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DNB NÆRINGSKREDITT AS

– a company in the DNB Group

Fourth quarter report 2014
(Preliminary and unaudited)

Financial highlights

DNB Næringskreditt AS

Comprehensive income statement *Amounts in NOK 1 000*	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
Net interest income	95 593	83 691	364 041	317 385
Net other operating income	(5 091)	(10 161)	(7 784)	(10 015)
Operating expenses	34 432	26 020	116 365	89 903
Impairment of loans and commitments	(437)	1 021	215	2 098
Pre-tax operating profit	56 508	46 488	239 678	215 369
Tax expense	15 257	12 987	64 723	60 408
Profit for the period	41 251	33 501	174 955	154 962

Balance sheet *Amounts in NOK 1 000*	31 Dec. 2014	31 Dec. 2013
Total assets	26 087 579	23 741 700
Loans to customers	25 905 361	23 164 541
Debt securities issues	4 560 848	4 417 224
Total equity	5 541 292	5 521 137

Key figures *Per cent*	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
Combined weighted total average spread for lending [1)]	0.95	0.86	0.90	0.77
Return on equity, annualised	3.0	2.4	3.2	3.7
Common equity Tier 1 capital ratio, transitional rules (%)	25.9	28.8	25.9	28.8
Capital ratio, transitional rules (%)	25.9	28.8	25.9	28.8
Net non-performing and impaired loans, per cent of net loans	0.00	0.00	0.00	0.00

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

Fourth quarter report 2014

Directors’ report

DNB Næringskreditt AS is the DNB Group’s vehicle for the issue of covered bonds based on commercial mortgages. The company’s offices are located in Oslo. DNB Næringskreditt is a wholly-owned subsidiary of DNB Bank ASA and is reported partly under the Corporate Banking Norway business area and partly under the Large Corporates and International business area in the consolidated accounts of DNB Bank ASA. The company has completed three bond issues totalling NOK 4.4 billion, of which NOK 2.0 billion was issued in the fourth quarter of 2013. The rating agencies’ assessments are of significance to the company’s funding terms. In the second quarter of 2013 an agreement was signed with Moody’s on the rating of the company’s bond issues, which were rated Aa1.

Financial accounts

DNB Næringskreditt recorded a profit of NOK 41 million in the fourth quarter of 2014, compared with a profit of NOK 34 million in the fourth quarter of 2013. The profit for the full year 2014 was NOK 175 million, compared with a profit of NOK 155 million in 2013.

Total income

Income totalled NOK 91 million in the fourth quarter of 2014, up from NOK 74 million in the year-earlier period.

Amounts in NOK million	4th quarter 2014	Change	4th quarter 2013
Total income	91	17	74
Net interest income		12	
Net gains (losses) on financial instruments at fair value		5	

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

The improvement in recorded losses on financial instruments reflect the effects of unrealised changes in the market value of covered bonds and interest rate swaps.

Amounts in NOK million	2014	Change	2013
Total income	356	49	307
Net interest income		47	
Net commission and fee income		2	
Net gains (losses) on financial instruments at fair value		2	

Interest rate spreads were stable in 2014. Average net loans to customers increased during the year, and the net effect was thus an increase in net interest income.

Operating expenses and impairment of loans

Operating expenses are volatile due to the management fee paid to DNB Bank. The cooperation with DNB Bank is formalised through an extensive servicing agreement that ensures DNB Næringskreditt sound competence in key areas and cost-effective operations. The management fee calculation is based primarily on lending volume and the spreads achieved. The size of the management fee is related to net interest income. The fee amounted to NOK 31 million in the fourth quarter of 2014, up from NOK 23 million in the fourth quarter the year before. The management fee for the full year 2014 was NOK 107 million.

The company has recorded no individual impairment losses in previous years, though collective impairment losses of NOK 0.2 million were recorded in 2014. The Board of Directors considers the level of impairment to be satisfactory relative to the high quality of the loan portfolio.

Funding, liquidity and balance sheet

Balance sheet

At year-end 2014, DNB Næringskreditt had total assets of NOK 26.1 billion under management, an increase of NOK 2.3 billion or 9.9 per cent from year-end 2013.

