



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 985 621 551
Organisasjonsform: Aksjeselskap
Foretaksnavn: DNB BOLIGKREDITT AS
Forretningsadresse: Dronning Eufemias gate 30
0191 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Roar Sørensen
Dato for fastsettelse av årsregnskapet: 07.04.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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Brønnøysundregistrene, 14.06.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Renteinntekter og lignende inntekter			
Renteinntekter beregnet etter effektivrentemetoden av utlån til og fordringer på kredittinstitusjoner	12	27 000 000	32 000 000
Renteinntekter beregnet etter effektivrentemetoden av utlån til og fordringer på kunder	12	12 378 000 000	14 320 000 000
Øvrige renteinntekter	12	227 000 000	218 000 000
Sum renteinntekter og lignende inntekter	12	12 632 000 000	14 570 000 000
Rentekostnader og lignende kostnader			
Rentekostnader beregnet etter effektivrentemetoden på gjeld til kredittinstitusjoner og finansiering	12	1 984 000 000	2 020 000 000
Rentekostnader beregnet etter effektivrentemetoden på utstedte verdipapirer	12	386 000 000	1 830 000 000
Andre rentekostnader beregnet etter effektivrentemetoden	12	106 000 000	133 000 000
Øvrige rentekostnader	12	4 168 000 000	5 092 000 000
Sum rentekostnader og lignende kostnader	12	6 644 000 000	9 075 000 000
Netto renteinntekter	12	5 988 000 000	5 495 000 000
Provisjonsinntekter og inntekter fra banktjenester	13	59 000 000	61 000 000
Provisjonskostnader og kostnader ved banktjenester	13	4 000 000	3 000 000
Utbytte og andre inntekter av egenkapitalinstrumenter			
Sum utbytte og andre inntekter av egenkapitalinstrumenter		0	0
Netto verdiendring og gevinst/tap på valuta og finansielle instrumenter			
Netto verdiendring og gevinst/tap på valuta og finansielle derivater	14	-313 000 000	1 047 000 000
Sum netto verdiendring og gevinst/tap på valuta og finansielle instrumenter	14	-313 000 000	1 047 000 000
Andre driftsinntekter		1 000 000	-2 000 000
Lønn og andre personalkostnader	15	13 000 000	11 000 000



Resultatregnskap

Beløp i: NOK	Note	2021	2020
Andre driftskostnader	24	1 931 000 000	1 146 000 000
Av-/nedskrivninger, verdiendringer og gevinst/tap på ikke-finansielle eiendeler			
Sum av-/nedskrivninger, verdiendringer og gevinst tap på ikke-finansielle eiendeler		0	0
Kredittap på utlån, garantier mv. og rentebærende verdipapirer			
Kredittap på utlån målt til virkelig verdi over resultat	6	-5 000 000	-27 000 000
Sum kredittap på utlån, garantier og rentebærende verdipapirer	6	-5 000 000	-27 000 000
Resultat før skatt fra videreført virksomhet		3 792 000 000	5 468 000 000
Skatt på resultat fra videreført virksomhet	16	948 000 000	1 368 000 000
Resultat etter skatt fra videreført virksomhet		2 844 000 000	4 100 000 000
Resultat før andre inntekter og kostnader		2 844 000 000	4 100 000 000
Andre inntekter og kostnader			
Endringer i virkelig verdi på finansielle forpliktelser som skyldes egen kredittrisiko		28 000 000	18 000 000
Skatt på andre inntekter og kostnader som ikke blir omklassifisert til resultatet		7 000 000	4 000 000
Sum andre inntekter og kostnader		21 000 000	14 000 000
Totalresultat for regnskapsåret		2 865 000 000	4 114 000 000



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Utlån til og fordringer på kredittinstitusjoner og finansieringsforetak			
Utlån og fordringer på kredittinstitusjoner og finansieringsforetak til virkelig verdi	11	33 092 000 000	26 175 000 000
Sum utlån og fordringer på kredittinstitusjoner og finansieringsforetak	11	33 092 000 000	26 175 000 000
Utlån til og fordringer på kunder			
Utlån og fordringer på kunder til amortisert kost	5	689 142 000 000	676 511 000 000
Sum utlån og fordringer på kunder	5	689 142 000 000	676 511 000 000
Rentebærende verdipapirer			
Sum rentebærende verdipapirer		0	0
Finansielle derivater			
Finansielle derivater	17	21 129 000 000	37 442 000 000
Aksjer, andeler og andre egenkapitalinstrumenter			
Aksjer, andeler og andre egenkapitalinstrumenter	11	55 000 000	5 000 000
Varige driftsmidler			
Sum varige driftsmidler		0	0
Andre eiendeler			
Eiendeler ved utsatt skatt	16	2 949 000 000	0
Sum andre eiendeler		2 949 000 000	0
SUM EIENDELER		746 367 000 000	740 133 000 000

BALANSE - GJELD OG EGENKAPITAL

GJELD

Innlån fra kredittinstitusjoner og finansieringsforetak

Innlån fra kredittinstitusjoner og finansieringsforetak til virkelig verdi	17	235 701 000 000	150 423 000 000
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Balanse

Beløp i: NOK	Note	2021	2020
Sum innlån fra kredittinstitusjoner og finansieringsforetak	17	235 701 000 000	150 423 000 000
Innskudd og andre innlån fra kunder			
Sum innskudd og andre innlån fra kunder		0	0
Gjeld stiftet ved utstedelse av verdipapirer			
Gjeld stiftet ved utstedelse av verdipapirer til virkelig verdi	21	440 950 000 000	521 195 000 000
Sum gjeld stiftet ved utstedelse av verdipapirer	21	440 950 000 000	521 195 000 000
Finansielle derivater			
Finansielle derivater	17	20 850 000 000	9 580 000 000
Annen gjeld			
Annen gjeld	11	136 000 000	114 000 000
Avsetninger			
Forpliktelser ved utsatt skatt	16	0	655 000 000
Andre avsetninger	16	4 589 000 000	5 496 000 000
Sum avsetninger	16	4 589 000 000	6 151 000 000
Ansvarlig lånekapital			
Ansvarlig lånekapital til virkelig verdi	22	5 207 000 000	5 206 000 000
Sum ansvarlig lånekapital		5 207 000 000	5 206 000 000
Fondsobligasjonskapital			
Sum fondsobligasjonskapital		0	0
Sum gjeld		707 433 000 000	692 669 000 000
EGENKAPITAL			
Innskutt egenkapital			
Aksjekapital/eierandelskapital		4 527 000 000	5 257 000 000
Overkursfond		25 149 000 000	31 719 000 000
Annen innskutt egenkapital		9 257 000 000	10 487 000 000
Sum innskutt egenkapital		38 933 000 000	47 463 000 000
Opptjent egenkapital			
Sum opptjent egenkapital		0	0



Balanse

Beløp i: NOK	Note	2021	2020
Sum egenkapital		38 933 000 000	47 463 000 000
SUM GJELD OG EGENKAPITAL		746 366 000 000	740 132 000 000



DNB Boligkreditt AS
A company in the DNB Group



Annual report 2021





Financial highlights

Statement of comprehensive income		DNB Boligkreditt AS				
<i>Amounts in NOK million</i>		2021	2020	2019	2018	2017
Net interest income		5 989	5 495	4 763	5 183	5 664
Net other operating income		(257)	1 103	388	(2 128)	(1 288)
<i>Of which net gains on financial instruments at fair value</i>		(313)	1 047	330	(2 190)	(1 354)
Operating expenses		(1 944)	(1 158)	(807)	(771)	(1 243)
Impairment of financial instruments		5	27	16	15	(26)
Pre-tax operating profit		3 792	5 467	4 360	2 299	3 107
Tax expense		(948)	(1 368)	(1 089)	(575)	(777)
Profit for the year		2 844	4 100	3 271	1 724	2 331

Balance sheet		31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.
<i>Amounts in NOK million</i>		2021	2020	2019	2018	2017
Total assets		746 367	740 132	693 855	695 819	715 425
Loans to customers		689 142	676 511	636 786	628 901	622 169
Debt securities issued		440 950	521 195	471 715	478 548	468 236
Total equity		38 933	47 463	46 621	43 608	44 108

Key figures		2021	2020	2019	2018	2017
Return on equity, annualised (%) ¹⁾		6.5	8.8	7.3	4.0	5.5
Total average spread for lending (%) ¹⁾		0.77	0.75	0.62	0.73	0.82
Impairment relative to average net loans to customers, annualised (%) 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⁾		0.24	0.13	0.15	0.16	0.13
Net loans and financial commitments in stage 3, end of period (NOK million) ¹⁾		1 660	851	982	1 019	818
Common equity Tier 1 capital ratio end of period (%) ²⁾		18.7	23.6	24.5	24.7	21.4
Capital ratio end of period (%) ²⁾		21.5	26.6	27.6	27.7	24.0
Common equity Tier 1 capital (NOK million)		34 708	42 036	42 132	42 143	40 789
Total risk exposure amount (NOK million) ²⁾		185 640	177 880	171 652	170 710	190 225
Number of full-time positions at end of period		6	6	5	6	6

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

2) On 31 December 2019, Norway fully implemented the EU's capital requirements legislation CRR/CRD IV, and the so-called Basel I floor was removed. The additional capital requirements due to the transitional rules have been removed from the historical figures. The harmonised rules include the introduction of the SME discount factor.



Contents

Directors' report	4
Annual accounts	
Comprehensive income statement.....	8
Balance sheet.....	9
Statement of changes in equity.....	10
Cash flow statement.....	11
Notes to the accounts	
Note 1 Accounting principles.....	12
Note 2 Capitalisation policy and capital adequacy.....	16
Note 3 Credit risk management.....	18
Note 4 Measurement of expected credit loss.....	19
Note 5 Credit risk exposure by risk grade.....	23
Note 6 Impairment of financial instruments.....	23
Note 7 Development in gross carrying amount.....	24
Note 8 Development in accumulated impairment of loans.....	25
Note 9 Market risk.....	26
Note 10 Financial derivatives and hedge accounting.....	27
Note 11 Liquidity risk.....	28
Note 12 Net interest income.....	29
Note 13 Net commission and fee income.....	30
Note 14 Net gains on financial instruments at fair value.....	30
Note 15 Salaries and other personnel expenses.....	30
Note 16 Taxes.....	31
Note 17 Classification of financial instruments.....	32
Note 18 Fair value of financial instruments at amortised cost.....	33
Note 19 Financial instruments at fair value.....	34
Note 20 Offsetting.....	35
Note 21 Debt securities issued.....	35
Note 22 Subordinated loan capital.....	37
Note 23 Remunerations.....	37
Note 24 Information on related parties.....	38
Statement pursuant to the Securities Trading Act	39
Auditor's report	40
Governing bodies	44
Contact information	44



Directors' report 2021

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the accounts have been prepared on a going concern basis, and that the going concern assumption applies. Pursuant to Section 3-9 of the Norwegian Accounting Act, DNB Boligkreditt prepares annual accounts in accordance with IFRS, International Financial Reporting Standards, approved by the EU.

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

Operations in 2021

DNB Boligkreditt recorded a profit of NOK 2 844 million in 2021, compared with a profit of NOK 4 100 million in 2020.

Loans to customers increased by 1.9 per cent throughout the year, while outstanding covered bonds decreased by 15.4 per cent.

Wider interest rate spreads and increased loans to customers gave an increase in net interest income by 9.0 per cent. A net loss on financial instruments of NOK 313 million was recorded in 2021, compared with a gain of NOK 1 047 million in 2020. The loss reflects the effects of unrealised changes in the market value of covered bonds, derivatives and loans measured at fair value.

The company's residential mortgage portfolio totalled NOK 689.1 billion at year-end 2021, rising by NOK 12.6 billion or 1.9 per cent over the preceding 12 months. Debt securities issued in the form of covered bonds decreased from NOK 521.2 billion in 2020 to NOK 441.0 billion at year-end 2021.

In the course of 2021, the company launched new bond issues under existing funding programmes, whose limits are EUR 60 billion and USD 12 billion, respectively. The market remained attractive for covered bond issuers with a strong credit rating in 2021, but the company's need for covered bonds was reduced throughout the year. The company issued covered bonds for a total of NOK 26.6 billion during the year, including a green covered bond of EUR 1.5 billion. For more information about green bonds, see www.dnb.no/ir.

Strategy

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

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

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

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

Corporate governance and internal control

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

DNB's governing principles for corporate responsibility set the standards for all of the Group's work on both the observance and

the further development of corporate responsibility. In addition, the Group has guidelines, business models and fora that aim to ensure that corporate responsibility is an integral part of daily operations. Read more about DNB's corporate responsibility in the document "Implementation of and reporting on corporate governance" on ir.dnb.no/about-dnb, and in the Board of Director's report on corporate governance in DNB's annual report for 2021.

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

The Board of Directors of DNB Boligkreditt reviews the financial reporting process. The company follows the DNB Group's policy for financial management and reporting, which includes requirements for quality assurance of financial reporting processes to ensure relevant, timely and uniform reporting to internal stakeholders, regulators and capital market participants. DNB Boligkreditt has a management team which is adapted to its organisation and operations. The team reviews the process of internal control over financial reporting, and implements adequate and effective internal processes in accordance with established requirements. Processes include control measures to ensure that the financial reporting is of high quality. Every year, the team makes an evaluation of compliance with external and internal regulations and prepares a plan to implement any required improvements.

