

DNB Boligkreditt AS

A company in the DNB Group

Q2

Second quarter and first half report 2018
(Unaudited)

DNB

Financial highlights

Income statement

<i>Amounts in NOK million</i>	DNB Boligkreditt AS				
	2nd quarter 2018	2nd quarter 2017	2018	January-June 2017	Full year 2017
Net interest income	1 178	1 406	2 621	2 592	5 664
Net other operating income	(842)	(330)	(1 386)	(1 267)	(1 288)
<i>Of which net gains on financial instruments at fair value</i>	<i>(858)</i>	<i>(348)</i>	<i>(1 415)</i>	<i>(1 300)</i>	<i>(1 354)</i>
Total operating expenses	(58)	(312)	(417)	(380)	(1 243)
Impairment of financial instruments	3	(1)	11	8	(26)
Pre-tax operating profit	281	763	829	954	3 107
Tax expense	(70)	(191)	(207)	(239)	(777)
Profit for the period	211	572	622	716	2 331

Balance sheet

<i>Amounts in NOK million</i>	30 June 2018	31 Dec. 2017	30 June 2017
Total assets	683 396	715 425	685 120
Loans to customers	624 042	622 169	616 995
Debt securities issued	461 603	468 236	454 666
Total equity	42 366	44 108	42 492

Key figures and alternative performance measures

	2nd quarter 2018	2nd quarter 2017	2018	January-June 2017	Full year 2017
Return on equity, annualised (%) ¹⁾	2.0	5.4	2.9	3.5	5.5
Total average spread for lending (%) ¹⁾	0.65	0.81	0.76	0.74	0.82
Impairment relative to average net loans to customers, annualised (per cent) ¹⁾	0.00	(0.00)	0.00	0.00	(0.00)
Net loans and financial commitments in stage 3, per cent of net loans ^{1) 2)}	0.17	0.10	0.17	0.10	0.10
Loans and financial commitments in stage 3, per cent of gross loans ¹⁾	0.18	0.18	0.18	0.18	0.16
Net loans and financial commitments in stage 3, (NOK million) ²⁾	1 077	609	1 077	609	602
Loans and financial commitments in stage 3, (NOK million)	1 146	1 103	1 146	1 103	967
Common equity Tier 1 capital ratio, transitional rules, end of period (%)	16.5	16.6	16.5	16.6	16.6
Capital ratio, transitional rules, end of period (%)	18.5	18.6	18.5	18.6	18.5
Common equity Tier 1 capital (NOK million)	40 945	40 383	40 945	40 383	40 789
Risk-weighted volume, transitional rules (NOK million)	247 827	243 785	247 827	243 785	246 134
Number of full-time positions at end of period	6	7	6	7	6

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

2) Due to the implementation of IFRS 9, the calculation method for these key figures and alternative performance measures is changed as from the second quarter of 2018. The change primarily reflects that net non-performing and doubtful loans without impairments now are included in the calculation.

Second quarter and first half report 2018

Directors' report	2
--------------------------------	---

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	12
Note 6 Financial instruments at fair value.....	12
Note 7 Information on related parties.....	13

Statement pursuant to the Securities Trading Act	14
---	----

Additional information

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

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

Directors' report

DNB Boligkreditt AS is the DNB Group's vehicle for the issue of covered bonds based on residential mortgages. The company's 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 211 million in the second quarter of 2018, compared with a profit of NOK 572 million in the second quarter of 2017.

Total income

Income totalled NOK 336 million in the second quarter of 2018, down from NOK 1.076 million in the year-earlier period.

Amounts in NOK million	2nd quarter		2nd quarter	
	2018	Change	2017	
Total income	336	(740)	1 076	
Net interest income		(228)		
Net commission and fee income		(2)		
Net gains/(losses) on financial instruments at fair value		(510)		

The decrease in net interest income was due to a narrowing of interest rate spreads.

The effect of financial instruments was negative in both the second quarter of 2018 and the second quarter of 2017, though it was significantly more negative in the second quarter of 2018. 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 39 million in the second quarter of 2018, down from NOK 287 million in the second quarter of 2017.