Amounts in NOK million	31 Dec. 2014	Change	31 Dec. 2013
Total assets	26 088	2 346	23 742
Loans to customers		2 741	
Financial derivatives		118	
Other assets		(513)	
Total liabilities	20 546	2 325	18 221
Due to credit institutions		2 198	
Financial derivatives		(17)	
Debt securities issued		143	
Other liabilities		1	

The increase in loans to customers originates from the acquisition of commercial mortgage portfolios from DNB Bank and the sale of new loans through the bank’s distribution network.

The company did not issue covered bonds in 2014. Total debt securities issued amounted to NOK 4.6 billion at year-end 2014.

Risk and capital adequacy

The company has established guidelines and limits for management and control of the different types of risk.

The company is not exposed to currency risk. 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 values of the company’s bonds due to credit risk are monitored on a daily basis.

The servicing agreement with DNB Bank comprises administration, bank production, IT operations and financial and liquidity management. The fee structure in the servicing agreement shall ensure a stable return on equity, but does not take the effects of unrealised gains or losses on financial instruments into consideration. Operational risk is assessed to be low.

DNB Næringskreditt’s assets comprise loans secured by commercial property within 60 per cent of the property’s appraised value, plus bank deposits. Negative developments in the commercial property market affect the company. A decline in the prices of commercial properties 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 the value of commercial property prices. A short-term measure to meet a significant fall in prices of commercial properties will be to supply DNB Næringskreditt with more substitute collateral. The Board of Directors considers the company’s total risk exposure to be low.

At year-end 2014, the company’s equity totalled NOK 5.5 billion, of which NOK 5.4 billion represented Tier 1 capital. The company has no primary capital in excess of equity. The company’s capital adequacy and Tier 1 capital ratios were 25.9 per cent. The Board of Directors considers the company to be adequately capitalised relative to the risk level in the loan portfolios and other operations.

New regulatory framework

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

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

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

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

Macroeconomic trends

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

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

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

Housing prices continued to rise in the autumn of 2014 and were 8 per cent higher at end-December 2014 than a year earlier. The strong trend reflected high population growth, a stable unemployment rate, high construction costs, lower interest rates and a housing shortage in some areas. Despite a rather high office vacancy rate, acitivity levels in the commercial property rental market are rising, with strong growth in office rents. Underlying growth in property prices has been weaker.

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

Future prospects

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

Stable weighted spreads are anticipated in the markets for personal customers and small and medium-sized enterprises, while weighted spreads in the large corporate segments are expected to be stable or to rise marginally. The loan portfolio of DNB Næringskreditt is expected to increase in the period ahead as a result of further transfers of loans from DNB Bank ASA. Overall, there is conditional optimism with respect to commercial property in Norway.

Covered bonds have gained a leading position as a funding vehicle for Norwegian banks. Norwegian covered bonds still seem to be regarded as attractive investments with relatively low credit and market risk.

Oslo, 4 February 2015
The Board of Directors of DNB Næringskreditt AS

Bjørn Erik Næss
(chairman)

Reidar Bolme

Elisabeth Ege

Jørn E. Pedersen

Eva-Lill Strandskogen

Øyvind Birkeland
(chief executive officer)

Comprehensive income statement

					DNB Næringskreditt AS
Amounts in NOK 1 000	Note	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
Total interest income	7	218 549	194 912	862 978	757 570
Total interest expenses	7	122 956	111 220	498 937	440 184
Net interest income	7	**95 593**	**83 691**	**364 041**	**317 385**
Commission and fee income		442	37	793	221
Commission and fee expenses		27	42	101	81
Net gains on financial instruments at fair value	8	(5 506)	(10 156)	(8 475)	(10 156)
Net other operating income		**(5 091)**	**(10 161)**	**(7 784)**	**(10 015)**
Total income		**90 503**	**73 530**	**356 258**	**307 370**
Other expenses	13	34 432	26 020	116 365	89 903
Total operating expenses		**34 432**	**26 020**	**116 365**	**89 903**
Impairment of loans and commitments	9	(437)	1 021	215	2 098
Pre-tax operating profit		**56 508**	**46 488**	**239 678**	**215 369**
Tax expense		15 257	12 987	64 723	60 408
Profit for the period		**41 251**	**33 501**	**174 955**	**154 962**
Other comprehensive income		0	0	0	0
Total comprehensive income for the period		**41 251**	**33 501**	**174 955**	**154 962**