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

Liability insurance has been entered into for the Board of Directors, to cover the legal liability that Board members and senior executives may face. The insurance covers any personal liability that Board members, deputy members and employees of DNB Bank ASA, including all subsidiaries, may incur. The insurance policy also covers the costs of processing any damages claims made, and documenting the facts related to these.

Sustainability

Environmental, social and governance (ESG) factors are integrated into the Group's corporate governance, and through an integrated annual report and reporting in accordance with GRI (Global Reporting Initiative), DNB Boligkreditt meets the authorities' requirements for corporate responsibility reporting. Read more about DNB's updated sustainability strategy and targets in the Group's annual report. More detailed information can be found in the Sustainability Factbook at the back of the report.

Review of the annual accounts

DNB Boligkreditt recorded a profit of NOK 2 844 million in 2021, compared with a profit of NOK 4 100 million in 2020.



Total income

Income totaled NOK 5 731 million in 2021, down from NOK 6 598 million in 2020.

Amounts in NOK million	2021	Change	2020
Total income	5 731	(867)	6 598
Net interest income		494	
Net commission and fee income		(3)	
Net gains on financial instruments at fair value		(1 360)	
Net other income		2	

The increase in net interest income was mainly to increased loans to customers and wider interest rate spreads.

A net loss of NOK 313 million on financial instruments was recorded in 2021, which reflects the effect of unrealised changes in the market value of covered bonds, derivatives and loans measured at fair value. Gains and losses from such instruments tend to vary considerably from period to period and will typically be reversed in subsequent periods due to stabilising markets or because the maturity dates of the instruments are approaching. The negative effects from financial instruments in 2020 were due to a decrease in the market value of basis swaps.

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 service 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, thus the fee will fluctuate with the net interest income. The service agreement also ensures DNB Boligkreditt a minimum fee based on the net interest margin achieved on loans to customers. The fee structure shall ensure a stable return on equity. The management fee paid to DNB Bank increased to NOK 1 843 million in 2021, up from NOK 1 047 million in 2020.

The company has generally recorded low impairment losses on loans. In 2021, the company reported net reversal of impairment losses of NOK 5 million. The Board of Directors considers the level of impairment to be satisfactory relative to the high quality of the loan portfolio.

Funding, liquidity and balance sheet

Balance sheet

At year-end 2021, DNB Boligkreditt had total assets of NOK 746.4 billion, an increase of NOK 6.2 billion or 0.8 per cent from year-end 2020.

Amounts in NOK million	31 Dec.		31 Dec.
	2021	Change	2020
Total assets	746 367	6 235	740 132
Loans to customers		12 631	
Financial derivatives		(16 313)	
Other assets		9 917	
Total liabilities	707 434	14 765	692 669
Due to credit institutions		85 278	
Financial derivatives		11 270	
Debt securities issued		(80 245)	
Other liabilities		(1 538)	

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 80.2 billion from year-end 2020. The company issued covered bonds under existing programmes totalling NOK 26.6 billion in 2021, including a green covered bond of EUR 1.5 billion. The volume of covered bond issues was lower than in the previous years due to the

Group's reduced need for this funding instrument. Total debt securities issued amounted to NOK 441.0 billion at year-end 2021.

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 service agreement with DNB Bank comprises administration, bank production, IT operations and financial and liquidity management. The fee structure in the service 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-December 2021, the company's equity totaled NOK 38.9 billion, of which NOK 34.7 billion represented Tier 1 capital. Own funds in the company was NOK 39.9 billion. As from year-end 2019 the Basel I floor for calculation of risk-weights on residential mortgages was removed, bringing the common equity Tier 1 (CET1) capital ratio up to 23.6 per cent. On this basis, DNB Boligkreditt in 2021 decided to undertake a reduction in capital of NOK 7.3 billion to be paid to the company's shareholder DNB Bank ASA. As per end-December the CET1 capital ratio was reduced to 18.7 per cent, while the total capital adequacy ratio was reduced to 21.5 per cent.

Capital adequacy requirements

The common equity Tier 1 (CET1) capital ratio requirement for DNB Boligkreditt is 14.80 per cent, while the Tier 1 requirement is 16.30 per cent. The Norwegian Ministry of Finance has announced an increase in the counter-cyclical buffer requirement from 1 to 1.5 per cent with effect from June 2022, and an additional increase to 2 per cent from December 2022. In its capital planning, DNB Boligkreditt has taken into account the full counter-cyclical buffer requirement of 2.5 per cent in Norway, which is expected to take full effect in 2023. This will increase the regulatory requirement for the Tier 1 ratio level to 18.55 per cent, including a management buffer of 0.75 per cent.

The CET1 capital ratio was 23.6 per cent as at year-end 2020. The very high ratio was due to the removal of the Basel I floor as from year-end 2019. At its Annual General Meeting on 16th April 2021, DNB Boligkreditt decided to undertake a reduction in capital totalling NOK 7.3 billion to be paid to the company's shareholder DNB Bank ASA. The reduction in capital was approved by Finanstilsynet on 1 July 2021 and completed in accordance with the provisions of the Norwegian Companies Act on 1 September 2021. As per 31 December the CET1 capital ratio was reduced to 18.7 per cent.

Non-risk based capital requirement, leverage ratio

As a supplement to the risk-weighted capital requirements and as a measure to counter adjustments and gaps in the regulations, a non-risk based capital requirement, "leverage ratio", has been introduced. The Ministry of Finance has set a minimum requirement of 3 per cent, but all banks must have a buffer on top of the requirement of minimum 2 per cent. Systemically important banks must have an



additional buffer of minimum 1 per cent. As a systemically important bank in Norway, the total requirement for DNB is then 6 per cent. The additional buffer requirements do not apply to DNB Boligkreditt, which means that 3 per cent will be the effective requirement.

Employees and environment

During 2021 DNB Boligkreditt had six full time employees. The working environment is considered good and the sick-leave was low. The employees are located with and part of the working environment in DNB Bank ASA, hereunder included in all measures and hired on equal terms as the bank's employees.

The company's operations do not pollute the external environment.

New regulatory framework

New rules on covered bonds

On 17 December 2021, the Norwegian Ministry of Finance proposed new legislation to implement the Covered Bonds Directive in Norway. The EU Directive is based on the same principles as the current Norwegian covered bonds framework. Major changes are therefore not required. Common rules and definitions will make it easier for Norwegian and international investors to assess the quality and risk of covered bonds, and they may accentuate the high quality of Norwegian covered bonds. A large part of DNB's lending activities is funded by issuing covered bonds.

The Covered Bonds Directive has not yet been incorporated into the EEA Agreement. However, the Ministry of Finance has emphasised that the new rules should enter into force in Norway in parallel with the date of entry into force in the EU, which is 8 July 2022, since the covered bonds market is largely a European one.

New Act on sustainability-related disclosures adopted by the Storting

In December 2021, the Storting (Norwegian parliament) adopted a new act that implements the EU Regulation on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation – SFDR) and the EU taxonomy for sustainable activities (Taxonomy Regulation) in Norwegian law. Among other things, the act requires banks, insurance companies and listed companies with more than 500 employees to include information in their annual reports on the extent to which their activities can be classified as sustainable under the EU taxonomy. It will only be possible for the act to enter into force once the two regulations have been incorporated into the EEA Agreement and have entered into force in the EEA. The Ministry of Finance expects the EEA process to be concluded during the first half of 2022.

In order for all relevant Norwegian players to be able to report in accordance with the taxonomy, clarifications are needed with regard to the classification of certain financial activities, including activities in the building, construction and real estate sector. The Government is working to clarify relevant definitions and similar matters, so that Norwegian players can classify their activities in accordance with the legislation.

Increased countercyclical capital buffer and key policy rate

Norway's central bank, Norges Bank, sets the level of the countercyclical capital buffer, which is a time-varying capital requirement for banks. On 16 September 2021, Norges Bank decided to increase the requirement to 2.0 per cent with effect from 31 December 2022, in line with previous signals. Norges Bank points to the fact that creditworthy enterprises and households appear to have ample access to credit, and that a relatively small share of the banks' exposures are to the industries that have been most directly affected by infection control measures. It emphasises that Norwegian banks are profitable and have low loan losses, but that losses may increase if more long-term infection control measures are needed. In light of Norges Bank's current

assessment of economic developments and of banks' prospected losses and lending capacity, the buffer requirement will be increased to 2.5 per cent during the first half of 2022, taking effect one year after the decision is made.

At the same time, Norges Bank decided to raise the key policy rate from 0.25 to 0.5 per cent with effect from 17 December 2021. In connection with the decision, Norges Bank stated that there is considerable uncertainty about the future course of the pandemic, but that developments in the Norwegian economy indicate that the interest rate will in all probability be raised further in March 2022.

The next generation of capital requirement rules are in the pipeline

On 27 October 2021, the European Commission presented a regulatory proposal introducing the last part of the international Basel III recommendations in the EU, in the form of a proposed Regulation (CRR III) and Directive (CRD VI), also known as the 2021 EU Banking Package. The new rules include a new standard method for calculating capital requirements for credit risk that is more accurate and risk sensitive. A new output floor is also introduced for banks using the IRB (internal ratings-based) approach, which sets a lower limit on the capital requirements that banks calculate when using internal models. According to the new output floor, the value of risk-weighted assets must not be set lower than 72.5 per cent of what they would have been calculated as under the new standardised approach.

The European Commission proposes to introduce the new rules from 1 January 2025. The new output floor for capital requirements for banks using the IRB approach is to be introduced gradually from 1 January 2025, over a five-year period. Discussion of the proposed 2021 Banking Package in the European Parliament and Council is expected to take a couple of years.

New rules on securitisation

In 2021, the EU adopted amendments to the securitisation rules, partly in the form of a new framework for simple, transparent and standardised securitisation (STS) for synthetic securitisation, i.e. transactions where the lender can transfer credit risk to investors without transferring the underlying loans to a special purpose vehicle (SPV). The amendments also include rules to make it easier to securitise stage 3 loans. On behalf of the Ministry of Finance, Finanstilsynet has looked into possible amendments to Norwegian law to implement the new EU rules, and has written a report on the matter. The report was circulated for public consultation in the autumn of 2021 and is now being considered by the Ministry of Finance. The EU rules and legislation on securitisation are EEA-relevant and are expected to be incorporated into the EEA Agreement.

Macroeconomic developments

Increased COVID-19 infection rates and a tightening of infection control measures contributed to a fall in economic activity in Norway at the beginning of 2021. This particularly affected the service industries in the transport sector, with the exception of foreign shipping, as well as accommodation and catering businesses, culture and entertainment activities and the provision of other services. Mainland GDP declined by 0.7 per cent from the fourth quarter of 2020 to the first quarter of 2021. The turnaround came in May, and mainland GDP rose by a total of 2.3 per cent from April to June. The upturn in economic activity also had a clear impact on the labour markets. The number of registered unemployed, calculated as a percentage of the workforce, decreased from 3.8 per cent in December 2020 to 2.2 per cent in December 2021. Towards the end of the year, COVID-19 infection rates rose again, and the Omicron variant of the virus began to gain ground. This may have resulted in a lower level of activity in December and a slower pace at the start of 2022.

In Norwegian fiscal policy, the national budget that was adopted entailed a clear fiscal tightening following the many



support measures in 2021. The use of money from Norway's oil fund, officially known as the Government Pension Fund Global, was estimated to amount to 2.6 per cent of the fund. On 12 December, national infection control measures were introduced once again, but these measures were not as far-reaching as those introduced at the beginning of the year. Towards the end of the year, the Government proposed a salary support scheme for those affected by the measures. The measures may contribute to weakening the national budget somewhat.

In the second half of 2021, electricity prices rose markedly. The increase can be linked to higher electricity prices in Europe and increased transmission capacity from Norway. The increase in electricity prices resulted in a sharp increase in public revenue, with a significant share of this being paid by households. The Government adopted a package of measures aimed at reducing the impact on households, under which the state is to pay the portion of the electricity price above 70 øre (NOK 0.7) per kilowatt-hour. The rise in electricity prices also resulted in average consumer price growth of 3.5 per cent for the year 2020–2021, and consumer price growth of 5.3 per cent when comparing December 2021 with December 2020. Adjusted for fees and energy prices, year on-year inflation was 1.8 per cent in December. In the housing market, the strong price growth continued during the first quarter, but then slowed significantly. Monthly price growth averaged 0.2 per cent over the past nine months.

The Norwegian central bank, Norges Bank, raised the key policy rate from 0 per cent to 0.25 per cent in September, and then further to 0.50 per cent in December. The background for this was that economic growth had led to increased – and in due course normal – utilisation of capacity, while at the same time there were indications that inflation would remain around target. In Norges Bank's view, it was thus no longer necessary to maintain the powerful monetary policy stimuli. Norges Bank gave notice of a further increase in interest rates during 2022, stating that the next increase would most probably take place in March this year. The rise in inflation in December makes a further rise in interest rates likely.

Future prospects

DNB Boligkreditt's activity level was less impacted by the COVID-19 pandemic than expected in 2021. Housing prices were up in the first half, but slightly down in the second half of 2021. Operating income was strong with very low impairment losses.

In the period 2022 to 2023, the annual increase in lending volumes is expected to be around 3 to 4 per cent. Norges Bank's own forecasts indicate that the key policy rate is expected to increase by 0.25 per cent in March. A further two hikes of 0.25 per cent is also expected, bringing the key policy rate to 1.25 per cent by the end of 2022. Thereafter, another two hikes are projected by the second half of 2024, taking the key policy rate to 1.75 per cent.