The company has generally recorded low impairment losses on loans. In the second quarter of 2018, the company reported net reversals on impairment losses of NOK 3 million. The Board of Directors considers the level of impairment to be satisfactory relative to the high quality of the loan portfolio.

Funding, liquidity and balance sheet

Balance sheet

At end-June 2018, DNB Boligkreditt had total assets of NOK 683.4 billion, a decrease of NOK 1.7 billion or 0.3 per cent from end-June 2017.

Amounts in NOK million	30 June		30 June
	2018	Change	2017
Total assets	683 396	(1 724)	685 120
Loans to customers		7 048	
Financial derivatives		(12 706)	
Other assets		3 934	
Total liabilities	641 030	(1 598)	642 628
Due to credit institutions		(11 923)	
Financial derivatives		(1 411)	
Debt securities issued		6 937	
Deferred taxes		4 979	
Other liabilities		(180)	

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 6.9 billion from end-June 2017. The company issued covered bonds under existing programmes for a total of NOK 34.9 billion in the second quarter of 2018, including a green covered bond of NOK 14.2 billion. Total debt securities issued amounted to NOK 461.6 billion at end-June 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-June 2018, the company's equity totalled NOK 42.4 billion, of which NOK 40.9 billion represented Tier 1 capital. Total primary capital in the company was NOK 45.8 billion. The Tier 1 capital ratio was 16.5 per cent, while the capital adequacy ratio was 18.5 per cent.

New regulatory framework

Home mortgage lending regulation to be retained through 2019

In the autumn of 2016, the Ministry of Finance adopted a regulation governing banks' lending practices for home mortgages, thus aiming to contribute to a more sustainable development in household debt and housing prices. After a public consultation, the regulation was adjusted in June 2018 and will remain in force until 31 December 2019.

The regulation caps borrowers' loan-to-value and loan-to-income ratios, and presents requirements for instalment payment and debt-servicing capacity in the event of interest rate increases. The regulation allows banks to grant a certain percentage of loans that do not meet all the requirements in the regulation. This flexibility quota is 10 per cent of lending volume each quarter, except from Oslo, where it is 8 per cent.

The government is considering VAT on financial services

Financial activities tax was introduced from 2017 and implies a 5 percentage point increase in employer's national insurance contributions and a 2 percentage point increase in the corporate tax rate for financial institutions. The parliament would like to remove the element related to employer's national insurance contributions and has asked the government to consider whether the financial activities tax should be replaced by a model that introduces VAT on the sale and distribution of financial services. The government will account for this in the National Budget for 2019 and present a proposal to make adjustments to the financial activities tax no later than in connection with the National Budget for 2020. The guiding from the parliament is that the adjustments shall eliminate the higher employer's national insurance contributions and that the effect on government revenues shall be neutral.

Norwegian rules to be adjusted in line with the EU's capital requirements regulations

The EU's capital requirements regulations CRR/CRD IV are expected to be incorporated into the EEA agreement before long. Today, Norwegian legislation does not fully reflect the requirements in CRR and CRD IV. The Ministry of Finance has therefore circulated for comment a proposal from Finanstilsynet concerning regulatory changes in Norway.

Among other things, Finanstilsynet states that the so-called Basel I floor is not in line with the EU regulations and therefore must be removed. Similarly, Norway must also introduce the so-called SME supporting factor, which entails lower capital requirements for lending to small and medium-sized enterprises.

The introduction of the SME supporting factor and removal of the Basel I floor will result in a more appropriate calculation of capital requirements than under existing Norwegian requirements. The banks can thus report a higher capital adequacy ratio even though this in itself does not reflect a higher level of capitalisation. Finanstilsynet therefore proposes to compensate for this by requiring additional safety margins when approving internal risk models (IRB), as well as higher individual capital requirements (Pillar 2) in addition to the minimum requirements and the buffer requirements (Pillar 1).

It follows from the EU rules that failure to comply with the capital buffer requirements should automatically result in restrictions on banks' access to pay dividends, interest on additional Tier 1 capital and remunerations. It has previously been unclear whether the Pillar 2 requirement should be included in the basis for determining automatic restrictions. In Norway, the Ministry of Finance has stated that the restrictions will only be imposed when institutions fail to comply with the Pillar 1 requirement, including the total buffer requirement. Finanstilsynet proposes to change this policy in line with the

expected EU regulations and practices, whereby the Pillar 2 requirement will be included when determining the level at which automatic restrictions are imposed.

