Annual report 2014

DNB BOLIGKREDITT AS

– a company in the DNB Group

Key figures

Statement of comprehensive income					**DNB Boligkreditt AS**
Amounts in NOK million	2014	2013	2012	2011	2010
Net interest income	7 650	7 169	4 031	1 667	2 320
Net other operating income	(1 120)	(631)	(3 469)	2 099	1 739
- net gains on financial instruments at fair value	(1 144)	(697)	(3 543)	2 031	1 688
Operating expenses	5 504	5 620	2 592	568	1 301
Impairments on loans and commitments	1	16	8	75	33
Pre-tax operating profit	1 024	901	(2 038)	3 123	2 724
Taxes	277	51	(571)	874	763
Profit for the period	**748**	**850**	**(1 467)**	**2 248**	**1 961**

Balance sheet	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.
Amounts in NOK million	2014	2013	2012	2011	2010
Total assets	644 733	578 420	562 118	490 303	410 528
Loans to customers	555 625	532 284	519 362	463 615	397 640
Debt securities issued	472 368	420 451	382 531	363 273	289 406
Total equity	29 407	25 166	22 312	17 496	12 748

Key figures					
Per cent	2014	2013	2012	2011	2010
Combined weighted total average spread for loans [1)]	1.30	1.21	0.60	0.23	0.51
Return on equity, annualised	2.7	3.6	(7.4)	16.3	20.4
Tier 1 capital ratio at end of period	12.7	11.2	10.3	7.8	7.4
Capital ratio at end of period	14.9	13.3	11.2	8.9	9.3
Impairments relative to net loans to customers, annualised	0.00	0.00	0.00	0.02	0.01
Net non-performing and impaired loans, per cent of net loans	0.14	0.14	0.13	0.14	0.14

1) *Based on nominal values excluding impaired loans, measured against actual funding cost.*

Contents

Directors' report 2014

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors comfirms that the accounts have been prepared on a going concern basis, and that the going concern assumption applies.

Pursuant to Section 3-9 of the Norwegian Accounting Act, DNB Boligkreditt prepares annual accounts in accordance with IFRS, International Financial Reporting Standars, approved by the EU.

DNB Boligkreditt AS is the DNB Group's vehicle for the issue of covered bonds based on residential mortgages. The company's 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 17 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.

Operations in 2014

DNB Boligkeditt recorded a profit of NOK 748 million in 2014, compared with a profit of NOK 850 million in 2013. Loans to customers grew by 4 per cent in 2014, which gave an increase in net interest income. Profits were negatively influenced by an increase in the market value of debt securities issued. The effect from financial instruments was negative also in 2013, though it was less negative this year.

The company's residential mortgage portfolio totalled NOK 555.6 billion at year-end 2014, rising by NOK 23.3 billion or 4.0 per cent over the preceding 12 months. Debt securities issued in the form of covered bonds increased from NOK 420.5 billion in 2013 to NOK 472.4 billion at year-end 2014.

In the course of 2014, the company launched new bond issues under existing funding programmes, whose limits are EUR 60 billion and USD 12 billion, respectively. The market remained attractive for covered bond issuers with a strong credit rating in 2014. The company issued covered bonds for a total of NOK 51.1 billion during the year.

Strategy

DNB Boligkreditt is a tool for DNB Bank to offer residential mortgages on competitive terms. The issue of covered bonds secured by the company's cover pool will ensure favourable funding for the banking group. The bonds are offered in the Norwegian and international financial markets.

DNB Boligkreditt offers mortgages for retail customers that are secured within 75 per cent of appraised value. New mortgages are sold through the bank's distribution channels. The bank is responsible for customer relations and all customer contact, marketing and product development. The company follows the bank's credit policy, credit strategy and credit process.

The quality and risk profile of the mortgages included in the cover pool shall ensure that the company's AAA rating target for its covered bonds is met.

The target group for covered bonds is national and international financial institutions and other investors.

Corporate governance and internal control

DNB Boligkreditt's corporate governance principles are based on the DNB Group's corporate governance policy. The Group's policy follows the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance.

DNB's policy for corporate social responsibility sets the standards for all of the Group's work on both the observance and the further development of corporate social responsibility. In addition, the Group has guidelines, business models and fora that aim to ensure that corporate social responsibility is an integral part of daily operations. Read more about DNB's corporate social responsibility on dnb.no/en/about-us/corporate-social-responsibility.

The Board of Directors of the DNB Group has sub-committees, the Audit Committee and the Risk Management Committee. The Audit committee reviews the annual accounts of DNB Boligkreditt.

The Board of Directors of DNB Boligkreditt reviews the financial reporting process. The company follows the DNB Group's policy for financial governance, which includes requirements for quality assurance of financial reporting processes to ensure relevant, timely and uniform reporting to internal stakeholders, regulators and capital market participants.

DNB Boligkreditt has a management team which is adapted to its organisation and operations. The team reviews the process of internal control over financial reporting, and implements adequate and effective internal processes in accordance with established requirements. Processes include control measures to ensure that the financial reporting is of high quality. Every year, the team makes an evaluation of compliance with external and internal regulations and prepares a plan to implement any required improvements.

The Board of Directors approves management's proposed annual accounts for DNB Boligkreditt.

Review of the annual accounts

DNB Boligkreditt recorded a profit of NOK 748 million in 2014, compared with a profit of NOK 850 million in 2013.

Total income

Income totalled NOK 6 530 million in 2014, down from NOK 6 538 million in 2013.

Amounts in NOK million	2014	Change	2013
Total income	6 530	(8)	6 538
Net interest income		481	
Net commission and fee income		(40)	
Net gains (losses) on financial instruments at fair value		(447)	
Net other income		(2)	

The improvement in net interest income was mainly due to an increase in loans to customers.

A loss of NOK 1 144 million on financial instruments was recorded in 2014, which reflects the effect 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 period to period and will typically be reversed in subsequent periods due to stabilising markets or because the maturity dates of the instruments are approaching. The negative effects of financial instruments in 2014 were mainly due to an increase in the market value of debt securities issued.

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 5 469 million in 2014, down from NOK 5 568 million in 2013.

The company has generally recorded low impairment losses on loans. In 2014, impairment losses amounted to NOK 1.4 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 2014, DNB Boligkreditt had total assets of NOK 644.7 billion under management, an increase of NOK 66.3 billion or 11.5 per cent from year-end 2013.

Amounts in NOK million	31 Dec. 2014	Change	31 Dec. 2013
Total assets	644 733	66 313	578 420
Loans to customers		23 341	
Financial derivatives		42 953	
Other assets		19	
Total liabilities	615 326	62 071	553 254
Due to credit institutions		4 479	
Financial derivatives		315	
Debt securities issued		51 918	
Subordinated loan capital		(2)	
Other liabilities		5 361	

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 51.9 billion from year-end 2013. The company issued covered bonds under existing programmes totalling NOK 51.1 billion during 2014. Total debt securities issued amounted to NOK 472.4 billion at year-end 2014.

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.

At year-end 2014, the company's equity totalled NOK 29.4 billion, of which NOK 27.6 billion represented Tier 1 capital. Total primary capital in the company was NOK 32.5 billion. The Tier 1 capital ratio was 12.7 per cent, while the capital adequacy ratio was 14.9 per cent.

As from 1 July 2015, the capital requirements in Norway will be further increased. On this basis, DNB Boligkreditt will be recapitalised in the first half of 2015.

New regulatory framework

The new EU capital requirements regulations, called the CRR/CRD IV regulations, entered into force on 1 January 2014. The CRR/CRD IV regulations entail significantly higher own funds requirements and new requirements for long-term funding and liquidity reserves. The regulations are intended to apply to all banks and investment firms within the EEA and will be implemented gradually up to 2019. The new regulations present significant challenges for banks, requiring them to increase earnings to build equity.

Due to a stipulation in the Norwegian Constitution on limited access to yield sovereignty, it has not been possible to incorporate the EU regulations establishing the European supervisory authorities, CRR/CRD IV and a number of other EU legislative acts in the area of financial services into the EEA agreement. In the autumn of 2014, Norway and the EU agreed on a solution. The Norwegian government will probably present a proposition about this matter during the first half of 2015. Not until this proposition has been approved can CRR/CRD IV be incorporated in the EEA agreement and Norwegian legislation. Nevertheless, Norway introduced new capital requirements as of 1 July 2013 as the first step in the adaptation to CRR/CRD IV. The capital requirements in Norway imply a gradual increase in capital requirements up till 1 July 2016.

Just like the EU, the Norwegian authorities have chosen to retain the so-called Basel I floor. In the capital adequacyregulations, the Ministry of Finance has specified that the Basel Ifloor in Norway is a floor for calculating risk-weighted assets. In theEU regulation, however, the Basel I floor is unambiguously defined as a minimum level of own funds, which is also reflected in the European Commission's common reporting standard for banks in the EU/EEA. This supervisory practice implies that Norwegian banks appear more weakly capitalised than if the EU's version of the Basel I floor definition had been used.

For systemic risk reasons, the Norwegian authorities have increased capital requirements for home mortgages when these are calculated according to internal models. With effect from the first quarter of 2014, the minimum requirement for the model parameter "loss given default", LGD, was increased from 10 to 20 per cent in the capital adequacy regulations. The minimum requirement applies to the average home mortgage portfolio. On 1 July 2014, Finanstilsynet announced additional calibration requirements for the home mortgage models of IRB banks. Among other things, the minimum requirement for banks' probability of default, PD, estimates for individual loans increases to 0.2 per cent. In addition, the average long-term PD level increases. The banks completed the recalibration in the second half of 2014 and report capital adequacy figures according to the recalibrated model as from the first quarter of 2015.

Employees and working environment

The company had eight employees at year-end 2014, five men and three women. DNB Boligkreditt is committed to equal treatment in relation to gender, age and persons with disabilities. The total number of sickness absence days in 2014 was 4, which represents a rate of 0.2 per cent. No serious workplace accidents were reporterd in 2014.

The working environment in the company is good, and in the opinion of the Board of Directors, the company's activities do not pollute the external environment.

The Board of Directors has five members, including two women.

The Board of Directors would like to thank all emplyees for their contribution to DNB Boligkreditt's strong performance in 2014.

Macroeconomic trends

Overall economic growth for Norway's trading partners slowed in 2014. However, there were significant differences between the various countries. In the US and the United Kingdom, growth held up well. The eurozone countries, on the other hand, experienced a virtual stagnation. In Japan, GDP declined in the second quarter in consequence of the VAT increase in April. There was a mixed picture among emerging economies, with brisk growth in China and India and a near economic standstill in Russia and Brazil.