Balance sheet

			DNB Næringskreditt AS
Amounts in NOK 1 000	Note	31 Dec. 2014	31 Dec. 2013
Assets			
Due from credit institutions	12, 13	56 147	571 517
Loans to customers	9, 11, 12	25 905 361	23 164 541
Financial derivatives	11, 13	119 826	1 864
Deferred tax assets		5 285	2 818
Other assets		960	960
Total assets		**26 087 579**	**23 741 700**
Liabilities and equity			
Due to credit institutions	12, 13	15 907 941	13 709 979
Financial derivatives	11, 13	0	15 962
Debt securities issued	10, 11, 12, 13	4 560 848	4 417 224
Payable taxes		67 189	63 128
Other liabilities		10 309	14 269
Total liabilities		**20 546 286**	**18 220 563**
Share capital		550 000	550 000
Share premium reserve		4 604 100	4 604 100
Other equity		387 192	367 037
Total equity		**5 541 292**	**5 521 137**
Total liabilities and equity		**26 087 579**	**23 741 700**

Statement of changes in equity

Amounts in NOK 1 000	Share capital	Share premium	Other equity	Total equity
			DNB Næringskreditt AS	
Balance sheet as at 1 January 2013	**550 000**	**4 604 100**	**400 780**	**5 554 880**
Profit for the period			154 962	154 962
Other comprehensive income			0	0
Total comprehensive income for the period			**154 962**	**154 962**
Group contribution paid			(188 704)	**(188 704)**
Balance sheet as at 31 December 2013	**550 000**	**4 604 100**	**367 037**	**5 521 137**
Balance sheet as at 1 January 2014	**550 000**	**4 604 100**	**367 037**	**5 521 137**
Profit for the period			174 955	174 955
Other comprehensive income			0	0
Total comprehensive income for the period			**174 955**	**174 955**
Group contribution paid			(154 800)	(154 800)
Balance sheet as at 31 December 2014	**550 000**	**4 604 100**	**387 192**	**5 541 292**

Share capital

All of the company's shares and voting rights are held by DNB Bank ASA. Share capital at the beginning of 2014 was NOK 550 million (550 000 shares at NOK 1 000).

Cash flow statement

Amounts in NOK 1 000	Full year 2014	Full year 2013
	DNB Næringskreditt AS	
Operating activities		
Net receipts on loans to customers	3 739 497	1 894 346
Interest received from customers	844 807	745 718
Net receipts/payments on loans to/from credit institutions	2 699 271	(109 693)
Interest received from credit institutions	6 830	6 919
Interest paid to credit institutions	(389 723)	(381 613)
Payments for operating expenses	(120 952)	(84 526)
Net cash flow from operating activities	**6 779 729**	**2 071 151**
Investing activities		
Net purchase of loan portfolio	(6 469 192)	(3 761 709)
Net cash flow relating to investing activities	**(6 469 192)**	**(3 761 709)**
Funding activities		
Receipts on issued bonds and commercial paper	0	2 000 000
Interest payments on issued bonds and commercial paper	(102 455)	(56 816)
Group contribution paid	(215 000)	(262 089)
Net cash flow from funding activities	**(317 455)**	**1 681 095**
Net cash flow	**(6 917)**	**(9 462)**
Cash as at 1 January	11 364	20 826
Net receipts/payments of cash	(6 917)	(9 462)
Cash at end of period	4 446	11 364

The cash flow statement shows receipts and payments of cash and cash equivalents during the year and has been prepared in accordance with the direct method. Cash and cash equivalents are defined as cash and deposits with central banks and deposits with credit institutions with no agreed period of notice.

Note 1 Accounting principles

The fourth quarter accounts of 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual report 2013.

The company's accounting principles and calculation methods are consistent with those applied when preparing the annual financial statements for 2013. No new or amended accounting standards or interpretations have entered into force in 2014 that have had effect on the interim report.

The fourth quarter accounts were approved by the Board of Directors on 4 February 2015.

Operating segments

The company has operations within one operating segment only, according to IFRS 8 *Operating segments*. The segment generated a profit of NOK 175 million for the full year 2014. The company uses the information in the statement of comprehensive income and balance sheet also in its internal reporting.

Note 2 Significant accounting judgements, estimates and assumptions

The preparation of financial information in conformity with IFRS requires the use of estimates and assumptions about future conditions that affect reported income, expenses, assets and liabilities. Use of available information and applications of judgement are inherent in the information estimates. Actual results in the future may differ from such estimates, and the differences may be material to the financial statements. A more detailed description of important estimates and assumtions is presented in the annual report for 2013 in note 1 Significant accounting judgements, estimates and assumptions.