The Ministry of Finance will now consider Finanstilsynet's recommendations. Parallel to this, the Ministry is seeking to reach an agreement with the European Commission and the EFTA countries to open up for retaining some of the distinctively Norwegian regulations once CRR/CRD IV are incorporated in the EEA agreement. It is unclear whether the Norwegian authorities will gain support for its views in these negotiations.

Macroeconomic developments

2017 ended with increasing optimism and higher growth in the industrialised countries. At the beginning of 2018, however, key macroeconomic indicators failed to fulfil expectations, and GDP growth abated in a number of countries. Cold weather, lots of snow in certain regions and a late spring apparently had a dampening effect on growth both in the US and in Europe. In DNB's opinion, growth will pick up, and the global growth rate is estimated at 3.7 per cent in both 2018 and 2019, which will help bring down unemployment. In the recent period, trade conflicts between the US and several other countries have increased, and there is a heightened risk of a more extensive trade war. This could potentially result in significant economic setbacks.

GDP growth in the US is estimated to be 2.7 per cent in 2018 and 2.6 per cent in 2019, bolstered by an expansionary fiscal policy. In June, the Federal Reserve raised the target range for its benchmark rate to between 1.75 and 2.0 per cent. The Fed is expected to raise rates two more times in 2018 and four times in 2019, although price pressures remain moderate.

In the euro area, GDP growth is estimated at 2.3 per cent in 2018 after a fairly weak first quarter. Even if growth picks up later in the year, the rate of growth is expected to be lower in 2019. The European Central Bank has announced that it will begin to gradually depart from its expansionary monetary policy by finalising its asset purchases at the end of the year, and that no interest rate increases will be implemented until after the summer of 2019.

In the United Kingdom, the no to further EU membership had fewer negative consequences than expected in the short term, though growth prospects are moderate, with an estimated GDP growth of 1.3 per cent both this and next year. Inflation has declined slightly more than expected, and the Central Bank has postponed previously announced interest rate increases. Uncertainty regarding the process around Brexit and the results thereof makes future prospects more unpredictable than normal.

In the Norwegian economy, the start of the year saw weak domestic demand, including a reduction in goods consumption. However, underlying growth appears to be keeping up, and both households and businesses report a high level of optimism. Oil investment has picked up, and a rise in the oil price will ensure further investment growth in the period ahead. Housebuilding activity is declining, but a new upturn in secondary market prices could indicate a more modest reduction in housing investment. Overall, DNB estimates an increase in mainland GDP of 2.3 per cent this year and 2.4 per cent next year.

Higher manufacturing growth has been reflected in stronger employment growth and lower unemployment. The annual wage settlements point to moderate wage growth this year as well, though lower unemployment and strong profitability in a number of export industries could indicate rising wage growth next year. Core inflation has remained low and stood at 1.2 per cent, well below Norges Bank's (the Norwegian central bank) 2.0 per cent inflation target. Norges Bank is nevertheless expected to raise interest rates in September, which was clearly signaled at its monetary policy meeting in June, and to implement further rate hikes twice a year over the next few years.

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, 11 July 2018

The Board of Directors of DNB Boligkreditt AS



Reidar Bolme
(chair of the board)



Jørn E. Pedersen



Eva-Lill Strandskogen



Per Sagbakken
(chief executive officer)