During the second half of 2014, oil prices, expressed in US dollars, were more than halved. This has had different consequences. The fall in oil prices has resulted in a transfer of income from oil producers to oil consumers, and will contribute to slightly higher global economic growth. Other effects include cheaper energy prices and lower inflation. Consumer prices were down in the eurozone in 2014. In other countries, there was virtually no inflation.

The Norwegian mainland economy grew by approximately 2.5 per cent in 2014. Most macroeconomic indicators point to a slow-down in the growth rate. This trend could be reinforced by falling oil prices and reduced oil investments. Reduced oil prices are reflected in a lower level of activity on the Norwegian Continental Shelf, with spillover effects on the mainland economy. The fall in oil prices has already caused a depreciation of the Norwegian krone relative to other currencies. This reduces household purchasing power, but strengthens the competitive power of exporters and Norwegian producers in the home market.

Housing prices continued to rise in the autumn of 2014 and were 8 per cent higher at end-December 2014 than a year earlier. The strong trend reflected high population growth, a stable unemployment rate, high construction costs, lower interest rates and a housing shortage in some areas.

The market remained attractive for covered bond issuers with strong credit ratings in 2014. Lower returns in other asset classes seemed to have a positive impact on the demand for covered bonds from highly rated issuers.

Future prospects

Economic forecasts for 2015 indicate global economic growth, especially in emerging economies. This is also the case for Norway, in spite of the sharp fall in oil prices and the depreciation of the Norwegian krone. The pace of growth in the Norwegian economy will probably subside in 2015 as a result of declining oil investments and their spillover effects on the mainland economy.

Stable weighted spreads are anticipated in the markets for personal customers and small and medium-sized enterprises, while weighted spreads in the large corporate segments are expected to be stable or to rise marginally. Lending volumes are expected to increase at an annual rate of 3 to 4 per cent.

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 2015 is expected to be on a level with 2014. This provides a further sound basis for DNB Boligkreditt's funding activities.

Dividends and the allocation of profits

The profit for 2014 was NOK 748 million. The Board of Directors proposes that the entire amount be allocated as a group contribution to DNB Bank ASA.

Oslo, 12 March 2015
The Board of Directors of DNB Boligkreditt AS

Bjørn Erik Næss
(chairman)

Reidar Bolme

Elisabeth Ege

Jørn E. Pedersen

Eva-Lill Strandskogen

Per Sagbakken
(chief executive officer)

Statement pursuant to Section 5-5 of the Securities Trading Act

We hereby confirm that the annual accounts for the company for 2014 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole.

The directors' report gives a true and fair view of the development and performance of the business and the company, as well as a description of the principal risks and uncertainties facing the company.

Oslo, 12 March 2015
The Board of Directors of DNB Boligkreditt AS

Bjørn Erik Næss
(chairman)

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Eva-Lill Strandskogen

Per Sagbakken
(chief executive officer)

Comprehensive income statement

Amounts in NOK million	Note	DNB Boligkreditt AS 2014	 2013
Total interest income	7	20 565	20 476
Total interest expenses	7	12 916	13 307
Net interest income	7	**7 650**	**7 169**
Commission and fee income	8	22	62
Commission and fee expenses	8	2	2
Net gains on financial instruments at fair value	9	(1 144)	(697)
Other income		5	7
Net other operating income		**(1 120)**	**(631)**
Total income		**6 530**	**6 538**
Salaries and other personnel expenses	10, 19	15	24
Other expenses	20	5 490	5 596
Total operating expenses		**5 504**	**5 620**
Impairments of loans and commitments	13	1	16
Pre-tax operating profit		**1 024**	**901**
Tax expense	11	277	51
Profit for the period		**748**	**850**
Other comprehensive income		(6)	4
Total comprehensive income for the period		**741**	**854**

Balance sheet

Amounts in NOK million	Note	DNB Boligkreditt AS 31 Dec. 2014	 31 Dec. 2013
Assets			
Due from credit institutions	12, 20	360	347
Loans to customers	4, 12, 13, 17, 18	555 625	532 284
Financial derivatives	5, 12, 14, 17	88 740	45 786
Other assets		8	2
Total assets		**644 733**	**578 420**
Liabilities and equity			
Due to credit institutions	12, 20	119 584	115 105
Financial derivatives	5, 12, 14, 17, 20	12 302	11 987
Debt securities issued	12, 15, 20	472 368	420 451
Payable taxes	11	0	0
Deferred taxes	11	5 722	212
Other liabilities		463	612
Provisions		28	25
Subordinated loan capital	12, 16	4 858	4 860
Total liabilities		**615 326**	**553 254**
Share capital		3 077	2 727
Share premium		21 843	18 693
Other equity		4 487	3 746
Total equity		**29 407**	**25 166**
Total liabilities and equity		**644 733**	**578 420**

Oslo, 12 March 2015
The Board of Directors of DNB Boligkreditt AS

Bjørn Erik Næss
(chairman)

Reidar Bolme

Elisabeth Ege

Jørn E. Pedersen

Eva-Lill Strandskogen

Per Sagbakken
(chief executive officer)

Statement of changes in equity

DNB Boligkreditt AS

Amounts in NOK million	Share capital	Share premium	Actuarial profit and loss	Other equity	Total equity
Balance sheet as at 31 December 2012	**2 527**	**16 893**	**0**	**2 889**	**22 309**
Implementation of the amended IAS 19 - employee benefits			3		3
Balance sheet as at 1 January 2013, restated	**2 527**	**16 893**	**3**	**2 889**	**22 313**
Profit for the period				850	850
Other comprehensive income			4		4
Total comprehensive income for the period			**4**	**850**	**854**
Share issue 16 December 2013	**200**	**1 800**			**2 000**
Balance sheet as at 31 December 2013	**2 727**	**18 693**	**7**	**3 739**	**25 166**
Balance sheet as at 31 December 2013	**2 727**	**18 693**	**7**	**3 739**	**25 166**
Profit for the period				748	748
Other comprehensive income			(6)		(6)
Total comprehensive income for the period			**(6)**	**748**	**741**
Share issue 30 May 2014	350	3 150			3 500
Balance sheet as at 31 December 2014	**3 077**	**21 843**	**0**	**4 487**	**29 407**

Share capital

All shares and voting rights of the company are held by DNB Bank ASA. Share capital at the beginning of 2014 was NOK 2 727 million (27 270 000 shares at NOK 100).

In May 2014, 3 500 000 shares were issued to DNB Bank ASA. Issue price per share was NOK 1 000. After the issuance, share capital was increased by NOK 350 million to NOK 3 077 million (30 770 000 shares) and share premium was increased by NOK 3 150 million to NOK 21 843 million.

Cash flow statement

Amounts in NOK million	DNB Boligkreditt AS 2014	2013
Operating activities		
Net receipts/payments on loans to customers	(5 620)	5 356
Interest received from customers	20 627	20 396
Net receipts/payments on loans to/from credit institutions	4 410	(4 049)
Interest received from credit institutions	19	38
Interest paid to credit institutions	(3 113)	(2 931)
Net receipts/payments on the sale of financial assets for investment or trading	(135)	(19)
Net receipts on commissions and fees	20	60
Payments for operating expenses	(5 660)	(5 371)
Taxes paid	(0)	(283)
Net cash flow relating to operating activities	**10 548**	**13 196**
Investing activities		
Net purchase of loan portfolio	(16 379)	(18 105)
Net cash flow relating to investing activities	**(16 379)**	**(18 105)**
Financing activities		
Receipts on issued bonds and commercial paper	51 107	57 202
Payments on redeemed bonds and commercial paper	(44 617)	(46 843)
Interest payments on issued bonds and commercial paper	(9 269)	(11 935)
Receipts on the raising of subordinated loan capital	0	2 800
Interest payments on subordinated loan capital	(183)	(92)
Share issue	3 500	2 000
Group contribution paid	5 236	0
Net cash flow from financing activities	**5 774**	**3 131**
Net cash flow	**(57)**	**(1 778)**
Cash at beginning of period	60	1 838
Net receipts/payments of cash	(57)	(1 778)
Cash at end of period	3	60

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 are 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 the period, are restricted amounts of NOK 781 260 (NOK 797 751 for 2013) related to withholding employee taxes.

Accounting principles

Corporate information
DNB Boligkreditt AS is a wholly owned subsidiary of DNB Bank ASA. The ultimate parent of the group is DNB ASA. Both the group's and DNB Boligkreditt AS' registered offices, are in Oslo, Norway.

DNB Boligkreditt is the DNB Group's vehicle for the issue of covered bonds based on residential mortgages.

The annual financial statements for the year ended 31 December 2014 were authorised for issue by the Board of Directors on 12 March 2015.

Basis for preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets and liabilities designated as at fair value through profit or loss, which have all been measured at fair value. The carrying values of liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to reflect changes in fair value attributable to the risk that are being hedged.

DNB Boligkreditt AS' functional currency and presentation currency is Norwegian kroner. Unless otherwise specified, values are rounded to the nearest NOK thousands.

The balance sheet is presented mainly in order of liquidity of the balance sheet items.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet only when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis.

No new or amended accounting standards or interpretations have entered into force in 2014 that are of significance to the company.

Conversion of transactions in foreign currency
All transactions in foreign currencies are initially recognised in the statement of comprehensive income or the balance sheet at the transaction date and translated into Norwegian kroner at the foreign exchange rate from that date. Subsequently all monetary items nominated in foreign currencies are translated into Norwegian kroner based on the reporting date foreign exchange rate. Movements in the exchange rates between transaction date and reporting date or settlement date, are recognised in the statement of comprehensive income.

Recognition of income and expenses
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Expenses are recognised as they incur, normally when the services are rendered or the goods purchased are delivered.

Interest income and expenses are recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation of the effective interest includes fees or incremental costs that are directly attributable to the financial instrument.

Interest income and expenses are recognised in the statement of comprehensive income as “Total interest income” and “Total interest expenses” respectively. This applies to interest related to all loans and borrowings, both those carried at amortised cost and those carried at fair value.

Interest on loans that have been written down due to impairment losses, are recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment. For fixed rate loans, this will be the originally calculated effective interest rate. For floating rate loans this will be the effective interest rate applied at the time of calculating the impairment loss.

