

DNB Boligkreditt AS

A company in the DNB Group

Q1

First quarter report 2018
(Unaudited)

DNB

Financial highlights

Income statement

<i>Amounts in NOK million</i>	DNB Boligkreditt AS		
	1st quarter 2018	1st quarter 2017	Full year 2017
Net interest income	1 444	1 187	5 664
Net other operating income	(544)	(937)	(1 288)
<i>Of which net gains on financial instruments at fair value</i>	<i>(557)</i>	<i>(951)</i>	<i>(1 354)</i>
Total operating expenses	(359)	(68)	(1 243)
Impairment of financial instruments	8	9	(26)
Pre-tax operating profit	548	191	3 107
Tax expense	(137)	(48)	(777)
Profit for the period	411	143	2 331

Balance sheet

<i>Amounts in NOK million</i>	31 March 2018	31 Dec. 2017	31 March 2017
Total assets	687 943	715 425	694 321
Loans to customers	621 527	622 169	610 304
Debt securities issued	442 346	468 236	465 862
Total equity	44 441	44 108	42 735

Key figures and alternative performance measures

	1st quarter 2018	1st quarter 2017	Full year 2017
Return on equity, annualised (%) ¹⁾	3.8	1.4	5.5
Total average spread for lending (%) ¹⁾	0.87	0.66	0.82
Impairment relative to average net loans to customers, annualised (per cent) ¹⁾	0.01	0.01	(0.00)
Net loans and financial commitments in stage 3, per cent of net loans ¹⁾	0.11	0.10	0.10
Loans and financial commitments in stage 3, per cent of gross loans ¹⁾	0.16	0.17	0.16
Net loans and financial commitments in stage 3, (NOK million)	667	613	602
Loans and financial commitments in stage 3, (NOK million)	1 022	1 013	967
Common equity Tier 1 capital ratio, transitional rules, end of period (%)	16.6	17.0	16.6
Capital ratio, transitional rules, end of period (%)	18.6	19.1	18.5
Common equity Tier 1 capital (NOK million)	40 693	40 323	40 789
Risk-weighted volume, transitional rules (NOK million)	244 809	236 943	246 134
Number of full-time positions at end of period	6	7	6

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

First quarter report 2018

Directors' report	2
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Accounts

Comprehensive income statement	5
Balance sheet	5
Statement of changes in equity.....	6
Cash flow statement.....	6
Note 1 Basis for preparation.....	7
Note 2 Capital adequacy.....	7
Note 3 Development in accumulated impairment of financial instruments.....	9
Note 4 Debt securities issued	10
Note 5 Subordinated loan capital	11
Note 6 Financial instruments at fair value.....	11
Note 7 Information on related parties.....	12

Additional information

Contact information	13
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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.

Implementation of IFRS 9

The new accounting rules for financial instruments (IFRS 9) are applicable as of 1 January 2018. The new standard introduces a business model-oriented approach for the classification of financial assets and an expected loss model for impairment which replaces the former incurred loss model.

Financial accounts

DNB Boligkreditt recorded a profit of NOK 411 million in the first quarter of 2018, compared with a profit of NOK 143 million in the first quarter of 2017.

Total income

Income totalled NOK 899 million in the first quarter of 2018, up from NOK 250 million in the year-earlier period.

Amounts in NOK million	1st quarter		1st quarter
	2018	Change	2017
Total income	899	649	250
Net interest income		256	
Net commission and fee income		(2)	
Net gains/(losses) on financial instruments at fair value		395	

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 first quarter of 2018 and the first quarter of 2017, though it was significantly more negative in the first quarter of 2017. 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 340 million in the first quarter of 2018, up from NOK 49 million in the first quarter of 2017.

The company has generally recorded low impairment losses on loans. In the first quarter of 2018, the company reported net reversals on impairment losses of NOK 8 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-March 2018, DNB Boligkreditt had total assets of NOK 687.9 billion, a decrease of NOK 6.4 billion or 0.9 per cent from end-March 2017.