The common equity Tier 1 (CET1) capital ratio requirement for DNB Boligkreditt is 14.80 per cent, while the Tier 1 requirement is 16.30 per cent. The Norwegian Ministry of Finance has announced an increase in the counter-cyclical buffer requirement from 1 to 1.5 per cent with effect from June 2022, and an additional increase to 2 per cent from December 2022. In its capital planning, DNB Boligkreditt has taken into account the full counter-cyclical buffer requirement of 2.5 per cent in Norway, which is expected to take full effect in 2023. This will increase the regulatory requirement for the Tier 1 ratio level to 18.55 per cent, including a management buffer of 0.75 per cent. As per 31 December the CET1 capital ratio was 18.7 per cent.

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 the next couple of years is however expected to be lower than in the previous years due to the Group's reduced need for this funding instrument.

Group contributions and the allocation of profits

The profit for 2021 was NOK 2 844 million.

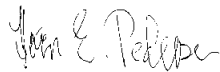
Taxable profits and losses in the Norwegian companies within the DNB Group are netted by group contributions with tax effects. The Board of Directors proposes that NOK 3 790 million (NOK 2 843 million after tax) is allocated as a group contribution to DNB Bank ASA.

Oslo, 9 March 2022

The Board of Directors of DNB Boligkreditt AS



Henrik Lidman
(Chair of the Board)



Jørn E. Pedersen



Toril Steinmo



Anne-Lene Avangør Hødnebo
(Chief Executive Officer, CEO)



Comprehensive income statement

<i>Amounts in NOK million</i>	Note	DNB Boligkreditt AS	
		2021	2020
Interest income, amortised cost	12	11 605	13 440
Other interest income	12	1 027	1 130
Interest expenses, amortised cost	12	(2 134)	(3 485)
Other interest expenses	12	(4 510)	(5 590)
Net interest income	12	5 989	5 495
Commission and fee income	13	59	61
Commission and fee expenses	13	(4)	(3)
Net gains on financial instruments at fair value	14, 24	(313)	1 047
Other income		1	(2)
Net other operating income		(257)	1 103
Total income		5 731	6 598
Salaries and other personnel expenses	15, 23	(13)	(11)
Other expenses	24	(1 931)	(1 146)
Total operating expenses		(1 944)	(1 158)
Impairment of financial instruments	6, 8	5	27
Pre-tax operating profit		3 792	5 467
Tax expense	16	(948)	(1 368)
Profit for the year		2 844	4 100
Other comprehensive income that will not be reclassified to profit or loss		28	18
Tax		(7)	(4)
Comprehensive income for the year		2 865	4 113
Profit for the year as a percentage of total assets		0.39	0.58





Balance sheet

Amounts in NOK million	Note	DNB Boligkreditt AS	
		31 Dec. 2021	31 Dec. 2020
Assets			
Due from credit institutions	11, 17, 18, 19, 24	33 092	26 175
Loans to customers	5, 7, 11, 17, 18, 19	689 142	676 511
Financial derivatives	9, 10, 17, 19, 20, 24	21 129	37 442
Deferred tax assets	16	2 949	
Other assets	11, 17	55	5
Total assets		746 367	740 132
Liabilities and equity			
Due to credit institutions	11, 17, 18, 24	235 701	150 423
Financial derivatives	9, 10, 17, 18, 19, 20, 24	20 850	9 580
Debt securities issued	11, 17, 19, 21, 24	440 950	521 195
Payable taxes	16	4 557	5 464
Deferred taxes	16		655
Other liabilities	11, 17, 24	136	114
Provisions		32	32
Subordinated loan capital	11, 17, 18, 22, 24	5 207	5 206
Total liabilities		707 434	692 669
Share capital		4 527	5 257
Share premium		25 149	31 719
Other equity		9 257	10 487
Total equity		38 933	47 463
Total liabilities and equity		746 367	740 132

Oslo, 9 March 2022
The Board of Directors of DNB Boligkreditt AS


Henrik Lidman
(Chair of the Board)


Jørn E. Pedersen


Toril Steinmo


Anne-Lene Avangén Hødnebo
(Chief Executive Officer)



Statement of changes in equity

	DNB Boligkreditt AS				
<i>Amounts in NOK million</i>	Share capital	Share premium	Liability credit reserve	Retained earnings	Total equity
Balance sheet as at 31 December 2019	5 257	31 719	(59)	9 704	46 621
Profit for the year				4 100	4 100
Actuarial gains and losses				(2)	(2)
Financial liabilities designated at FVTPL, changes in credit risk			20		20
Tax on other comprehensive income			(5)	0	(4)
Total comprehensive income for the year			15	4 098	4 113
Group contribution paid				(3 270)	(3 270)
Balance sheet as at 31 December 2020	5 257	31 719	(44)	10 531	47 463
Profit for the year				2 844	2 844
Actuarial gains and losses				(1)	(1)
Financial liabilities designated at FVTPL, changes in credit risk			28		28
Tax on other comprehensive income			(7)	0	(7)
Total comprehensive income for the year			21	2 844	2 865
Repaid capital	(730)	(6 570)			(7 300)
Group contribution paid				(4 095)	(4 095)
Balance sheet as at 31 December 2021	4 527	25 149	(23)	9 280	38 933

Share capital

All shares and voting rights of the company are held by DNB Bank ASA. Share capital at the beginning of 2021 was NOK 5 257 million (52 570 000 shares at NOK 100).

At its Annual General Meeting on 16 April 2021, DNB Boligkreditt decided to undertake a reduction in capital totalling NOK 7.3 billion to be paid to the company's shareholder DNB Bank. The reduction in capital was approved by Finanstilsynet (the Financial Supervisory Authority of Norway) on 1 July 2021 and completed in accordance with the provisions of the Norwegian Companies Act on 1 September 2021.

After the capital reduction, share capital of the company is NOK 4 527 million (1 share at NOK 4 527 million).

Group contribution

The Board of Directors proposes to provide NOK 17 790 million with tax effect as Group contribution to DNB Bank. The proposal is conditional on a Group contribution of NOK 10 500 million without tax effect (NOK 14 000 million with tax effect) being paid from DNB Bank to DNB Boligkreditt at the same time. The net Group contribution is thus proposed to be NOK 3 790 million.



Cash flow statement

<i>Amounts in NOK million</i>	DNB Boligkreditt AS	
	2021	2020
Operating activities		
Net receipts on loans to customers	12 376	10 083
Interest received from customers	12 566	14 870
Net receipts/(payments) on loans to credit institutions	78 367	(23 662)
Interest received from credit institutions	20	35
Interest paid to credit institutions	(2 087)	(2 144)
Net receipts on commissions and fees	55	58
Payments for operating expenses	(2 061)	(1 111)
Taxes paid	(5 465)	(2 104)
Net cash flow relating to operating activities	93 771	(3 975)
Investing activities		
Net purchase of loan portfolio	(26 034)	(49 166)
Net cash flow from investing activities	(26 034)	(49 166)
Financing activities		
Receipts on issued bonds and commercial paper	26 597	123 295
Payments on redeemed bonds and commercial paper	(78 571)	(59 243)
Interest payments on issued bonds and commercial paper	(4 265)	(7 546)
Interest payments on subordinated loan capital	(105)	(138)
Repaid capital	(7 300)	
Group contribution payments	(4 095)	(3 270)
Net cash flow from financing activities	(67 738)	53 099
Net cash flow	(1)	(43)
Cash at 1 January	2	45
Net payments of cash	(1)	(43)
Cash at end of year	0	2

Included in the cash balances at end of the year, are restricted amounts of NOK 638 180 (NOK 459 635 for 2020) related to withholding employee taxes.



Note 1 Accounting principles

Corporate information

DNB Boligkreditt AS is a wholly owned subsidiary of DNB Bank ASA, the ultimate parent of the DNB Group. Both the Group's and DNB Boligkreditt AS' registered offices, are in Oslo, Norway. DNB Boligkreditt is the DNB Group's vehicle for the issue of covered bonds based on residential mortgages.

The annual financial statements for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 9 March 2022.

Basis for preparation

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

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

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

The balance sheet is presented mainly in order of liquidity of the assets and liabilities.

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

Conversion of transactions in foreign currency

All transactions in foreign currencies are initially recognised in the statement of comprehensive income or the balance sheet at the transaction date and translated into Norwegian kroner at the foreign exchange rate from that date. Subsequently, all monetary items nominated in foreign currencies are translated into Norwegian kroner based on the reporting date foreign exchange rate. Movements in the exchange rates between transaction date and reporting date or settlement date, are recognised within the line item "Net gains on financial instruments at fair value" in the statement of comprehensive income.

Recognition of income and expenses

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

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

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

Interest on impaired loans ("stage 3") is recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment. For fixed rate loans, this will be the originally calculated effective interest rate. For floating rate loans this will be the effective interest rate applied at the time of calculating the impairment loss. Fees that are not included in the effective interest rate calculation, as well as commissions, are recognised in the statement of comprehensive income over time when the services are rendered or at point in time when the transactions are completed.

Financial instruments

Initial recognition

Financial assets are recognised in the balance sheet either on the trade date or the settlement date. Trade date accounting is applied for financial assets measured at fair value through profit or loss, while settlement date accounting is applied for financial assets measured at amortised cost.

Financial liabilities are recognised in the balance sheet on the date when DNB Boligkreditt becomes a party to the contractual provisions of the instrument.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired.

Financial liabilities are derecognised when the obligation under the liability is settled or expired.

Modifications

An assessment of whether or not a modification of a financial asset leads to de-recognition and recognition of new asset is based on the following considerations:

- Differentiate between modifications to cash flows or other significant items in line with terms in the contract and modifications outside of the contract.
- An assessment of whether or not a modification is substantial. A substantial modification is defined as a full credit process, a pricing decision and the signing of a new contract.



Note 1 Accounting principles (continued)

- An assessment of whether the modification is caused by distress or made on commercial terms.
- An assessment if the discounted cash flows after modification, discounted using the original effective interest rate, is changed more than 10 percent compared to the discounted value of the original contractual cash flows.

A modification resulting from a distressed restructuring will in most cases not result in de-recognition and recognition of a new financial instrument as the modified cash flows normally reflect the expected cash flows before restructuring.

Reverse repurchase agreements

Reverse repurchase agreements are presented in the balance sheet as "Due from credit institutions".

Securities purchased under agreements to resell are generally not recognised in the financial statements as the risk and returns are normally not taken over by the company. This is done irrespective of whether the company has the right to sell or repledge the securities. Upon the sale of securities received, the company recognises an obligation in the balance sheet.

Classification and presentation of financial instruments

Financial assets are classified in one of the following measurement categories:

- amortised cost
- fair value through other comprehensive income
- fair value through profit or loss (FVTPL)

The classification of financial assets depends on two factors:

- the business model of the portfolio to which the financial asset belongs
- the contractual cash flow characteristics of the financial asset

When determining the business model DNB Boligkreditt assesses at portfolio level how the business is managed, sales activities, risk management and how information is provided to executive management.

A contractual cash flow characteristics test is performed on initial recognition of financial assets. Financial assets with cash flows that are solely payments of principal and interest pass the test if the interest only compensates for the time value of money, credit risk, liquidity risk, servicing and administrative costs and a profit margin.

Financial liabilities are classified at amortised cost, except for financial liabilities that are required to be measured at fair value through profit or loss or designated at fair value through profit or loss.

Financial assets may irrevocably be designated at fair value through profit or loss on initial recognition if the following criterion is met:

- The classification eliminates or significantly reduces measurement or recognition inconsistency that otherwise would arise from measuring financial assets or recognising the gains and losses on them on different bases.

Financial liabilities may also irrevocably be designated at fair value through profit or loss on initial recognition if the criterion above is fulfilled or one of the following:

- The financial instruments are part of a portfolio that is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
- The host contract contains one or more embedded derivatives.

Financial assets measured at amortised cost

Investments in financial assets, which are not designated at fair value through profit or loss, are measured at amortised cost if both of the following conditions are met:

- The assets are held within a business model whose objective is to hold the asset and collect the contractual cash flows
- The contractual cash flows represent solely payment of principal and interest.

Financial assets measured at amortised cost are initially recognised at fair value plus any directly attributable transaction costs. Subsequent measurement follows the effective interest method, less impairment. Impairment losses and reversals are measured based on a three-stage expected credit loss model. This model is described under Expected credit loss measurement.

A change in expected credit loss allowance for debt instruments measured at amortised cost on the balance sheet date is presented under "Impairment of financial instruments" in the income statement.

Interest income on financial instruments classified in this category is presented under "Interest income, amortised cost" using the effective interest method.

This category mainly comprises loans to customers and reverse repurchase agreements.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are initially recognised at fair value minus any directly attributable transaction costs. Interest expenses on such instruments are presented under "Interest expense, amortised cost" using the effective interest method.

This category includes due to credit institutions, debt securities issued and subordinated loan capital.

Financial instruments measured at fair value through profit or loss

The following instruments are recognised in this category:



Note 1 Accounting principles (continued)

- derivatives
- financial instruments designated at fair value through profit or loss on initial recognition
- financial assets with contractual cash flows that do not represent solely payment of principal and interest.

Instruments in this category are initially recognised at fair value, with transaction costs recognised in profit or loss as they occur. Subsequent measurement is fair value with gains and losses recognised in the income statement.

Changes in the fair value of the financial instruments are presented under "Net gains on financial instruments at fair value" in the income statement. Financial derivatives are presented as an asset if the fair value is positive and as a liability if the fair value is negative.

Interest income and interest expenses from interest-bearing financial instruments including financial derivatives are presented under "Net interest income".

