

DNB Boligkreditt AS

A company in the DNB Group

DNB

THIRD QUARTER REPORT 2017
(Unaudited)

Financial highlights

Income statement

<i>Amounts in NOK million</i>	DNB Boligkreditt AS				
	3rd quarter 2017	3rd quarter 2016	January-September		Full year
			2017	2016	2016
Net interest income	1 530	1 139	4 122	3 690	4 702
Net other operating income	(7)	(651)	(1 273)	(373)	(1 207)
<i>Of which net gains on financial instruments at fair value</i>	(24)	(669)	(1 324)	(379)	(1 233)
Total operating expenses	(434)	(501)	(814)	(1 964)	(2 398)
Impairment of loans and commitments	(11)	(4)	(3)	(2)	14
Pre-tax operating profit	1 078	(16)	2 032	1 351	1 111
Tax expense	(269)	4	(508)	(338)	(297)
Profit for the period	808	(12)	1 524	1 013	815

Balance sheet

<i>Amounts in NOK million</i>	30 Sept. 2017	31 Dec. 2016	30 Sept. 2016
Total assets	680 796	681 264	682 943
Loans to customers	619 576	603 165	598 809
Debt securities issued	435 931	439 072	457 019
Total equity	43 301	39 592	39 791

Key figures and alternative performance measures

	3rd quarter 2017	3rd quarter 2016	January-September		Full year
			2017	2016	2016
Return on equity, annualised (%) ¹⁾	7.5	(0.1)	4.9	3.5	2.1
Total average spread for lending (%) ¹⁾	0.90	0.66	0.79	0.75	0.69
Impairment relative to average net loans to customers, annualised (%) ¹⁾	(0.01)	(0.00)	(0.00)	(0.00)	0.00
Net non-performing and net doubtful loans, per cent of net loans ¹⁾	0.09	0.10	0.09	0.10	0.10
Non-performing and doubtful loans, per cent of gross loans ¹⁾	0.15	0.17	0.15	0.17	0.17
Net non-performing and net doubtful loans, end of period (NOK million) ¹⁾	588	592	588	592	599
Non-performing and doubtful loans, end of period (NOK million) ¹⁾	952	1 030	952	1 030	1 011
Common equity Tier 1 capital ratio, transitional rules (%)	16.6	15.9	16.6	15.9	16.0
Capital ratio, transitional rules (%)	18.6	18.0	18.6	18.0	18.0
Common equity Tier 1 capital (NOK million)	40 406	37 196	40 406	37 196	37 451
Risk-weighted volume, transitional rules (NOK million)	243 894	233 483	243 894	233 483	234 483
Number of full-time positions at end of period	6	7	6	7	7

¹⁾ Defined as alternative performance measures (APM). APMs are described in Additional information.

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

Directors' report

DNB Boligkreditt AS is the DNB Group's vehicle for the issue of covered bonds based on residential mortgages. The company's 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. DNB Boligkreditt's covered bond programmes are rated AAA by Moody's and Standard & Poor's.

Financial accounts

DNB Boligkreditt recorded a profit of NOK 808 million in the third quarter of 2017, compared with a loss of NOK 12 million in the third quarter of 2016.

Total income

Income totalled NOK 1 523 million in the third quarter of 2017, up from NOK 489 million in the year-earlier period.

<i>Amounts in NOK million</i>	3rd quarter		3rd quarter
	2017	Change	2016
Total income	1 523	1 034	489
Net interest income		391	
Net commission and fee income		(2)	
Net gains/(losses) on financial instruments at fair value		645	

The increase in net interest income was due to widening interest rate spreads and an increase in loans to customers.

The effect of financial instruments was negative in both the third quarter of 2017 and the third quarter of 2016, though it was significantly more negative in the third quarter of 2016. The recorded loss on financial instruments reflects the effects of unrealised changes in the market value of covered bonds, derivatives and loans recorded at fair value. Gains and losses from such instruments tend to vary considerably from quarter to quarter and will typically be reversed in subsequent periods due to stabilising markets or because the maturity dates of the instruments are approaching.

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 411 million in the third quarter of 2017, down from NOK 479 million in the third quarter of 2016.

The company has generally recorded low impairment losses on loans. In the third quarter of 2017, the company reported impairment losses of NOK 11 million. The Board of Directors considers the level of impairment to be satisfactory relative to the high quality of the loan portfolio.

Funding, liquidity and balance sheet

Balance sheet

At end-September 2017, DNB Boligkreditt had total assets of NOK 680.8 billion, a reduction of NOK 2.1 billion or 0.3 per cent from end-September 2016.

<i>Amounts in NOK million</i>	30 Sept.		30 Sept.
	2017	Change	2016
Total assets	680 796	(2 147)	682 943
Loans to customers		20 767	
Financial derivatives		5 349	
Other assets		(28 263)	
Total liabilities	637 495	(5 656)	643 151
Due to credit institutions		22 510	
Financial derivatives		1 491	
Debt securities issued		(21 088)	
Deferred taxes		(8 555)	
Other liabilities		(14)	

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 decreased by a net NOK 21.1 billion from end-September 2016. The company issued covered bonds under existing programmes for a total of NOK 13.0 billion in the third quarter of 2017. Total debt securities issued amounted to NOK 436 billion at end-September 2017.

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 end-September 2017, the company's equity totalled

NOK 43.3 billion, of which NOK 40.4 billion represented Tier 1 capital. Total primary capital in the company was NOK 45.3 billion. The Tier 1 capital ratio was 16.6 per cent, while the capital adequacy ratio was 18.6 per cent.

