 January 2013	**2 527 000**	**16 893 000**	**3 147**	**2 888 559**	**22 311 707**
Profit for the period	-	-	-	663 334	663 334
Other comprehensive income	-	-	3 509	-	3 509
Total comprehensive income for the period	**-**	**-**	**3 509**	**663 334**	**666 843**
Share issue 16 December 2013	**200 000**	**1 800 000**			**2 000 000**
Balance sheet as at 31 December 2013	**2 727 000**	**18 693 000**	**6 656**	**3 551 894**	**24 978 552**

1) Changes in accounting principles due to changes in IAS 19, ref. note 1 Accounting principles.

Share capital

All shares and voting rights of the company are held by DNB Bank ASA. Share capital at the beginning of 2013 was NOK 2 527 million (25 270 000 shares at NOK 100).

In December 2013 2 000 000 shares were issued to DNB Bank ASA. Issue price per share was NOK 1 000. After the issuance, share capital was increased by NOK 200 million to NOK 2 727 million (27 270 000 shares) and share premium reserve was increased by NOK 1 800 million to NOK 18 693 million.

Statement of cash flows

DNB Boligkreditt AS

Amounts in NOK 1 000	Full year 2013	Full year 2012
Operating activities		
Net receipts/payments on loans to customers	5 355 932	(23 545 143)
Interest received from customers	20 396 081	18 943 847
Net receipts/payments on loans to/from credit institutions	(4 049 426)	24 131 602
Interest received from credit institutions	37 732	33 769
Interest paid to credit institutions	(2 931 117)	(3 502 123)
Net receipts/payments on the sale of financial assets for investment or trading	(19 265)	26 019
Net receipts on commissions and fees	59 828	68 551
Payments for operating expenses	(5 370 883)	(2 272 847)
Taxes receipt/paid	(282 830)	12 536
Net cash flow relating to operating activities	**13 196 051**	**13 896 212**
Investing activities		
Net purchase of loan portfolio	(18 104 918)	(31 675 875)
Net cash flow relating to investment activities	**(18 104 918)**	**(31 675 875)**
Financing activities		
Receipts on issued bonds and commercial paper	57 201 508	61 719 388
Payments on redeemed bonds and commercial paper	(46 842 563)	(40 104 217)
Interest payments on issued bonds and commercial paper	(11 935 490)	(10 280 319)
Receipts on the raising of subordinated loan capital	2 800 000	-
Redemptions of subordinated loan capital	-	(300 000)
Interest payments on subordinated loan capital	(92 468)	(116 110)
Share issue	2 000 000	7 000 000
Group contribution paid	-	(1 000 000)
Net cash flow from financing activities	**3 130 987**	**16 918 743**
Net cash flow	**(1 777 880)**	**(860 920)**
Cash at beginning of period	1 837 569	2 698 489
Net receipts/payments of cash	(1 777 880)	(860 920)
Cash at end of period	59 689	1 837 569

As of 1 January 2013 due from credit institutions, previously presented as cash, is presented as part of net receipts/payments on loans from credit institutions in the net cash flow from financing activities.

During the fourth quarter of 2013, certain items in the cash flow statement were reclassified. Among other things, Net receipts/ payments on loans to credit institutions and appurtenant interest were included in operating activities with effect from the fourth quarter of 2013. Prior to this, these items were included under funding activities. Comparable figures for previous periods have been restated.

The statement of cash flows has been prepared in accordance with the direct method and shows receipts and payments of cash and cash equivalents during the year. Cash and cash equivalents is defined as cash and deposits with central banks and deposits with credit institutions with no agreed period of notice. Included in the cash balances at end of period, is restricted amounts of NOK 781 260 (NOK 797 751 for 2012) related to withholding employee taxes.

Note 1 Accounting principles

The financial statements for the fourth quarter of 2013 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual financial statements as at 31 December 2012.

The company's accounting principles and methods of estimates are consistent with those applied in the preparation of the annual financial statements for 2012. The following changes in accounting standards have effect for the interim report:

IFRS 13 Fair Value Measurement entered into force as of 1 January 2013. The standard includes principles and guidance for fair value measurement of assets and liabilities when other IFRSs require or permit fair value measurements. The standard does not change what is required or permitted to be measured at fair value and have not changed any fair value measurement estimates in the company's balance sheet. IFRS 13 requires more detailed note information in both quarterly and annual accounts. This information is presented in notes 13 and 14.