Commissions are recognised in the statement of comprehensive income when earned as income or incurred as expenses.

Fees for services are recognised as income as rendered.

Financial instruments

Recognition and derecognition of assets and liabilities:
Assets and liabilities are recognised in the balance sheet on trade date, i.e. the date that the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired. Financial liabilities are derecognised when the obligation under the liability is settled or expired.

Initial measurement
The classification of financial instruments at initial recognition depends on the purpose and the management's intentions for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at fair value.

Classification and presentation of financial instruments
On initial recognition financial assets and liabilities are classified in one of the following categories:

- Financial derivatives
- Financial derivatives classified as hedging instruments
- Financial assets and financial liabilities designated as at fair value through profit or loss
- Loans and receivables
- Other financial liabilities

Financial derivatives
The company uses derivatives such as interest rate swaps and cross currency interest rate swaps mainly for hedging purposes. Some of the derivatives are designated as hedging instruments and accounted for as hedging instruments. The other derivatives are accounting for as trading instruments.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fair value changes from changes in interest rates are recognised in the statement of comprehensive income as “Total interest expenses”. Other fair value changes are recognised as “Net gains/(losses) on financial instruments”.

Hedge accounting is described below.

Financial assets and financial liabilities designated as at fair value through profit or loss
Loans to customers with fixed interest rate and issued bonds nominated in Norwegian kroner are on initial recognition designated as at fair value through profit or loss (fair value option). Both the loans and the bonds are issued at fixed interest rates, but swapped to floating rates by the use of interest rate swaps. To reduce measurement inconsistency that would have arisen from measuring loans and bonds at amortised cost while the derivatives are measured at fair value, the loans and bonds are designated as at fair value through profit or loss.

The interest income and expenses are calculated and recognised as described under “Recognition of income and expenses” above. The fair value adjustments are presented in the statement of comprehensive income within the line item "Net gains / (losses) on financial instruments”. If any objective evidence of impairment is identified for the loans at fixed interest rate, the part of the fair value change that represent the impairment is presented within “Impairment on loans and commitments” in the statement of comprehensive income.

The loans are recognised in the balance sheet as “Loans to customers” and the bonds as “Debt securities issued”.

Loans and receivables

Loans with floating interest rates are carried at amortised cost. Amortised cost is the present value of contractual cash flows discounted by the effective interest rate. The effective interest rate method is described under “Recognition of income and expenses” above.

At the end of each reporting period, the company assesses whether there is any objective evidence that the loans are impaired. If an impairment loss is calculated, the book value of the loan is reduced and the impairment amount is recognised in the statement of comprehensive income as “Impairment on loans and commitments”. Impairment of loans is described below.

Loans are presented in the balance sheet within the line item as “Loans to customers”.

Other financial liabilities

This category comprises all financial liabilities other than bonds nominated in Norwegian kroner, and includes bonds nominated in foreign currencies, balances due to banks, subordinated loan capital and short term payables. Other financial liabilities are carried at amortised cost and interest is recognised using the effective interest rate method. The effective interest rate method is described under “Recognition of income and expenses” above.

The company uses interest rate swaps to hedge the interest rate risk related to the bonds issued in foreign currencies. The derivatives and the bonds are designated as hedging relationships qualifying for hedge accounting. In the balance sheet the bonds are carried at amortised cost, but adjusted for fair value attributable to the risk that are being hedged. The bonds are recognised in the balance sheet as “Debt securities issued”.

Hedge accounting is described below.

Subsequent measurement of financial instruments measured at fair value

Fair value is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and financial liabilities are measured at bid or asking prices respectively. Derivatives which are carried net, are recorded at midmarket prices at the balance sheet date.

With respect to instruments traded in an active market (level 1), quoted prices are used. A market is considered active if it is possible to obtain external, observable prices, exchange rates or interest rates and these prices represent actual and frequent market transactions. DNB Boligkreditt has currently no financial instrument traded in active markets.

Fair values of financial instruments not traded in active markets are determined by using valuation techniques. As far as practicable, the input to the valuations is based on observable market data. The extent of observable market data included in the valuation, places the valuations in the valuation hierarchy either in level 2 or level 3. In all valuations of financial instruments in DNB Boligkreditt, observable market data input are used to some degree. If a valuation includes one or more input parameters that are based on unobservable inputs and these inputs may significantly change the value of the instrument, the valuation is presented in level 3 in the valuation hierarchy.

For financial instruments with input significantly based on observable market data (level 2), fair values are mainly determined based on:

- recently observed transactions in the relevant instrument between informed, willing and independent parties;
- quoted prices for instruments traded in an active market which are substantially similar to the instrument that is valued
- other valuation techniques where key parameters are based on observable market data

For financial instruments whose valuations include significant unobservable input (level 3), fair values are determined based on discounted estimated cash flows. This is mainly relevant for loans to customers. The value of fixed-rate loans is determined by discounting agreed interest flows over the term of the loan, using a discount factor adjusted for margin requirements.

For financial instruments measured by using valuation techniques a gain or loss might from time to time occur at initial recognition when the estimated fair value is different from the actual transaction price. When the measurement is based on non-observable input parameters (level 3) the gain or loss is deferred and therefore not recognised at day-one. Fair value changes in later period are only recognised to the extent the change is caused by a factor that market participant would take into account.

When using valuation techniques, the estimated fair values of financial OTC derivatives are adjusted for the counterparty’s credit risk (CVA) or DNB Boligkreditt’s own credit risk (DVA). The company estimates CVA as a function of simulated expected positive exposure, a counterparty’s probability of default, and a loss given default. The majority of the DNB Boligkreditt’s derivatives counterparties have no market-implied credit spread and no external rating. Internal ratings are therefore combined with historical credit default swap (CDS) spreads as well as current CDS indices to arrive at estimated CDS spreads. This means that the company exploits its own credit models and their discriminatory power, but calibrates against pricing levels for similar credit risk among market participants. The DVA is based on the same approach but where an assessment of DNB Boligkreditt’s credit spread is used.

Impairment of loans carried at amortised cost

At the end of each reporting period, the company considers whether any objective evidence of impairment exists. Objective evidences that indicate a loss event include significant financial difficulties of the borrower, breaches of contract such as defaulted payments of interest or principal, renegotiations of terms due to financial difficulties, it is becoming probable that the borrower will enter bankruptcy or financial renegotiations or national or local events that indicate that certain groups of borrowers will enter financial difficulties.

If objective evidence of a loss event exists, the impairment loss is calculated as the difference between the value of the loan recognised in the balance sheet and the present value of estimated future cash flows discounted by the effective interest rate.

The effective interest rate used is the loan’s effective interest rate at the time objective evidence of impairment was identified. The effective interest rate is not adjusted to reflect changes in the credit risk and terms of the loan due to objective indications of impairment being identified.

All individually significant loans are assessed individually for impairment. All other loans, including individually significant loans to which there are not recognised any impairment adjustment, are collectively assessed for impairment. The collective assessment is done for groups of loans with similar characteristics related to sector, risk classification and credit risk. The impairment amount is calculated per group based on estimates of the general economic situation and historical loss experiences for each group. As for individual impairment calculations, collective impairments are based on discounted future cash flows. The cash flows are discounted on the basis of statistics derived from the individual impairment calculations.

The estimated impairment loss reduces the value of the loans recognised in the balance sheet. The change in impairment for the period is recognised in the statement of comprehensive income within the line item “Impairment on loans and commitments”.

Hedge accounting

The company uses derivative instruments to manage exposure to interest rate related to long-term borrowings in foreign currencies. At initial recognition derivatives and borrowings are designated as hedging relationships, accounted for as fair value hedges.

Upon entering into a hedge relationship, the correlation between the hedged item and the hedging instrument is documented. In addition, the goal and strategy underlying the hedging transaction are documented. Degree of offset is verified in the form of a test of hedge effectiveness at the beginning and end of the relevant period.

Hedging instruments are measured at fair value. Fair value changes are recognised in the statement of comprehensive income within the line item "Net gains / (losses) on financial instruments”.

The hedged items are measured at amortised cost, adjusted for changes in fair value attributable to the hedged risk.

The changes in value of the attributable hedged risks are recognised in the statement of comprehensive income within the line item "Net gains / (losses) on financial instruments”.

If the hedge relationship ceases or adequate hedge effectiveness cannot be verified, the adjustment to the hedged item due to changes in fair value attributable to the hedged risk is amortised over the remaining period to maturity.

Income taxes

Taxes for the year comprise payable taxes for the financial year, any payable taxes for previous years and changes in deferred taxes. Deferred taxes are calculated on temporary differences. Temporary differences are differences between the recognised value of an asset or liability and the taxable value of the asset or liability. Deferred taxes are calculated on the basis of tax rates and tax rules that apply on the balance sheet date or are highly likely to be approved and are expected to be applicable when the deferred tax asset is realised or the deferred tax liability settled. The most significant temporary differences refer to financial derivatives and revaluations of certain financial assets and liabilities.

Deferred tax assets are recognised in the balance sheet to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred taxes and deferred tax assets are recognised net in the company's balance sheet.

Cash flow statements

The cash flows are presented as operating activities, investment activities or funding activities. Cash is defined as cash, deposits with banks and deposits with credit institutions with no agreed period of notice. The cash flow statement has been prepared in accordance with the direct method.

Approved standards and interpretations that have not entered into force

The IASB has published a number of amendments to current regulations which have not entered into force. Below is a description of the amendments which may affect the company’s future reporting.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the new standard for financial instruments IFRS 9 Financial Instruments which will replace the current IAS 39. The new standard introduces a business model oriented approach for classification of financial assets, an expected-losses model for impairment and a new general hedge accounting model. IASB is still working on a new requirements related to macro hedge accounting. This work has been established as a separate project and is expected to be finalized as a new standard at a later point in time.

IFRS 9 is effective from 1 January 2018 but earlier application is permitted. The standard has not yet been adopted by the EU but it is expected that this will be done during 2015. DNB Boligkreditt AS does not currently intend to utilise the opportunity for early adoption.

The preliminary expectation is that the implementation of IFRS 9 will result in an increase in impairment losses due to the change from an incurred loss model to an expected loss model. DNB Boligkreditt AS has started working with the implementation process, but it is still too early to give an estimate of the expected impact on DNB Boligkreditt AS’s financial statements.

Note 1 Important accounting estimates, judgments and assumptions

When preparing the consolidated financial statements, management makes estimates, judgment and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date.