New regulatory framework

Substantial changes in the Financial Contracts Act

The Ministry of Justice and Public Security has circulated a draft for a new Financial Contracts Act for consultation. The draft will implement in Norwegian law the EU Mortgage Credit Directive (MCD), the Consumer Credit Directive (CCD), the Payment Accounts Directive (PAD) and the contractual parts of the Revised Payment Services Directive (PSD2).

Among others, the draft aims to ensure stronger consumer protection for credit customers and provides certain specific rules for home mortgages. Customers will be ensured access to modern account and payment services, their protection against legal liability will be strengthened, and the duties which must be observed by the service provider in connection with financial contracts and the activities of finance brokers, financial agents and financial advisers will be clarified. The current obligation to dissuade will be replaced by a duty to reject loan applications from customers with a weak ability to pay. Lenders breaching their obligations may be held liable for customers' possible debt problems.

It has also been proposed to establish by law that sellers of investment services, credit or other financial contracts shall not sell products that the customer has no need for, and to prohibit creditors from charging unreasonably high interest rates to exploit customers. Furthermore, it has been proposed that the financial services industry itself should take greater responsibility for errors and misuse of electronic solutions and thus ensure that consumers are better protected against fraud.

New Personal Data Act will strengthen consumer rights

The Ministry of Justice and Public Security has circulated a draft for a new Personal Data Act for consultation. The Act will implement the EU's General Data Protection Regulation (GDPR) in Norwegian law. The purpose of GDPR is to strengthen and harmonise data protection across the EEA. The Ministry proposes that the regulation be implemented in Norwegian law through a referral provision in the new Personal Data Act. This is in line with the EEA Agreement and implies that the regulation will be introduced in Norway "as is".

GDPR will facilitate the free flow of digital services in the European market and generally make information processing more transparent and predictable for consumers. Among other things, a new right will be introduced for consumers to receive all personal data companies have stored about them and to have the information corrected, deleted or transferred from one service provider to another. The Norwegian Data Protection Authority will be given the opportunity to levy a significantly higher non-compliance fee, and the Ministry thus proposes that violations of the Act should no longer be punishable.

Another purpose of GDPR is to ensure more uniform regulations in Europe. It will thus be easier for both individuals and companies to relate to legislation, and to assert their rights, throughout the EU/EEA. The regulations are also better adapted to technological advances.

The new Personal Data Act is intended to enter into force in Norway on 25 May 2018, on the same date as the regulation becomes effective in the EU. Entry into force on this date is conditional on the regulation being formally incorporated in the EEA Agreement, and on the Norwegian Parliament agreeing thereto.

Macroeconomic developments

Global GDP growth is expected to rise from 2.9 per cent in 2016 to 3.3 per cent in 2017, reflecting higher growth in both industrialised countries and emerging economies. Persistent strong growth in demand from China and widespread optimism have contributed to a synchronous boost in growth across countries and sectors. The growth in the industrialised countries is expected to remain higher than normal in the period ahead, resulting in a further decline in unemployment. Parallel to this, wage growth is restrained by national and global factors in a number of countries. This puts a damper on inflation and limits the rise in interest rates.

Chinese GDP rose by 6.7 per cent in 2016 and is expected to grow by 6.8 per cent in 2017. The strong momentum in China is driven by increasing growth in the corporate sector along with persistently high growth in the household sector. In turn, this reflects low interest rates and a growth-promoting fiscal policy. A gentle, policy-driven cool-down is expected from 2018. The risk of a crisis in China further ahead in time seems to have decreased in light of smaller imbalances in the real estate market and fewer business liquidations. Japanese GDP rose by 1.6 per cent in 2017, which was significantly higher than the potential growth rate. We expect growth to decline to a level closer to the potential rate over the next few years.

The cyclical upturn in the US has lasted for eight years, and there are no clear signs of a slowdown. While growth was weak in the first quarter, it picked up in the second quarter. GDP growth is estimated to be around 2 per cent over the coming years. Since this is somewhat higher than the potential economic growth rate, the unemployment rate will probably decline further. The core rate of inflation is down since February this year, in spite of a strong labour market. The unexpectedly low inflation suggests a gradual rise in interest rates. The Federal Reserve is expected to raise its policy rate in December this year, twice next year and twice in 2019. In September, the Federal Reserve announced that it will start to scale down its balance sheet as from October this year by reducing reinvestments in Treasury bills and mortgage-backed securities.

In the eurozone, the increase in GDP was 1.8 per cent in 2016 and is likely to pick up to 2.1 per cent in 2017. So far this year all of the major member states have experienced higher growth. Business investment is up and will probably represent a higher share of GDP in the period ahead. Confidence indexes for households and businesses also indicate a further recovery in the eurozone, but the cool-down in China is expected to dampen the upturn from next year. Growth will nevertheless be higher than normal. This is expected to lead to lower unemployment. Wage and price growth is also expected to increase somewhat in reflection of less slack in the economy. As a consequence, the European Central Bank will begin to gradually depart from its expansionary policy by scaling down its asset purchases and eliminating the negative deposit rate by the end of next year.

The British 'No' to further EU membership had fewer negative consequences than expected in the short term. There will probably be weaker growth in the period ahead as a result of uncertainty about the exit agreement with the EU and new trade agreements. This is expected to result in a decline in consumption and investments, and the unemployment rate is assumed to rise slightly in the coming years. The depreciation of the British pound in the aftermath of the Brexit vote has given a temporary rise in inflation. As a consequence, the Bank of England is likely to raise its policy rate in the course of the autumn, though weaker growth prospects and higher unemployment will probably prevent further interest rate hikes. Uncertainty regarding the process around Brexit and the results thereof makes future prospects more unpredictable than normal.

The growth in GDP for Mainland Norway in the first and second quarter of the year was significantly stronger than

throughout last year and also showed signs of being more broadly based. Growth is estimated to be 2 per cent this year. A smaller drop in oil investments and higher growth in private consumption and corporate investment than last year, will contribute to a higher growth rate. Over the next few years, the upswing in the Norwegian economy will probably be curbed by lower housing investment and a more neutral contribution from fiscal policy.

Higher manufacturing growth has also been reflected in lower unemployment. The unemployment rate has declined gradually since the summer of 2016, mainly due to a lower labour force participation rate. Over the last few quarters, employment growth has also picked up and contributed to a further drop in the unemployment rate. A slight rise in employment is expected in the period ahead, resulting in a reduction in the unemployment rate.

There was a steep rise in housing prices in 2016, especially in Oslo. In February this year, the average annual increase was 13 per cent for the entire country and 24 per cent in Oslo. At the time, housing prices were expected to level off. There was also a risk of a major turnaround with potential significant price reductions after many years of strong housing price growth and a tightening of the home mortgage lending regulation. Seasonally adjusted, housing prices have fallen over the past five months. Many unsold homes, particularly in Oslo, indicate that the decline in prices will continue for another few quarters. Low interest rates and a more positive situation in the Norwegian economy, with falling unemployment and rising income growth,

will nevertheless limit the downward trend in housing prices, which are expected to show modest growth from the middle of 2018.

In 2016, consumer price growth was helped by strong increases in import prices as a result of the depreciation of the Norwegian krone through 2014 and 2015. Consumer price growth ended at 3.6 per cent last year, while core inflation was slightly lower at 3.1 per cent. DNB estimates that core inflation will be 1.6 per cent this year and 1.5 per cent next year. In 2019, there are prospect of even lower inflation before a new increase to 1.4 per cent in 2020. A stronger krone and continued low wage growth are the main factors behind the low core inflation. Due to a rise in interest rates among Norway's principal trading partners, Norges Bank is also expected to raise its key policy rate in the autumn of 2019, despite the fact that the inflation rate will remain below the target of 2.5 per cent.

Future prospects

Lending volumes are expected to be stable in 2017 and 2018. In 2019, total lending volume growth is expected to rise by 4 to 5 per cent. Average impairment losses are expected to be at normalised levels in 2018.

Covered bonds have gained a leading position as a funding vehicle for Norwegian banks. Norwegian covered bonds still seem attractive, with relatively low credit and market risk. The volume of covered bond issues in 2018 is expected to be somewhat higher than in 2017. Overall, this provides a further solid basis for DNB Boligkreditt's funding activities.

Oslo, 25 October 2017
The Board of Directors of DNB Boligkreditt AS



Reidar Bolme
(chairman)



Jørn E. Pedersen



Eva-Lill Strandskogen



Per Sagbakken
(chief executive officer)

Comprehensive income statement

		DNB Boligkreditt AS				
<i>Amounts in NOK million</i>	Note	3rd quarter 2017	3rd quarter 2016	January-September 2017	January-September 2016	Full year 2016
Total interest income	6	3 760	3 595	11 146	10 874	14 487
Total interest expenses	6	(2 230)	(2 455)	(7 023)	(7 184)	(9 785)
Net interest income	6	1 530	1 139	4 122	3 690	4 702
Commission and fee income		16	19	49	6	25
Commission and fee expenses		(0)	(0)	(2)	(2)	(2)
Net gains on financial instruments at fair value	7	(24)	(669)	(1 324)	(379)	(1 233)
Other income	14	1	0	3	2	3
Net other operating income		(7)	(651)	(1 273)	(373)	(1 207)
Total income		1 523	489	2 849	3 317	3 495
Salaries and other personnel expenses	8	(3)	(3)	(10)	(12)	(12)
Other expenses	8, 14	(431)	(498)	(804)	(1 952)	(2 386)
Total operating expenses	8	(434)	(501)	(814)	(1 964)	(2 398)
Impairment of loans and commitments	9	(11)	(4)	(3)	(2)	14
Pre-tax operating profit		1 078	(16)	2 032	1 351	1 111
Tax expense		(269)	4	(508)	(338)	(297)
Profit for the period		808	(12)	1 524	1 013	815
Other comprehensive income						(1)
Total comprehensive income for the period		808	(12)	1 524	1 013	814

Balance sheet

		DNB Boligkreditt AS		
<i>Amounts in NOK million</i>	Note	30 Sept. 2017	31 Dec. 2016	30 Sept. 2016
Assets				
Due from credit institutions	12, 13, 14	6 983	27 110	35 211
Loans to customers	9, 12, 13	619 576	603 165	598 809
Financial derivatives	12, 13	54 235	50 827	48 886
Other assets		2	162	36
Total assets		680 796	681 264	682 943
Liabilities and equity				
Due to credit institutions	13, 14	178 488	172 048	155 978
Financial derivatives	12, 13	13 542	12 300	12 051
Debt securities issued	10, 12, 13	435 931	439 072	457 019
Payable taxes		508	8 852	338
Deferred taxes		3 946	3 946	12 501
Other liabilities		196	569	378
Provisions		28	28	30
Subordinated loan capital	11, 13	4 855	4 857	4 857
Total liabilities		637 495	641 672	643 151
Share capital		4 157	3 857	3 857
Share premium		31 563	28 863	28 863
Other equity		7 581	6 872	7 071
Total equity		43 301	39 592	39 791
Total liabilities and equity		680 796	681 264	682 943