Amendments to IAS 19 – Employee Benefits entered into force as of 1 January 2013. The amendments affect the recognition and presentation of the company's defined benefit pension schemes. The main effect of the amendments is that the corridor approach for recognising actuarial gains and losses have been removed and actuarial gains and losses are recognised in other comprehensive income in the year in which they occur. The actuarial net losses per 31 December 2011 of NOK 3.2 million, have been booked directly to the company's equity per 1 January 2012. 2012 figures have been restated with an effect of NOK 6.3 million recognized as *Other comprehensive income*.

Amendments to IFRS 7 – Financial instruments – disclosures entered into force as of 1 January 2013. The amendments require information about the offsetting of balance sheet items, and the respective amounts that are a result of such offsetting. There are currently no offsetting on DNB Boligkreditt's balance sheet. The company's netting rights are in compliance with general rules in Norwegian legislation. Unilateral netting clauses in favour of DNB Boligkreditt have been included in all of the company's loan agreements with DNB Bank ASA. CSA agreements (Credit Support Annex) have been entered into with DNB Bank, which implies that market values of all derivatives entered into between DNB Boligkreditt and DNB Bank are settled either daily or weekly. The amounts are not set off in the balance sheet as the transactions are generally not settled on a net basis.

The accounts for the fourth quarter were approved by the Board of Directors on the 5th of February 2014.

Operating segments

The company has operations within one operating segment only according to IFRS 8 *Operating segments*. The segment gave a positive return of NOK 0.7 billion for 2013. The company uses the information in the statement of comprehensive income and balance sheet also in its internal reporting.

Note 2 Significant accounting judgements, estimates and assumptions

The preparation of financial information in conformity with IFRS requires the use of estimates and assumptions about future conditions that affect reported income, expenses, assets and liabilities. Use of available information and applications of judgement are inherent in the information estimates. Actual results in the future may differ from such estimates, and the differences may be material to the financial statements. A more detailed description of important estimates and assumptions is presented in the annual report for 2012 in note 1 *Significant accounting judgements, estimates and assumptions.*

Note 3 Capital adequacy

Primary capital	DNB Boligkreditt AS	
Amounts in NOK 1 000	31 Dec. 2013	31 Dec. 2012
Share capital	2 727 000	2 527 000
Other equity	22 251 551	19 781 560
Total equity	24 978 551	22 308 560
Deductions		
50 percent expected losses, IRB-portfolios	(159 350)	(210 084)
Adjustments for unrealised losses/(gains) on liabilites recorded at fair value	(73 565)	(73 566)
Allocated group contributions for payment	(663 334)	-
Tier 1 capital [1)]	24 082 302	22 024 910
Term subordinated loan capital	4 850 000	2 050 000
Deductions		
Remaining maturity of less than 5 years		-
50 percent expected losses, IRB-portfolios	(159 350)	(210 084)
Tier 2 capital	4 690 650	1 839 916
Total eligible primary capital	28 772 952	23 864 826
Risk-weighted volume	222 032 203	213 870 241
Minimum capital requirement	17 762 576	17 109 619
Tier 1 capital ratio (%)	10.8	10.3
Capital ratio (%)	13.0	11.2

DNB Boligkreditt AS complies to the Basel II regulations.

Due to transitional rules, the minimum capital requirement for 2013 cannot be reduced below 80 per cent in relation to the requirements according to Basel I rules. Capital adequacy for the second quarter is reported according to the transitional rules.

The schedule below shows capital adequacy according to Basel II without regard to the rules of transition.

	DNB Boligkreditt AS	
Amounts in NOK 1 000	31 Dec. 2013	31 Dec. 2012
Risk-weighted volume, Basel II	76 248 020	86 460 613
Minimum capital requirement, Basel II	6 099 842	6 916 849
Tier 1 capital ratio (%)	31.6	25.5
Capital ratio (%)	37.8	27.6

1) The loss for the period is included in Tier 1 capital.

Note 4 Credit risk

Credit risk is the risk that the company will incur a loss because its customers or counterparties fail to meet their contractual obligations. Credit risk arises from loans and loan commitments as well as from derivatives. The maximum exposure to credit risk, according to IFRS, is the gross carrying amount of the assets, net of any amounts offset in accordance with the standards and net of any recognised impairment losses. In addition, certain off-balance sheet items such as loan commitments represent credit risk. The maximum exposure of loan commitments is the irrevocable amount that may be drawn upon in the future.

DNB Boligkreditt has adopted the credit risk policies as set by the DNB Group. The group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, and by monitoring exposures in relation to such limits. Collateral are taken to manage credit risk in the loan portfolios. 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.