Impairment of loans

If objective evidence of impairment exists, impairment losses on loans are recognised individually or collectively. The impairment loss is calculated as the difference between the carrying amount of the loan and the net present value of estimated future cash flows discounted with the effective interest rate. Estimates of future cash flows are based on empirical data and management's judgment of future macroeconomic developments and developments in the performance of the actual loans, based on the situation at the balance sheet date. Expected future cash flows include amounts that may result from restructuring or settlement of the pledged asset. When considering impairment of loans, there will be several elements of uncertainty with respect to the identification of impaired loans, the estimation of amounts and the timing of future cash flows, including the valuation of collateral.

Individual impairment

When estimating impairment on individual loans both the current and the future financial position of the customer is considered. This includes the probability of potential restructuring, refinancing and settlement of the pledged asset. An overall assessment of these factors forms the basis for estimating future cash flows. The discount period is estimated on an individual basis or based on empirical data about the period it normally takes to reach a solution to the problems that caused the impairment.

Collective impairment

Loans, which are not individually impaired, are assessed collectively for impairment. The loans are divided into groups of loans with similar characteristics related risk classification and credit risk. The expected future cash flow is estimated on the basis of expected losses and the anticipated economic situation for the respective group of loans. Expected losses are based on historical loss experiences for the relevant group. The economic situation is assessed by means of economic indicators for each group based on external information about the markets. Various parameters are used depending on the group in question. Key parameters are house prices and production gaps, which give an indication of capacity utilisation in the economy and housing prices.

Fair value of financial derivatives, bonds and loans to customers

The fair value of financial instruments that are not traded in an active market is determined by using different valuation techniques. The company considers and chooses techniques and assumptions that as far as possible are based on observable market data representing the market conditions on the balance sheet date. When measuring financial instruments for which observable market data are not available, the company makes assumptions regarding what market participants would use as the basis for valuing similar financial instruments. The valuations require application of significant judgment when calculating liquidity risk, credit risk and volatility among others. Changes in these factors would affect the estimated fair value of the company's financial instruments. For more information see note 17 Financial instruments at fair value.

Note 2 Capitalisation policy and capital adequacy

DNB Boligkreditt is the DNB Group's vehicle for the issue of covered bonds based on residential mortgages. The primary objectives of the company's capital management policy are to ensure that the company complies with externally imposed capital ratios and that the company maintains strong credit ratings and healthy capital ratios in order to support its business. The new EU capital requirements regulations, called the CRR/CRD IV regulations, entered into force on 1 January 2014. The CRR/CRD IV regulations entail significantly higher own funds requirements and new requirements for long-term funding and liquidity reserves. The regulations are intended to apply to all banks and investment firms within the EEA and will be implemented gradually up to 2019.

From 30 June 2007, the company has been granted permission to use the Internal Ratings Based ("IRB") approach for credit risk to calculate the total risk-weighted assets. However, as long as Norwegian transitional rules relating to full implementation of the IRB approach remain in force, the total risk-weighted assets cannot be reduced below 80 per cent of the Basel I requirements.

The new legislation requires a common equity Tier 1 capital ratio of 11.5 per cent and a capital adequacy ratio of 13.5 per cent from 1 July 2014. The requirement of the Tier 1 capital ratio will be increased to 13.5 per cent by 1 July 2015, while the capital adequacy requirement will be increased to 15.5 per cent. From 1 July 2016 the requirement will be further increased to 14.5 per cent Tier 1 capital ratio and 16.5 per cent capital adequacy. On 12 March 2015, the Board of Directors approved a new capitalisation policy. The policy sets forth that, upon full implementation of the IRB system in 2016, the common Tier 1 capital ratio shall be minimum 15.0 per cent, calculated as the minimum regulatory requirement (as of 1 July 2016 14.5 per cent, including 1.5 per cent of hybrid capital) plus a buffer of minimum 0.5 per cent.

DNB Boligkreditt, based on its current capital structure, is expected to be further capitalized during the second quarter of 2015 to meet the new capital ratio requirements with effect from 1 July 2016. The Board of Directors will, on an ongoing basis, evaluate the company's capitalization needs in light of the international development.

The company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. The main source of capital is the issuing of covered bonds which is part of the long-term plan of financing the DNB Group. In order to maintain or adjust the capital structure within DNB Boligkreditt in the short run, the company may adjust group contributions and dividends paid to the DNB Group and issue new shares to the parent.

Note 2 Capitalisation policy and capital adequacy (continued)

Primary capital — **DNB Boligkreditt AS**

Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Share capital	3 077	2 727
Other equity	26 330	22 439
Total equity	29 407	25 166
Deductions		
Expected losses exceeding actual losses, IRB-portfolios	(766)	(159)
Value adjustments due to the requirements for prudent valuation	(398)	-
Adjustments for unrealised losses/(gains) on liabilites recorded at fair value	157	(74)
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities	(13)	-
Allocated group contributions for payment	(748)	0
Common equity Tier 1 capital	27 640	24 933
Term subordinated loan capital	4 850	4 850
Deductions		
Expected losses exceeding actual losses, IRB-portfolios	-	(159)
Tier 2 capital	4 850	4 691
Total eligible primary capital	32 490	29 623
Risk-weighted volume	217 886	222 032
Minimum capital requirement	17 431	17 763
Common equity Tier 1 capital ratio (%)	12.7	11.2
Capital ratio (%)	14.9	13.3

DNB Boligkreditt complies to the Basel III regulations.

Due to the transitional rules, the minimum capital adequacy requirement for 2014 cannot be reduced below 80 per cent in relation to the requirements according to Basel I rules. Capital adequacy for 2014 is reported according to the transitional rules.

Specification of risk-weighted volume and capital requirements — **DNB Boligkreditt AS**

Amounts in NOK million	Exposure 31 Dec. 2014	EAD 31 Dec. 2014	Risk-weighted volume 31 Dec. 2014	Capital requirements 31 Dec. 2014
IRB approach				
Corporate	6 279	6 279	3 616	289
Retail - residential property	564 213	564 213	91 291	7 303
Total credit-risk, IRB approach	570 492	570 492	94 906	7 592
Standardised approach				
Institutions	20 867	20 867	10 433	835
Corporate	16 877	16 852	5 970	478
Retail - residential property	12 519	11 656	4 308	345
Other assets	8	8	8	1
Total credit-risk, standardised approach	50 271	49 382	20 719	1 658
Total credit-risk	620 763	619 874	115 625	9 250
Credit value adjustment (CVA)			1 410	113
Operational risk			9 499	760
Deductions			0	0
Total risk-weighted volume and capital requirements before transitional rule			126 534	10 123
Additional capital requirements according to transitional rules			91 352	7 308
Capital requirements			217 886	17 431

Note 3 Risk management

Risk management in DNB Boligkreditt AS

The Board of Directors of DNB ASA has a clearly stated goal to maintain a low risk profile. DNB Boligkreditt AS is part of the DNB Group and a wholly owned subsidiary of DNB Bank ASA. The profitability of DNB will depend on the Group's ability to identify, manage and accurately price risk arising in connection with financial services.

Organisation and authorisation structure

- *Board of Directors*. The Board of Directors of DNB Boligkreditt sets long-term targets for the company's risk profile which are harmonised with the Group's risk targets. The risk profile is operationalised through the risk management framework, including the establishment of authorisations.
- *Authorisations*. Authorisations must be in place for the extension of credit and for position and trading limits in all critical financial areas. All authorisations are personal. Authorisations and company limits are determined by the Board of Directors and can be delegated in the organisation. According to the management agreement dated 25 June 2007, credit authorisations have been granted to DNB Bank.
- *Annual review of limits*. Risk limits are reviewed at least annually in connection with budget and planning processes.
- *Independent risk management functions*. Risk management functions and the development of risk management tools are undertaken by units that are independent of operations in the individual business areas in DNB Bank.

Monitoring and use

- *Accountability*. All executives are responsible for risk within their own area of responsibility and must consequently be fully updated on the risk situation at all times.
- *Risk reporting*. Risk reporting in the DNB Group ensures that all executives have the necessary information about current risk levels and future developments. To ensure high-quality, independent risk reports, responsibility for reporting is assigned to units that are independent of the operational units.
- *Capital assessment*. A summary and analysis of the company's capital and risk situation is presented in a special risk report to the Board of Directors of DNB Boligkreditt.
- *Use of risk information*. Risk is an integral part of the management and monitoring of business operations.

Risk categories in DNB Boligkreditt AS

For risk management purposes, DNB Boligkreditt distinguishes between the following risk categories:

- *Credit risk* is the risk of losses due to failure on the part of the company's counterparties/customers to meet their payment obligations. Credit risk refers to all claims against counterparties/customers, mainly loans. The company's credit risk is considered to be low as all loans in the cover pool, cf. requirements in the Financial Institutions Act, are residential mortgages secured within 75 per cent of appraised value. Note 4 contains an assessment of the company's credit risk at year-end 2013 and 2014.
- *Market risk* arises as a consequence of open positions in foreign exchange and interest rate. Note 5 contains an assessment of the company's market risk at year-end 2013 and 2014.
- *Basis risk* is the 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. Basis risk arises from differences between the underlying position whose price is to be hedged and the asset underlying the derivative or due to a mismatch between the expiration date of the derivative and the actual selling date of the underlying position. Basis risk may occur because of mismatches in start date, expiration date, place of delivery, quality, pro/cons regarding the stock of underlying instrument, credit risk or offer- and demand effects.
- *Liquidity risk* is the risk that the company will be unable to meet its payment obligations. The company's liquidity risk is considered to be insignificant and well within legal requirements and requirements set by the rating agencies. Note 6 contains an assessment of the company's liquidity risk at year-end 2013 and 2014.
- *Operational risk* is the risk of losses due to deficiencies or errors in processes and systems, errors made by employees or external events.
- *Business risk* is the risk of losses due to external factors such as the market situation or government regulations. This risk category also includes reputational risk. Decline in housing prices is a business risk related to the residential mortgage portfolio, as well as stricter rules from the Financial Supervisory Authority for loan-to-value ratios, liquidity calculations and the basis for approving home equity credit lines and interest-only periods.

The DNB Group uses a total risk model to quantify risk and calculates risk-adjusted capital requirements for individual risk categories and for the Group's overall risk in the business areas, including the individual group subsidiaries. Risk-adjusted capital requirements should cover unexpected losses which may occur in operations in exceptional circumstances. Quantifications are based on statistical probability calculations for the various risk categories, using historical data.