Statement of changes in equity

DNB Boligkreditt AS

<i>Amounts in NOK million</i>	Share capital	Share premium	Actuarial gains and losses	Other equity	Total equity
Balance sheet as at 31 December 2015	3 497	25 623	2	10 076	39 198
Profit for the period				1 013	1 013
Total comprehensive income for the period				1 013	1 013
Group contribution paid				(4 020)	(4 020)
Share issue	360	3 240			3 600
Balance sheet as at 30 September 2016	3 857	28 863	2	7 070	39 791
Balance sheet as at 31 December 2016	3 857	28 863	1	6 871	39 592
Profit for the period				1 524	1 524
Total comprehensive income for the period				1 524	1 524
Group contribution paid				(815)	(815)
Share issue	300	2 700			3 000
Balance sheet as at 30 September 2017	4 157	31 563	1	7 580	43 301

Share capital

All shares and voting rights of the company are held by DNB Bank ASA. Share capital at the beginning of 2017 was NOK 3 857 million (38 570 000 shares at NOK 100).

In March 2017 3 000 000 shares were issued to DNB Bank ASA. Issue price per share was NOK 100. After the issuance, share capital was increased by NOK 300 million to NOK 4 157 million (41 570 000 shares) and share premium was increased by NOK 2 700 million to NOK 31 563 million.

Cash flow statement

<i>Amounts in NOK million</i>	January-September 2017	January-September 2016	Full year 2016
Operating activities			
Net payments on loans to customers	(6 239)	(17 863)	(19 335)
Interest received from customers	11 021	10 909	14 481
Net receipts on loans from credit institutions	26 391	7 381	31 535
Interest received from credit institutions	59	19	44
Interest paid to credit institutions	(1 997)	(1 705)	(2 440)
Net receipts on the sale of financial assets for investment or trading	0	13 706	13 810
Net receipts on commissions and fees	47	5	23
Payments for operating expenses	(1 024)	(1 942)	(2 311)
Taxes paid	(8 328)		(0)
Net cash flow relating to operating activities	19 931	10 510	35 806
Investing activities			
Net purchase of loan portfolio	(9 947)	(16 420)	(19 804)
Net cash flow relating to investing activities	(9 947)	(16 420)	(19 804)
Financing activities			
Receipts on issued bonds and commercial paper	55 234	62 116	64 045
Payments on redeemed bonds and commercial paper	(61 803)	(54 417)	(76 464)
Interest payments on issued bonds and commercial paper	(5 152)	(5 632)	(7 409)
Interest payments on subordinated loan capital	(98)	(100)	(133)
Share issue	3 000	3 600	3 600
Group contribution receipts/payments	(1 087)	300	300
Net cash flow from financing activities	(9 906)	5 867	(16 061)
Net cash flow	78	(43)	(59)
Cash as at 1 January	20	79	79
Net receipts/payments of cash	78	(43)	(59)
Cash at end of period	99	36	20

Note 1 Basis for preparation

The quarterly financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. When preparing the financial statements, management makes estimates, judgments 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. A description of the accounting policies, significant estimates and areas where judgment is applied can be found in note 1 Accounting principles in the annual report for 2016.

Note 2 Capital adequacy

Primary capital	DNB Boligkreditt AS	
	30 Sept. 2017	31 Dec. 2016
<i>Amounts in NOK million</i>		
Share capital	4 157	3 857
Other equity	37 619	35 735
Total equity	41 776	39 592
Deductions		
Expected losses exceeding actual losses, IRB-portfolios	(1 067)	(1 053)
Value adjustments due to the requirements for prudent valuation (AVA)	(314)	(287)
Adjustments for unrealised losses/(gains) on liabilities recorded at fair value	24	24
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(13)	(9)
Allocated group contributions for payment		(815)
Common equity Tier 1 capital	40 406	37 451
Term subordinated loan capital	4 850	4 850
Tier 2 capital	4 850	4 850
Total eligible primary capital	45 256	42 301
Risk-weighted volume, transitional rules	243 894	234 483
Minimum capital requirement, transitional rules	19 512	18 759
Common equity Tier 1 capital ratio, transitional rules (%)	16.6	16.0
Capital ratio, transitional rules (%)	18.6	18.0

Due to transitional rules, the minimum capital adequacy requirement cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.

Specification of risk-weighted volume and capital requirements

	DNB Boligkreditt AS				
	Nominal exposure	EAD ¹⁾	Risk-weighted volume	Capital requirement	Capital requirement
	30 Sept. 2017	30 Sept. 2017	30 Sept. 2017	30 Sept. 2017	31 Dec. 2016
<i>Amounts in NOK million</i>					
IRB approach					
Corporate	5 628	5 628	2 811	225	249
Retail - residential property	644 370	644 370	139 010	11 121	10 872
Total credit risk, IRB approach	649 998	649 998	141 821	11 346	11 121
Standardised approach					
Institutions	42 605	36 449	7 290	583	281
Corporate	18 975	18 945	6 684	535	511
Retail - residential property	15 917	14 620	5 159	413	383
Retail - other exposures	494	337	277	22	18
Other assets					13
Total credit risk, standardised approach	77 991	70 351	19 410	1 553	1 206
Total credit risk	727 989	720 349	161 231	12 898	12 327
Credit value adjustment (CVA)			30 981	2 478	2 126
Operational risk			10 903	872	872
Total risk-weighted volume and capital requirements before transitional rules			203 115	16 249	15 325
Additional capital requirements according to transitional rules			40 779	3 262	3 433
Total risk-weighted volume and capital requirements			243 894	19 512	18 759

1) EAD, exposure at default

Note 3 Credit risk

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

DNB Boligkreditt has adopted the credit risk policies as set by the DNB Group. The group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, and by monitoring exposures in relation to such limits. Collateral are taken to manage credit risk in the loan portfolios. According to the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS", the day to day monitoring of the loans are managed by DNB Bank on behalf of DNB Boligkreditt.