DNB’s risk classification system is divided into ten risk classes where 1 represents the lowest and 10 the highest risk. The classification system is based on the probability of default (PD) which is an estimate of the likelihood of a counterparty defaulting on its contractual obligations.

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 group’s policies and limits. At the time of transfer of loan portfolios from DNB Bank to DNB Boligkreditt, only loans that qualify as collateral for the issue of covered bonds according to the Financial Institutions Act, are accepted by the company. For all these loans, a mortgage over the property is taken and the value of the total loan balance per property should not exceed 75 per cent of the total value of the property. The collateral value is monitored on an ongoing basis.

Credit risk also arises from derivative financial instruments. The maximum credit risk related to derivatives is limited to those with a positive fair value in the balance sheet. All derivative contracts, both those with a current positive value and current negative value, are entered into with DNB Bank as counterparty.

Note 5 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates.

Market risk arises as a consequence of open positions in interest rates and foreign exchange rates. Changes in these rates may affect both the company’s total comprehensive income for the period as well as values in the balance sheet.

Currency risk
Currency risk may arise from DNB Boligkreditt’s debt securities that are denominated in foreign currencies. DNB Boligkreditt has minimized this currency risk through currency swap agreements with DNB Bank. All issued debt is swapped to NOK.

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

Interest rate risk
The company is exposed to interest rate risk through its ordinary operations. The company’s strategy is to swap all interest risk exposure to short-term interest. 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.

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 it’s long-term borrowing in foreign currencies. However, the loans are hedged 1:1 through the use of basis swap contracts where there is a high correlation between the currencies and interest rate flows, and the hedging instrument. DNB Boligkreditt’s basis risk, as a result of imperfect hedging of positions in foreign currencies, is expected to be low.

The basis swaps designated as hedging instruments are recorded 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 unrealized 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 stabilizing markets or because the maturity dates of the instruments are approaching.

Note 6 Liquidity risk

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the company might be unable to meet its payment obligations when they fall due.

The Board of Directors sets annual limits for the company's liquidity risk, which means preparing liquidity risk limits, contingency plans, organisational aspects and responsibilities, forecasts, stress tests, routines for monitoring limit utilisation and compliance with guidelines, management reporting and independent monitoring of management and control systems.

Covered bonds are the company's primary source of funding. According to Section 2-32 of the Financial Institutions Act*: "the mortgage institution shall ensure that payment flows from the cover assets at all times enable the mortgage institution to meet its payment obligations to the owners of bonds with preferential rights and counterparties in derivative agreements"*.The company's Board of Directors has decided that the company shall, at all times, have positive cash flows within the next 12 months. In a situation where the net cash flow from the lending and funding activities is negative, the company has a long-term overdraft facility in DNB ASA with a total limit of NOK 160 billion.

According to Section 6 in the regulations on sound liquidity management, "the institution shall analyze the liquidity situation by means of stress tests, which must be adapted to the scope, complexity and risk of operations. Experience from the stress tests shall be used when the Board of Directors considers the liquidity strategy and approves liquidity risk limits". As part of its 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 liquidity situation at the end of 2013 can be characterised as sound.

Note 7 Net interest income

DNB Boligkreditt AS

Amounts in NOK 1 000	4th quarter 2013	4th quarter 2012	Full year 2013	Full year 2012
Interest on amounts due from credit institutions	5 628	10 337	37 732	33 769
Interest on loans to customers	5 226 429	4 811 394	20 230 435	18 728 736
Front-end fees etc.	259	5 983	3 641	16 948
Other interest income	52 546	49 101	203 991	181 113
Total interest income	**5 284 862**	**4 876 814**	**20 475 799**	**18 960 566**
Interest on amounts due to credit institutions	421 398	601 720	1 893 187	2 473 577
Interest on debt securities issued	2 716 777	2 488 402	10 404 585	10 540 298
Interest on subordinated loan capital	26 555	25 665	94 536	113 587
Net interest income/expenses, derivatives	79 477	385 873	914 793	1 802 301
Total interest expenses	**3 244 207**	**3 501 660**	**13 307 101**	**14 929 763**
Net interest income	**2 040 655**	**1 375 154**	**7 168 699**	**4 030 802**