Amounts in NOK million	31 March		31 March
	2018	Change	2017
Total assets	687 943	(6 378)	694 321
Loans to customers		11 223	
Financial derivatives		5 469	
Other assets		(23 070)	
Total liabilities	643 502	(8 084)	651 586
Due to credit institutions		22 972	
Financial derivatives		118	
Debt securities issued		(23 516)	
Deferred taxes		777	
Other liabilities		(8 435)	

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 23.5 billion from end-March 2017. The company issued covered bonds under existing programmes for a total of NOK 21.0 billion in the first quarter of 2018. Total debt securities issued amounted to NOK 442 billion at end-March 2018.

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-March 2018, the company's equity totalled NOK 44.4 billion, of which NOK 40.7 billion represented Tier 1 capital. Total primary capital in the company was NOK 45.5 billion. The Tier 1 capital ratio was 16.6 per cent, while the capital adequacy ratio was 18.6 per cent.

New regulatory framework

Home mortgage lending regulation under consideration

After several years of strong growth in housing prices and household debt, the Norwegian Ministry of Finance adopted a temporary home mortgage lending regulation in the summer of 2015. The regulation was aimed at contributing to a more sustainable development in the home mortgage market, and was tightened and continued on 1 January 2017.

The current regulation will remain in force until 30 June 2018. At the request of the Ministry of Finance, Finanstilsynet (the Financial Supervisory Authority of Norway) has considered the effects of the regulation and whether it should be continued or discontinued.

Finanstilsynet proposes to continue the regulation of banks' lending practices, but recommends, among other things, that the special requirements for Oslo are removed, and that the limit for granting loans that do not meet all the requirements in the regulation, is set to 8 per cent of total approved loans all over Norway. Finanstilsynet proposes that the regulation should remain in force indefinitely.

The Ministry of Finance will make its conclusion after a short consultation round.

New Act on deposit guarantees and crisis management for banks

On 16 March 2018, the Norwegian government approved the Act on deposit guarantees and crisis management for banks. The Act will enter into force on 1 January 2019. The Act will implement the EU's Bank Recovery and Resolution Directive, BRRD. Among other things, new rules will be introduced on emergency preparedness and crisis plans, the possibility of writing down or converting loan capital into equity ("bail-in"), and the establishment of a new, national resolution fund in addition to the deposit guarantee fund. The Ministry of Finance has asked Finanstilsynet to work out a proposal for supplementary provisions.

Implementation of the EU's General Data Protection Regulation in Norway could be delayed

The EU's General Data Protection Regulation (GDPR) will have direct applicability in the 25 EU Member States as of 25 May 2018. The purpose of the GDPR is to strengthen and harmonise privacy protection when processing personal data. In addition, the free flow of digital services in the European market will be facilitated, and information processing will generally be more transparent and predictable for consumers. The new Act implies major changes for almost everyone engaged in business operations. DNB is well prepared, as the bank and its subsidiaries has long experience in safeguarding large amounts of information about its customers.

Before the GDPR can be implemented in Norwegian law, it must be incorporated in the EEA Agreement and implemented by a national legislative enactment. The Ministry of Justice and Public Security presented a proposition about a new Personal Data Act in March 2018, whereby the Act can enter into force at the same time as in the EU. There is, however, some uncertainty about whether the GDPR will be formally incorporated in the EEA agreement within 25 May 2018 and thus enable the Act to enter into force at this time.

Macroeconomic developments

Global GDP growth rose to 3.5 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. Global growth is expected to increase to 3.7 per cent in 2018, primarily due to a higher level of growth in emerging economies.

US GDP growth is estimated to rise from 2.3 per cent in 2017 to 2.5 per cent in 2018. An expansionary fiscal policy in the form of tax cuts and increased public spending is expected to help boost growth this year and next year. There has been a prolonged recovery in the US, and unemployment has declined to a low level. The Federal Reserve has raised its benchmark rate by a total of 1.5 percentage points from its lowest level. The most recent rate hike was in March this year, and the Federal Reserve is expected to further raise its interest rate three times in 2018 and four times in 2019, although price pressures remain modest.

GDP growth in the euro area is estimated at 2.4 per cent in 2018, which is well above the normal level for this area. The recovery is broad-based across countries and sectors, with strong growth in large member countries such as Germany and Spain. The high growth is expected to result in lower unemployment, and price inflation is also assumed to increase somewhat in step with less slack in the economy. In consequence of this, the European Central Bank will begin to gradually depart from its expansionary policy by finalising its asset purchases in September and gradually increasing interest rates from the second quarter of 2019.