Note 3 Capital adequacy

Primary capital	**DNB Næringskreditt AS**	
Amounts in NOK 1 000	31 Dec. 2014	31 Dec. 2013
Share capital	550 000	550 000
Other equity	4 991 192	4 971 137
Total equity	5 541 192	5 521 137
Deductions		
Expected losses exceeding actual losses, IRB portfolios	(6 530)	(4 078)
Value adjustments due to the requirements for prudent valuation	(53)	0
Adjustments for deferred tax assets	(5 285)	(2 818)
Allocated group contributions for payment	(174 955)	(154 800)
Tier 1 capital	5 354 369	5 359 441
Total eligible primary capital	5 354 369	5 359 441
Risk-weighted volume, transitional rules	20 709 580	18 624 555
Minimum capital requirement, transitional rules	1 656 766	1 489 964
Tier 1 capital ratio, transitional rules (%)	25.9	28.8
Capital ratio, transitional rules (%)	25.9	28.8

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

Note 3 Capital adequacy (continued)

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

Amounts in NOK 1 000	Nominal exposure 31 Dec. 2014	EAD [1] 31 Dec. 2014	Risk-weighted volume 31 Dec. 2014	Capital requirements 31 Dec. 2014	Capital requirements 31 Dec. 2013
IRB approach					
Corporate	12 962 098	12 962 098	4 064 247	325 140	239 811
Total credit risk, IRB approach	12 962 098	12 962 098	4 064 247	325 140	239 811
Standardised approach					
Institutions	193 147	193 147	96 574	7 726	9 144
Corporate	12 951 633	12 951 633	12 951 633	1 036 131	1 042 095
Total credit risk, standardised approach	13 144 780	13 144 780	13 048 207	1 043 857	1 051 239
Total credit risk	26 106 878	26 106 878	17 112 454	1 368 996	1 291 050
Other assets	960	960	960	77	0
Credit value adjustment risk (CVA)			232 088	18 567	0
Operational risk			622 913	49 833	48 128
Deductions			0	0	0
Total risk-weighted volume and capital requirements before transitional rules			17 968 415	1 437 473	1 339 178
Additional capital requirements according to transitional rules			2 741 165	219 293	150 786
Total risk-weighted volume and capital requirements			20 709 580	1 656 766	1 489 964

1) EAD, exposure at default.

Note 4 Credit risk

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

DNB Næringskreditt has adopted the credit risk policies of the DNB Group. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, and by monitoring exposures in relation to such limits. In order to manage credit risk in the loan portfolios, the loans are backed by collateral .

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

DNB Næringskreditt uses commercial property as collateral to reduce the risk related to customers' willingness and capacity to service their debt. As a rule, the physical objects used as collateral must be insured. When approving loans, an objective appraisal of the commercial property must be available. In addition, aspects which may influence collateral value must be taken into account, for example concession terms or encumbrances.

Note 5 Market risk

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

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

DNB Næringskreditt is not exposed to market risk arising from investments in commodities, foreign currencies and equity.

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

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

Note 6 Liquidity risk

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by cash or other financial assets. Liquidity risk is the risk that the company might be unable to meet its payment obligations when they fall due.

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

According to Section 2-32 of the Financial Institutions Act*: "the mortgage institution shall ensure that payment flows from the cover assets at all times enable the mortgage institution to meet its payment obligations to the owners of bonds with preferential rights and counterparties in derivative agreements"*. The company's Board of Directors has decided that the company shall, at all times, have positive cash flows over the next 12 months.

According to Section 6 in the regulations on sound liquidity management, *"the institution shall analyze the liquidity situation by means of stress tests, which must be adapted to the scope, complexity and risk of operations. Experience from the stress tests shall be used when the Board of Directors considers the liquidity strategy and approves liquidity risk limits".*

As part of its liquidity risk management, the company prepares liquidity stress tests with quarterly reporting to the Board of Directors.

DNB Næringskreditt's liquidity situation for the fourth quarter of 2014 can be characterised as sound.