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

For financial liabilities designated at fair value through profit or loss, the change in fair value related to changes in DNB Boligkreditt's credit risk is calculated using relevant credit spread curves from Nordic Bond Pricing. The changes in credit spreads on fixed-rate securities issued in Norwegian kroner do not create or enlarge an accounting mismatch and are therefore separated and recognised in other comprehensive income.

Reclassifications

Financial assets are only reclassified when there is a significant change in the business model for those assets. Such changes are expected to be very infrequent. Financial liabilities are not reclassified.

Subsequent measurement of financial instruments measured at fair value

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

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

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

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

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

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

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

In the valuation of OTC derivatives there is a fair value adjustment for the counterparty's credit risk (CVA) or DNB Boligkreditt's own credit risk (DVA). Adjustments are made based on the net exposure towards each counterparty for CVA and DVA. The company estimates CVA as a function of simulated expected positive exposure, a counterparty's probability of default, and a loss given default. DNB Boligkreditt's derivative exposure is towards DNB Bank ASA and CVA is marked to a market-implied credit spread using a representative CDS index as input. This means that the company utilises its own credit models and their discriminatory power, but calibrates against pricing levels for similar credit risk among market participants. The DVA is based on the same approach but where an assessment of DNB Boligkreditt's credit spread is used.



Note 1 Accounting principles (continued)

Expected credit loss measurement (ECL)

The expected credit loss model estimates impairment on the following instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments
- issued financial guarantee contracts
- loan commitments

DNB Boligkreditt measures ECL at each reporting date for these instruments, reflecting:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- the time value of money
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

DNB Boligkreditt measures a loss allowance at an amount reflecting lifetime ECL for all instruments that have been subject to a significant increase in credit risk since initial recognition. Instruments for which there has been no significant change in risk, a 12-month expected credit loss is recognised.

Please refer to note 4 Measurement of expected credit loss for more information on the methodology for estimating expected credit loss.

Hedge accounting

DNB Boligkreditt applies hedge accounting according to IFRS 9 Financial instruments.

Fair value hedge accounting is applied to hedges of interest rate risk on issued debt in foreign currency in order to reduce or eliminate an accounting mismatch. See note 11 Financial derivatives and hedge accounting. The company uses interest rate swaps to protect against changes in the fair value of fixed-rate issued bonds and subordinated debt caused by movements in market interest rates. The hedges are entered into at the same time as the debt is issued in order to achieve a match in the terms of the derivative and the debt instrument.

Fair value hedge accounting is applied to the economic hedge relationships that qualify for hedge accounting. When hedge accounting is applied, there is a qualitative assessment of the hedge relationship between the debt instrument and the derivative that is documented at the inception of the hedge. Thereafter it is periodically assessed whether the derivatives designated in each hedge relationship have been effective in offsetting changes in fair value of the hedged item by comparing the accumulated fair value changes on the debt instruments based on the benchmark rate of the interest rate swap at inception of the hedge, with the accumulated fair value changes related to movements in the interest rate swaps.

The fair value hedges of interest rate risk on issued debt are expected to be highly effective. However, hedge ineffectiveness can arise if the terms of the derivative and the debt instrument are not fully aligned.

Hedging instruments are measured at fair value in the financial statements and changes in the fair value are presented under "Net gains on financial instruments at fair value" in the comprehensive income statement. Interest income and expense from financial instruments designated as hedging instruments are presented as "Interest income, amortised cost" and "interest expenses, amortised cost".

The changes in the fair value of the hedged item attributable to the hedged risk is recognised as an addition to or deduction from the balance sheet value of financial liabilities and presented under "Net gains on financial instruments at fair value" in the comprehensive income statement.

If the hedge relationship ceases to exist or adequate hedge effectiveness cannot be verified, the accumulated change in fair value of the hedged item is amortised over the remaining time to maturity.

Income taxes

Taxes for the year comprise payable taxes for the financial year, any payable taxes for previous years and changes in deferred taxes. Deferred taxes are calculated on temporary differences.

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

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

Cash flow statements

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

Important accounting estimates, judgments and assumptions

When preparing the financial statements, management makes estimates, judgment and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, incomes, expenses and information on potential liabilities. 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.



Note 1 Accounting principles (continued)

Impairment of financial instruments

See note 3 Credit risk management for information about the management and follow-up of credit risk and note 4 Measurement of expected credit loss for information about methodology for estimating impairment including an assessment of measurement uncertainty.

Fair value of financial derivatives, bonds and loans to customers

The fair value of financial instruments that are not traded in an active market is determined by using different valuation techniques. The company considers and chooses techniques and assumptions that as far as possible are based on observable market data representing the market conditions on the balance sheet date. When measuring financial instruments for which observable market data are not available, the company makes assumptions regarding what market participants would use as the basis for valuing similar financial instruments. The valuations require application of significant judgment when calculating liquidity risk, credit risk and volatility among others. Changes in these factors would affect the estimated fair value of the company's financial instruments. For more information see note 19 Financial instruments at fair value.

Note 2 Capitalisation policy and capital adequacy

DNB Boligkreditt is the DNB Group's vehicle for the issue of covered bonds based on residential mortgages. The primary objectives of the company's capital management policy are to ensure that the company complies with externally imposed capital ratios and that the company maintains strong credit ratings and healthy capital ratios in order to support its business.

From 30 June 2007, the company has been granted permission to use the Internal Ratings Based ("IRB") approach for credit risk to calculate the total risk-weighted assets.

The existing legislation requires a common equity Tier 1 capital ratio of 14.8 per cent and a capital adequacy ratio of 18.3 per cent. This includes a counter-cyclical capital buffer requirement of 1.0 per cent, systemic risk buffer of 4.5 per cent and a pillar 2 requirement of 0.3 per cent. The Tier 1 capital ratio requirement is 16.3 per cent, including an additional Tier 1 requirement of 1.5 per cent. In addition to the regulatory requirements the company has decided on a management buffer of 0.75 per cent, thus the common equity Tier 1 capital ratio should be at least 15.55 per cent and the Tier 1 capital ratio at least 17.05 per cent.

DNB Boligkreditt, based on its current capital structure, is adequately capitalised as at 31 December 2021. The Board of Directors will, on an ongoing basis, evaluate the company's capitalisation needs in light of the market development.

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

Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU capital requirements regulations for banks and investment firms (CRR/CRD IV).

Own funds	DNB Boligkreditt AS	
	31 Dec. 2021	31 Dec. 2020
<i>Amounts in NOK million</i>		
Share capital	4 527	5 257
Other equity	34 406	42 206
Total equity	38 933	47 463
Deductions		
IRB provisions shortfall (-)	(1 046)	(960)
Additional value adjustments (AVA)	(341)	(406)
(Gains) or losses on liabilities at fair value resulting from own credit risk	23	44
(Gains) or losses on derivative liabilities resulting from own credit risk (DVA)	(18)	(10)
Group contributions	(2 843)	(4 095)
Common Equity Tier 1 capital	34 708	42 036
Tier 2 capital	5 200	5 200
Own funds	39 908	47 236
Total risk exposure amount	185 640	177 880
Minimum capital requirement	14 851	14 230
Common Equity Tier 1 capital ratio (%)	18.7	23.6
Capital ratio (%)	21.5	26.6



Note 2 Capitalisation policy and capital adequacy (continued)

Specification of exposures	DNB Boligkreditt AS				
	Nominal exposure 31 Dec. 2021	Exposure at default EAD 31 Dec. 2021	Risk exposure amount REA 31 Dec. 2021	Capital requirements 31 Dec. 2021	Capital requirements 31 Dec. 2020
<i>Amounts in NOK million</i>					
IRB approach					
Corporate	321	321	108	9	14
Retail - residential property	760 573	760 573	161 084	12 887	12 431
Total credit risk, IRB approach	760 894	760 894	161 192	12 895	12 446
Standardised approach					
Institutions	9 567	9 567	1 913	153	711
Corporate	20 160	20 135	5 621	450	427
Retail - residential property	570	416	312	25	26
Retail - other exposures	856	778	488	39	23
Other assets	2 949	2 949	7 372	590	6
Total credit risk, standardised approach	34 102	33 845	15 707	1 257	1 193
Total credit risk	794 996	794 739	176 899	14 152	13 638
Operational risk			8 741	699	592
Total risk exposure amount and capital requirements			185 640	14 851	14 230



Note 3 Credit risk management

DNB Boligkreditt has adapted the DNB Group's policies for credit risk management.

Credit risk or counterparty risk is the risk of financial losses due to failure by the customers/counterparties to meet their payment obligations towards DNB Boligkreditt. Credit risk refers to all claims against customers/counterparties, mainly loans, loan commitments and derivatives. Credit risk also includes residual value risk and concentration risk. Residual risk is the risk that the value of securing an exposure is lower than expected. Concentration risk includes risk associated with large exposures to a single customer or concentration within geographical areas, within industries or related to homogeneous customer groups.

Credit risk management and measurement is described in detail in the Risk and Capital Management (Pillar 3) report. The DNB group guidelines for credit activity are approved by the Boards of Directors of DNB. The principal objective of credit activity is to ensure that the quality and composition of the loan portfolio provide a good basis for the short and long-term profitability. The quality of the portfolio should be consistent with DNB's aim of maintaining a low risk profile.

The Board of Directors of DNB Bank ASA sets long-term targets for the risk profile through the risk appetite framework. The aim of this framework is to ensure that risk is managed and integrated with the DNB Group's governance processes. The risk appetite framework is operationalised through credit strategies for the individual customer segments. 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.

Credit risk exposure

The maximum credit risk exposure will be the carrying amount of financial assets plus off-balance sheet exposure, which mainly includes loan commitments.

Classification

DNB's internal models for risk classification of customers are subject to continual improvement and testing. In the personal banking market, where there are a large number of customers, the majority of credit decisions are made on the basis of automated scoring and decision support systems. Risk classification should reflect long-term risk associated with each customer and the customer's credit commitment.

The risk classification systems are used for decision support, monitoring and reporting. The risk parameters used in the classification systems are an integrated part of the credit process and ongoing risk monitoring, including the follow-up of credit strategies.

Probability of default, PD, is used to measure credit quality. The group divides its portfolio into ten risk grades based on the PD for each credit commitment. This is presented in the table below. Credit-impaired exposures (exposures in stage 3) are assigned a PD of 100 per cent. The group's portfolio divided into risk grades and IFRS 9 stages is presented in note 5 Credit risk exposure per risk grade.

DNB's risk classification ¹⁾

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

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

Guidelines for credit activity

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



Note 4 Measurement of expected credit loss

DNB Boligkreditt has adopted the ECL policies as set by DNB Group and applies a three-stage approach when assessing ECL on loans to customers and loan commitments subject to the IFRS 9 impairment rules:

- A financial instrument that is not purchased or originated credit impaired is classified as stage 1 with 12-month ECL.
- If a significant increase in credit risk since initial recognition is identified the financial instrument is moved to stage 2 with lifetime ECL measurement.
- An increase in credit risk reflects both customer-specific circumstances and developments in relevant macro risk drivers for the segment where the customer belongs. The assessment of what is considered to be a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and backstops.
- If credit risk deteriorates further and the financial instrument is assessed to be credit impaired, the financial instrument is moved to stage 3 with lifetime ECL measurement. As opposed to stages 1 and 2, the effective interest rate is calculated on amortised cost instead of the gross carrying amount. For definition of credit impaired see further description below.

The expected credit loss measurement is based on the following principles:

- 12-month ECL is measured as an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months.
- The loss provision for financial assets in stage 1 and stage 2 is calculated as the present value of exposure at default (EAD) multiplied by the probability of default (PD) multiplied by loss given default (LGD) and discounted by using the effective interest rate (EIR). PD, LGD and EAD use the IRB framework as a starting point, but are converted to be point in time and forward-looking as opposed to through the cycle and conservative.
- Past, present and forward-looking information is used to estimate ECL. For this purpose, DNB Boligkreditt's loan portfolio primarily consists of customers in the personal customers segment. All customers within this segment are exposed to the same risk drivers.
- For stage 3 individual assessments are performed for credit impaired financial instruments.
- For stage 1 and 2, a model is used to calculate ECL.

Below is a table summarising key components for the ECL measurement.

IFRS 9 stage	Credit risk development	Customer status	ECL measurement	ECL measurement method	Effective interest calculation
Stage 1	No significant increase	Performing	12-month	ECL model	Gross carrying amount
Stage 2	Significant increase	Performing	Lifetime	ECL model	Gross carrying amount
Stage 3	Defaulted	Credit impaired	Lifetime	Individual measurement per customer	Amortised cost

Measurement of expected credit loss in stages 1 and 2 (ECL model)

The model used for stage 1 and stage 2 follows five steps: Segmentation, determination of macro scenarios, determination of credit cycle index, calculation of ECL and staging. In the following each step will be described in more detail.

Segmentation, macro scenarios and credit cycle index

The assessment of significant increase in credit risk and the calculation of ECL incorporate past, present and forward-looking information. The level of uncertainty in assessing forward-looking information has increased considerably following the economic consequences following the COVID-19 pandemic. Although restrictions have gradually been lifted and the financial markets are more stable, there is still uncertainty concerning the long-term effects of the pandemic.