The British 'No' to further EU membership had fewer negative consequences than expected in the short term. Growth stood at 1.8 per cent in 2017, but is expected to decline in consequence of lower consumption and investment due to the uncertainty surrounding Brexit. The Bank of England is nevertheless expected to raise its benchmark rate in May this year as a result of temporarily high inflation, reflecting the weakening of the pound in 2016. Uncertainty regarding the process around Brexit and the results thereof makes future prospects more unpredictable than normal.

The growth in the mainland economy picked up last year as a result of higher growth in consumption and exports, a sharp rise in housing investment and a less negative effect from oil investments. Growth ended at 1.8 per cent, close to what is considered normal for the Norwegian economy. Housing investment peaked last year and is expected to slow down in the coming years. Oil investment, on the other hand, has bottomed out and will, along with corporate investment, once again make a positive contribution to growth in the 2018-2020 period. There will be continued brisk growth in consumption and exports, while public sector demand will have a neutral effect on the economy. Growth is estimated to total just over 2 per cent in 2018-2020.

Higher manufacturing growth has been reflected in lower unemployment and higher employment growth. The unemployment rate is expected to further decline somewhat and to reach a normal level towards the end of the year. Wage growth is expected to pick up, but moderate wage growth among trading partners will contribute to curbing wage growth in Norway. Wage growth is estimated at 2.7 per cent this year, rising to 3.2 per cent in 2020. Core inflation is expected to remain at approximately 1.5 per cent, slightly lower than Norges Bank's new inflation target of 2.0 per cent. Norges Bank is nevertheless expected to increase its key policy rate in September, which it signalled through its most recent interest rate path, and to further raise the rate twice in both 2019 and 2020.

Housing prices in the secondary market have fallen (seasonally adjusted) from a peak in March 2017, following hefty price growth in 2016. In March 2018, annual growth rates were negative at -2.2 per cent in Norway and -6.6 per cent in Oslo. During the last few months of this period housing prices showed signs of stabilising while sales increased and the number of unsold secondary market properties dropped significantly.

Future prospects

DNB Boligkreditt is well-positioned for new regulatory requirements resulting from the implementation of IFRS 9 and the revised Basel regulations. The latter has minimal effects for the company.

Lending volumes are expected to rise by 4 to 5 per cent in 2018 and 2019. 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 April 2018

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	1st quarter 2018	1st quarter 2017	Full year 2017
Interest income, amortised cost		3 382	3 288	13 532
Other interest income		268	376	1 363
Interest expenses, amortised cost		(2 179)	(2 154)	(8 630)
Other interest expenses		(28)	(323)	(601)
Net interest income		1 444	1 187	5 664
Commission and fee income		13	15	64
Commission and fee expenses		(1)	(1)	(3)
Net gains on financial instruments at fair value		(557)	(951)	(1 354)
Other income	7	1	1	5
Net other operating income		(544)	(937)	(1 288)
Total income		899	250	4 376
Salaries and other personnel expenses		(3)	(4)	(16)
Other expenses	7	(356)	(64)	(1 227)
Total operating expenses		(359)	(68)	(1 243)
Impairment of financial instruments		8	9	(26)
Pre-tax operating profit		548	191	3 107
Tax expense		(137)	(48)	(777)
Profit for the period		411	143	2 331
Other comprehensive income that will not be reclassified to profit or loss		(98)		
Tax		24		0
Total comprehensive income for the period		337	143	2 331

Balance sheet

		DNB Boligkreditt AS		
<i>Amounts in NOK million</i>	Note	31 March 2018	31 Dec. 2017	31 March 2017
Assets				
Due from credit institutions	7	8 567	26 705	31 641
Loans to customers	3, 6	621 527	622 169	610 304
Financial derivatives	6	57 844	66 550	52 375
Other assets		5	1	1
Total assets		687 943	715 425	694 321
Liabilities and equity				
Due to credit institutions	7	178 022	179 595	155 050
Financial derivatives	6	13 157	13 673	13 039
Debt securities issued	4, 6	442 346	468 236	465 862
Payable taxes		109	0	8 647
Deferred taxes		4 723	4 723	3 946
Other liabilities		253	207	157
Provisions		33	28	28
Subordinated loan capital	5	4 857	4 856	4 856
Total liabilities		643 502	671 317	651 586
Share capital		4 157	4 157	4 157
Share premium		31 563	31 563	31 563
Other equity		8 721	8 388	7 015
Total equity		44 441	44 108	42 735
Total liabilities and equity		687 943	715 425	694 321