DNB Boligkreditt uses financial derivatives as part of risk management to handle currency and interest rate risk. The company primarily uses interest rate and currency swaps as hedging instruments. The company uses interest rate and currency swaps to hedge all foreign currency positions. Interest rate flows relating to both borrowings and loans are swapped to short-term fixed interest. The total interest rate risk is insignificant.

For the long-term borrowing in foreign currencies, DNB Boligkreditt typically enters into basis swaps to convert the foreign currency into Norwegian kroner.The payment of interest will thus be in Norwegian kroner based on a swap curve, which may have been reduced or increased by a margin (spread), and the company will receive interest in the foreign currency in return. Such risk premiums, named *basis swap spreads*, vary significant on a day-to-day basis, and thus cause volatility in the income statement. This risk cannot be reduced through accepted hedging techniques. However, as the contracts are generally hold to maturity, these effects will be balanced out over time.

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's risk classification [1)]

	Probability of default (per cent)		External rating	
Risk class	As from	Up to	Moody's	Standard & Poor's
1	0.01	0.10	Aaa - A3	AAA - A-
2	0.10	0.25	Baa1 - Baa2	BBB+ - BBB
3	0.25	0.50	Baa3	BBB-
4	0.50	0.75	Ba1	BB+
5	0.75	1.25	Ba2	BB
6	1.25	2.00		
7	2.00	3.00	Ba3	BB-
8	3.00	5.00	B1	B+
9	5.00	8.00	B2	B
10	8.00	impaired	B3, Caa/C	B-, CCC/C

1) DNB's risk classification system, where 1 represents the lowest risk and 10 the highest risk.

DNB Boligkreditt's majority of credit risk is related to loans to customers with collateral security in residential property, holiday homes and housing associations. DNB Boligkreditt acquires the loans from DNB Bank. The loans are originally granted to customers by DNB Bank, based on the groups policies and limits. At the time of transfer of loan portfolios from DNB Bank to DNB Boligkreditt, only loans that qualify as collateral for the issue of covered bonds according to the Financial Institutions Act, are accepted by the company. For all these loans, a mortgage over the property is taken and the value of the total loan balance per property should not exceed 75 per cent of the total value of the property. The collateral value is monitored on an ongoing basis.

As a result, the collateral value per 31 December 2014 exceeds the total loan balance per property with a margin. Total loan balance by year-end 2014 was NOK 555 625 million.

Loans and commitments according to risk classification

In the table below, all loans to customers and undrawn commitments are presented per risk class. The amounts are based on the nominal amounts before adjustments for impairments, accrued interest and fair value changes.

Loans for which payments are overdue with more than 90 days are considered non-performing and transferred to "Non-performing loans". Loans that are overdue less than 90 days are not considered non-performing, but are subject to monitoring. See table and further description of "Past due loans not subject to impairment", below.

Loans and commitments according to risk classification — **DNB Boligkreditt AS**

Amounts in NOK million	Gross loans	Undrawn limits (committed)	Total loans and commitments
Risk category based on probability of default			
1 - 4	432 598	40 544	473 142
5 - 6	99 935	5 495	105 430
7 - 10	18 430	588	19 018
Non-performing and impaired loans and commitments	1 277	0	1 277
Total loans and commitments as at 31 December 2014	552 239	46 627	598 866
Risk category based on probability of default			
1 - 4	410 380	37 157	447 537
5 - 6	98 767	5 100	103 867
7 - 10	19 847	616	20 463
Non-performing and impaired loans and commitments	1 258	0	1 271
Total loans and commitments as at 31 December 2013	530 252	42 873	573 138

Note 4 Credit risk (continued)

Past due loans not subject to impairment

The table below shows the amount of loans that are overdue by number of days overdue. Late payments due to delays in payment transfers are not considered past due. Past due loans are subject to continual monitoring and assessed for impairment if a deterioration of customer solvency is probable or if other objective evidences of impairment are identified. Past due loans subject to impairment are not included in the table.

Past due loans not subject to impairment	**DNB Boligkreditt AS**	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
No. of days past due/overdrawn		
1 - 29	41	48
30 - 59	8	6
60 - 89	2	1
> 90	0	0
Past due loans not subject to impairment	51	54

Loans at fair value

Loans to customers with fixed interest rates are measured at fair value. The maximum credit risk exposure for such loans per 31 December 2014 amounted to its carrying balance sheet amount of NOK 64 billion (NOK 73 billion in 2013).

Current and cumulative changes in the fair value of loans attributable to changes in credit risk are only calculated for those loans outstanding on the balance sheet date.

Loans and deposits designated as at fair value	**DNB Boligkreditt AS**	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Loans and deposits designated as at fair value	63 927	73 288
Total exposure to credit risk	63 927	73 288
Value adjustment from credit risk [1)]	64	140
Value adjustment from change in credit risk [1)]	(76)	2

1) *Credit risk reflected in fair value measurements is based on normalised losses and changes in normalised losses in the relevant portfolio.*

For further details on the loans and collateral security, see note 13 Loans to customers.

Note 5 Market risk

Conditions for calculating market risk

Market risk arises as a consequence of open positions in foreign exchange and interest rate. Risk is linked to variations in financial results due to fluctuations in market prices and exchange rates.

Currency risk

DNB Boligkreditt has minimized currency risk through currency swap agreements with DNB Bank.

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

The table below indicates the currencies to which the company had significant exposure at 31 December 2014 on issued debt. The analysis calculates the effect of a reasonably possible movement of the currency rate against Norwegian kroner if all positions were unhedged, with all other variables held constant, on the income statement. A negative amount in the table reflects a potential net reduction in income, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against Norwegian kroner would have resulted in an equivalent but opposite impact.

Currency risk sensitivity	2014		**DNB Boligkreditt AS** 2013	
	Change in currency rate in per cent	Effect on pre-tax profits (NOK million)	Change in currency rate in per cent	Effect on pre-tax profits (NOK million)
EUR	+10	(28 586)	+10	(23 792)
USD	+10	(4 467)	+10	(3 673)
CHF	+10	(1 456)	+10	(1 330)
Others	+15	(560)	+15	(518)

Note 5 Market risk (continued)

Interest rate risk

DNB Boligkreditt is exposed to interest rate risk through its ordinary operations. The company's strategy is to swap to short-term fixed interest on all interest income and interest expenses. Fixed interest on the company's funding is managed through interest rate swaps and is managed relative to the company's customer loan portfolios.

The Board of Directors sets interest risk limits for various fixed-rate periods. The positions are monitored on a daily basis, and monthly exposure reports are prepared for the management and for The Board of Directors.

The table below shows net changes in market value (reflected in the statement of comprehensive income) in Norwegian kroner for each 1 percentage point (100 basis points) interest rate adjustment in the company's portfolios of loans, derivatives, bonds and other funding. The sensitivity analysis shows expected effects in the income statement in connection with a 1 percentage point parallel change in interest rates on the entire interest curve.

Interest rate risk	**DNB Boligkreditt AS**	
	Change in interest rate levels in basis points	Effect on pre-tax profits (NOK 1 million)
2014	+100	(33)
	-100	33
2013	+100	(47)
	-100	47

Relative to the company's primary capital of NOK 32.5 billion, the company's interest rate risk is considered to be insignificant. In the opinion of the company's management, the company does not assume greater interest rate risk than what is considered prudent; cf. the requirements in Section 5 in the regulations on mortgage institutions issuing covered bonds of 25 May 2007.

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. DNB Boligkreditt's basis risk, as a result of imperfect hedging of positions in foreign currencies, is expected to be low.

The basis swaps are 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. Accumulated positive effects from changes in basis swap spreads per year-end 2014 were NOK 41 millon (NOK 113 million in 2013).

Note 6 Liquidity risk

Liquidity risk is 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 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 had a long-term overdraft facility in DNB Bank ASA with a total limit of NOK 160 billion by end December 2014 (same amount in 2013).

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 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's liquidity situation at year-end is considered as sound.

Note 6 Liquidity risk (continued)

Residual maturity as at 31 December 2014							DNB Boligkreditt AS
Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Loans to and deposits with credit institutions	360						360
Loans to customers	2 112	137	717	6 903	543 291	(103)	553 058
Other assets	8						8
Total	2 479	137	717	6 903	543 291	(103)	553 425
Liabilities							
Due to credit institutions	119 584						119 584
Debt securities issued 1)		4 768	49 376	271 268	119 382		444 794
Other liabilities		445					445
Subordinated loan capital		8		850	4 000		4 858
Total	119 584	5 220	49 376	272 118	123 382	0	569 680
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cashflows	252	382	45 045	207 511	105 371		358 561
Outgoing cashflows	(846)	(903)	(41 165)	(188 740)	(97 722)		(329 376)
Financial derivatives, net settlement	1 066	860	4 756	17 604	11 673		35 960
Total financial derivatives	473	339	8 636	36 375	19 322	0	65 145

Residual maturity as at 31 December 2013							DNB Boligkreditt AS
Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Loans to and deposits with credit institutions	347						347
Loans to customers	1 077	100	761	6 865	522 462	(107)	531 158
Other assets	2						2
Total	1 427	100	761	6 865	522 462	(107)	531 508
Liabilities							
Due to credit institutions	115 105						115 105
Debt securities issued 1)		4 222	10 117	269 526	124 564		408 429
Other liabilities	805					232	1 037
Subordinated loan capital		10			4 850		4 860
Total	115 910	4 233	10 117	269 526	129 414	232	529 431
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cashflows	269	313	1 707	194 581	108 185		305 055
Outgoing cashflows	(780)	(813)	(4 682)	(193 028)	(105 657)		(304 961)
Financial derivatives, net settlement	862	677	4 373	17 912	12 175		35 999
Total financial derivatives	350	177	1 397	19 465	14 703	0	36 093

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

Note 7 Net interest income

	DNB Boligkreditt AS					
	2014			2013		
Amounts in NOK million	Recorded at fair value	Recorded at amortised cost [1)]	Total	Recorded at fair value	Recorded at amortised cost [1)]	Total
Interest on amounts due from credit institutions	-	19	19	-	38	38
Interest on loans to customers	2 639	17 689	20 328	2 925	17 305	20 230
Front-end fees etc.	-	219	219	-	208	208
Total interest income	**2 639**	**17 927**	**20 565**	**2 925**	**17 551**	**20 476**
Interest on amounts due to credit institutions	-	2 141	2 141	-	1 893	1 893
Interest on debt securities issued	2 625	7 548	10 173	3 681	6 724	10 405
Interest on subordinated loan capital	-	180	180	-	95	95
Net interest income/expenses, derivatives	421	-	421	915	-	915
Total interest expenses	**3 046**	**9 870**	**12 916**	**4 596**	**8 712**	**13 307**
Net interest income	**(407)**	**8 057**	**7 650**	**(1 671)**	**8 839**	**7 169**

1) Includes hedged items.