Note 7 Net interest income

	DNB Næringskreditt AS			
Amounts in NOK 1 000	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
Interest on amounts due from credit institutions	1 521	2 209	6 830	6 919
Interest on loans to customers	217 020	192 683	856 083	749 963
Other interest income	9	19	65	688
Total interest income	**218 549**	**194 912**	**862 978**	**757 570**
Interest on amounts due to credit institutions	94 349	89 912	383 645	377 189
Interest on debt securities issued	28 607	21 308	115 292	62 996
Total interest expenses	**122 956**	**111 220**	**498 937**	**440 184**
Net interest income	**95 593**	**83 691**	**364 041**	**317 385**

Note 8 Net gains on financial instruments at fair value

	DNB Næringskreditt AS			
Amounts in NOK 1 000	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
Net gains on financial liabilities, designated as at fair value [1]	(60 080)	3 940	(144 000)	3 940
Net gains on financial derivatives, trading [2]	54 574	(14 096)	135 525	(14 096)
Net gains on financial instruments at fair value	**(5 506)**	**(10 156)**	**(8 475)**	**(10 156)**

1) *DNB Næringskreditt's fixed-rate bonds, issued in Norwegian kroner, are carried at fair value. The floating-rate bonds are carried at amortised cost. The market value of the fixed-rate bonds, carried at fair value, 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.*

2) *DNB Næringskreditt enters into swaps to manage interest-rate risk for the fixed-rate bonds issued in Norwegian kroner. Such derivatives are recorded at fair value.*

Note 9 Loans to customers

Loans to customers, including accrued interest, totalled NOK 25.9 billion at end-December 2014 (NOK 23.2 billion as at end-December 2013). There was no objective evidence of a decrease in value requiring individual impairment of the loans. Nor were any allocations made for individual impairment.

The loans have been reviewed for collective impairment. During 2014, collective impairments increased by NOK 0.2 million.

Customer loans are backed by collateral in the form of commercial property within 60 per cent of market value.

	DNB Næringskreditt AS	
Amounts in NOK 1 000	31 Dec. 2014	31 Dec. 2013
Loans to customers at amortised cost, nominal amount	25 788 046	23 058 352
– Individual impairment	0	0
Loans to customers, after individual impairment	25 788 046	23 058 352
+ Accrued interest and amortisation	124 636	113 295
– Individual impairment on accrued interest	0	0
Loans to customers, at amortised cost	25 912 682	23 171 647
– Collective impairment	7 321	7 106
Total loans to customers	**25 905 361**	**23 164 541**

		DNB Næringskreditt AS	
Amounts in NOK 1 000		31 Dec. 2014	31 Dec. 2013
Impairment as per 1 January		7 106	5 008
Changes in individual impairment		0	0
Changes in collective impairment		215	2 098
Impairment at end of period		7 321	7 106
Of which:	*Individual impairment*	0	0
	Individual impairment of accrued interest and amortisation	0	0
	Collective impairment	*7 321*	*7 106*

Note 10 Debt securities issued

						DNB Næringskreditt AS	
Amounts in NOK 1 000						31 Dec.	31 Dec.
ISIN Code	Currency	Nominal value	Interest	Issued	Matured	2014	2013
NO 0010543192	NOK	2 400 000	Floating	2009	2015	2 400 000	2 400 000
NO 0010694425	NOK	1 000 000	Floating	2013	2018	1 000 000	1 000 000
NO 0010694474	NOK	1 000 000	Fixed	2013	2023	1 140 060	996 060
Accrued interest						20 788	21 164
Total debt securities issued						**4 560 848**	**4 417 224**

Cover pool

	DNB Næringskreditt AS	
	31 Dec.	31 Dec.
Amounts in NOK 1 000	2014	2013
Pool of eligible loans	20 950 379	20 981 617
Market value of eligible derivatives	120 710	-
Supplementary assets	-	560 153
Total collateralised assets	**21 071 089**	**21 541 770**
Debt securities issued, carrying value	4 543 366	4 417 224
Market value of eligible derivatives	-	14 098
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(17 482)	-
Debt securities issued, valued according to regulation [1)]	**4 525 884**	**4 431 322**
Collateralisation (per cent)	463.8	486.0

1) *The debt securities issued are bonds with preferred rights in the appurtenant cover pool. The composition and calculation of values in the cover pool are defined in Sections 2-28 and 2-31 of the Financial Institutions Act with appurtenant regulations.*

Note 11 Financial instruments at fair value

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

Level 1
Valuation based on quoted, unadjusted prices in active markets for identical assets and liabilities. DNB Næringskreditt has no financial instruments in this category.

Level 2
Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Valuation of interest rate swaps 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 and at a fixed interest rate, 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 recorded fair value are not based on observable market data.
DNB Næringskreditt has no financial instruments in this category.