DNB Boligkreditt's portfolio is primarily within the personal customers segment. Based on a statistical regression analysis, key risk drivers impacting PD in the personal customers segment are identified. The assessments used to select the risk drivers have been based on several criteria; the statistical model's explanatory power, a qualitative reasonableness check (e.g. if it makes sense to include the risk driver) and an aim not to have too many factors as this would unnecessarily increase the complexity. Forecasts of each of the risk drivers (the base economic scenario) are primarily provided by DNB Markets on a quarterly basis and provide the best estimate of developments in the risk drivers for the forecast period. The forecast are based on a range of information sources, primarily external market information. The forecast periods vary between three and four years, and forecasts are prepared for each year in the forecast period. The macroeconomic forecasts have been carefully considered in the expert credit judgement forum to ensure that they reflect the long-term impact of the economic consequences of the COVID-19 pandemic. Macro forecasts are usually obtained from DNB Markets and supplementary internal sources and are benchmarked against various external sources.

Due consideration has been given to all aspects of the situation when assessing the duration of the financial and business-related consequences of the COVID-19 pandemic. The adverse effects were mainly incorporated into the forecasts for the first year after the outbreak. The remaining forecast periods are expected to be substantially less affected by the adverse economic consequences.

The macro forecasts are incorporated in the credit cycle index (CCI). The CCI shows the relationship between the historically observed defaults and relevant macro factors established from statistical regression analysis. The position on the index indicates whether the current state of the economy for the personal customers segment is better or worse than normal, and the forecasts are used to project the development of the index in the forecast period. After the forecast period, the CCI is assumed to be mean reverting. This means that the credit cycle returns to a normal state (long-term mean).

The CCI is further used to generate a base line PD curve for each instrument that follows the development of the CCI. When the CCI moves towards better times, the PD will everything else equal be reduced and vice versa.

Note 4 Measurement of expected credit loss (continued)

When the updated macro forecasts do not result in projections of the credit cycle in a way that represents the management's view of the expected business-related and financial impacts, professional judgement has been applied to ensure that the management's view is better reflected in the credit cycle index used.

Multiple scenarios

In order to capture the non-linear relationship between negative credit risk development and ECL multiple scenarios are incorporated when determining significant increase in credit risk and measuring ECL. DNB use the base scenario for each risk driver as a starting point when deriving CCI and PD curves as described above. Alternative scenarios are translated into alternative paths of a probability fan around the baseline. This method means that each scenario represents one percentile on a probability fan with each percentile representing a possible development in credit risk depending on the macroeconomic development.

The width of the fan is determined by the past volatility in correlation between developments in the risk drivers and developments in credit risk and ECL. This results in a correlation where the higher the volatility in a segment resulting from changes in the risk drivers, the larger the gap between the baseline and the outer percentiles of the fan.

Expert credit judgement

The assessment of the macro prognoses and the impact on the forecasted credit cycle index (CCI) are key judgments, and DNB has established an advisory forum for the Group's Chief Financial Officer to address the judgements. The forum's purpose is to assess whether the predicted CCI for each segment reflects the management's view on the expected future economic development. When the projections of the credit cycle do not represent the management's view of the expected business-related and financial impacts, professional judgement has been applied to ensure that the management's view is better reflected in the CCI used.

Sensitivity

To calculate expected credit losses in stage 1 and 2, DNB uses a range of macroeconomic variables where each variable is given several alternative scenarios of probability. DNB has simulated an alternative adverse scenario for relevant macro forecasts. The scenario represents a possible downside compared with the scenario used for calculating the ECL recognised in the financial statements. Each macroeconomic variable is given alternative weaker expectations for each period in the plan period. In the simulated alternative scenario, the ECL in stages 1 and 2 would increase by approximately 56 per cent compared with the ECL which is recognised in the financial statements at 31 December 2021 for the same stages.

The following table shows selected base case macroeconomic variables for the period 2021 to 2023 in DNB's model used to calculate the ECL recognised in the financial statements compared with the base case in the alternative scenario. Each variable represents an annual estimate.

Selected base case macroeconomic variables used for calculating the ECL recognised in the financial statements and the alternative scenario

	Base case financial statements			Base case alternative scenario		
	2021	2022	2023	2021	2022	2023
Norwegian house price index, year-to-year growth	9.1	3.0	2.4	9.1	(0.1)	(10.0)
Norwegian registered unemployment rate	3.0	2.2	2.2	3.0	3.0	3.7
NIBOR 3-month interest rate	0.5	1.3	1.6	0.5	1.6	3.8

Calculation of ECL

The determination of a significant increase in credit risk and the measurement of ECL are based on parameters already used in credit risk management and for capital adequacy calculations: PD, LGD and EAD. The parameters have been adjusted in order to give an unbiased estimate of ECL.

Probability of default (PD)

The development in the customer's PD is a key component in DNB's monitoring of credit risk in the portfolio, see note 3 Credit risk management, and is used both in calculating the ECL and in assessing whether a significant increase in credit risk has occurred since initial recognition. For determining PD in capital adequacy calculations, DNB has been granted permission to use the Internal Ratings Based (IRB) approach. These models are conservative and only reflect a limited degree of cyclicity. For the ECL measurement, there is a need to generate a PD which is forward-looking and reflects all available relevant information. This is necessary in order to provide an unbiased probability-weighted estimate of ECL. In order to apply PDs for ECL measurement, four modifications have been made to the PDs generated using the IRB approach:

- incorporation of macroeconomic scenarios
- conversion to an unbiased, forward-looking PD
- conversion of 12-month PD to lifetime PD
- removal of margin of conservatism in the PD estimate.

These modifications imply that the PD used for the ECL measurement reflects management's current view of expected cyclical changes and that all PD estimates are unbiased.

Two types of PDs (IFRS modified) are generated and used in the ECL calculation:



Note 4 Measurement of expected credit loss (continued)

- A 12-month PD is the probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate the 12-month ECL.
- A lifetime PD is the annualised probability of a default occurring over the remaining life of the financial instrument. This is used to evaluate if there has been a significant increase in credit risk since initial recognition and to calculate lifetime ECL.

Loss given default (LGD)

LGD represents the percentage of EAD which DNB Boligkreditt expects to lose if the customer fails to meet their obligations, taking the collateral provided by the customer, future cash flows and other relevant factors into consideration.

Similar to PDs, DNB uses IRB LGDs for capital adequacy calculations. In order to convert the IRB LGDs to IFRS LGDs four modifications have been made:

- incorporation of macroeconomic scenarios
- use of the effective interest rate to discount future estimated cash flows
- removal of the margin of conservatism to produce unbiased projections rather than downturn projections, and to exclude regulatory floors
- removal of the estimated indirect costs of realising collateral.

These modifications imply that the LGDs used for the ECL measurement should reflect management's current view of the cyclical changes and that all LGD estimates are unbiased.

Exposure at default (EAD)

EAD is the share of the approved credit that is expected to be drawn at the time of any future default. The EAD is adjusted to reflect contractual payments of principal and interest and estimated early repayment. The proportion of undrawn commitments expected to have been drawn at the time of default is reflected in the EAD by using a credit conversion factor.

Significant increase in credit risk (staging)

The assessment of a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and back stops. A significant increase in credit risk has occurred when one or more of the criteria below are met.

Quantitative criteria

A significant increase in credit risk is determined by comparing the remaining lifetime PD for an instrument at the reporting date, as expected at initial recognition, with the actual lifetime PD at the reporting date. If the actual lifetime PD is higher than what it was expected to be, an assessment is made of whether the increase is significant.

An increase in lifetime PD with a factor of 2.5 or more from initial recognition is assessed to be a significant increase in credit risk. This threshold is based on an assessment of the increase in credit risk that would lead to closer customer follow-up in order to ensure that proper credit risk management and business decisions are made.

Further, the change in PD must be a minimum of 0.6 percentage points for the deterioration in credit risk to be considered to be significant. In the high end of the risk scale a change of 7.5 percentage points or more is considered to be a significant deterioration in credit risk even if this is less than a change of 2.5 times lifetime PD. These limits reflect the high sensitivity to change in the low end of the risk scale and the low sensitivity to change in the high end of the scale.

As part of DNB's credit risk management policy the group applies a risk scale where all customers and instruments are rated on a coherent scale meaning that a risk grade has the same explanatory power independent of segment, geography and product. DNB therefore uses a common threshold for all financial instruments with respect to what constitute a significant increase in credit risk. For further information about DNBs risk scale and classification see note 3 Credit risk management.

The extension or deferral of payments to a borrower does not automatically result in an instrument being considered to have a significantly increased credit risk. Careful consideration is given to whether the credit risk has significantly increased and the borrower is unlikely to restore their creditworthiness and consequently is granted forbearance, or whether the borrower is only experiencing a temporary liquidity constraint, for instance due to COVID-19 lockdown measures. On a general level, a change in the macroeconomic outlook will influence the assessment of a significant increase in customers' credit risk, as this will affect the overall view of the economic situation for the relevant segment.

Qualitative criteria

Qualitative information is normally reflected in the respective PD models for each group of customers.

Back stop

Back stops are used and a significant increase in credit risk has occurred if:

- the customer's contractual payments are 30 days past due
- the customer has been granted forbearance measures due to financial distress, though it is not severe enough for the financial instrument to be classified as credit impaired.



Note 4 Measurement of expected credit loss (continued)

Definition of default and credit impaired exposures in stage 3

The definition of credit impaired is fully aligned with the regulatory definition of default.

A financial instrument is defined to be in default if a claim is more than 90 days overdue, the overdue amount exceeds NOK 2 000 and more than 1 per cent of the debtor's overall commitment, and the default is not due to delays or accidental circumstances on the part of the debtor.

A commitment is also defined to be in default if DNB Boligkreditt:

- significantly writes down the commitment as a result of a weakening of the debtor's creditworthiness
- agrees to changes in the terms and conditions because the debtor is having problems meeting payment obligations, and this is assumed to significantly reduce the value of the cash flow
- sells the debt for an amount that is significantly lower than the nominal value as a result of an impairment of the debtor's creditworthiness
- has reasons to assume that the debtor will be subject to debt settlement or bankruptcy/involuntary liquidation proceedings, or be placed in receivership
- has other reasons to assume that the payment obligation will not be met (anticipated default).

When a customer goes from being in stage 3, classified as credit impaired or defaulted, to stage 1 and 2, performing, the customer will stay in stage 3 during a return to non-default period of 3 or 12 months. In this period, the ECL model will assign the customer stage 1 or stage 2 ECL.

Measurement of expected credit loss for credit-impaired financial instruments

For credit impaired personal customers with exposures above NOK 5 million an individual assessment of collateral and debt service capacity is performed in to determine expected credit loss. For exposures below this threshold ECL is estimated for portfolios with similar characteristic.

DNB Boligkreditt's write-off policy

DNB Boligkreditt writes off and thereby reduces the carrying amount of a financial asset when there is no reasonable expectation of recovery.

This might for example be the case when a court of law has reached a final decision, a decision has been made to forgive the debt, or a scheme of composition has been confirmed. Write-off can relate to the entire asset or a portion of the asset and can constitute a derecognition event.

DNB Boligkreditt maintains the legal claim towards the customer even though a write-off has been recognised.

Measurement uncertainty

The measurement of the expected credit loss involves increased complexity, and management must apply its professional judgement for many of the key assumptions used as input in the measurement. For stages 1 and 2, estimation uncertainty in the ECL calculation relates to the determination of PD, LGD and EAD. This is both in terms of using historic data in the development and calibration of models and the judgement performed in relation to setting these parameters as part of the credit process. Furthermore the identification of relevant risk drivers for the personal customer segment and the forecasts for each of the risk drivers also create estimation uncertainty.

Other areas with significant estimation uncertainty are the creation of multiple future economic scenarios, estimation of expected lifetime, determining if the criteria for default are satisfied and assessing significant increases in credit risk.

For exposures in stage 3 significant judgement is applied when determining assumptions used as input for the customer's future cash flow and assumptions related to valuation of collateral, including the point in time when collateral is potentially taken over.



Note 5 Credit risk exposure by risk grade

In the tables below, all loans to customers and financial commitments to customers are presented by risk grade. The division between risk classes is based on an IRB probability of default (PD) as shown in the table DNB's risk classification in note 3. See also the section Probability of default (PD) in note 4 for a description of the correlation between IRB PD and IFRS PD. The amounts are based on the gross carrying amount and the maximum exposure before adjustments for impairments.

Loans as at 31 December 2021

Amounts in NOK million				DNB Boligkreditt AS	
	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Risk grade based on probability of default					
1 - 4	527 109	858		28 409	556 376
5 - 7	107 309	11 369		6 500	125 178
8 - 10	3 424	2 299		244	5 967
Credit impaired			1 592	68	1 661
Total	637 843	14 526	1 592	35 221	689 183

Loans as at 31 December 2020

Amounts in NOK million				DNB Boligkreditt AS	
	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Risk grade based on probability of default					
1 - 4	507 903	304		32 542	540 749
5 - 7	107 104	12 715		7 919	127 738
8 - 10	4 435	2 339		447	7 221
Credit impaired			843	26	869
Total	619 442	15 358	843	40 934	676 577

Financial commitments as at 31 December 2021

Amounts in NOK million				DNB Boligkreditt AS	
	Stage 1	Stage 2	Stage 3		Total
Risk grade based on probability of default					
1 - 4	80 137	7			80 143
5 - 7	10 910	1 874			12 784
8 - 10	55	153			208
Credit impaired			22		22
Total	91 102	2 034	22		93 157

Financial commitments as at 31 December 2020

Amounts in NOK million				DNB Boligkreditt AS	
	Stage 1	Stage 2	Stage 3		Total
Risk grade based on probability of default					
1 - 4	73 554	7			73 561
5 - 7	9 348	1 856			11 204
8 - 10	36	157			192
Credit impaired			24		24
Total	82 937	2 020	24		84 981

Note 6 Impairment of financial instruments

Amounts in NOK million	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Increased expected credit loss	(12)	(25)	(40)	(76)	(26)	(44)	(53)
Decreased expected credit loss	18	28	54	100	24	60	85	169
Write-offs			(26)	(26)			(24)	(24)
Recoveries on loans previously written off			7	7			5	5
Total impairment	6	3	(4)	5	(2)	16	13	27

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity, were NOK 21 million as at 31 December 2021 (NOK 25 million as at 31 December 2020).