Note 8 Net commission and fee income

	DNB Boligkreditt AS	
Amounts in NOK million	2014	2013
Money transfer fees	(35)	(1)
Sundry commissions and fees on banking services	57	63
Commission and fee income	**22**	**62**
Fees on custodial services	2	2
Sundry commissions and fees on banking services	0	0
Commission and fee expenses	**2**	**2**
Net commission and fee income	**20**	**60**

Note 9 Net gains on financial instruments at fair value

	DNB Boligkreditt AS	
Amounts in NOK million	2014	2013
Net gains on loans at fair value (fixed-rate loans) [1)]	1 425	147
Net gains on financial liabilities (long-term borrowing in NOK) [2)]	(1 586)	190
Total gains on financial instruments, designated as at fair value	(161)	337
Net gains on foreign exchange and financial derivatives, trading [3) 4)]	(1 498)	(1 034)
Net gains on financial derivatives, hedging [4) 5)]	12 181	27 612
Net gains on financial liabilities, hedged items [5)]	(11 665)	(27 612)
Net gains (losses) on financial instruments at fair value	**(1 144)**	**(697)**

1) *DNB Boligkreditt's fixed-rate loans are measured at fair value. Reduced interest rates, including credit margins, will increase the fair value of already originated loans. However, new loans granted with a lower interest rate, including credit margin, will over time lead to decreased 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. For the year 2014 the effect was NOK 748.0 million increase in market values (negative effect on profits), compared with a NOK 317.2 million increase in market values in 2013 (negative effect on profits). Accumulated negative mark-to-market effects by the end of 2014 were NOK 963.1 million, compared with a negative NOK 215.0 million by the end of 2013.*
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 from DNB Boligkreditt's long-term borrowing in foreign currencies. The swaps are entered into at the time of issuing the bonds and are continuously monitored until maturity. Hedge accounting is not used for these economic hedges. These derivatives are carried at fair value (see footnote 4). There may be significant variations in the value of the basis swaps from day to day, due to changes in basis swap spreads which are recorded as unrealised gains and losses in the total comprehensive income for the period. For the year 2014 the effect was a NOK 71.6 million decrease in market values (negative effect on profits), compared with a NOK 1 122.5 million decrease in market values in 2013 (negative effect on profits). Accumulated positive mark-to-market effects by the end of 2014 were NOK 40.9 million, compared with accumulated positive effects of NOK 112.5 million by the end of 2013.*
4) *All derivatives are measured at fair value. As part of this valuation a credit value adjustment (CVA) and debit value adjustment (DVA) is estimated to incorporate the counterparty credit risk as well as its own credit risk. During the fourth quarter of 2014 the company has further developed its estimation method to even better utilize external input parameters to the extent possible. Consequently, NOK 537 million has been recognised in the income statement in the period.*
5) *As from 1 January 2014, DNB Boligkreditt uses hedge accounting only for the interest rate component inherent in the long-term borrowings in foreign currency. With respect to hedged liabilities, the change in fair value of the hedged item is charged to the income statement. Derivatives that are designated as hedging instruments in hedging relationships are recorded at fair value (see footnote 4). Changes in fair value arising from hedged risk are presented under Net gains on financial derivatives, hedging. Foreign currency borrowing is hedged with swaps ensuring a high correlation between interest rates on the hedged items and the hedging instruments. In the table, the interest rate exposure of the short leg of the swap, representing a three-month unhedged interest rate exposure, is included in changes in value of the hedging instrument.*

Note 10 Salaries and other personnel expenses

	DNB Boligkreditt AS	
Amounts in NOK 1 000	2014	2013
Ordinary salaries	7 883	10 730
Employer's national insurance contributions	1 908	2 091
Pension expenses	3 547	2 056
Severance package	0	7 731
Social expenses	1 270	1 515
Total salaries and other personnel expenses	**14 609**	**24 124**

At year-end, DNB Boligkreditt had 8 full time employees (9 employees in 2013). The average number of man-year during 2014 was 8 (10 in 2013).

The employees of DNB Boligkreditt have the same pension benefits as the other employees of the DNB group. This includes pension plans in the form of either a defined benefit plan or a defined contribution plans (new hires are offered the defined contribution plan). In addition the DNB Group has other pension benefits such as AFP (contractual pension agreement), agreements related to salaries exceeding 12G and early retirement.

The pension schemes are in compliance with the Act on Occupational Pensions.

Note 11 Taxes

Tax expense on pre-tax operating profit	DNB Boligkreditt AS	
Amounts in NOK million	2014	2013
Current taxes	0	0
Changes in deferred taxes	277	51
Tax expense	**277**	**51**

Reconciliation of tax expense against nominal tax rate

Amounts in NOK million	2014	2013
Pre-tax operating profit	1 024	901
Estimated tax expense at nominal tax rate 27 per cent (28 per cent in 2013)	277	252
Tax effect of other tax-exempt income and non-deductible expenses	0	0
Tax effect of changed tax rate for deferred taxes recognised in the balance sheet [2)]	0	(202)
Tax expense	**277**	**51**
Effective tax rate	27%	6%

Income tax on other comprehensive income

Amounts in NOK million	2014	2013
Pensions	(2)	1
Total income tax on other comprehensive income	**(2)**	**1**

Deferred tax assets/(deferred taxes)

Amounts in NOK million	2014	2013
The year's changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	(212)	(159)
Changes recorded against profits	(277)	(51)
Changes due to group contributions	(5 236)	0
Changes recognised against comprehensive income	2	(1)
Deferred tax assets/(deferred taxes) as at 31 December	**(5 722)**	**(212)**

Deferred tax assets and deferred taxes in the balance sheet relates to the following temporary differences

	31 Dec.	31 Dec.
Amounts in NOK million	2014	2013
Deferred taxes		
Debt securities issued	(7 445)	(3 246)
Financial derivatives	19 824	8 369
Other financial instruments	718	334
Net pension liabilities	(7)	(5)
Net other taxable temporary differences	(1)	(2)
Tax losses and tax credits carried forward	(7 368)	(5 237)
Total deferred taxes	**5 722**	**212**

Deferred taxes in the tax expense on operating profit relates to the following temporary differences

Amounts in NOK million	2014	2013
Debt securities issued [1)]	4 199	(1 423)
Financial derivatives [1)]	(11 455)	(7 183)
Other financial instruments [1)]	(385)	(29)
Pensions	(1)	(1)
Other temporary differences	(1)	3 346
Tax losses and tax credits carried forward	7 366	5 237
Deferred tax expense	**(277)**	**(51)**

1) *A significant share of the financial instruments are carried at fair value in the accounts, while for tax purposes, the same instruments are recorded on an accrual basis in accordance with the realisation principle. This gives rise to large differences between net results stated in the accounts and profits computed for tax purposes for the individual accounting years, especially in years with significant fluctuations in interest rate levels and exchange rates. These differences are offset in the longer term.*

2) *The nominal tax rate in 2014 is 27 per cent. A change in the income tax rate from 28 per cent to 27 per cent with effect from 2014 has been approved. Deferred tax in the balance sheet at year-end 2013 is calculated based on a 27 per cent tax rate. The effect of re-evaluating the opening balances of deferred tax in 2013 to a 27 per cent tax rate, is recognised in the 2013 deferred tax expense.*

DNB Bank ASA has proposed NOK 5 500 million to be provided as group contribution with tax effect to DNB Boligkreditt (NOK 4 015 million after tax). The group contribution will affect the tax assessment of 2014 and DNB Boligkreditt proposes to provide a group contribution of NOK 4 762 without tax effect to DNB Bank ASA in 2014 (circle group contribution). The group contribution will be provided such that net group contribution to DNB Bank ASA in 2014 is 747 million. Group contributions will be recognized in DNB Boligkreditt's financial statements in 2015 and will thus not be included in the company's balance sheet at 31 December 2014.

Note 12 Classification of financial instruments

As at 31 December 2014 **DNB Boligkreditt AS**

Amounts in NOK million	Financial instruments at fair value through profit and loss: Trading	Financial instruments at fair value through profit and loss: Designated as at fair value	Financial derivatives designated as hedging instruments	Financial assets and liabilities carried at amortised cost [1]	Total
Due from credit institutions	-	-	-	360	360
Loans to customers	-	63 927	-	491 698	555 625
Financial derivatives	60 282	-	28 458	-	88 740
Other assets	-	-	-	8	8
Total financial assets	**60 282**	**63 927**	**28 458**	**492 065**	**644 733**
Due to credit institutions	-	-	-	119 584	119 584
Financial derivatives	12 105	-	198	-	12 302
Debt securities issued	-	92 988	-	379 379	472 368
Other liabilities	-	-	-	463	463
Subordinated loan capital	-	-	-	4 858	4 858
Total financial liabilities	**12 105**	**92 988**	**198**	**504 285**	**609 575**

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

Amounts in NOK million	Financial instruments at fair value through profit and loss: Trading	Financial instruments at fair value through profit and loss: Designated as at fair value	Financial derivatives designated as hedging instruments	Financial assets and liabilities carried at amortised cost [1]	Total
Due from credit institutions	-	-	-	347	347
Loans to customers	-	73 288	-	458 996	532 284
Financial derivatives	2 003	-	43 783	-	45 786
Other assets	-	-	-	2	2
Total financial assets	**2 003**	**73 288**	**43 783**	**459 345**	**578 420**
Due to credit institutions	-	-	-	115 105	115 105
Financial derivatives	1 457	-	10 530	-	11 987
Debt securities issued	-	113 190	-	307 262	420 451
Other liabilities	-	-	-	612	612
Subordinated loan capital	-	-	-	4 860	4 860
Total financial liabilities	**1 457**	**113 190**	**10 530**	**427 839**	**553 016**

1) Debt securities issued which are subject to hedge accounting are classified as liabilities carried at amortised cost.