					DNB Næringskreditt AS
Amounts in NOK 1 000	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Accrued interest [1)]	Total
Assets as at 31 December 2014					
Loans to customers	-	-	-	-	-
Financial derivatives	-	119 826	-	-	119 826
Liabilities as at 31 December 2014					
Debt securities issued	-	1 140 060	-	4 919	1 144 979
Financial derivatives	-	-	-	-	-

1) *Accrued interest on financial derivatives is included in the amounts in levels 2 and 3.*

Note 12 Fair value of financial instruments at amortised cost

Most assets and liabilities in the DNB Næringskreditt's balance sheet are carried at amortised cost.

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

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

The table shows estimated fair values of items carried at amortised cost. Values are measured based on the valuation methods described in note 11.

Fair value of financial instruments at amortised cost — **DNB Næringskreditt AS**

	31 December 2014		31 December 2013	
Amounts in NOK 1 000	Carrying amount	Fair value	Carrying amount	Fair value
Due from credit institutions	56 147	56 147	571 517	157 317
Loans to customers	25 905 361	25 905 361	23 164 541	15 388 389
Total financial assets	**25 961 508**	**25 961 508**	**23 736 058**	**15 545 706**
Due to credit institutions	15 907 941	15 907 941	13 709 979	13 400 436
Debt securities issued	3 415 868	3 427 027	3 416 245	2 414 985
Total financial liabilities	**19 323 809**	**19 323 809**	**17 126 224**	**15 815 420**

DNB Næringskreditt AS

Amounts in NOK 1 000	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Accrued interest	Total
Assets as at 31 December 2014					
Due from credit institutions	-	56 147	-	-	56 147
Loans to customers	-	-	25 905 361	-	25 905 361
Liabilities as at 31 December 2014					
Due to credit institutions	-	15 907 941	-	-	15 907 941
Debt securities issued	-	3 411 159	-	15 868	3 427 027

For floating rate loans to customers, the interest rates and margins are changed when the market rates change. The customers have to be notified of all changes in advance of the changes being put into effect, so there is a short period of time where the terms of the loans diverge from market rates. However this delay in timing is considered to have an immaterial effect to the total value of the loans hence the carrying value of these loans are considered to be a relevant measure for fair value.

Debt securities issued with a floating interest rate are carried at amortised cost. If measured at fair value, a positive or negative effect of changes in credit risk would have been recorded. Loans due to credit institutions are mainly at floating interest rates and carried at amortised cost, which is considered not to diverge significantly from fair value.

Note 13 Information on related parties

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

DNB Bank ASA

DNB Bank ASA (the bank) is the parent of DNB Næringskreditt. As part of ordinary business transactions, a large number of banking transactions are entered into between DNB Næringskreditt and the bank. The transactions are regulated in the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Næringskreditt 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 the fourth quarter of 2014, portfolios of NOK 1.2 billion were transferred from the bank to DNB Næringskreditt. All transactions are carried out at market terms.

Pursuant to the management agreement, DNB Næringskreditt purchases services from the bank, including administration, bank production, distribution, customer contact, IT operations, financial and liquidity management. DNB Næringskreditt pays a management fee for these services based on the lending volume under management and the achieved lending spreads. The management fee amounted to NOK 30.9 million for the fourth quarter of 2014 (NOK 23.0 million for the fourth quarter of 2013).

In the balance sheet "Loans to and deposits with credit institutions" and "Due to credit institutions" are solely outstandings with DNB Bank. All derivative contracts are with DNB Bank as counterparty. At end-December, the bank had invested NOK 2.9 billion in covered bonds issued by DNB Næringskreditt.

DNB Boligkreditt AS

DNB Næringskreditt has no employees and purchases administrative services from DNB Boligkreditt. On an annual basis, DNB Næringskreditt hires staff representing 2.3 full-time equivalents. The management fee amounted to NOK 1.4 million for the fourth quarter of 2014. DNB Boligkreditt is a wholly-owned subsidiary of DNB Bank.

Note 14 Contingencies and post-balance sheet events

DNB Næringskreditt is not involved in any legal actions.

No information has come to light about important circumstances which had occurred on the balance sheet date on 31 December 2014 and up till the Board of Directors' final consideration of the accounts on 4 February 2015.