Statement of changes in equity

DNB Boligkreditt AS

<i>Amounts in NOK million</i>	Share capital	Share premium	Liability credit reserve	Other equity	Total equity
Balance sheet as at 31 Dec. 2016	3 857	28 863		6 872	39 592
Profit for the period				143	143
Comprehensive income for the period				143	143
Share issue	300	2 700			3 000
Balance sheet as at 31 March 2017	4 157	31 563		7 015	42 735
Balance sheet as at 31 Dec. 2017	4 157	31 563		8 388	44 108
Implementation of IFRS 9			(348)	345	(4)
Balance sheet as at 1 Jan. 2018	4 157	31 563	(348)	8 732	44 104
Profit for the period				411	411
Financial liabilities designated at FVTPL, changes in credit risk			(98)		(98)
Tax on other comprehensive income			24		24
Comprehensive income for the period			(73)	411	338
Balance sheet as at 31 March 2018	4 157	31 563	(422)	9 143	44 441

Share capital

All shares and voting rights of the company are held by DNB Bank ASA. Share capital at the beginning of 2018 was NOK 4 157 million (41 570 000 shares at NOK 100).

Cash flow statement

<i>Amounts in NOK million</i>	January-March 2018	January-March 2017	Full year 2017
Operating activities			
Net received/payments on loans to customers	1 191	(722)	(6 835)
Interest received from customers	3 574	3 594	14 789
Net received/payments on loans from credit institutions	16 557	(21 786)	7 765
Interest received from credit institutions	22	23	67
Interest paid to credit institutions	(727)	(666)	(2 676)
Net payments on the sale of financial assets for investment or trading		(503)	(20)
Net receipts on commissions and fees	12	14	62
Payments for operating expenses	(311)	(318)	(1 440)
Taxes paid			(8 328)
Net cash flow relating to operating activities	20 317	(20 364)	3 385
Investing activities			
Net purchase of loan portfolio	(753)	(6 227)	(12 025)
Net cash flow relating to investing activities	(753)	(6 227)	(12 025)
Financing activities			
Receipts on issued bonds and commercial paper	21 036	40 997	76 131
Payments on redeemed bonds and commercial paper	(39 107)	(15 560)	(62 590)
Interest payments on issued bonds and commercial paper	(1 472)	(1 819)	(6 620)
Interest payments on subordinated loan capital	(29)	(34)	(128)
Share issue		3 000	3 000
Group contribution receipts/payments			(1 087)
Net cash flow from financing activities	(19 573)	26 584	8 706
Net cash flow	(9)	(8)	66
Cash as at 1 January	86	20	20
Net receipts/payments of cash	(9)	(8)	66
Cash at end of period	77	12	86

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 and 22 Transition to IFRS 9 in the annual report for 2017.

IFRS 9 Financial Instruments

IFRS 9 entered into force during the first quarter of 2018 and is the new standard for financial instruments that replaces IAS 39. DNB Boligkreditt AS applied the standard as of 1 January 2018. Comparative information has not been restated. For additional information on IFRS 9 adoption, see note 22 Transition to IFRS 9 in the annual report for 2017. Disclosures related to the line item Loans to customers in the balance sheet and the line item Impairment of loans and commitments in the comprehensive income statement for the first quarter of 2017 can be found in note 9 Loans to customers in the report for the first quarter of 2017.