Note 13 Loans to customers

Loans to customers comprise mainly of mortgage loans with collateral taken in residential properties. Most loans are performing well, collateral security is considered good and historical losses are very low. Total loans to customers at year end, including accrued interest, totalled NOK 555.6 billion (NOK 532.3 billion in 2013). Nominal values were NOK 552.2 billion (NOK 530.3 billion in 2013) of which the majority of the loans are at floating interest rate (88.9 per cent 2014 and 86.3 per cent in 2013).

	DNB Boligkreditt AS	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Loans to customers at amortised cost, nominal amount	491 092	458 345
– Individual impairments	48	55
Loans to customers, net of impairment allowances	491 045	458 290
+ Accrued interest	804	859
– Individual impairments on accrued interest	46	43
Loans to customers, at amortised cost	**491 803**	**459 106**
Loans to customers at fair value, nominal amount	61 147	71 907
– Individual impairments	2	3
Loans to customers, net of impairment allowances	61 145	71 903
+ Accrued interest	120	145
+ Adjustment to fair value	2 661	1 236
Loans to customers, at fair value	**63 925**	**73 285**
– Collective impairments	103	107
Total loans to customers	**555 625**	**532 284**

Impairment allowances	DNB Boligkreditt AS	
	31 Dec.	31 Dec.
Amounts in NOK million	2014	2013
Individual impairments	50	58
Individual impairments on accrued interest	46	43
Collective impairments	103	107
Impairment allowances as at end of period	**198**	**208**

Impairment expenses for the period	DNB Boligkreditt AS	
Amounts in NOK million	2014	2013
Individual impairments	9	35
Collective impairments [1]	(4)	(16)
Recoveries of previous write-offs	(3)	(4)
Impairment expenses for the period	**1**	**16**

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

Expected losses, including losses related to interest payments, calculated as a percentage of net loans to customers, was 0.06 per cent for 2014 (0.06 per cent for 2013). Expected losses are calculated based on the probability of future losses, estimated net exposure at the time of default and expected losses at time of default (loss ratio).

Note 13 Loans to customers (continued)

In the table below loans to customers, at nominal value, are listed based on customer address.

	DNB Boligkreditt AS	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Loans according to geographical location:[1)]		
Østfold	33 406	32 765
Akershus	102 207	98 556
Oslo	113 809	108 643
Hedmark	12 210	12 050
Oppland	18 801	18 705
Buskerud	35 107	34 257
Vestfold	38 731	38 727
Telemark	13 078	13 029
Aust-Agder	8 937	8 897
Vest-Agder	9 514	9 131
Rogaland	36 869	34 883
Hordaland	43 299	41 159
Sogn og Fjordane	2 202	2 200
Møre og Romsdal	9 236	8 790
Sør-Trøndelag	21 800	20 133
Nord-Trøndelag	7 612	7 496
Nordland	20 402	17 094
Troms	14 434	13 482
Finnmark	8 580	8 308
Svalbard	2	1
Abroad	2 002	1 946
Total	**552 239**	**530 252**

1) This allocation is based on definitions given by Norges Bank and Finanstilsynet (The Financial Supervisory Authority of Norway).

Note 14 Financial derivatives

Financial derivatives are contracts stipulating financial values in the form of interest rate terms, exchange rates and the value of equity instruments for a specific periods of time or at specific dates. DNB Boligkreditt uses derivatives to manage liquidity and market risk arising from the company's ordinary operations hereunder to achieve desired interest rates and foreign exchanges rates according to the risk management strategy.

DNB Boligkreditt uses swaps, mainly interest rate swaps and cross-currency interest rate swaps, to eliminate risk associated with fixed interest rate funding and lending. Swaps are contracts in which the parties exchange cash flows for a fixed amount over the contractual period. The swaps used by DNB Boligkreditt are tailor-made to hedge the company's risk. DNB Bank acts as counterparty for all swap contracts. The total interest rate risk is insignificant.

The table below show nominal values on financial derivatives according to type of derivative as well as positive and negative market values. Positive market values are recognised as assets in the balance sheet, whereas negative market values are recognised as liabilities.

	DNB Boligkreditt AS					
	31 December 2014			31 December 2013		
Amounts in NOK million	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
Interest rate contracts						
Swaps	369 044	30 458	3 173	370 157	16 987	2 984
Total interest rate contracts	369 044	30 458	3 173	370 157	16 987	2 984
Foreign exchange contracts						
Swaps	350 692	58 282	9 129	295 101	28 800	9 003
Total foreign exchange contracts	350 692	58 282	9 129	295 101	28 800	9 003
Total financial derivatives	**719 736**	**88 740**	**12 302**	**665 259**	**45 786**	**11 987**
Of which: Applied for hedging purposes	*321 051*	*28 458*	*198*	*582 984*	*43 783*	*10 530*

Note 14 Financial derivatives (continued)

Hedge accounting
The company uses cross-currency interest rate swaps to hedge all foreign currency positions. For these hedge relationships, hedge accounting is applied. When bonds nominated at fixed interest rates in foreign currencies, are issued, the company also enters into derivative contracts where there is a 1:1 relationship between the bonds (the hedged item) and the relevant derivatives (hedging instruments).

	DNB Boligkreditt AS		
Amounts in NOK million	Hedged item - debt securities issued	Hedging instrument - cross-currency interest rate swaps	Net exposure
Currency (nominal amount)			
AUD	(600)	600	-
CHF	(1 950)	1 950	-
EUR	(31 837)	31 837	-
JPY	(5 000)	5 000	-
USD	(6 047)	6 047	-
SEK	(1 730)	1 730	-

Note 15 Debt securities issued

Debt securities issued

	DNB Boligkreditt AS	
Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Listed covered bonds, nominal amount	382 788	355 746
Private placements under the bond programme, nominal amount	57 238	48 461
Total bonds, nominal amount	440 026	404 207
Accrued interest	4 768	4 222
Unrealised gains/losses	27 574	12 022
Total adjustments	32 342	16 245
Total debt securities issued	**472 368**	**420 451**

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 million	Balance sheet 31 Dec. 2014	Issued 2014	Matured/ redeemed 2014	Exchange rate movements 2014	Changes in adjustments 2014	Balance sheet 31 Dec. 2013
Bond debt, nominal amount	440 026	51 107	(44 617)	29 329		404 207
Total adjustments	32 342				16 097	16 245
Total debt securities issued	**472 368**	**51 107**	**(44 617)**	**29 329**	**16 097**	**420 451**

Maturity of debt securities issued

			DNB Boligkreditt AS
Amounts in NOK million	NOK	Foreign currency	Total
2015	3 889	45 487	49 376
2016	9 698	64 104	73 802
2017	11 625	48 587	60 212
2018	23 500	51 363	74 863
2019	23 622	38 768	62 390
2020	7 000	5 069	12 069
2021 and later	10 000	97 313	107 313
Total bond debt	**89 334**	**350 692**	**440 026**

Note 15 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. 2014	31 Dec. 2013
NO0010477706	NOK	157	Floating	2008	2015	Called	390	547
NO0010485337	NOK	4 689	Floating	2009	2014	Called	-	4 689
NO0010495575	NOK	26	Floating	2010	2016	Called	9 698	9 724
NO0010503923	NOK	7 226	Floating	2009	2017	Called	-	7 226
NO0010503931	NOK	9 032	Floating	2010	2017	Called	8 800	16 832
NO0010378730	NOK	4 908	Fixed	2007	2014	Called	-	4 908
NO0010524390	NOK	9 200	Floating	2009	2016	Called	-	9 200
NO0010526809	NOK	6 480	Floating	2009	2017	Called	-	6 480
NO0010571946	NOK	2 001	Floating	2010	2015	Called	3 249	5 250
NO0010534688	NOK	520	Floating	2009	2014	Called	-	521
	EUR	378	Floating	2013	2019	Called	-	378
Total debt securities issued, nominal value		**44 616**					**22 137**	**65 754**

Cover pool — **DNB Boligkreditt AS**

Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Pool of eligible loans	551 598	527 558
Market value of eligible derivatives	76 438	33 799
Supplementary assets	-	-
Total collateralised assets	**628 035**	**561 357**
Debt securities issued, carrying value	472 368	420 451
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(938)	(414)
Debt securities issued, valued according to regulation [1)]	**471 430**	**420 038**

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 16 Subordinated loan capital

Subordinated loan capital — **DNB Boligkreditt AS**

Amounts in NOK million	Nominal	Currency	Interest rate	Issue date	Maturity date	31 Dec. 2014	31 Dec. 2013
Term subordinated loan capital	NOK	850	3 month Nibor + 400 bp	2009	2019	850	850
Term subordinated loan capital	NOK	4 000	3 month Nibor + 170 bp	2013	2023	4 000	4 000
Accrued interest						8	10
Total						4 858	4 860

Note 17 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.

Note 17 Financial instruments at fair value (continued)

Level 3
Techniques for which inputs that have a significant effect on the recognised fair value are not based on observable market data. Gains or losses, that occur when the estimated fair value is different from the transaction price (day-one gain/loss) has not had significant impact to the financial statement neither for 2014 or 2013.

Loans consist primarily of fixed-rate loans in Norwegian kroner. The value of fixed-rate loans is determined by discounting agreed interest flows over the term of the loan, using a discount factor adjusted for margin requirements. The discount factor used has as a starting point a swap rate based on a duration equal to the average remaining lock-in period for the relevant fixed-rate loans.

Financial instruments at fair value, by valuation technique (fair value hierarchy)

As at 31 December 2014 — **DNB Boligkreditt AS**

Amounts in NOK million	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	-	-	63 807	120	63 927
Financial derivatives	-	88 740	-	-	88 740
Liabilities					
Debt securities issued	-	92 392	-	597	92 988
Financial derivatives	-	12 302	-	-	12 302

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

Amounts in NOK million	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	-	-	73 143	145	73 288
Financial derivatives	-	45 786	-	-	45 786
Liabilities					
Debt securities issued	-	112 660	-	530	113 190
Financial derivatives	-	11 987	-	-	11 987

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

Financial assets — **DNB Boligkreditt AS**

Amounts in NOK million	Loans to customers
Balance as at 31 December 2013	**73 143**
Net gains on financial instruments	1 425
Additions/purchases	0
Settled	(10 760)
Balance as at 31 December 2014	**63 807**

Note 18 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 17.