Key figures

DNB Næringskreditt AS	4th quarter 2014	4th quarter 2013	Full year 2014	Full year 2013
Rate of return/profitability				
Return on equity, annualised (%) [1)]	3.0	2.4	3.2	3.7
Financial strength at end of period				
Common equity Tier 1 capital ratio, transitional rules (%)	25.9	28.8	25.9	28.8
Capital ratio, transitional rules (%)	25.9	28.8	25.9	28.8
Common equity Tier 1 capital (NOK 1 000)	5 354 369	5 359 441	5 354 369	5 359 441
Risk-weighted volume, transitional rules (NOK 1 000)	20 709 580	18 624 555	20 709 580	18 624 555

1) *Average equity is calculated on the basis of recorded equity.*

Profit and balance sheet trends

Comprehensive income statement — **DNB Næringskreditt AS**

Amounts in NOK 1 000	4th quarter 2014	3rd quarter 2014	2nd quarter 2014	1st quarter 2014	4th quarter 2013
Total interest income	218 549	231 554	214 152	198 723	194 912
Total interest expenses	122 956	137 901	124 879	113 200	111 220
Net interest income	**95 593**	**93 652**	**89 273**	**85 523**	**83 691**
Commission and fee income	442	87	205	58	37
Commission and fee expenses	27	25	25	25	42
Net gains on financial instruments at fair value	(5 506)	1 022	(9 332)	5 341	(10 156)
Net other operating income	**(5 091)**	**1 085**	**(9 151)**	**5 374**	**(10 161)**
Total income	**90 503**	**94 737**	**80 121**	**90 897**	**73 530**
Other expenses	34 432	28 874	27 654	25 405	26 020
Total operating expenses	**34 432**	**28 874**	**27 654**	**25 405**	**26 020**
Impairment of loans and commitments	(437)	336	(1 381)	1 697	1 021
Pre-tax operating profit	**56 508**	**65 527**	**53 848**	**63 795**	**46 488**
Tax expense	15 257	17 692	14 539	17 234	12 987
Profit for the period	**41 251**	**47 835**	**39 309**	**46 561**	**33 501**
Other comprehensive income	0	0	0	0	0
Comprehensive income for the period	**41 251**	**47 835**	**39 309**	**46 561**	**33 501**

Balance sheet — **DNB Næringskreditt AS**

Amounts in NOK 1 000	31 Dec. 2014	30 Sept. 2014	30 June 2014	31 March 2014	31 Dec. 2013
Assets					
Due from credit institutions	56 147	514 861	229 100	113 344	571 517
Loans to customers	25 905 361	26 723 945	25 958 888	24 389 255	23 164 541
Financial derivatives	119 826	94 866	66 058	26 561	1 864
Deferred tax assets	5 285	2 818	2 818	2 818	2 818
Other assets	960	960	960	960	960
Total assets	**26 087 579**	**27 337 449**	**26 257 824**	**24 532 938**	**23 741 700**
Liabilities and equity					
Due to credit institutions	15 907 941	17 236 279	16 259 989	14 423 346	13 709 979
Financial derivatives	0	0	0	0	15 962
Debt securities issued	4 560 848	4 530 388	4 502 594	4 452 540	4 417 224
Payable taxes	67 189	52 394	34 702	80 362	63 128
Other liabilities	10 309	18 346	8 333	8 991	14 269
Total liabilities	**20 546 286**	**21 837 407**	**20 805 617**	**18 965 240**	**18 220 563**
Share capital	550 000	550 000	550 000	550 000	550 000
Share premium reserve	4 604 100	4 604 100	4 604 100	4 604 100	4 604 100
Other equity	387 192	345 942	298 107	413 598	367 037
Total equity	**5 541 292**	**5 500 042**	**5 452 207**	**5 567 698**	**5 521 137**
Total liabilities and equity	**26 087 579**	**27 337 449**	**26 257 824**	**24 532 938**	**23 741 700**

Contact information

DNB Næringskreditt AS

Mailing address	P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address	Dronning Eufemias gate 30, Oslo
Telephone	+47 915 03000
Internet	dnb.no
Organisation number	Register of Business Enterprises NO 846 069 062 MVA

DNB ASA

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

Chief executive officer

Øyvind Birkeland
Tel: +47 950 59 700
oyvind.birkeland@dnb.no

Financial reporting

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

Rating and investor information

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

Other sources of information

Annual and quarterly reports

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

DNB Bank ASA

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

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DNB Næringskreditt AS

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

Visiting address:
Dronning Eufemias gate 30
Bjørvika, Oslo

dnb.no