Note 2 Capital adequacy

Primary capital	DNB Boligkreditt AS	
	31 March 2018	31 Dec. 2017
<i>Amounts in NOK million</i>		
Share capital	4 157	4 157
Other equity	39 873	39 951
Total equity	44 030	44 108
Deductions		
Expected losses exceeding actual losses, IRB-portfolios	(1 071)	(1 070)
Value adjustments due to the requirements for prudent valuation (AVA)	(342)	(258)
Adjustments for unrealised losses/(gains) on liabilities recorded at fair value	422	348
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(15)	(9)
Allocated group contributions for payment	(2 331)	(2 331)
Common equity Tier 1 capital	40 693	40 789
Term subordinated loan capital	4 850	4 850
Tier 2 capital	4 850	4 850
Total eligible primary capital	45 543	45 639
Risk-weighted volume, transitional rules	244 809	246 134
Minimum capital requirement, transitional rules	19 585	19 691
Common equity Tier 1 capital ratio, transitional rules (%)	16.6	16.6
Capital ratio, transitional rules (%)	18.6	18.5

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.

Note 2 Capital adequacy (continued)

Specification of risk-weighted volume and capital requirements

DNB Boligkreditt AS

<i>Amounts in NOK million</i>	Nominal exposure	EAD ¹⁾	Risk-weighted volume	Capital requirement	Capital requirement
	31 March 2018	31 March 2018	31 March 2018	31 March 2018	31 Dec. 2017
IRB approach					
Corporate	5 367	5 367	2 651	212	221
Retail - residential property	648 167	648 167	141 556	11 324	11 245
Total credit risk, IRB approach	653 533	653 533	144 206	11 537	11 467
Standardised approach					
Institutions	42 577	34 597	6 919	554	693
Corporate	19 343	19 311	6 924	554	531
Retail - residential property	17 007	15 535	5 510	441	422
Retail - other exposures	402	251	208	17	20
Other assets					
Total credit risk, standardised approach	79 330	69 695	19 562	1 565	1 666
Total credit risk	732 863	723 228	163 768	13 101	13 132
Credit value adjustment (CVA)			24 392	1 951	1 345
Operational risk			9 267	741	741
Total risk-weighted volume and capital requirements before transitional rules			197 427	15 794	15 218
Additional capital requirements according to transitional rules			47 382	3 791	4 472
Total risk-weighted volume and capital requirements			244 809	19 585	19 691

1) EAD, exposure at default

Note 3 Development in accumulated impairment of financial instruments

The quality of DNB Boligkreditt's loan portfolio is high with a large share of loans in stage 1. The following tables reconcile the opening and closing balances for accumulated impairment of loans to customers at amortised cost and financial commitments. Reconciling items includes the following:

- Transfers between stages due to significant changes in credit risk. The transfers are presumed to occur before the subsequent remeasurement of the allowance
- Changes due to transfers between 12-month expected credit loss in stage 1 and lifetime expected credit loss in stages 2 and 3
- Increases and decreases in expected credit loss resulting from changes in input parameters and assumptions, including macro forecasts, as well as the effect of partial repayments on existing facilities and the unwinding of the time value of discounts due to the passage of time
- Changes in allowance due to the origination of new financial instruments during the period
- Changes in allowance due to the derecognition of financial instruments during the period
- Write-offs, exchange rate movements and other changes affecting the expected credit loss

Loans to customers at amortised cost

<i>Amounts in NOK million</i>	DNB Boligkreditt			
	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2018	(43)	(37)	(74)	(154)
Transfer to stage 1	(12)	9	3	
Transfer to stage 2	1	(4)	3	
Transfer to stage 3	0	1	(1)	
Assets originated or purchased during the period	(2)	(0)		(2)
Increased expected credit loss	(6)	(15)	(15)	(36)
Decreased (reversed) expected credit loss	28	5	5	38
Write-offs	0		1	1
Other	0	4	4	8
Accumulated impairment as at 31 March 2018	(35)	(37)	(74)	(146)

Note 4 Debt securities issued

Debt securities issued	DNB Boligkreditt AS		
	31 March 2018	31 Dec. 2017	31 March 2017
<i>Amounts in NOK million</i>			
Listed covered bonds, nominal amount	355 074	379 635	380 673
Private placements under the bond programme, nominal amount	71 514	70 812	64 263
Total bonds, nominal amount	426 588	450 446	444 935
Accrued interest	2 730	3 033	3 219
Unrealised losses ¹⁾	13 028	14 757	17 708
Adjustments	15 758	17 790	20 926
Total debt securities issued	442 346	468 236	465 862

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 31 March 2018	Issued 2018	Matured/ redeemed 2018	Exchange rate movements 2018	Other changes 2018	Balance sheet 31 Dec. 2017
<i>Amounts in NOK million</i>						
Bond debt, nominal amount	426 588	21 036	(39 439)	(5 455)		450 446
Value adjustments	15 758				(2 032)	17 790
Total debt securities issued	442 346	21 036	(39 439)	(5 455)	(2 032)	468 236

Maturity of debt securities issued	DNB Boligkreditt AS		
	NOK	Foreign currency	Total
<i>Amounts in NOK million</i>			
2018	9 450	22 997	32 447
2019	16 600	42 080	58 680
2020	19 000	34 536	53 536
2021	16 500	49 868	66 368
2022 and later	18 120	197 438	215 558
Total bond debt	79 670	346 918	426 588

Debt securities issued - matured/redeemed during the period	DNB Boligkreditt AS							
	ISIN Code	Currency	Matured redeemed amount	Interest	Issued	Matured	Remaining nominal amount 31 March 2018	31 Dec. 2017
CH0110819445	CHF	1 680	Fixed	2010	2018	Matured	1 680	
XS0592277429	EUR	98	Floating	2011	2018	Matured	98	
XS0746565877	EUR	492	Fixed	2012	2018	Matured	492	
XS0822752233	EUR	246	Fixed	2012	2018	Matured	246	
XS0864911259	EUR	197	Floating	2012	2018	Matured	197	
NO0010669864	NOK	3 500	Floating	2013	2018	Matured	3 500	
NO0010669864	NOK	500	Floating	2014	2018	Matured	500	
XS0876790808	SEK	1 499	Floating	2013	2018	Matured	1 499	
XS0877571884	EUR	14 749	Fixed	2013	2018	Matured	14 749	
XS0899701212	USD	82	Floating	2013	2018	Matured	82	
US25600WAD20/US25600XAB4	USD	16 397	Fixed	2013	2018	Matured	16 397	
Total debt securities issued, nominal value		39 439					39 439	

Cover pool	DNB Boligkreditt AS		
	31 March 2018	31 Dec. 2017	31 March 2017
<i>Amounts in NOK million</i>			
Pool of eligible loans	615 814	617 756	607 108
Market value of eligible derivatives	44 687	52 878	39 336
Total collateralised assets	660 501	670 634	646 444
Debt securities issued, carrying value	442 346	468 236	465 862
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(563)	(465)	(385)
Debt securities issued, valued according to regulation ¹⁾	441 784	467 771	465 476
Collateralisation (per cent)	149.5	143.4	138.9

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

Note 5 Subordinated loan capital

<i>Amounts in NOK million</i>	Currency	Nominal amount	Interest rate	Issue date	Maturity date	DNB Boligkreditt AS		
						31 March 2018	31 Dec. 2017	31 March 2017
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						7	6	6
Total subordinated loan capital						4 857	4 856	4 856

Note 6 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 31 March 2018				
Loans to customers			39 188	39 188
Financial derivatives		57 844		57 844
Liabilities as at 31 March 2018				
Debt securities issued		81 399		81 399
Financial derivatives		13 157		13 157

<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 31 March 2017				
Due from credit institutions		31 000		31 000
Loans to customers			48 204	48 204
Financial derivatives		52 375		52 375
Liabilities as at 31 March 2017				
Debt securities issued		85 358		85 358
Financial derivatives		13 039		13 039

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 2017	41 362
Implementation impact from IFRS 9 at 1 January 2018	(1 051)
Net gains recognised in the income statement	(268)
Additions/purchases	3 552
Sales	(77)
Settled	(4 330)
Carrying amount as at 31 March 2018	39 188

Note 7 Information on related parties

DNB Bank ASA

In the first quarter of 2018, loan portfolios representing NOK 0.8 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 340 million in the first quarter of 2018 (NOK 49 million in the first quarter of 2017).

At end-March, the bank had invested NOK 7.8 billion in covered bonds issued by DNB Boligkreditt.

In the first quarter of 2018 DNB Boligkreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 8.0 billion at end-March 2018.

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 220 billion.

DNB Livsforsikring AS

At end-March 2018, DNB Livsforsikring's holding of 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 0.7 million in the first quarter of 2018.

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Other sources of information

Annual and quarterly reports

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

We are here.
So you can stay ahead.

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