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

	31 December 2014		31 December 2013	
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Due from credit institutions	360	360	347	347
Loans to customers	491 896	491 896	459 204	459 204
Total financial assets	**492 255**	**492 255**	**459 551**	**459 551**
Due to credit institutions	119 584	119 584	115 105	115 105
Debt securities issued	379 379	383 821	296 827	300 361
Subordinated loan capital	4 858	4 908	4 860	4 592
Total financial liabilities	**503 821**	**508 312**	**416 792**	**420 058**

DNB Boligkreditt AS

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Accrued interest	Total
Assets as at 31 December 2014					
Due from credit institutions	-	360	-	-	360
Loans to customers	-	-	491 092	804	491 896
Liabilities as at 31 December 2014					
Due to credit institutions	-	119 584	-	-	119 584
Debt securities issued	-	379 650	-	4 171	383 821
Subordinated loan capital	-	-	4 899	8	4 908

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 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. 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 19 Remunerations

DNB Boligkreditt AS

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2014	Paid remunera-tion in 2014	Paid salaries 2014	Bonus earned in 2014	Benefits in kind and other benefits in 2014	Total remunera-tion earned in 2014	Loans as at 31 Dec. 2014	Accrued pension expenses [1]
The Board of Directors								
Bjørn Erik Næss [2]	3 688	-	3 835	1 505	204	5 545	1 367	4 168
Eva-Lill Strandskogen	1 185	-	1 204	157	157	1 518	6 314	212
Reidar Bolme (from 24 April 2014)	1 053	-	3 385	20	153	3 558	0	122
Rein Øsebak (until 24 April 2014)	-	54	-	-	250	303	2	-
Elisabeth Ege	-	172	-	-	-	172	1 359	-
Stein Ove Steffensen (until 24 April 2014)	-	-	2 135	-	145	2 280	653	245
Jørn E. Pedersen (from 24 April 2014)	-	118	-	-	959	1 077	4 037	34
Board of Directors, total	**5 926**	**344**	**10 559**	**1 682**	**1 868**	**14 453**	**13 732**	**4 780**
Chief executive officer [3]	2 339	-	2 376	346	161	2 883	2 895	113
Supervisory Board, total	10 778	88	11 412	160	867	12 528	27 441	2 076
Total	**19 043**	**432**	**24 347**	**2 188**	**2 896**	**29 864**	**44 068**	**6 969**

1) *Accrued pension expenses include pension rights earned during the year (service cost). The calculation of pension entitlements is based on the same economic and actuarial assumptions as those used in note 27 Pensions in the annual report 2014 for the DNB Group.*
2) *Bonus earned in 2014 amounts to NOK 1.5 million and will be paid in 2015.*
3) *Øyvind Birkeland retired as CEO on 1 March 2015. The new CEO did not receive any remuneration from the company in 2014.*

Loans to senior executives and board members are granted at general terms applicable to all of the Group's employees.

Remunerations to the chief executive officer, as well as "Paid remuneration in 2014" (ref table above) are paid by DNB Boligkreditt. The cost is charged proportionate to the time spent in the DNB Boligkreditt and DNB Næringskreditt. Remunerations to other members are charged DNB Bank ASA.

Other information
DNB Boligkreditt paid no remunerations to the Control Committee in 2014. See annual reports for 2014 for the DNB Bank Group and the DNB Group for information about remunerations etc. to the Control Committee in 2014.

DNB Boligkreditt has no contractual obligations to give the chief executive officer, members of the board or others special compensation in case of changes in conditions of employment. Nor has the company contractual obligations to offer bonuses, profit sharing arrangements or options benefiting the chief executive officer, the Board of Directors or others. For 2014, all of the Group's employees will receive a bonus of NOK 20 000. The bonus will be paid in 2015.

Remuneration to the statutory auditor

DNB Boligkreditt AS

Amounts in NOK 1 000	2014	2013
Statutory audit [1]	364	412
Other certification services [1) 2)]	935	1 391
Total remuneration to the statutory auditor	**1 299**	**1 803**

1) *All amounts are exclusive of VAT.*
2) *Of this, the remuneration to the independent investigator, pursuant to Section 2-34 of the Financial Institutions Act, represents NOK 256 000.*

Note 20 Information on related parties

Transactions with related parties

	DNB Boligkreditt AS	
Amounts in NOK 1 000	2014	2013
Assets		
Loans to and deposits with credit institutions	360	347
Financial derivatives	88 740	45 786
Liabilities		
Loans due to credit institutions	119 584	115 105
Subordinated loan capital	4 858	4 860
Financial derivatives	12 302	11 987
Debt securities issued	25 507	57 798
Other liabilities	444	600
Income and expenses		
Interest income	19	38
Interest expenses	3 293	4 885
Commissions payable	2	2
Net gains on financial instruments at fair value	11 651	3 427
Fee income	5	7
Fee expenses	5 474	5 573

DNB Boligkreditt AS is a subsidiary within the DNB Group. During the year many transactions, mostly related to the ordinary course of business, take place between DNB Boligkreditt and other group entities. All transactions are at market terms. Major transactions with related parties:

DNB Bank ASA

DNB Bank ASA (the bank) is the parent of DNB Boligkreditt. As part of ordinary business transactions, a large number of banking transactions are entered into between DNB Boligkreditt and the bank, including loans, deposits and financial derivatives used in currency and interest rate risk management. All transactions are carried out at market terms and are regulated in the ”Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS” (the transfer agreement) and the ”Contract concerning purchase of management services” (the management agreement).

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. During 2014 portfolios of NOK 16.4 billion (NOK 18.1 billion in 2013) 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 an annual 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 expenses” in the statement of comprehensive income and amounted to NOK 5 469 million in 2014 (NOK 5 566 million in 2013).

In the balance sheet “Due from credit institutions” and “Due to credit institutions” are solely outstandings with DNB Bank. All derivative contracts are with DNB Bank as counterparty. At year-end 2014, the bank had invested NOK 25.5 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 do not constitute a guarantee in respect of amounts due and payable under the Covered Bonds.

DNB Livforsikring AS

As part of the company's ordinary investment activity, DNB Livforsikring has subscribed for covered bonds issued by DNB Boligkreditt. At year-end 2014, DNB Livforsikring’s holding of listed DNB Boligkreditt bonds was valued at NOK 1.9 billion (NOK 4.6 billion in 2013).

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 4.5 million for 2014 (NOK 6.7 million in 2013).

Group contributions
The profit for 2014 was NOK 747.7 million. The Board of Directors proposes to provide NOK 747 million as group contribution.

DNB Bank ASA has proposed NOK 5 500 million to be provided as group contribution with tax effect to DNB Boligkreditt (NOK 4 015 million after tax). The group contribution will affect the tax assessment of 2014 and DNB Boligkreditt proposes to provide group contribution to DNB Bank ASA of NOK 4 762 without tax effect in 2014 (circle group contribution). The group contribution will be provided such that net group contribution to DNB Bank ASA in 2014 is 747 million. Group contributions will be recognized in DNB Boligkreditt's financial statements in 2015 and is not included in the company's balance sheet at 31 December 2014.

Note 21 Contingencies and post balance sheet events

Contingencies
DNB Boligkreditt is not involved in any legal actions.

Post-balance sheet events
No information has come to light about important circumstances which had occurred on the balance sheet date on 31 December 2014 and up till the Board of Directors' final consideration of the accounts on 12 March 2015.

Statsautoriserte revisorer
Ernst & Young AS

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Building a better working world

To the Annual Shareholders' Meeting and Supervisory Board of
DNB Boligkreditt AS

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of DNB Boligkreditt AS, which comprise the balance sheet as at 31 December 2014, the statements of comprehensive income, cash flows and changes in equity for the year then ended, a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of DNB Boligkreditt AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 12 March 2015
ERNST & YOUNG AS

Einar Hersvik
State Authorised Public Accountant (Norway)

CONTROL COMMITTEE'S REPORT

TO THE SUPERVISORY BOARD AND THE ANNUAL GENERAL MEETING OF DNB BOLIGKREDITT AS

The Control Committee has carried out supervision of DNB Boligkreditt AS in accordance with law and instructions laid down by the Supervisory Board.

In connection with the closing of the accounts for the 2014 financial year, the Control Committee has examined the Directors' Report, the annual accounts and the Auditor's Report for DNB Boligkreditt AS.

The Committee finds that the Board of Directors gives an adequate description of the financial position of DNB Boligkreditt AS, and recommends the approval of the Directors' Report and annual accounts for the 2014 financial year.

Oslo, 12 March 2015

Frode Hassel
(chairman)

Karl Olav Hovden
(vice-chairman)

Ida Helliesen

Ole Trasti
(deputy)

Ida Miriam Espolin Johnson
(deputy)

Key figures

	DNB Boligkreditt AS	
	2014	2013
1. Return on equity, annualised (%) [1)]	2.7	3.6
2. Core (Tier 1) capital ratio at end of period (%)	12.7	11.2
3. Capital adequacy ratio at end of period (%)	14.9	13.3
4. Core capital at end of period (NOK 1000)	27 640	24 773
5. Risk-weighted volume at end of period (NOK 1000)	217 886	222 032
6. Impairment relative to net loans to customers, annualised	0.00	0.00
7. Non-performing and impaired loans, per cent of gross loans	0.23	0.24
8. Non-performing and impaired loans gross (NOK mill)	1 295	1 258
9. Net non-performing and impaired loans, per cent of net loans	0.14	0.14
10. Net non-performing and impaired loans at end of period (NOK mill)	765	729
11. Number of full-time positions at end of period	8	9

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

Governing bodies

Supervisory Board

Members
Anita Roarsen, Oslo
Eldbjørg Sture, Oslo
Vidar Knudsen, Nesbru
Anders Lægreid, Oslo
Lars Tronsgaard, Drammen
Torild Ressås Aamnes, Nesbru

Deputies
Ragnhild Martinsen, Bodø
Jo Teslo, Haslum
Vigdis Tomter, Oslo

Control Committee

Members
Frode Hassel, Trondheim
Karl Olav Hovden, Kolbotn
Ida Helliesen, Oslo

Deputy
Ida Espolin Johnson, Oslo
Ole Grøtting Trasti, Oslo

Board of Directors

Members
Bjørn Erik Næss, Oslo
Reidar Bolme, Oslo
Elisabeth Ege, Eiksmarka
Jørn E. Pedersen, Oslo
Eva-Lill Strandskogen, Oslo

Deputy
Olav Løvstad, Kongsberg

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Internet	dnb.no
Organisation number	NO 984 851 006

Other sources of information

Annual and quarterly reports
DNB Boligkreditt AS is part of the DNB 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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WHEN IT MATTERS THE MOST.

DNB Boligkreditt AS

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