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

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

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

Note 4 Market risk

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

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

Currency risk

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

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

Interest rate risk

The company is exposed to interest rate risk through its ordinary operations. The company's strategy is to swap all interest risk exposure to short-term interest. The Board of Directors sets interest risk limits for various fixed-rate periods. The positions are monitored on a daily basis, and monthly exposure reports are prepared for the management and for The Board of Directors.

Basis risk and basis swap spreads

The company enters into basis swaps to manage foreign currency risk due to long-term borrowings in foreign currency.

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 unrealised gains and losses in the income statement. Gains and losses from such instruments tend to vary considerably from quarter to quarter and will typically be reversed in subsequent periods due to stabilising markets or because the maturity dates of the instruments are approaching.

Note 5 Liquidity risk

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

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

Covered bonds are the company's primary source of funding. According to Section 11-12 of the Financial Institutions Act: "the mortgage institution shall ensure that payment flows from the cover assets at all times enable the mortgage institution to meet its payment obligations to the owners of bonds with preferential rights and counterparties in derivative agreements". The company's Board of Directors has decided that the company shall, at all times, have positive cash flows within the next 12 months. In a situation where the net cash flow from the lending and funding activities is negative, the company has a long-term overdraft facility in DNB Bank ASA with a total limit of NOK 190 billion.

According to Section 6 in the regulations on sound liquidity management, "the institution shall analyze the liquidity situation by means of stress tests, which must be adapted to the scope, complexity and risk of operations. Experience from the stress tests shall be used when the Board of Directors considers the liquidity strategy and approves liquidity risk limits". As part of its liquidity risk management, the company prepares liquidity stress tests with quarterly reporting to the Board of Directors. Important parameters in the stress tests are developments in non-performing volume and reductions in housing prices.

From 2016 Q2 DNB Boligkreditt, as a subsidiary of a systemic important institution in Norway, has a regulatory LCR requirement of 100%, which is fulfilled.

Note 6 Net interest income

<i>Amounts in NOK million</i>	DNB Boligkreditt AS				
	3rd quarter 2017	3rd quarter 2016	January-September 2017	January-September 2016	Full year 2016
Interest on amounts due from credit institutions	16	19	54	26	50
Interest on loans to customers	3 690	3 521	10 929	10 683	14 216
Front-end fees etc.	0	1	1	2	3
Other interest income	53	54	162	163	217
Total interest income	3 760	3 595	11 146	10 874	14 487
Interest on amounts due to credit institutions	(678)	(643)	(1 997)	(1 705)	(2 440)
Interest on debt securities issued	(1 855)	(2 159)	(5 671)	(6 735)	(8 772)
Interest on subordinated loan capital	(31)	(33)	(96)	(100)	(134)
Net interest income/expenses, derivatives	334	380	741	1 355	1 560
Total interest expenses	(2 230)	(2 455)	(7 023)	(7 184)	(9 785)
Net interest income	1 530	1 139	4 122	3 690	4 702

Note 7 Net gains on financial instruments at fair value

Amounts in NOK million	DNB Boligkreditt AS				
	3rd quarter 2017	3rd quarter 2016	January-September 2017 2016		Full year 2016
Net gains on loans at fair value (fixed-rate loans) ¹⁾	(7)	(325)	156	(156)	(540)
Net gains on financial liabilities (long-term borrowing in NOK) ²⁾	65	(8)	(127)	(413)	(38)
Total gains on financial instruments, designated as at fair value	58	(332)	30	(569)	(578)
Net gains on foreign exchange and financial derivatives, trading ³⁾⁴⁾	(117)	(270)	(1 504)	200	(640)
Net gains on financial derivatives, hedging ⁴⁾⁵⁾	(770)	(836)	(5 154)	4 051	(1 458)
Net gains on financial liabilities, hedged items ⁵⁾	806	769	5 304	(4 062)	1 444
Net gains on financial instruments at fair value	(24)	(669)	(1 324)	(379)	(1 233)

Changes in market values with effect on profits, attributed to

Amounts in NOK million	DNB Boligkreditt AS				
	3rd quarter 2017	3rd quarter 2016	January-September 2017 2016		Full year 2016
Own credit risk premium ²⁾	(0)	(331)	(281)	(585)	(510)
Basis swap spread ³⁾	(75)	(575)	(1 154)	35	(1 191)
CVA/DVA ⁴⁾	23	112	43	(34)	212

Accumulated mark-to-market effects, attributed to

Amounts in NOK million	DNB Boligkreditt AS				
	30 Sept. 2017	31 Dec. 2016	30 Sept. 2016		
Own credit risk premium ²⁾	(474)	(192)	(267)		
Basis swap spread ³⁾	696	1 850	3 076		
CVA/DVA ⁴⁾	(364)	(408)	(654)		

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. 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.

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.

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.