Comprehensive income statement

		DNB Boligkreditt AS				
<i>Amounts in NOK million</i>	Note	2nd quarter 2018	2nd quarter 2017	2018	January-June 2017	Full year 2017
Interest income, amortised cost		3 400	3 374	6 782	6 662	13 532
Other interest income		272	348	540	724	1 363
Interest expenses, amortised cost		(2 146)	(2 167)	(4 325)	(4 321)	(8 630)
Other interest expenses		(348)	(149)	(376)	(472)	(601)
Net interest income		1 178	1 406	2 621	2 592	5 664
Commission and fee income		16	18	29	33	64
Commission and fee expenses		(1)	(0)	(2)	(2)	(3)
Net gains on financial instruments at fair value		(858)	(348)	(1 415)	(1 300)	(1 354)
Other income	7	1	1	2	2	5
Net other operating income		(842)	(330)	(1 386)	(1 267)	(1 288)
Total income		336	1 076	1 235	1 326	4 376
Salaries and other personnel expenses		(3)	(3)	(6)	(7)	(16)
Other expenses	7	(56)	(309)	(411)	(373)	(1 227)
Total operating expenses		(58)	(312)	(417)	(380)	(1 243)
Impairment of financial instruments		3	(1)	11	8	(26)
Pre-tax operating profit		281	763	829	954	3 107
Tax expense		(70)	(191)	(207)	(239)	(777)
Profit for the period		211	572	622	716	2 331
Other comprehensive income that will not be reclassified to profit or loss		19		(79)		
Tax		(5)		20		
Total comprehensive income for the period		226	572	562	716	2 331

Balance sheet

		DNB Boligkreditt AS		
<i>Amounts in NOK million</i>	Note	30 June 2018	31 Dec. 2017	30 June 2017
Assets				
Due from credit institutions	7	8 964	26 705	5 056
Loans to customers	3, 6	624 042	622 169	616 995
Financial derivatives	6	50 365	66 550	63 071
Other assets		24	1	(1)
Total assets		683 396	715 425	685 120
Liabilities and equity				
Due to credit institutions	7	153 353	179 595	165 276
Financial derivatives	6	12 019	13 673	13 430
Debt securities issued	4, 6	461 603	468 236	454 666
Payable taxes		184	0	239
Deferred taxes		8 925	4 723	3 946
Other liabilities		57	207	186
Provisions		33	28	28
Subordinated loan capital	5	4 856	4 856	4 856
Total liabilities		641 030	671 317	642 628
Share capital		4 157	4 157	4 157
Share premium		31 563	31 563	31 563
Other equity		6 646	8 388	6 772
Total equity		42 366	44 108	42 492
Total liabilities and equity		683 396	715 425	685 120

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				716	716
Comprehensive income for the period				716	716
Share issue	300	2 700			3 000
Group contribution paid				(815)	(815)
Balance sheet as at 30 June 2017	4 157	31 563		6 772	42 492
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				622	622
Financial liabilities designated at FVTPL, changes in credit risk			(79)		(79)
Tax on other comprehensive income			20		20
Comprehensive income for the period			(59)	622	562
Group contribution paid				(2 300)	(2 300)
Balance sheet as at 30 June 2018	4 157	31 563	(408)	7 054	42 366

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>	2018	January-June 2017	Full year 2017
Operating activities			
Net payments on loans to customers	(521)	(4 678)	(6 835)
Interest received from customers	7 290	7 369	14 789
Net received/payments on loans from credit institutions	(8 518)	15 014	7 765
Interest received from credit institutions	33	43	67
Interest paid to credit institutions	(1 504)	(1 320)	(2 676)
Net payments on the sale of financial assets for investment or trading		(1)	(20)
Net receipts on commissions and fees	27	31	62
Payments for operating expenses	(586)	(598)	(1 440)
Taxes paid		(8 328)	(8 328)
Net cash flow relating to operating activities	(3 779)	7 533	3 385
Investing activities			
Net purchase of loan portfolio	(1 600)	(9 001)	(12 025)
Net cash flow relating to investing activities	(1 600)	(9 001)	(12 025)
Financing activities			
Receipts on issued bonds and commercial paper	55 974	42 210	76 131
Payments on redeemed bonds and commercial paper	(49 456)	(39 015)	(62 590)
Interest payments on issued bonds and commercial paper	(2 992)	(3 591)	(6 620)
Interest payments on subordinated loan capital	(63)	(66)	(128)
Share issue		3 000	3 000
Group contribution receipts/payments	1 900	(1 087)	(1 087)
Net cash flow from financing activities	5 363	1 453	8 706
Net cash flow	(16)	(15)	66
Cash as at 1 January	86	20	20
Net receipts/payments of cash	(16)	(15)	66
Cash at end of period	70	5	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 second quarter of 2017 can be found in note 9 Loans to customers in the second quarter report of 2017.