Note 8 Net gains on financial instruments

DNB Boligkreditt AS

Amounts in NOK 1 000	4th quarter 2013	4th quarter 2012	Full year 2013	Full year 2012
Net gains on loans at fair value (fixed-rate loans) 1)	413 460	(196 681)	146 895	551 654
Net gains on financial liabilities (long-term borrowing in NOK) 2)	30 960	(279 259)	190 299	(2 581 106)
Total gains on financial instruments, designated as at fair value	444 420	(475 940)	337 194	(2 029 452)
Net gains on foreign exchange and financial derivatives, trading 3)	(730 810)	363 601	(1 034 306)	(1 513 180)
Net gains on financial derivatives, hedging 4) 5)	23 461 213	(11 012 863)	27 611 659	(5 032 029)
Net gains on financial liabilities, hedged items 4) 5)	(23 461 213)	11 012 863	(27 611 659)	5 032 029
Net gains (losses) on financial instruments at fair value	**(286 390)**	**(112 339)**	**(697 112)**	**(3 542 632)**

1) *DNB Boligkreditt's fixed-rate loans are measured at fair value. Increased interest rates, including credit margins, will reduce the fair value of already originated loans. However, new loans granted with a higher interest rate, including credit margin, will over time lead to increased interest income. The fair value adjustments of the company's fixed-rate loans are reversed over the loans' remaining term to maturity.*

2) *DNB Boligkreditt's long-term borrowing in Norwegian kroner is carried at fair value. 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. There was a NOK 8.5 million increase in market values in the fourth quarter of 2013 (negative effect on profits) due to such credit risk premium effects, compared with a NOK 290.9 million increase in market values in the fourth quarter of 2012 (negative effect on profits). For year 2013 the effect was NOK 317.2 million increase in market values (negative effect on profits), compared with a NOK 2 318.1 million increase in market values in 2012 (negative effect on profits). Accumulated negative mark-to-market effects by the end of 2013 were NOK 215.0 million, compared with a positive NOK 102.2 million by year-end 2012.*

3) *DNB Boligkreditt enters into swaps to manage interest-rate risk for the fixed-rate loans and bonds issued in Norwegian kroner. Such derivatives are recorded at fair value.*
Additionally, the company enters into basis swaps to manage foreign currency risk and interest rate risk from DNB Boligkreditt's long-term borrowing in foreign currencies. DNB Boligkreditt's long-term borrowing in foreign currencies is converted to Norwegian kroner by means of cross-currency basis swaps with the same maturities. For funding in Euro, basis swaps from Euro to Norwegian kroner are entered into. 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. This unhedged risk causes unrealised gains and losses in the total comprehensive income for the period. The hedge relationships are set up at the time of issuing the bonds and are continuously monitored until maturity. There was a NOK 452.6 million decrease in market values in the fourth quarter of 2013 (negative effect on profit) due to such basis swap spread effects, compared with a NOK 440.9 million increase in the fourth quarter of 2012 (positive effect on profits). For the year 2013 the effect was a NOK 1 122.5 million decrease in market values (negative effect on profits), compared with a NOK 766.5 million decrease in market values in 2012 (negative effect on profits). Accumulated positive mark-to-market effects by the end of 2013 were NOK 112.5 million, compared with NOK 1 235.0 million by year-end 2012.

4) *Derivatives that are designated as hedging instruments in hedging relationships are recorded at fair value. Changes in fair value arising from hedged risk are presented under Net gains on financial derivatives, hedging.*

5) *DNB Boligkreditt uses hedge accounting with respect to long-term borrowing in foreign currencies. With respect to hedged liabilities, the change in fair value of the hedged items due to the hedged risk is charged to profit or loss. Foreign currency borrowing is hedged with swaps ensuring a high correlation between currencies and interest rates in the hedged items and the hedging instruments. In the table, the interest rate exposure of the NOK leg of the interest rate swaps is included in changes in value of the hedging instrument. However, the NOK leg of the hedging transaction will be exposed to three-month interest rates. This effect is included as part of "net gains on foreign exchange and financial derivatives, trading", together with basis swap spread effects.*

Note 9 Operating expenses

DNB Boligkreditt AS

Amounts in NOK 1 000	4th quarter 2013	4th quarter 2012	Full year 2013	Full year 2012 [2]
Ordinary salaries	2 064	2 963	10 730	12 221
Employer's national insurance contributions	393	348	2 091	1 778
Severance package	0		7 731	-
Pension expenses	(1 125)	1 464	2 056	3 305
Social expenses	566	528	1 515	1 928
Salaries and other personnel expenses	**1 899**	**5 303**	**24 124**	**19 233**
Fees [1]	1 641 122	997 734	5 593 195	2 569 695
Other operating expenses	913	601	3 169	3 362
Other expenses	**1 642 036**	**998 335**	**5 596 364**	**2 573 057**
Operating expenses	**1 643 935**	**1 003 638**	**5 620 488**	**2 592 290**

1) Fees are mainly management fees paid to DNB Bank ASA for services rendered according to the management agreement. See also note 15.