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 8 Operating expenses

Amounts in NOK million	DNB Boligkreditt AS				
	3rd quarter 2017	3rd quarter 2016	January-September 2017 2016		Full year 2016
Salaries	(2)	(2)	(6)	(6)	(8)
Other personnel expenses	(1)	(1)	(4)	(5)	(4)
Fees ¹⁾	(430)	(497)	(801)	(1 950)	(2 383)
Other operating expenses	(0)	(0)	(3)	(2)	(3)
Total operating expenses	(434)	(501)	(814)	(1 964)	(2 398)

1) Fees are mainly management fees paid to DNB Bank ASA for services rendered according to the management agreement. See also note 14 Information on related parties.

Note 9 Loans to customers

	DNB Boligkreditt AS		
<i>Amounts in NOK million</i>	30 Sept. 2017	31 Dec. 2016	30 Sept. 2016
Loans at amortised cost:			
Loans to customers at amortised cost, nominal amount	574 782	551 317	542 244
Individual impairment	(36)	(39)	(43)
Loans to customers, after individual impairment	574 746	551 278	542 201
Accrued interest	640	555	530
Individual impairments on accrued interest	(36)	(34)	(35)
Loans to customers, at amortised cost	575 350	551 800	542 696
Loans at fair value:			
Loans to customers at fair value, nominal amount	43 581	50 866	55 091
Individual impairments	0	0	0
Loans to customers, after individual impairment	43 581	50 866	55 091
Accrued interest	64	78	86
Adjustment to fair value	651	495	1 028
Loans to customers, at fair value	44 296	51 438	56 205
Collective impairment	(70)	(72)	(92)
Loans to customers	619 576	603 165	598 809

Impairment allowances

	DNB Boligkreditt AS		
<i>Amounts in NOK million</i>	30 Sept. 2017	31 Dec. 2016	30 Sept. 2016
Individual impairment	(36)	(39)	(43)
Individual impairment of accrued interest and amor.effects	(36)	(34)	(35)
Collective impairment	(70)	(72)	(92)
Impairment allowances as at end of period	(142)	(146)	(169)

Impairment expenses

	DNB Boligkreditt AS				
<i>Amounts in NOK million</i>	3rd quarter 2017	3rd quarter 2016	January-September 2017	January-September 2016	Full year 2016
Individual impairment	(3)	(3)	(6)	(9)	(12)
Collective impairment ¹⁾	(9)	(2)	0	4	24
Recoveries of previous write-offs	1	0	3	2	3
Impairment expenses	(11)	(4)	(3)	(2)	14

1) Based on the DNB Group's calculation model and statistics. Further information about collective impairments can be found in Note 1 Accounting principles in the annual report for 2016.

Note 10 Debt securities issued

Debt securities issued	DNB Boligkreditt AS		
	30 Sept. 2017	31 Dec. 2016	30 Sept. 2016
<i>Amounts in NOK million</i>			
Listed covered bonds, nominal amount	351 010	355 932	371 361
Private placements under the bond programme, nominal amount	67 094	59 859	56 953
Total bonds, nominal amount	418 104	415 791	428 314
Accrued interest	2 620	3 581	3 492
Unrealised losses ¹⁾	15 208	19 701	25 213
Adjustments	17 827	23 282	28 705
Total debt securities issued	435 931	439 072	457 019

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

Changes in debt securities issued	DNB Boligkreditt AS					
	Balance sheet 30 Sept. 2017	Issued 2017	Matured/ redeemed 2017	Exchange rate movements 2017	Changes in adjustments 2017	Balance sheet 31 Dec. 2016
<i>Amounts in NOK million</i>						
Bond debt, nominal amount	418 104	55 234	(59 916)	6 996		415 791
Adjustments	17 827				(5 454)	23 282
Total debt securities issued	435 931	55 234	(59 916)	6 996	(5 454)	439 072

Maturity of debt securities issued	DNB Boligkreditt AS		
	NOK	Foreign currency	Total
<i>Amounts in NOK million</i>			
2017		94	94
2018	13 450	56 586	70 036
2019	16 600	40 909	57 509
2020	19 000	34 020	53 020
2021 and later	34 500	202 944	237 444
Total bond debt	83 550	334 554	418 104

Debt securities issued - matured/redeemed during the period	DNB Boligkreditt AS							
	ISIN Code	Currency	Matured redeemed amount	Interest	Issued	Matured	Remaining nominal amount 30 Sept. 2017	31 Dec. 2016
XS0478979551	EUR	13 624	Fixed	2010	2017	Matured		13 624
CH0134637187	CHF	1 482	Fixed	2011	2017	Matured		1 482
XS0764964556	EUR	454	Fixed	2012	2017	Matured		454
XS0504565366	EUR	1 817	Floating	2010	2017	Matured		1 817
NO0010598857	NOK	2 040	Fixed	2011	2017	Matured		2 040
XS0728790402	EUR	18 165	Fixed	2012	2017	Matured		18 165
NO0010503931	NOK	8 650	Floating	2009	2017	Matured		8 650
XS0537686288	EUR	13 624	Fixed	2010	2017	Matured		13 624
XS0651781923	USD	60	Fixed	2011	2017	Matured		60
Total debt securities issued, nominal value		59 916						59 916

Note 10 Debt securities issued (continued)

Cover pool	DNB Boligkreditt AS		
	30 Sept. 2017	31 Dec. 2016	30 Sept. 2016
<i>Amounts in NOK million</i>			
Pool of eligible loans	615 984	599 579	595 247
Market value of eligible derivatives	40 693	38 527	36 835
Total collateralised assets	656 677	638 106	632 083
Debt securities issued, carrying value	435 931	439 072	457 019
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(474)	(192)	(267)
Debt securities issued, valued according to regulation ¹⁾	435 458	438 880	456 752
Collateralisation (per cent)	150.8	145.4	138.4

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

Note 11 Subordinated loan capital

<i>Amounts in NOK million</i>	Currency	Nominal amount	Interest rate	Issue date	Maturity date	DNB Boligkreditt AS		
						30 Sept. 2017	31 Dec. 2016	30 Sept. 2016
Term subordinated loan capital	NOK	850	3 month Nibor + 400 bp	2009	2019	850	850	850
Term subordinated loan capital	NOK	4 000	3 month Nibor + 170 bp	2013	2023	4 000	4 000	4 000
Accrued interest						5	7	7
Total subordinated loan capital						4 855	4 857	4 857

Note 12 Financial instruments at fair value

<i>Amounts in NOK million</i>	DNB Boligkreditt AS			Total
	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	
Assets as at 30 September 2017				
Due from credit institutions		6 156		6 156
Loans to customers			44 296	44 296
Financial derivatives		54 235		54 235
Liabilities as at 30 September 2017				
Debt securities issued		85 456		85 456
Financial derivatives		13 542		13 542

<i>Amounts in NOK million</i>	DNB Boligkreditt AS			Total
	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	
Assets as at 30 September 2016				
Due from credit institutions		34 205		34 205
Loans to customers			56 205	56 205
Financial derivatives		48 886		48 886
Liabilities as at 30 September 2016				
Debt securities issued		80 898		80 898
Financial derivatives		12 051		12 051

In the second quarter of 2016 DNB Boligkreditt entered into repurchase agreements (repos) with the bank as counterparty. The fair value of the repos is presented in level 2 and amounted to NOK 6 156 million as at 30 September 2017. For a further description of the instruments and valuation techniques, see the annual report for 2016.

Financial instruments at fair value, level 3

<i>Amounts in NOK million</i>	DNB Boligkreditt AS
	Loans to customers
Carrying amount as at 31 December 2016	51 438
Net gains recognised in the income statement	142
Additions/purchases	3 728
Sales	(300)
Settled	(10 714)
Carrying amount as at 30 September 2017	44 296

Note 13 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 credit risk. Fair value includes both positive and negative value changes in 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. For a further description of valuation methods, see the annual report for 2016.

<i>Amounts in NOK million</i>	30 September 2017		30 September 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Due from credit institutions	827	827	1 006	1 006
Loans to customers	575 280	575 280	542 604	542 604
Total financial assets	576 107	576 107	543 610	543 610
Due to credit institutions	178 488	178 488	155 978	155 978
Debt securities issued	350 475	355 415	376 122	379 592
Subordinated loan capital	4 855	4 867	4 857	4 868
Total financial liabilities	533 819	538 771	536 956	540 438

<i>Amounts in NOK million</i>	Valuation based on quoted prices in an active market	Valuation based on observable market data	Valuation based on other than observable market data	Total
	Level 1	Level 2	Level 3	
Assets as at 30 September 2017				
Due from credit institutions		827		827
Loans to customers			575 280	575 280
Liabilities as at 30 September 2017				
Due to credit institutions		178 488		178 488
Debt securities issued		355 415		355 415
Subordinated loan capital			4 867	4 867

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 of its interest rate risk. The hedging relationship between the bonds and their designated interest rate swaps are considered to be effective and accounted for as fair value hedges. The amortised cost value is adjusted by the fair value change of the hedged risk. Changes in credit risk are not subject to hedge accounting.

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 14 Information on related parties

DNB Bank ASA

In the first three quarters of 2017, loan portfolios of NOK 9.9 billion were transferred from the bank to DNB Boligkreditt in accordance with the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Boligkreditt AS".

The management fee paid to the bank for purchased services is recognised as "Other expenses" in the statement of comprehensive income and amounted to NOK 748 million for the first three quarters of 2017 (NOK 1 907 million for the first three quarters of 2016).

At end-September, the bank had invested NOK 9.9 billion in covered bonds issued by DNB Boligkreditt.

In the first three quarters of 2017 DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 6.2 billion at end-September 2017.

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 190 billion.

DNB Livsforsikring AS

At end-September 2017, DNB Livsforsikring's holding of listed DNB Boligkreditt bonds was valued at NOK 1.9 billion.

DNB Næringskreditt AS

The fee received for services rendered to DNB Næringskreditt is recognised as "Other income" in the income statement and amounted to NOK 3.4 million in the first three quarters of 2017.

Profit and balance sheet trends

Comprehensive income statement

DNB Boligkreditt AS

<i>Amounts in NOK million</i>	3rd quarter 2017	2nd quarter 2017	1st quarter 2017	4th quarter 2016	3rd quarter 2016
Total interest income	3 760	3 722	3 663	3 613	3 595
Total interest expenses	(2 230)	(2 317)	(2 477)	(2 601)	(2 455)
Net interest income	1 530	1 406	1 187	1 011	1 139
Commission and fee income	16	18	15	19	19
Commission and fee expenses	(0)	(0)	(1)	(0)	(0)
Net gains on financial instruments at fair value	(24)	(348)	(951)	(853)	(669)
Other income	1	1	1	1	0
Net other operating income	(7)	(330)	(937)	(834)	(651)
Total income	1 523	1 076	250	178	489
Salaries and other personnel expenses	(3)	(3)	(4)	(1)	(3)
Other expenses	(431)	(309)	(64)	(433)	(498)
Total operating expenses	(434)	(312)	(68)	(434)	(501)
Impairment of loans and commitments	(11)	(1)	9	17	(4)
Pre-tax operating profit	1 078	763	191	(239)	(16)
Tax expense	(269)	(191)	(48)	41	4
Profit for the period	808	572	143	(198)	(12)
Other comprehensive income				(1)	
Total comprehensive income for the period	808	572	143	(200)	(12)