Note 7 Development in gross carrying amount

The following table reconcile the opening and closing balances for gross carrying amount for loans to customers at amortised cost. Reconciling items include the following:

- Transfers between stages due to significant changes in credit risk.
- Changes due to the derecognition of loans during the period.
- Changes due to the origination of new loans during the period.
- Exchange rate effect from consolidation and other changes affecting the gross carrying amount.

Loans at amortised cost <i>Amounts in NOK million</i>	DNB Boligkreditt AS			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	575 002	19 401	997	595 400
Transfer to stage 1	29 791	(29 551)	(240)	
Transfer to stage 2	(31 450)	31 869	(418)	
Transfer to stage 3	(344)	(578)	921	
Originated and purchased	163 852			163 852
Derecognition	(117 408)	(5 782)	(417)	(123 608)
Gross carrying amount as at 31 December 2020	619 442	15 358	843	635 643
Transfer to stage 1	21 002	(20 051)	(950)	
Transfer to stage 2	(23 723)	23 839	(116)	
Transfer to stage 3	(1 627)	(773)	2 400	
Originated and purchased	142 250		19	142 270
Derecognition	(119 501)	(3 846)	(604)	(123 951)
Gross carrying amount as at 31 December 2021 ¹⁾	637 843	14 526	1 592	653 961

1) On 1 January 2021, DNB introduced a new definition of default. According to the new definition, the gross carrying amount for stage 3 customers in probation after default was NOK 659 million as at 31 December 2021.



Note 8 Development in accumulated impairment of loans

The quality of DNB Boligkredit's loan portfolio is high with a large share of loans in stage 1. The following table reconciles the opening and closing balances for accumulated impairment of loans to customers at amortised cost. 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.
- Changes in allowance due to the origination of new loans during the period.
- 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 derecognition of loans during the period.
- Write-offs, exchange rate movements and other changes affecting the expected credit loss.

Loans to customers at amortised cost	DNB Boligkredit AS			
<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment as at 1 January 2020	(12)	(28)	(63)	(103)
Transfer to stage 1	(31)	24	7	
Transfer to stage 2	2	(20)	18	
Transfer to stage 3		1	(1)	
Originated and purchased	(10)	(2)		(12)
Increased expected credit loss	(16)	(31)	(60)	(108)
Decreased (reversed) expected credit loss	54	26	51	131
Write-offs			8	9
Derecognition		18		18
Accumulated impairment as at 31 December 2020	(14)	(13)	(40)	(66)
Transfer to stage 1	(11)	11		
Transfer to stage 2	1	(1)		
Transfer to stage 3		1	(1)	
Originated and purchased	(6)	(1)		(7)
Increased expected credit loss	(6)	(19)	(45)	(70)
Decreased (reversed) expected credit loss	28	3	54	85
Write-offs			8	8
Derecognition		10		10
Accumulated impairment as at 31 December 2021 ¹⁾	(8)	(9)	(23)	(40)

¹⁾ On 1 January 2021, DNB introduced a new definition of default. According to the new definition for customers in probation after default, the effect on expected credit loss was not significant as at 31 December 2021.



Note 9 Market risk

Conditions for calculating market risk

Market risk is the risk of losses or reduced future income due to fluctuations in market prices or exchange rates. The risk arises as a consequence of open positions in foreign exchange and interest rate markets.

Currency risk

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

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

The table below indicates the currencies to which the company had significant exposure at 31 December 2021 on issued debt. The analysis calculates the net effect of a reasonably possible movement of the currency rate against Norwegian kroner, including the effect of currency swap agreements, with all other variables held constant, on the income statement. A negative amount reflects a potential net reduction in income, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against Norwegian kroner would have resulted in an equivalent but opposite impact.

	DNB Boligkreditt AS			
	2021		2020	
	Change in currency rate in per cent	Effect on pre-tax profits (NOK million)	Change in currency rate in per cent	Effect on pre-tax profits (NOK million)
EUR	10	(109)	10	(226)
USD	10	(0)	10	
CHF	10	(2)	10	(2)
Others	10	(24)	10	(7)

Interest rate risk

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

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

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

	DNB Boligkreditt AS	
	Change in interest rate levels in basis points	Effect on pre-tax profits (NOK million)
2021	+ 100	(62)
	- 100	62
2020	+ 100	12
	- 100	(12)

Relative to the company's primary capital of NOK 39.9 billion, the company's interest rate risk is considered to be insignificant. In the opinion of the company's management, the company does not assume greater interest rate risk than what is considered prudent; cf. the requirements in Article 5 in the regulations on mortgage institutions issuing covered bonds of 25 May 2007.

Basis risk and basis swap spreads

The company is exposed to basis risk, which is a type of market risk associated with imperfect hedging. The company enters into basis swaps to manage foreign currency risk and interest rate risk from its long-term borrowing in foreign currencies. DNB Boligkreditt's basis risk, as a result of imperfect hedging of positions in foreign currencies, is expected to be low.

The basis swaps are measured 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. Accumulated negative effects from changes in basis swap spreads per year-end 2021 were approximately NOK 1.1 billion.



Note 10 Financial derivatives and hedge accounting

DNB Boligkreditt uses derivatives to manage liquidity and market risk arising from the company's ordinary operations, hereunder to achieve desired interest rates and foreign exchanges rates according to the risk management strategy. See note 9 Market risk for more information about interest rate risk and currency risk in DNB Boligkreditt.

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

Amounts in NOK million	31 December 2021			31 December 2020		
	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
Derivatives held for trading						
Interest rate-related contracts						
Swaps	321 977	425	184	17 057	422	870
Total interest rate-related contracts	321 977	425	184	17 057	422	870
Foreign exchange-related contracts						
Swaps	328 951	6 805	19 973	490 735	11 604	8 710
Total foreign exchange-related contracts	328 951	6 805	19 973	490 735	11 604	8 710
Total financial derivatives trading	650 928	7 230	20 157	507 792	12 027	9 580
Derivatives held for hedge accounting						
Fair value hedges of interest rate risk						
Interest rate swaps	320 948	13 899	693	348 503	25 415	
Total financial derivatives hedge accounting	320 948	13 899	693	348 503	25 415	
Total financial derivatives	971 876	21 129	20 850	856 295	37 442	9 580

Hedge accounting

DNB Boligkreditt applies fair value hedging of interest rate risk on issued bonds with fixed interest. See note 1 Accounting principles for information about hedge accounting and the presentation of financial derivatives in the financial statements.

In fair value hedges of interest rate risk, the interest rate exposure on fixed-rate borrowings is converted to floating rates. Only the interest rate component is hedged. It is determined as the change in fair value arising from changes in the interbank swap interest rate.

The critical terms of the hedging instruments and the hedging objects are set to match at the inception of the hedge and the hedge ratio is 1:1. Consequently, there was no significant hedge ineffectiveness during the year.

Fair value hedges of interest rate risk as at 31 December 2021

Amounts in NOK million	Balance sheet item	Carrying amount	Accumulated fair value adjustment of the hedged item	DNB Boligkreditt AS Value changes used for calculating hedge ineffectiveness
Hedged exposure				
Issued bonds	Debt securities issued	333 215	10 801	10 730
Hedging instrument				
Interest rate swaps	Financial derivatives			(10 844)

Fair value hedges of interest rate risk as at 31 December 2020

Amounts in NOK million	Balance sheet item	Carrying amount	Accumulated fair value adjustment of the hedged item	DNB Boligkreditt AS Value changes used for calculating hedge ineffectiveness
Hedged exposure				
Issued bonds	Debt securities issued	373 594	22 636	(1 351)
Hedging instrument				
Interest rate swaps	Financial derivatives			1 863

Maturity of interest rate swaps held as hedging instruments at 31 December 2021

Amounts in NOK million	Maturity				
	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Fair value hedges of interest rate risk, nominal amounts					
Hedges of issued bonds	20 021	35 240	14 258	163 054	88 375

Maturity of interest rate swaps held as hedging instruments at 31 December 2020

Amounts in NOK million	Maturity				
	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Fair value hedges of interest rate risk, nominal amounts					
Hedges of issued bonds	19 033	1 475	20 240	203 285	104 470

Note 11 Liquidity risk

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

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

Covered bonds are the company's primary source of funding. According to Section 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 had a long-term overdraft facility in DNB Bank ASA with a total limit of NOK 245 billion by end December 2021.

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

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.

Residual maturity as at 31 December 2021

Amounts in NOK million	DNB Boligkreditt AS						Total
	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	
Assets							
Loans to and deposits with credit institutions	33 092						33 092
Loans to customers	1 562	95	549	6 934	679 834		688 974
Total	34 654	95	549	6 934	679 834		722 066
Liabilities							
Due to credit institutions	235 701						235 701
Debt securities issued	20 021	92 900	34 358	211 673	71 016		429 968
Other liabilities	21						21
Subordinated loan capital		7			5 200		5 207
Total	255 743	92 907	34 358	211 673	76 216		670 897
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cashflows	19 906	35 157	13 755	168 189	86 601		323 607
Outgoing cashflows	24 436	39 288	18 542	184 174	91 559		357 999
Financial derivatives, net settlement	551	1 129	3 168	10 694	8 852		24 394
Total financial derivatives	(3 980)	(3 003)	(1 618)	(5 292)	3 894		(9 998)
Credit lines, commitments and documentary credit	2 978	100	421	3 732	85 924		93 155

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



Note 11 Liquidity risk (continued)

Residual maturity as at 31 December 2020

Amounts in NOK million	DNB Boligkreditt AS						Total
	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	
Assets							
Loans to and deposits with credit institutions	26 175						26 175
Loans to customers	1 913	104	463	6 233	667 957		676 670
Total	28 087	104	463	6 233	667 957		702 845
Liabilities							
Due to credit institutions	150 423						150 423
Debt securities issued	19 033	17 556	46 700	347 894	66 764		497 948
Other liabilities	114						114
Subordinated loan capital		6			5 200		5 206
Total	169 570	17 562	46 700	347 894	71 964		653 690
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cashflows	19 928	734	32 674	209 828	102 906		366 069
Outgoing cashflows	20 403	961	33 404	222 618	102 848		380 233
Financial derivatives, net settlement	777	1 329	4 089	13 449	10 230		29 874
Total financial derivatives	302	1 102	3 359	660	10 288		15 711
Credit lines, commitments and documentary credit	2 654	110	411	3 286	78 518		84 979

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

Note 12 Net interest income

Amounts in NOK million	2021			2020		
	Measured at FVTPL	Measured at amortised cost ¹⁾	Total	Measured at FVTPL	Measured at amortised cost ¹⁾	Total
Interest on amounts due from credit institutions		27	27		32	32
Interest on loans to customers	1 025	11 353	12 378	1 127	13 193	14 320
Front-end fees etc.	2	0	2	3	(1)	2
Other interest income		225	225		216	216
Total interest income	1 027	11 605	12 633	1 130	13 440	14 569
Interest on amounts due to credit institutions		(1 984)	(1 984)		(2 020)	(2 020)
Interest on debt securities issued	(445)	59	(386)	(629)	(1 201)	(1 830)
Interest on subordinated loan capital		(106)	(106)		(133)	(133)
Contribution to the resolution fund		(103)	(103)		(131)	(131)
Other interest expenses ²⁾	(4 065)		(4 065)	(4 961)		(4 961)
Total interest expenses	(4 510)	(2 134)	(6 644)	(5 590)	(3 485)	(9 075)
Net interest income	(3 483)	9 472	5 989	(4 461)	9 955	5 495

1) Includes hedged items.

2) Other interest expenses include interest rate adjustments resulting from interest rate swaps. Derivatives are measured at FVTPL.



Note 13 Net commission and fee income

Amounts in NOK million	DNB Boligkreditt AS	
	2021	2020
Other commissions and fees	59	61
Commission and fee income	59	61
Custodial services	(3)	(2)
Other commissions and fees	(1)	(1)
Commission and fee expenses	(4)	(3)
Net commission and fee income	55	58

Note 14 Net gains on financial instruments at fair value

Amounts in NOK million	DNB Boligkreditt	
	2021	2020
Foreign exchange and financial derivatives	1 079	(916)
Basis swaps	(609)	751
Net gains on financial instruments, mandatorily at FVTPL ^{1,2)}	470	(165)
Loans at fair value (fixed-rate loans) ³⁾	(1 070)	954
Financial liabilities (long-term borrowing in NOK) ⁴⁾	402	(253)
Net gains on financial instruments, designated as at FVTPL	(668)	701
Financial derivatives, hedging ⁵⁾	(10 844)	1 863
Financial liabilities, hedged items ⁵⁾	10 730	(1 351)
Net gains on hedged items	(115)	512
Net gains on financial instruments at FVTPL	(313)	1 047

- 1) DNB Boligkreditt enters into swaps to manage interest-rate risk for the fixed-rate loans and bonds issued in Norwegian kroner. Such derivatives are measured 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 2). 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.
- 2) 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.
- 3) 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 change in fair value due to credit risk amounted to a NOK 10 million gain during the year and a NOK 58 million loss cumulatively. Credit risk reflected in fair value measurements is based on normalised losses and changes in normalised losses in the relevant portfolio. The fair value adjustments of the company's fixed-rate loans are reversed over the loans' remaining term to maturity.
- 4) DNB Boligkreditt's fixed-rate long-term borrowing in Norwegian kroner is carried at fair value and changes in fair value due to credit risk are recognised in other comprehensive income. 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.
- 5) 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 measured at fair value (see footnote 2). 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 15 Salaries and other personnel expenses

Amounts in NOK million	DNB Boligkreditt AS	
	2021	2020
Salaries	(8)	(8)
Employer's national insurance contributions	(2)	(1)
Pension expenses	(2)	(2)
Other personnel expenses	(0)	(0)
Salaries and other personnel expenses	(13)	(11)

At year-end, DNB Boligkreditt had six employees calculated on a full-time basis and six employees a year earlier.