2) Due to changes in principles, some comparative figures have been restated. See further details in note 1 Accounting principles.

Note 10 Loans to customers

DNB Boligkreditt AS

Amounts in NOK 1 000	31 Dec. 2013	31 Dec. 2012
Loans to customers at amortised cost, nominal amount	458 345 160	444 788 951
– Individual impairments	26 501	13 849
Loans to customers, net of impairment allowances	458 318 659	444 775 102
+ Accrued interest	859 045	815 223
– Individual impairments on accrued interest	43 323	39 245
Loans to customers, at amortised cost	**459 134 381**	**445 551 080**
Loans to customers at fair value, nominal amount	71 906 903	72 729 028
– Individual impairments	31 836	31 631
Loans to customers, net of impairment allowances	71 875 067	72 697 397
+ Accrued interest	145 334	147 169
+ Adjustment to fair value	1 235 801	1 088 907
Loans to customers, at fair value	**73 256 203**	**73 933 472**
– Collective impairments	106 571	122 146
Total loans to customers	**532 284 013**	**519 362 406**

Impairment allowances

DNB Boligkreditt AS

Amounts in NOK 1 000	31 Dec. 2013	31 Dec. 2012
Individual impairments	58 337	45 480
Individual impairments on accrued interest	43 323	39 245
Collective impairments	106 571	122 146
Impairment allowances as at end of period	**208 230**	**206 871**

Note 10 Loans to customers (continued)

Impairment expenses for the period — DNB Boligkreditt AS

Amounts in NOK 1 000	4th quarter 2013	4th quarter 2012	Full year 2013	Full year 2012
Individual impairments	26 653	9 773	35 473	27 072
Collective impairments [1)]	(17 920)	238	(15 575)	(14 439)
Recoveries of previous write-offs	(446)	(188)	(3 637)	(4 559)
Impairment expenses for the period	**8 287**	**9 822**	**16 260**	**8 074**

1) *Based on the DNB Group's calculation model and statistics. Further information about collective impairments can be found in note 1 Accounting principles.*

Note 11 Debt securities issued

Debt securities issued — DNB Boligkreditt AS

Amounts in NOK 1 000	31 Dec. 2013	31 Dec. 2012
Listed covered bonds, nominal amount	355 746 021	324 786 963
Private placements under the bond programme, nominal amount	48 460 758	36 988 302
Total bonds, nominal amount	404 206 779	361 775 265
Accrued interest	4 222 277	4 081 912
Unrealised gains/losses	12 022 396	16 673 805
Total adjustments	16 244 672	20 755 717
Total debt securities issued	**420 451 451**	**382 530 982**

Unrealised gains/losses comprise of adjustments for net gain/loss 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 1 000	Balance sheet 31 Dec. 2013	Issued 2013	Matured/ redeemed 2013	Exchange rate movements 2013	Changes in adjustments 2013	Balance sheet 31 Dec. 2012
Bond debt, nominal amount	404 206 779	57 201 508	(46 842 563)	32 072 569	-	361 775 265
Total adjustments	16 244 672	-	-	-	(4 511 045)	20 755 717
Total debt securities issued	**420 451 451**	**57 201 508**	**(46 842 563)**	**32 072 569**	**(4 511 045)**	**382 530 982**

Maturity of debt securities issued — DNB Boligkreditt AS

Amounts in NOK 1 000	NOK	Foreign currency	Total
2014	10 116 500	-	10 116 500
2015	6 047 000	40 687 983	46 734 983
2016	18 924 000	57 942 810	76 866 810
2017	33 363 000	45 262 799	78 625 799
2018	21 000 000	46 298 732	67 298 732
2019	12 622 000	17 711 016	30 333 016
2020 and later	9 000 000	85 230 941	94 230 940
Total bond debt	**111 072 500**	**293 134 280**	**404 206 779**

Note 11 Debt securities issued (continued)