Note 2 Capital adequacy

Primary capital	DNB Boligkreditt AS	
	30 June 2018	31 Dec. 2017
<i>Amounts in NOK million</i>		
Share capital	4 157	4 157
Other equity	37 588	39 951
Total equity	41 745	44 108
Deductions		
Expected losses exceeding actual losses, IRB-portfolios	(788)	(1 070)
Value adjustments due to the requirements for prudent valuation (AVA)	(410)	(258)
Adjustments for unrealised losses/(gains) on liabilities recorded at fair value	408	348
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(23)	(9)
Allocated group contributions for payment		(2 331)
Common equity Tier 1 capital	40 932	40 789
Term subordinated loan capital	4 850	4 850
Tier 2 capital	4 850	4 850
Total eligible primary capital	45 782	45 639
Risk-weighted volume, transitional rules	247 827	246 134
Minimum capital requirement, transitional rules	19 826	19 691
Common equity Tier 1 capital ratio, transitional rules (%)	16.5	16.6
Capital ratio, transitional rules (%)	18.5	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
	30 June 2018	30 June 2018	30 June 2018	30 June 2018	31 Dec. 2017
IRB approach					
Corporate	5 218	5 218	2 581	206	221
Retail - residential property	644 937	644 937	137 672	11 014	11 245
Total credit risk, IRB approach	650 155	650 155	140 253	11 220	11 467
Standardised approach					
Institutions	38 958	30 957	6 191	495	693
Corporate	19 589	19 539	6 960	557	531
Retail - residential property	24 058	22 285	7 870	630	422
Retail - other exposures	482	303	247	20	20
Other assets					
Total credit risk, standardised approach	83 088	73 084	21 269	1 702	1 666
Total credit risk	733 243	723 239	161 522	12 922	13 132
Credit value adjustment (CVA)					1 345
Operational risk			9 267	741	741
Total risk-weighted volume and capital requirements before transitional rules			170 789	13 663	15 218
Additional capital requirements according to transitional rules			77 038	6 163	4 472
Total risk-weighted volume and capital requirements			247 827	19 826	19 691

1) EAD, exposure at default

Note 3 Development in accumulated impairment of financial instruments

The quality of DNB Boligkredit'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 Boligkredit			
	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	(0)
Transfer to stage 2	1	(4)	3	(0)
Transfer to stage 3	0	1	(1)	
Originated and 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	0	1	1
Other	0	4	4	8
Accumulated impairment as at 31 March 2018	(35)	(37)	(74)	(146)
Transfer to stage 1	(9)	8	1	0
Transfer to stage 2	1	(17)	16	0
Transfer to stage 3	0	0	(0)	(0)
Originated and purchased during the period	(4)	(0)		(4)
Increased expected credit loss	(5)	(15)	(24)	(44)
Decreased (reversed) expected credit loss	20	17	15	52
Derecognition	0	8	0	8
Write-offs	0		1	1
Other	(0)	(4)	(4)	(8)
Accumulated impairment as at 30 June 2018	(32)	(40)	(69)	(141)

Note 4 Debt securities issued

Debt securities issued	DNB Boligkreditt AS		
	30 June 2018	31 Dec. 2017	30 June 2017
<i>Amounts in NOK million</i>			
Listed covered bonds, nominal amount	376 030	379 635	368 484
Private placements under the bond programme, nominal amount	69 955	70 812	67 430
Total bonds, nominal amount	445 985	450 446	435 914
Accrued interest	2 037	3 033	2 286
Unrealised losses ¹⁾	13 581	14 757	16 466
Adjustments	15 619	17 790	18 752
Total debt securities issued	461 603	468 236	454 666

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 June 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	445 985	55 974	(46 049)	(14 386)		450 446
Value adjustments	15 619				(2 171)	17 790
Total debt securities issued	461 603	55 974	(46 049)	(14 386)	(2 171)	468 236

Maturity of debt securities issued	DNB Boligkreditt AS		
	NOK	Foreign currency	Total
<i>Amounts in NOK million</i>			
2018	2 453	16 206	18 658
2019	16 600	41 624	58 224
2020	19 000	34 457	53 457
2021	26 500	49 058	75 558
2022 and later	18 120	221 967	240 087
Total bond debt	82 673	363 312	445 985

Debt securities issued - matured/redeemed during the period	DNB Boligkreditt AS							
	ISIN Code	Currency	Matured redeemed amount	Interest	Issued	Matured	Remaining nominal amount	
30 June 2018							31 Dec. 2017	
<i>Amounts in NOK million</i>								
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/US25600XAB47	USD	16 397	Fixed	2013	2018	Matured		16 397
Private	EUR	344	Fixed	2008	2018	Matured		344
Private	EUR	49	Fixed	2008	2018	Matured		49
Private	EUR	147	Fixed	2008	2018	Matured		147
Private	EUR	197	Fixed	2008	2018	Matured		197
Private	EUR	98	Fixed	2008	2018	Matured		98
Private	EUR	147	Fixed	2008	2018	Matured		147
XS0618699994	EUR	492	Floating	2011	2018	Matured		492
NO0010634777	NOK	2 000	Fixed	2012	2018	Matured		2 000
NO0010634777	NOK	500	Fixed	2013	2018	Matured		500
XS0846052396	EUR	885	Floating	2012	2018	Matured		885
XS0914395222	EUR	1 652	Floating	2013	2018	Matured		1 652
XS0934222521	EUR	98	Fixed	2013	2018	Matured		98
Total debt securities issued, nominal value		46 049						46 049

Note 4 Debt securities issued (continued)

Cover pool	DNB Boligkreditt AS		
	30 June 2018	31 Dec. 2017	30 June 2017
<i>Amounts in NOK million</i>			
Pool of eligible loans	619 834	617 756	614 128
Market value of eligible derivatives	38 346	52 878	49 640
Total collateralised assets	658 180	670 634	663 768
Debt securities issued, carrying value	461 603	468 236	454 666
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(544)	(465)	(473)
Debt securities issued, valued according to regulation ¹⁾	461 060	467 771	454 193
Collateralisation (per cent)	142.8	143.4	146.1

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		
						30 June 2018	31 Dec. 2017	30 June 2017
Term subordinated loan capital	NOK	850	3 month Nibor + 400 bp	2009	2024	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						6	6	6
Total subordinated loan capital						4 856	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 30 June 2018				
Loans to customers			38 649	38 649
Financial derivatives		50 365		50 365
Liabilities as at 30 June 2018				
Debt securities issued		84 149		84 149
Financial derivatives		12 019		12 019

<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 June 2017				
Due from credit institutions		3 987		3 987
Loans to customers			46 460	46 460
Financial derivatives		63 071		63 071
Liabilities as at 30 June 2017				
Debt securities issued		82 979		82 979
Financial derivatives		13 430		13 430

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	(263)
Additions/purchases	6 259
Sales	(108)
Settled	(7 551)
Carrying amount as at 30 June 2018	38 649

Note 7 Information on related parties

DNB Bank ASA

In the first half of 2018, loan portfolios representing NOK 1.6 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 379 million in the first half of 2018 (NOK 337 million in the first half of 2017).

At end-June, the bank had invested NOK 3.5 billion in covered bonds issued by DNB Boligkreditt.

In the first half 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-June 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-June 2018, DNB Livsforsikring's holding of DNB Boligkreditt bonds was valued at NOK 1.8 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 1.6 million in the first half of 2018.

Statement

pursuant to Section 5-6 of the Securities Trading Act

We hereby confirm that the half-yearly financial statements for the company for the period 1 January through 30 June 2018 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole.

To the best of our knowledge, the half-yearly report gives a true and fair:

- overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements
- description of the principal risks and uncertainties facing the company over the next accounting period
- description of major transactions with related parties.

Oslo, 11 July 2018

The Board of Directors of DNB Boligkreditt AS



Reidar Bolme
(chair of the board)



Jørn E. Pedersen



Eva-Lill Strandskogen



Per Sagbakken
(chief executive officer)

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 04800
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

DNB ASA

Mailing address P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address Dronning Eufemias gate 30, Oslo
Telephone +47 915 04800
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 04800
Internet dnb.no
Organisation number NO 984 851 006 MVA

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.

DNB Boligkreditt AS

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

Visiting address:
Dronning Eufemias gate 30
Bjørsvika, Oslo

dnb.no