The employees in DNB Boligkreditt have the same pension benefits as the other employees in the DNB Group.



Note 16 Taxes

Tax expense on pre-tax operating profit	DNB Boligkreditt AS	
	2021	2020
<i>Amounts in NOK million</i>		
Current taxes	(4 559)	(5 464)
Changes in deferred taxes	3 611	4 096
Tax expense	(948)	(1 368)
Reconciliation of tax expense against nominal tax rate		
<i>Amounts in NOK million</i>	2021	2020
Pre-tax operating profit	3 792	5 467
Estimated tax expense at nominal tax rate 22 per cent	(834)	(1 203)
Tax effect of financial tax in Norway	(114)	(164)
Tax effect of other tax-exempt income and non-deductible expenses		(1)
Excess tax provision previous year		
Tax expense	(948)	(1 368)
Effective tax rate	25%	25%
Income tax on other comprehensive income		
<i>Amounts in NOK million</i>	2021	2020
Items that will not be reclassified to the income statement	(7)	(4)
Total income tax on other comprehensive income	(7)	(4)
Deferred tax assets/(deferred taxes)		
25 per cent deferred tax calculation on all temporary differences (Norway)		
<i>Amounts in NOK million</i>	2021	2020
The year's changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	(655)	(4 747)
Changes recorded against profits	3 611	4 096
Changes recognised against comprehensive income	(7)	(4)
Deferred tax assets/(deferred taxes) as at 31 December	2 949	(655)
Deferred tax assets and deferred taxes in the balance sheet relates to the following temporary differences		
<i>Amounts in NOK million</i>	31 Dec. 2021	31 Dec. 2020
Deferred taxes		
Debt securities issued	2 745	5 835
Financial derivatives	205	(6 224)
Other financial instruments	(9)	(273)
Net pension liabilities	7	7
Total deferred tax asset/(deferred taxes)	2 949	(655)



Note 17 Classification of financial instruments

As at 31 December 2021	Mandatorily at FVTPL		Designated as at FVTPL ²⁾	DNB Boligkreditt AS	
	Trading	Other ¹⁾		Amortised cost ³⁾	Total
<i>Amounts in NOK million</i>					
Due from credit institutions				33 092	33 092
Loans to customers			35 221	653 921	689 142
Financial derivatives	7 230	13 899			21 129
Other assets				54	54
Total financial assets	7 230	13 899	35 221	687 067	743 418
Due to credit institutions				235 701	235 701
Financial derivatives	20 157	693			20 850
Debt securities issued			12 196	428 754	440 950
Other liabilities				21	21
Subordinated loan capital				5 207	5 207
Total financial liabilities ⁴⁾	20 157	693	12 196	669 683	702 729

1) Derivatives used as hedging instruments.

2) For liabilities designated as at FVTPL, changes in fair value due to credit risk are recognised in other comprehensive income.

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

4) Contractual obligations of financial liabilities designated as at fair value totalled NOK 12 015 million.

As at 31 December 2020	Mandatorily at FVTPL		Designated as at FVTPL ²⁾	DNB Boligkreditt AS	
	Trading	Other ¹⁾		Amortised cost ³⁾	Total
<i>Amounts in NOK million</i>					
Due from credit institutions				26 175	26 175
Loans to customers			40 934	635 577	676 511
Financial derivatives	12 027	25 415			37 442
Other assets				4	4
Total financial assets	12 027	25 415	40 934	661 756	740 132
Due to credit institutions				150 423	150 423
Financial derivatives	9 656	(76)			9 580
Debt securities issued			17 177	504 018	521 195
Other liabilities				5	5
Subordinated loan capital				5 206	5 206
Total financial liabilities ⁴⁾	9 656	(76)	17 177	659 652	686 409

1) Derivatives used as hedging instruments.

2) For liabilities designated as at FVTPL, changes in fair value due to credit risk are recognised in other comprehensive income.

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

4) Contractual obligations of financial liabilities designated as at fair value totalled NOK 16 566 million.



Note 18 Fair value of financial instruments at amortised cost

<i>Amounts in NOK million</i>	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Due from credit institutions	33 092	33 092	26 175	26 175
Loans to customers	653 921	653 921	635 577	635 577
Total financial assets	687 013	687 013	661 752	661 752
Due to credit institutions	235 701	235 701	150 423	150 423
Debt securities issued	428 754	430 766	504 018	506 759
Subordinated loan capital	5 207	5 262	5 206	5 289
Total financial liabilities	669 662	671 728	659 647	662 471

<i>Amounts in NOK million</i>	DNB Boligkreditt AS			
	Level 1	Level 2	Level 3	Total
Assets as at 31 December 2021				
Due from credit institutions		33 092		33 092
Loans to customers		653 921		653 921
Liabilities as at 31 December 2021				
Due to credit institutions		235 701		235 701
Debt securities issued		399 324	31 442	430 766
Subordinated loan capital			5 262	5 262
Assets as at 31 December 2020				
Due from credit institutions		26 175		26 175
Loans to customers		635 577		635 577
Liabilities as at 31 December 2020				
Due to credit institutions		150 423		150 423
Debt securities issued		471 237	35 522	506 759
Subordinated loan capital			5 289	5 289

Financial instruments at amortised cost

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

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

The table shows estimated fair values of items carried at amortised cost. Values are measured based on the valuation methods described in note 19 Financial instruments at fair value.

Due from credit institutions and loans to customers

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.

Due to credit institutions, debt securities issued and subordinated loan capital

Due to credit institutions are at floating interest rates and measured at amortised cost, which is considered not to diverge significantly from fair value.

Debt securities issued in currency are measured at amortised cost and are subject to hedge accounting of its interest rate risk. The hedge relationships 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. However, changes in credit risk are not accounted for.

Subordinated loan capital has floating interest rates with a fixed margin.



Note 19 Financial instruments at fair value

Amounts in NOK million	DNB Boligkreditt AS			
	Level 1	Level 2	Level 3	Total
Assets as at 31 December 2021				
Loans to customers			35 221	35 221
Financial derivatives		21 129		21 129
Liabilities as at 31 December 2021				
Debt securities issued		12 196		12 196
Financial derivatives		20 850		20 850
Assets as at 31 December 2020				
Loans to customers			40 934	40 934
Financial derivatives		37 442		37 442
Liabilities as at 31 December 2020				
Debt securities issued		17 177		17 177
Financial derivatives		9 580		9 580

The levels

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1

Valuation based on quoted, unadjusted prices in active markets for identical assets and liabilities. DNB Boligkreditt has no financial instruments in this category.

Level 2

Other techniques for which all inputs that have a significant effect on the measured fair value are observable, either directly or indirectly.

Valuation of interest rate swaps and currency swaps is based on level 2 techniques. The valuation is based on swap curves that are based on observable market prices. Credit risk is considered to have an insignificant effect on the fair value.

Debt securities issued in Norwegian kroner are also measured at fair value based on level 2 techniques. The valuation of the bonds is primarily based on observable market data in the form of interest rate curves and credit margins.

Level 3

Techniques for which inputs that have a significant effect on the recognised fair value are not based on observable market data. Gains or losses, that occur when the estimated fair value is different from the transaction price (day-one gain/loss) has not had significant impact to the financial statement neither for 2021 nor 2020.

Loans consist primarily of fixed-rate loans in Norwegian kroner. The value of fixed-rate loans is determined by discounting agreed cash flows over the term of the loan, using a discount factor adjusted for margin requirements. The discount factor used has as a starting point a swap rate based on a duration equal to the average remaining lock-in period for the relevant fixed-rate loans. The assumptions underlying the calculation of the margin requirement are based on a review of the market conditions on the balance sheet date and on an assessment of the deliberations made by external investors when investing in a corresponding portfolio.

Financial instruments at fair value, level 3

Amounts in NOK million	DNB Boligkreditt AS
	Loans to customers
Carrying amount as at 31 December 2019	41 489
Net gains recognised in the income statement	949
Additions/purchases	8 718
Sales	(113)
Settled	(10 109)
Carrying amount as at 31 December 2020	40 934
Net gains recognised in the income statement	(1 080)
Additions/purchases	6 419
Sales	(145)
Settled	(10 906)
Carrying amount as at 31 December 2021 ¹⁾	35 221

1) Accumulated fair value adjustments on loans to customers in level 3 were NOK 22 million at 31 December 2021.



Note 20 Offsetting

DNB Boligkreditt AS enters into interest rate swaps and cross-currency swaps with DNB Bank to hedge interest rate risk and currency risk associated with funding and lending operations. All swap contracts are covered by master netting agreements that give right to offset financial assets and financial liabilities arising from the derivative exposure. Additionally, DNB Boligkreditt enters into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The purpose of the reverse repos is to fulfill the company's requirements under the Liquidity Coverage Ratio (LCR) regulations. The value of the repos amounted to NOK 32.7 billion at end-December 2021, recognised as "Due from credit institutions" in the financial statements.

The table below presents the potential effects of DNB Boligkreditt's netting arrangements on financial assets and financial liabilities.

Amounts in NOK million	Gross amount	Amounts offset in the statement of financial position	Carrying amount	Netting agreements	DNB Boligkreditt AS	
					Other collateral	Amounts after possible netting
Assets as at 31 December 2021						
Due from credit institutions	32 711		32 711		32 711	
Financial derivatives	21 129		21 129	20 850		279
Liabilities as at 31 December 2021						
Financial derivatives	20 850		20 850	20 850		
DNB Boligkreditt AS						
Assets as at 31 December 2020						
Due from credit institutions	25 801		25 801		25 801	
Financial derivatives	37 442		37 442	9 580		27 862
Liabilities as at 31 December 2020						
Financial derivatives	9 580		9 580	9 580		

Note 21 Debt securities issued

Amounts in NOK million	DNB Boligkreditt AS					
	31 Dec. 2021	31 Dec. 2020				
Debt securities issued						
Bond debt, nominal amount	427 808	495 112				
Adjustments	13 142	26 083				
Total debt securities issued	440 950	521 195				
Changes in debt securities issued						
Amounts in NOK million	Balance sheet 31 Dec. 2021	Issued 2021 ¹⁾	Matured/ redeemed 2021 ¹⁾	Exchange rate movements 2021	Other adjustments 2021	Balance sheet 31 Dec. 2020
Bond debt, nominal amount	427 808	26 310	(79 362)	(14 252)		495 112
Adjustments	13 142				(12 941)	26 083
Total debt securities issued	440 950	26 310	(79 362)	(14 252)	(12 941)	521 195

¹⁾ Changes in debt securities issued do not include reset basis swaps. The cash flow effects of debt securities issued were NOK 26 597 million and NOK 78 571 million for issued and matured bonds, respectively.