Balance Sheet

DNB Boligkreditt AS

<i>Amounts in NOK million</i>	30 Sept. 2017	30 June 2017	31 March 2017	31 Dec. 2016	30 Sept. 2016
Assets					
Due from credit institutions	6 983	5 056	31 641	27 110	35 211
Loans to customers	619 576	616 995	610 304	603 165	598 809
Financial derivatives	54 235	63 071	52 375	50 827	48 886
Other assets	2	(1)	1	162	36
Total assets	680 796	685 120	694 321	681 264	682 943
Liabilities and equity					
Due to credit institutions	178 488	165 276	155 050	172 048	155 978
Financial derivatives	13 542	13 430	13 039	12 300	12 051
Debt securities issued	435 931	454 666	465 862	439 072	457 019
Payable taxes	508	239	8 647	8 852	338
Deferred taxes	3 946	3 946	3 946	3 946	12 501
Other liabilities	196	186	157	569	378
Provisions	28	28	28	28	30
Subordinated loan capital	4 855	4 856	4 856	4 857	4 857
Total liabilities	637 495	642 628	651 586	641 672	643 151
Share capital	4 157	4 157	4 157	3 857	3 857
Share premium	31 563	31 563	31 563	28 863	28 863
Other equity	7 581	6 772	7 015	6 872	7 071
Total equity	43 301	42 492	42 735	39 592	39 791
Total liabilities and equity	680 796	685 120	694 321	681 264	682 943

Alternative performance measures

DNB Boligkredit's alternative performance measures (APMs) present useful information which supplements the financial statements. These measures are not defined under IFRS and may not be directly comparable with other companies' adjusted measures. The APMs are not intended to be a substitute for, or superior to, any IFRS measures of performance, but have been included to provide insight into DNB Boligkredit's performance and represent important measures for how management governs the company and its business activities.

Key financial ratios regulated by IFRS or other legislation (CRR/CRD) are not considered APMs, neither are non-financial data. DNB Boligkredit's APMs are presented in the financial highlights. APMs are shown with comparable figures for earlier periods.

DNB Boligkredit's APMs and definitions

Return on equity (ROE)

This measure gives relevant information on DNB Boligkredit's profitability by measuring the ability to generate profits from the shareholders' investments.

- Return on equity (ROE) is calculated as: Shareholders' share of profits for the period divided by average equity excluding additional Tier 1 capital.

Average interest rate spread

This measure gives relevant information on DNB Boligkredit's net interest income by measuring the respective average interest income relative to the average funding costs.

- Average spread for ordinary lending to customers is calculated as: Margin income on performing loans relative to average performing loans for the period. Margin income is defined as interest income on the loans less total interest expenses on long- and short-term funding.

Net non-performing and net doubtful loans and guarantees in per cent of net loans, Non-performing and doubtful loans and guarantees in per cent of gross loans and Impairment relative to average net loans to customers

These ratios are included to show DNB Boligkredit's provisions relating to credit exposure.

- Calculated as: Impairment divided by average annualised net loans to customers.
- Calculated as: Net non-performing and net doubtful loans plus guarantees divided by net loans.
- Calculated as: Non-performing and doubtful loans plus guarantees divided by gross loans.

Contact information

DNB Boligkreditt AS

Mailing address P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address Dronning Eufemias gate 30, Oslo
Telephone +47 915 03000
Internet dnb.no
Organisation number NO 985 621 551 MVA

Chief executive officer

Per Sagbakken
Tel: +47 906 61 159
per.sagbakken@dnb.no

Financial reporting

Roar Sørensen
Tel: +47 934 79 616
roar.sorensen@dnb.no

Rating and investor information

Håkon Røsand
Tel: +47 906 16 892
hakon.rosand@dnb.no

Other sources of information

Annual and quarterly reports

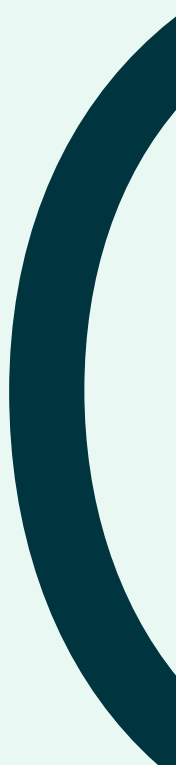
DNB Boligkreditt AS is part of the DNB Bank Group and the DNB Group. Annual and quarterly reports for DNB Boligkreditt AS, the DNB Bank Group and the DNB Group are available on dnb.no.

DNB ASA

Mailing address P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address Dronning Eufemias gate 30, Oslo
Telephone +47 915 03000
Internet dnb.no
Organisation number NO 981 276 957 MVA

DNB Bank ASA

Mailing address P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address Dronning Eufemias gate 30, Oslo
Telephone +47 915 03000
Internet dnb.no
Organisation number NO 984 851 006 MVA



DNB

Mailing address:
P.O. Box 1600 Sentrum
N-0021 Oslo

Visiting address:
Dronning Eufemias gate 30
Bjørvika, Oslo

[dnb.no](https://www.dnb.no)