Debt securities issued - matured/redeemed during the period

DNB Boligkreditt AS

Amounts in NOK 1 000

ISIN Code	Matured/ redeemed amount	Currency	Interest	Issued	Matured		31 Dec. 2013	31 Dec. 2012
NO0010378730	1 092 500	NOK	Fixed	2007	2014	Called	4 907 500	6 000 000
NO0010477706	485 500	NOK	Floating	2008	2015	Called	547 000	1 032 500
NO0010485337	10 311 500	NOK	Floating	2009	2014	Called	4 688 500	15 000 000
NO0010495575	5 000 000	NOK	Floating	2009	2016	Called	-	5 000 000
NO0010495575	2 376 000	NOK	Floating	2010	2016	Called	24 000	2 400 000
NO0010503923	2 774 000	NOK	Floating	2009	2017	Called	7 226 000	10 000 000
NO0010503931	1 668 000	NOK	Floating	2011	2017	Called	16 832 000	18 500 000
NO0010524390	800 000	NOK	Floating	2009	2016	Called	9 200 000	10 000 000
NO0010526809	3 520 000	NOK	Floating	2009	2017	Called	6 480 000	10 000 000
NO0010534688	979 500	NOK	Floating	2009	2014	Called	520 500	1 500 000
XS0486443095	25 000	EUR	Fixed	2010	2030	Called	-	203 063
NO0010571946	250 000	NOK	Floating	2010	2015	Called	-	250 000
NO0010598857	175 000	NOK	Fixed	2011	2017	Called	-	175 000
Total debt securities issued, nominal value							**50 425 500**	**80 060 563**

Cover pool

DNB Boligkreditt AS

Amounts in NOK 1 000	31 Dec. 2013	31 Dec. 2012
Pool of eligible loans	527 558 128	514 748 331
Market value of eligible derivatives	33 798 995	5 408 840
Supplementary assets	-	-
Total collateralised assets	**561 357 123**	**520 157 171**
Debt securities issued, carrying value	420 451 451	382 530 982
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(413 808)	(158 896)
Debt securities issued, valued according to regulation [1)]	**420 037 643**	**382 372 086**
Collateralisation (per cent)	133.6	136.0

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 2-28 and 2-31 of the Financial Institutions Act with appurtenant regulations.*

Note 12 Subordinated capital

Subordinated loan capital

DNB Boligkreditt AS

Amounts in NOK 1 000	Nominal	Currency	Interest rate	Issue date	Maturity date	31 Dec. 2013	31 Dec. 2012
Term subordinated loan capital	1 200 000	NOK	3 month Nibor + 152 bp	2008	2018	0	1 200 000
Term subordinated loan capital	850 000	NOK	3 month Nibor + 400 bp	2009	2019	850 000	850 000
Term subordinated loan capital	4 000 000	NOK	3 month Nibor + 170 bp	2013	2023	4 000 000	
Accrued interest						10 381	8 313
Total						**4 860 381**	**2 058 313**

Note 13 Financial instruments at fair value

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 recorded 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 recorded fair value are not based on observable market data.

Loans to customers at fixed interest rates are measured at fair value based on level 3 techniques. The credit margin constitutes a major part of adjustments to fair value.

As at 31 December 2013 **DNB Boligkreditt AS**

Amounts in NOK 1 000	Valuation based on quoted prices in an activa market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Accrued interest [1)]	Total
Assets					
Loans to customers	-	-	73 142 704	145 334	73 288 039
Financial derivatives	-	45 786 413	-	-	45 786 413
Liabilities					
Debt securities issued	-	112 660 084	-	529 811	113 189 895
Financial derivatives	-	11 987 418	-	-	11 987 418

1) For financial derivatives, accrued interest on financial derivatives is included in the level 2- and level 3 amounts.

Note 14 Fair value of financial instruments at amortised cost

Most assets and liabilities in the DNB Boligkreditt's balance sheet are carried at amortised cost.

Amortised cost is the historical cost of the asset or liability at initial recognition, adjusted for repayments of principal, amortisations based on the effective interest rate method and impairments. The value is not based on current market conditions, but rather accounted for based on the originally agreed terms, so in general there will be a difference between the amortised cost value and market value.

The difference is mainly related to changes in interest rates and credit risk. Fair value includes both positive and negative value changes in interest- and credit risk while amortised cost is not adjusted for positive value changes and only to some extent adjusted for negative value changes through impairment.

The table shows estimated fair values of items carried at amortised cost. Values are measured based on the valuation methods described in note 13.

Fair value of financial instruments at amortised cost **DNB Boligkreditt AS**

Amounts in NOK 1 000	Carrying value 31 Dec. 2013	Fair value 31 Dec. 2013
Due from credit institutions	347 081	347 081
Loans to customers	459 204 205	459 204 205
Total financial assets	**459 551 286**	**459 551 286**
Due to credit institutions	115 105 033	115 105 033
Debt securities issued	296 826 745	300 361 169
Subordinated loan capital	4 860 381	4 592 137
Total financial liabilities	**416 792 159**	**420 058 339**

For floating rate loans to customers, the interest rates and margins are changed when the market rates change. The customers have to be notified of all changes in advance of the changes being put into effect, so there is a short period of time where the terms of the loans diverge from market rates. However this delay in timing is considered to have an immaterial effect to the total value of the loans hence the carrying value of these loans are considered to be a relevant measure for fair value.

Debt securities issued that are carried at amortised cost are subject to hedge accounting. The hedge relationships between the bonds and their designated cross currency 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. As the hedging is considered to change the terms related to interest and currency for the bonds to market terms at each reporting date, the carrying value in the balance sheet is considered being adjusted for changes in interest rates and currency. However, changes in credit risk are not accounted for.

Subordinated loan capital is at floating interest rates and carried at amortised cost. Loans due to credit institutions are mainly at floating interest rates and carried at amortised cost, which is considered not to diverge significantly from fair value.

Note 15 Related parties

DNB Boligkreditt AS is a subsidiary within the DNB Group. During the quarter many transactions, mostly related to the ordinary course of business, take place between DNB Boligkreditt and other group entities. All transactions are at markets terms. 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 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 the fourth quarter of 2013, portfolios of NOK 4.7 billion were transferred from the bank to DNB Boligkreditt.

Pursuant to the management agreement, DNB Boligkreditt purchases services from the bank, including administration, bank production, distribution, customer contact, IT operations, financial and liquidity management. DNB Boligkreditt pays a monthly management fee for these services based on the lending volume under management and the achieved lending spreads. The management fee paid is recognised as “Other expences” in the statement of comprehensive income and amounted to NOK 1 639 million for the fourth quarter of 2013 (NOK 994.4 million for the fourth quarter of 2012).

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 end-December, the bank had invested NOK 57.8 billion in covered bonds issued by DNB Boligkreditt.

In the fourth quarter of 2013, DNB Boligkreditt entered into a "Revolving Credit Facility Agreement (RCF)" with DNB Bank ASA. Subject to the terms of this RCF, DNB Bank makes available to DNB Boligkreditt a revolving credit facility at all times equal to DNB Boligkreditt's payment obligations in NOK for the next 12 months in respect of issued Covered Bonds and related derivative hedge agreements. DNB Boligkreditt shall apply all amounts borrowed by it under the RCF towards payments under Covered Bonds and related derivative contracts entered into for hedging purposes for those Covered Bonds. DNB Boligkreditt may not make use of the RCF for the fulfillment of payment obligations related to the ordinary (re-) purchase of Covered Bonds (if any), or to derivative agreements related to such Covered Bonds. The obligations of DNB Bank towards DNB Boligkreditt under the RCF does not constitute a guarantee in respect of amounts due and payable under the Covered Bonds.

DNB Livsforsikring ASA

As part of the company's ordinary investment activity, DNB Livsforsikring has subscribed for covered bonds issued by DNB Boligkreditt. At end-December 2013, DNB Livsforsikring's holding of listed DNB Boligkreditt bonds was valued at NOK 4.6 billion.

DNB Næringskreditt AS

DNB Næringskreditt has no employees and purchases administrative services from DNB Boligkreditt. The fee received for such services is recognised as “Other income” in the income statement and amounted to NOK 1.0 million for the fourth quarter of 2013.

Note 16 Contingencies and post balance sheet events

DNB Boligkreditt is not involved in any legal actions

Key figures

DNB Boligkreditt AS

		4th quarter 2013	4th quarter 2012	Full year 2013	Full year 2012 [2)]
1.	Return on equity, annualised (%) [1)]	1.7	3.5	2.9	(3.5)
2.	Core (Tier 1) capital ratio at end of period (%) [2)]	10.8	10.3	10.8	10.3
3.	Capital adequacy ratio at end of period (%) [2)]	13.0	11.2	13.0	11.2
4.	Core capital at end of period (NOK 1000)	24 082 302	22 024 910	24 082 302	22 024 910
5.	Risk-weighted volume at end of period (NOK 1000)	222 032 203	213 870 241	222 032 203	213 870 241
6.	Impairment relative to net loans to customers, annualised	0.00	0.00	0.00	0.00
7.	Non-performing and impaired loans, per cent of gross loans	0.24	0.23	0.24	0.23
8.	Non-performing and impaired loans gross (NOK 1 000)	1 258 443	1 190 857	1 258 443	1 190 857
9.	Net non-performing and impaired loans, per cent of net loans	0.14	0.13	0.14	0.13
10.	Net non-performing and impaired loans at end of period (NOK 1 000)	729 033	679 246	729 033	679 246
11.	Number of full-time positions at end of period	9	12	9	12

1) Average equity is calculated on the basis of book value of equity.

2) Due to changes in principles, some comparative figures have been restated. See further details in note 1 Accounting principles.

Profit and balance sheet trends

Statement of comprehensive income

DNB Boligkreditt AS

Amounts in NOK 1 000	4th quarter 2013	3rd quarter 2013	2nd quarter 2013	1st quarter 2013	4th quarter 2012 [1)]
Total interest income	5 284 862	5 252 837	5 117 951	4 820 150	4 876 815
Total interest expenses	3 244 207	3 295 404	3 403 727	3 363 762	3 501 660
Net interest income	**2 040 655**	**1 957 432**	**1 714 224**	**1 456 387**	**1 375 154**
Commission and fee income	9 998	17 152	18 813	15 880	18 927
Commission and fee expenses	501	510	525	479	455
Net gains (losses) on financial instruments at fair value	(286 390)	(16 841)	(323 877)	(70 003)	(112 339)
Other income	1 002	444	2 514	2 776	1 200
Net other operating income	**(275 891)**	**244**	**(303 075)**	**(51 827)**	**(92 667)**
Total income	**1 764 764**	**1 957 676**	**1 411 150**	**1 404 561**	**1 282 487**
Salaries and other personnel expenses	1 899	4 634	7 437	10 154	5 194
Other expenses	1 642 036	1 572 824	1 320 809	1 060 696	998 335
Total operating expenses	**1 643 935**	**1 577 458**	**1 328 246**	**1 070 849**	**1 003 529**
Impairments on loans and commitments	8 287	11 830	3 269	(7 126)	9 823
Pre-tax operating profit	**112 542**	**368 388**	**79 634**	**340 837**	**269 136**
Taxes	16 400	103 879	22 163	95 626	75 292
Profit for the period	**96 143**	**264 509**	**57 471**	**245 211**	**193 844**
Other comprehensive income	3 509	-	-	-	6 305
Total comprehensive income for the period	**99 652**	**264 509**	**57 471**	**245 211**	**200 149**

1) *Due to changes in principles, some comparative figures have been restated. See further details in note 1 Accounting principles.*

Balance sheet

DNB Boligkreditt AS

Amounts in NOK 1 000	31 Dec. 2013	30 Sept. 2013	30 June 2013	31 March 2013	31 Dec. 2012 [1)]
Assets					
Due from credit institutions	347 081	1 697 703	1 079 534	1 379 957	13 098 740
Loans to customers	532 284 013	529 690 392	528 296 500	525 701 626	519 362 406
Financial derivatives	45 786 413	38 830 597	25 822 278	29 185 706	29 651 578
Other assets	2 199	13 843	12 907	(378)	5 382
Deferred tax assets	-	-	-	7 494	-
Total assets	**578 419 706**	**570 232 535**	**555 211 219**	**556 274 405**	**562 118 106**
Liabilities and equity					
Due to credit institutions	115 105 033	104 542 294	104 476 837	107 031 618	130 128 238
Financial derivatives	11 987 418	12 319 938	6 816 367	19 368 487	24 243 408
Debt securities issued	420 451 451	427 275 903	417 835 927	404 384 681	382 530 982
Payable taxes	108	425 357	321 478	507 187	285 527
Deferred taxes	398 892	159 460	159 460	-	159 460
Other liabilities	612 370	536 242	890 490	333 126	374 143
Provisions	25 500	36 545	38 428	34 283	26 326
Subordinated loan capital	4 860 381	2 057 897	2 057 842	2 058 106	2 058 313
Total liabilities	**553 441 154**	**547 353 637**	**532 596 830**	**533 717 488**	**539 806 398**
Share capital	2 727 000	2 527 000	2 527 000	2 527 000	2 527 000
Share premium reserve	18 693 000	16 893 000	16 893 000	16 893 000	16 893 000
Other equity	3 558 552	3 458 898	3 194 389	3 136 918	2 891 707
Total equity	**24 978 552**	**22 878 898**	**22 614 389**	**22 556 918**	**22 311 707**
Total liabilities and equity	**578 419 706**	**570 232 535**	**555 211 219**	**556 274 405**	**562 118 106**

1) *Due to changes in principles, some comparative figures have been restated. See further details in note 1 Accounting principles.*

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Other sources of information

Annual and quarterly reports

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

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