Amounts in NOK million	DNB Boligkreditt AS		
	NOK	Foreign currency	Total
2022	75 500	69 619	145 119
2023	257	67 636	67 893
2024	8 000	35 010	43 010
2025	11 500	31 584	43 084
2026	2 500	36 428	38 928
2027		18 758	18 758
2028 and later	1 100	69 916	71 016
Total bond debt	98 857	328 951	427 808



Note 21 Debt securities issued (continued)

Debt securities issued - matured/redeemed during the period

DNB Boligkreditt AS

Amounts in NOK million ISIN Code	Currency	Matured/ redeemed amount	Interest	Issued	Matured		Remaining nominal amount	
							31 Dec. 2021	31 Dec. 2020
Private	EUR	471	Fixed	2011	2021	Redeemed		471
LUX	EUR	167	Fixed	2011	2021	Matured		167
LUX	EUR	105	Fixed	2011	2021	Redeemed		105
LUX	EUR	1 056	Fixed	2011	2021	Matured		1 056
CH0122955377	CHF	967	Fixed	2011	2021	Matured		967
Private	EUR	993	Fixed	2011	2021	Matured		993
XS0586938630	EUR	105	Floating	2011	2021	Matured		105
Private	EUR	376	Fixed	2011	2021	Redeemed		376
CH0122955377	CHF	580	Fixed	2011	2021	Matured		580
XS1344745481	EUR	15 687	Fixed	2016	2021	Matured		15 687
XS1363750321	EUR	105	Floating	2016	2021	Matured		105
Private	EUR	751	Fixed	2009	2021	Matured		751
NO0010566524	NOK	2 000	Fixed	2010	2021	Matured		2 000
NO0010566524	NOK	3 500	Fixed	2011	2021	Matured		3 500
US25600WAC47	USD	213	Fixed	2011	2021	Matured		213
LUX	EUR	50	Fixed	2011	2021	Redeemed		50
LUX	EUR	50	Fixed	2011	2021	Redeemed		50
LUX	EUR	200	Fixed	2011	2021	Redeemed		200
XS0637846725	EUR	15 029	Fixed	2011	2021	Matured		15 029
XS1062737587	EUR	1 252	Floating	2014	2021	Matured		1 252
XS1062737587	EUR	751	Floating	2015	2021	Matured		751
XS1249485092	EUR	250	Fixed	2015	2021	Matured		250
XS1416565205	EUR	751	Fixed	2016	2021	Matured		751
NO0010821051	NOK	10 000	Floating	2018	2021	Matured		10 000
Private	EUR	153	Fixed	2008	2021	Matured		153
LUX	EUR	102	Fixed	2011	2021	Redeemed		102
LUX	EUR	153	Fixed	2011	2021	Redeemed		153
LUX	EUR	305	Fixed	2011	2021	Matured		305
LUX	EUR	51	Fixed	2011	2021	Matured		51
XS0808607732	EUR	204	Floating	2012	2021	Matured		204
XS1103651953	EUR	255	Floating	2014	2021	Matured		255
XS1104019572	EUR	153	Fixed	2014	2021	Matured		153
XS1487933144	GBP	83	Floating	2016	2021	Matured		83
Private	EUR	203	Fixed	2010	2021	Matured		203
LUX	EUR	182	Fixed	2011	2021	Redeemed		182
LUX	EUR	324	Fixed	2011	2021	Matured		324
NO0010723471	NOK	104	Floating	2014	2021	Matured		104
XS1137512742	EUR	5 066	Floating	2014	2021	Matured		5 066
NO0010723471	NOK	2 000	Floating	2015	2021	Matured		2 000
XS1137512742	EUR	5 066	Floating	2015	2021	Matured		5 066
NO0010723471	NOK	4 000	Floating	2016	2021	Matured		4 000
XS1501425042	GBP	530	Fixed	2016	2021	Matured		530
NO0010723471	NOK	4 896	Floating	2017	2021	Matured		4 896
XS1735612290	NOK	120	Floating	2017	2021	Redeemed		120
Total debt securities issued, nominal value		79 362						79 362

Cover pool

DNB Boligkreditt AS

Amounts in NOK million	31 Dec. 2021	31 Dec. 2020
Pool of eligible loans	687 034	673 513
Market value of eligible derivatives	279	27 862
Total collateralised assets	687 313	701 375
Debt securities issued, carrying value	440 950	521 195
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(30)	(59)
Debt securities issued, valued according to regulation ¹⁾	440 920	521 137
Collateralisation (per cent)	155.9	134.6

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 22 Subordinated loan capital

							DNB Boligkreditt AS	
<i>Amounts in NOK million</i>	Currency	Nominal	Interest rate	Issue date	Call date	Maturity date	31 Dec. 2021	31 Dec. 2020
Term subordinated loan capital	NOK	1 900	3 month Nibor + 160 bp	2018	2023	2028	1 900	1 900
Term subordinated loan capital	NOK	3 300	3 month Nibor + 160 bp	2018	2023	2028	3 300	3 300
Accrued interest							7	6
Total							5 207	5 206

Note 23 Remunerations

								DNB Boligkreditt AS	
<i>Amounts in NOK 1000</i>	Fixed annual salary as at 31 Dec. 2021	Remuneration paid in 2021	Paid salaries 2021	Variable remuneration earned in 2021	Benefits in kind and other benefits in 2021	Accrued pension expenses ¹⁾	Total remuneration in 2021	Loans as at 31 Dec.	
The Board of Directors									
Reidar Bølme (until 29.09.21) ²⁾									
Henrik Lidman (from 29.09.21) ²⁾									
Jørn E. Pedersen		103					103		
Toril Steinmo ²⁾									
Per Sagbakken, CEO (until 30.04.21)			705		6	181	892		
Anne-Lene Åvangen, CEO (from 01.05.21)	1 550		1 013	24	29	88	1 154	8 490	

1) *Accrued pension expenses include pension rights earned during the year (service cost). The calculation of pension entitlements is based on the same economic and actuarial assumptions as those used in note G25 Pensions in the annual report 2021 for the DNB Group.*

2) *There is no remuneration paid to the Board members other than ordinary salaries*

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

Remunerations to the chief executive officer and "Remuneration paid in 2021" are paid by DNB Boligkreditt. Other remunerations are charged DNB Bank ASA.

DNB Boligkreditt has no contractual obligations to give the chief executive officer, members of the board or others special compensation in case of changes in conditions of employment. Nor has the company contractual obligations to offer bonuses, profit sharing arrangements or options benefiting the chief executive officer, the Board of Directors or others. For 2021, all of the Group's employees will receive a bonus of NOK 24 thousand. The bonus will be paid in 2022.

Remuneration to the statutory auditor		DNB Boligkreditt AS	
<i>Amounts in NOK 1000, excluding VAT</i>		2021	2020
Statutory audit		(997)	(995)
Other certification services ¹⁾		(508)	(567)
Total remuneration to the statutory auditor		(1 505)	(1 562)

1) *Of this, remuneration to the independent investigator, pursuant to Section 11-14 of the Financial Institutions Act, represented NOK 223 400 in 2021. In addition, fees related to comfort letters for the covered bond programmes represented NOK 234 700 in 2021.*



Note 24 Information on related parties

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

Transactions with related parties <i>Amounts in NOK million</i>	DNB Boligkreditt AS	
	2021	2020
Assets		
Loans to and deposits with credit institutions	33 092	26 175
Financial derivatives	21 129	37 442
Liabilities		
Loans due to credit institutions	235 701	150 423
Subordinated loan capital	5 207	5 206
Financial derivatives	20 850	9 580
Debt securities issued	53 910	59 888
Other liabilities	134	110
Income and expenses		
Interest income	27	32
Interest expenses	(997)	(1 094)
Commissions payable	(3)	(2)
Net gains on financial instruments at fair value	(313)	1 047
Fee income	0	0
Fee expenses	(1 914)	(1 128)

Major transactions with related parties

DNB Bank ASA

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

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. During 2021 portfolios of NOK 26.0 billion (NOK 49.2 billion in 2020) were transferred from the bank to DNB Boligkreditt.

Under the management agreement, DNB Boligkreditt purchases services from the bank, including services relating to administration, bank production, distribution, customer contact, IT operations and financial and liquidity management. DNB Boligkreditt pays an annual management fee for these services based on the lending volume under management and the achieved lending spreads. The management fee paid is recognised as "Other expenses" in the statement of comprehensive income and amounted to NOK 1 843 million in 2021 (NOK 1 047 million in 2020).

In the balance sheet "Due from credit institutions" and "Due to credit institutions" are solely outstandings with DNB Bank. All derivative contracts are with DNB Bank as counterparty. At year-end 2021, the bank had invested NOK 53.9 billion (NOK 59.9 billion in 2020) in covered bonds issued by DNB Boligkreditt.

DNB Boligkreditt enters into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 32.7 billion at end-December 2021 (NOK 25.8 billion in 2020).

The company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 245 billion.

DNB Livforsikring AS

As part of the company's ordinary investment activity, DNB Livforsikring has subscribed for covered bonds issued by DNB Boligkreditt. At year-end 2021, DNB Livforsikring's holding of listed DNB Boligkreditt bonds was valued at NOK 0.3 billion (NOK 1.5 billion in 2020).

Group contributions

The Board of Directors proposes to provide NOK 17 790 million with tax effect as Group contribution to DNB Bank. The proposal is conditional on a Group contribution of NOK 10 500 million without tax effect (NOK 14 000 million with tax effect) being paid from DNB Bank to DNB Boligkreditt at the same time. The net Group contribution is thus proposed to be NOK 3 790 million.



Statement

Pursuant to Section 5-5 of the Securities Trading Act

We hereby confirm that the annual accounts for the company for 2021 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole.

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

Oslo, 9 March 2022
The Board of Directors of DNB Boligkreditt AS

Henrik Lidman
(Chair of the Board)

Jørn E. Pedersen

Toril Steinmo

Anne-Lene Avangén Hødnebo
(Chief Executive Officer)



Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of DNB Boligkreditt AS

Opinion

We have audited the financial statements of DNB Boligkreditt AS (the Company), which comprise the balance sheet as at 31 December 2021, comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 14 years from the election by the general meeting in 2008 for the accounting year 2008.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

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Valuation of Financial Instruments

Basis for the key audit matter

Unlisted or illiquid financial instruments measured at fair value are valued based on models that use assumptions that are not observable in the marketplace. The valuation of these instruments therefore have a higher risk of errors. Such instruments comprise assets of NOK 35 221 million measured at fair value in the balance sheet and classified as level 3 instruments within the fair value hierarchy. Due to the materiality of the unlisted or illiquid instruments, and the increased risk of errors, we considered the valuation of these instruments a key audit matter.

Level 3 instruments measured at fair value are disclosed in note 19 in the financial statements.

Our audit response

We assessed the design and tested the operating effectiveness of internal controls over the valuation process including management's determination and approval of assumptions and methodologies used in model-based calculations as well as management's review of valuations provided by internal experts. We also assessed pricing model methodologies against industry practice and valuation guidelines. We performed independent valuations for selected instruments and used external source data where available, and compared results of our valuations to the Company's valuations.

IT environment supporting financial reporting

Basis for the key audit matter

The Company has a complex and automated IT environment and is dependent on IT processes for reporting of financial information. To ensure complete and accurate processing and reporting of financial data it is important that controls over appropriate access rights and system changes are designed and operate effectively. Also, controls over transaction processing need to be designed and operate effectively. The operation of the IT environment is largely outsourced to various service providers. The IT environment supporting the financial reporting process is considered a Key Audit Matter as the IT environment is critical to ensure accurate, complete and reliable financial reporting.

Our audit response

We obtained an understanding of the Company's IT environment, including outsourced services and controls related to financial reporting. We tested IT general controls over access management, change management and IT operations. Further we tested automated controls in the IT environment supporting financial reporting. For IT systems outsourced to service providers we evaluated third party attestation reports (ISAE 3402 reports) and assessed and tested the effectiveness of the controls. We involved specialists on our team in understanding the IT environment and in assessing and testing the operative effectiveness of controls.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and Chief Executive Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

Independent auditor's report - DNB Boligkredit AS 2021

American Street 1, 0450 Oslo, Norway



We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report - DNB Boligkreditt AS 2021

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We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 9 March 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan-Herman Stene
State Authorised Public Accountant (Norway)

Independent auditor's report - DNB Boligkreditt AS 2021

Amendment of Ernst & Young Global Limited



Governing bodies

as at 31 December 2021

Board of Directors

Members

Henrik Lidman, Oslo
Jørn E. Pedersen, Oslo
Toril Steinmo, Bærum

Contact information

DNB Boligkreditt AS

Mailing address	P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address	Dronning Eufemias gate 30, Oslo
Telephone	+47 91 50 48 00
Internet	dnb.no
Organisation number	NO 985 621 551

Chief Executive Officer

Anne-Lene Åvangen Hødnebo
Tel: +47 97 01 83 95
anne-lene.avangen.hodnebo@dnb.no

Financial reporting

Roar Sørensen
Tel: +47 93 47 96 16
roar.sorensen@dnb.no

Other sources of information

Annual and quarterly reports

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

DNB Bank ASA

Mailing address	P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address	Dronning Eufemias gate 30, Oslo
Telephone	+47 91 50 48 00
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Organisation number	NO 984 851 006





**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
Bjervika, Oslo

dnb.no



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 30.05.2011	Vår dato 20.12.2011
Telefon 22078139	Deres referanse Øyvind Birkeland	Vår referanse 2011/566763

DNB BOLIGKREDITT AS
c/o DNB Bank ASA
Kirkegaten 21
0021 OSLO

Dispensasjon fra kravet om utarbeidelse av årsregnskap og årsberetning på norsk språk for DNB Boligkreditt AS, org. nr. 985 621 551

Det vises til deres brev av 30. mai 2011 samt e-post og telefonsamtale i sakens anledning. Det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for DNB Boligkreditt AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering DNB Boligkreditt AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Bakgrunn

DNB Boligkreditt AS er et heleid datterselskap av DNB Bank ASA og har således en begrenset eierkrets. Selskapet er viktig for konsernets anskaffelse av nødvendig og rimeligst mulig finansiering gjennom utstedelse av obligasjoner med fortrinnsrett (OMF) med pant i boligeiendom. Ca 90 % av verdipapirgjeld er solgt i markedet til utenlandske investorer. Selskapet har fått dispensasjon fra kravet i verdipapirhandelslovens § 5-13 om å offentliggjøre opplysninger på norsk vedrørende obligasjonene. Innlånsprogram og all dokumentasjon knyttet til låneopptak foreligger kun på engelsk. All kommunikasjon med ratingbyråer og investorer skjer på engelsk, og flere av interessentene behersker kun engelsk. Den norske versjonen av årsregnskapet utarbeides kun for å tilfredsstille regnskapsloven.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives,

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f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *“informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at det vesentlige av selskapets av selskapets verdipapirgjeld er solgt i markedet til utenlandske investorer. Innlånsprogram og all dokumentasjon knyttet til låneopptak foreligger kun på engelsk. All kommunikasjon med ratingbyråer og investorer skjer på engelsk, og flere av interessentene behersker kun engelsk. Selskapet er et datterselskap og har således en begrenset eierkrets. Videre er det vektlagt at selskapet har fått dispensasjon fra Oslo børs om å offentliggjøre opplysninger på norsk.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland