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DNB NÆRINGSKREDITT AS

– a company in the DNB Group

Fourth quarter report 2015
(Preliminary and unaudited)

Financial highlights

Comprehensive income statement

DNB Næringskreditt AS

Amounts in NOK million	4th quarter 2015	4th quarter 2014	Full year 2015	Full year 2014
Net interest income	82	96	329	364
Net other operating income	26	(5)	45	(8)
Operating expenses	(29)	(34)	(108)	(116)
Impairments on loans and commitments	0	0	1	(0)
Pre-tax operating profit	79	57	266	240
Tax expense	(21)	(15)	(71)	(65)
Profit for the period	**58**	**41**	**195**	**175**

Balance sheet

Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Total assets	26 807	26 088
Loans to customers	26 659	25 905
Debt securities issued	2 102	4 561
Total equity	5 562	5 541

Key figures

Per cent	4th quarter 2015	4th quarter 2014	Full year 2015	Full year 2014
Combined weighted total average spread for lending [1)]	0.89	0.95	0.86	0.90
Return on equity, annualised	4.1	3.0	3.5	3.2
Common equity Tier 1 capital ratio, transitional rules	25.2	25.9	25.2	25.9
Capital ratio, transitional rules	25.2	25.9	25.2	25.9
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 2015

Accounts

Additional information

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 two bond issues totaling NOK 2.0 billion. The rating agencies' assessments are of significance to the company's funding terms. In 2013 an agreement was signed with Moody's on the rating of the company's bond issues. DNB Næringskreditt's covered bonds are rated Aaa by Moody's.

Financial accounts

DNB Næringskreditt recorded a profit of NOK 58 million in the fourth quarter of 2015, compared with a profit of NOK 41 million in the fourth quarter of 2014.

Total income

Income totalled NOK 108 million in the fourth quarter of 2015, up from NOK 91 million in the year-earlier period.

Amounts in NOK million	4th quarter 2015	Change	4th quarter 2014
Total income	108	17	91
Net interest income		(14)	
Net commission and fee income		(0)	
Net gains/(losses) on financial instruments at fair value		31	

Net interest income was reduced by NOK 14 million from the fourth quarter of 2014 to the fourth quarter of 2015.

The increase in recorded gains on financial instruments reflects the effects of unrealised changes in the market value of covered bonds and interest rate 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 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 24 million in the fourth quarter of 2015, down from NOK 31 million in the fourth quarter of 2014.

The company has recorded no individual impairment losses in previous years, which was also the case in the fourth quarter of 2015. 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 2015, DNB Næringskreditt had total assets of NOK 26.8 billion, an increase of NOK 0.7 billion or 42.7 per cent from year-end 2014.

Amounts in NOK million	31 Dec. 2015	Change	31 Dec. 2014
Total assets	26 807	719	26 088
Loans to customers		753	
Financial derivatives		0	
Other assets		(34)	
Total liabilities	21 245	699	20 546
Due to credit institutions		3 160	
Debt securities issued		(2 459)	
Other liabilities		(2)	

The increase in loans to customers is due to the fact that DNB Næringskreditt has acquired more commercial mortgages from DNB Bank.

The company did not issue covered bonds in the fourth quarter of 2015. Total debt securities issued amounted to NOK 2.1 billion at end-December 2015.

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 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 commercial property prices. A short-term measure to meet a significant fall in prices 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 2015, the company's equity totalled NOK 5.6 billion, of which NOK 5.3 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 both 25.2 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

Agreement on European supervisory authorities

Due to a stipulation in the Norwegian Constitution on limited access to transfer powers to international organisations, it has not been possible to incorporate the EU regulations establishing the European supervisory authorities, CRR/CRD IV, and a number of other legislative acts into the EEA agreement and Norwegian legislation. In the autumn of 2014, Norway and the EU agreed on a solution, but it has proved time-consuming to implement the specific technical adaptations to the EU legislation. The government aims to submit a proposition to Stortinget, the Norwegian parliament, on the European supervisory authorities and some important related legislative acts for consideration in the spring of 2016. The required legislative amendments will probably enter into force on 1 July 2016. Parallel to this, the government is working to incorporate the remaining legislation on financial services in the course of 2016.

New capital and liquidity requirements

Norway introduced new capital requirements as of 1 July 2013 as the first step in the adaptation to the EU capital requirements regulations, CRR/CRD IV. The capital requirements in Norway imply a gradual increase in the formal capital requirements up till 1 July 2016. As of 1 July 2015, the minimum Tier 1 capital requirement, including the buffer requirements, is 13.5 per cent for the three banks which the Norwegian authorities have defined as systemically important (SIBs). The requirement also applies to DNB Næringskreditt. As of 1 July 2016, this minimum requirement will increase to 15.0 per cent for the SIBs and to 13.0 per cent for the other banks.

The capital adequacy requirements for banks consist of two pillars. Pillar 1 encompasses minimum requirements and buffer requirements determined by the political authorities. Finanstilsynet's expectations in the form of Pillar 2 requirements come in addition to this and will reflect institution-specific capital requirements relating to risks which are not covered or only partly covered by Pillar 1. The Pillar 2 requirement for DNB Næringskreditt has been set at 0.5 per cent. The total Tier 1 capital requirement for DNB Næringskreditt will thus be 15.5 per cent at year-end 2016. DNB Næringskreditt is well capitalised to meet the new requirements.

In order to be prepared for a possible implementation of future new EU regulations, the Ministry of Finance has asked Finanstilsynet to prepare prospective rules on a non-risk based capital requirement in Norway, including definitions of the numerator and the denominator in the capital equation. Finanstilsynet has also been asked to consider the most appropriate capital level for Norwegian banks, mortgage institutions and parent companies in financial undertakings, including whether such levels should be differentiated, given that a non-risk based capital requirement will be introduced without replacing other capital requirements. Finanstilsynet's deadline is 31 March 2016.

The EU capital requirements regulations include stipulations on the LCR. In Norway, the Ministry of Finance has decided to introduce the Liquidity Coverage Ratio ahead of the EU schedule. DNB Næringskreditt is required to meet the 100 per cent LCR requirement as from 30 June 2016.

New crisis management regulations

On 1 January 2015, the EU introduced regulations for the winding-up and restructuring of banks, the Bank Recovery and Resolution Directive, BRRD. The directive will also apply to Norway through the EEA agreement. The purpose of the BRRD is to facilitate the winding-up of even the largest banks without an injection of government funds. The continuity of systemically important functions will be ensured through the recapitalisation of the entire or parts of a bank by writing down or converting into share capital the bank's subordinated loans and unsecured senior debt (bail-in).

Under the BRRD, each country will establish a national resolution fund. In accordance with the revised Deposit Guarantee Directive, each country must also have a deposit guarantee fund. Norway already has one of the best capitalised deposit guarantee funds in Europe with funds that are well above the combined EU requirements for the deposit guarantee fund and the resolution fund of 1.8 per cent of guaranteed deposits.

The implementation of the BRRD and the revised deposit guarantee directive will require extensive changes in the Norwegian crisis solution system, including the rules on public administration and the role of the Norwegian Banks' Guarantee Fund. The Banking Law Commission is considering how the directives can be implemented in Norwegian law. This process and the work on draft legislation will probably be finalised in the course of the first half of 2016.

Macroeconomic developments

Economic growth in the industrialised countries was 1.8 per cent in 2015, which was approximately on a level with 2014. While GDP rose by 2.5 per cent in the United States and the United Kingdom, it increased by only 0.75 and 1.5 per cent in Japan and the eurozone, respectively. Growth rates in smaller countries ranged from zero in Finland to well over 3 per cent in Sweden and 6 per cent in Ireland.

Unemployment in the United States and the United Kingdom is close to record low levels, while many countries in the eurozone still have high unemployment rates. The Federal Reserve has started its planned interest rate hike cycle, and the Bank of England is expected to follow suit later this year. It will probably be several years before the European Central Bank (ECB) raises interest rates.

2015 was an eventful year for China. Growth dropped to just below 7 per cent, the stock market bubble burst, capital flowed out of the country, and the exchange rate depreciated. However, the feared economic hard landing did not materialise. The service industry remained stable and household consumption expenditure was not significantly affected by the financial turmoil. Even though the situation is expected to remain relatively unchanged in 2016, there will still be considerable uncertainty surrounding developments in China, and this has influenced the financial markets since the start of 2016.

During the second half of 2015, the situation in Brazil worsened. On an annual basis, GDP is expected to decline by almost 4 per cent. Unemployment levels are rising rapidly, inflation is escalating, and real wages are falling. Government finances have deteriorated considerably, and the political situation is very challenging. GDP may fall as much in 2016 as in 2015.

The drop in oil prices and the sanctions resulting from the Ukraine crisis have had a serious negative impact on Russia. Export and government revenues have fallen, the rouble has plunged and inflation has spiraled. Rising interest rates, reduced purchasing power and a negative economic outlook have reduced domestic demand, particularly investment. GDP has dropped for five consecutive quarters. The recession in Russia has also had a negative impact on the Baltic States, where GDP growth decreased sharply in 2015. The effects are probably temporary. Exporters are already looking towards new markets, while sound fundamental conditions are bolstering domestic demand. In addition, government finances are solid.

Growth in the Norwegian economy was almost halved in 2015, primarily due to lower demand from the petroleum sector. The fall in the price of oil has exacerbated the decline in petroleum investments, dampened the rise in costs in the supplier industry, curbed optimism among companies and households, and reduced government and private revenues. Unemployment rose to 4.6 per cent in 2015, but with large regional and occupational variations. Even if oil prices recover in 2016, further reductions in oil investments are expected. Moreover, lower activity in countries such as Brazil is affecting suppliers. However, the Norwegian economy has buffers that limit the negative economic impact. Budget policy has become more expansionary, and there is still ample manoeuvrability. With respect to monetary policy, interest rates have been lowered and the Norwegian krone has depreciated. Further interest rate cuts are expected. The employers' and employees' organisations cooperate well and have succeeded in taking many different considerations into account. Mainland growth in 2016 is forecast at 1.2 per cent, roughly on a level with 2015.

Housing prices rose by 7.2 per cent in 2015, with slightly slower growth throughout the year. Oil-intensive areas, such as Stavanger, experienced a fall in housing prices, whereas housing prices in Oslo rose by 11 per cent. Increasing unemployment and lower income growth will put pressure on housing prices in several regions in Norway. Lower interest rates, reduced housebuilding activity and rising population growth will contribute to sustaining housing prices.

Future prospects

Economic forecasts for 2016 indicate moderate global economic growth. In particular, it looks as though the United States will experience renewed growth, followed by the United Kingdom. In Norway, reduced petroleum activity in consequence of the falling oil prices will dampen investment activity in a number of mainland companies, make households more cautious and contribute to moderate wage settlements. Nevertheless, slight economic growth is expected in Norway. A weaker Norwegian krone will be positive for Norwegian export sectors, while budget policy has become more expansionary.

Stable volume-weighted spreads are anticipated in 2016, while lending volumes are expected to increase at an annual rate of 2 to 3 per cent. Average impairment losses are expected to be roughly at normalised levels during the 2016-2019 period. However, impairment losses will vary from year to year and from quarter to quarter and may be somewhat above the normalised level at the start of the period. The tax rate is expected to be 24 per cent in 2016 and 2017 and 21 per cent in 2018.

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.

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, 3 February 2016
The Board of Directors of DNB Næringskreditt AS

Bjørn Erik Næss
(chairman)

Jørn E. Pedersen

Eva-Lill Strandskogen

Per Sagbakken
(chief executive officer)

Comprehensive income statement

		DNB Næringskreditt AS			
Amounts in NOK million	Note	4th quarter 2015	4th quarter 2014	Full year 2015	Full year 2014
Total interest income	6	171	219	727	863
Total interest expenses	6	(89)	(123)	(398)	(499)
Net interest income	6	**82**	**96**	**329**	**364**
Commission and fee income		0	0	1	1
Commission and fee expenses		(0)	(0)	(0)	(0)
Net gains on financial instruments at fair value	7	26	(6)	44	(8)
Net other operating income		**26**	**(5)**	**45**	**(8)**
Total income		**108**	**91**	**374**	**356**
Other expenses	12	(29)	(34)	(108)	(116)
Total operating expenses		**(29)**	**(34)**	**(108)**	**(116)**
Impairment of loans and commitments	8	0	0	1	(0)
Pre-tax operating profit		**79**	**57**	**266**	**240**
Tax expense		(21)	(15)	(71)	(65)
Profit for the period		**58**	**41**	**195**	**175**
Other comprehensive income					
Total comprehensive income for the period		**58**	**41**	**195**	**175**

Balance sheet

		DNB Næringskreditt AS	
Amounts in NOK million	Note	31 Dec. 2015	31 Dec. 2014
Assets			
Due from credit institutions	11, 12	28	56
Loans to customers	8, 10, 11	26 659	25 905
Financial derivatives	10, 12	120	120
Deferred tax assets			5
Other assets		1	1
Total assets		**26 807**	**26 088**
Liabilities and equity			
Due to credit institutions	11, 12	19 068	15 908
Debt securities issued	9, 10, 11, 12	2 102	4 561
Payable taxes		60	67
Deferred taxes		6	
Other liabilities		9	10
Total liabilities		**21 245**	**20 546**
Share capital		550	550
Share premium		4 604	4 604
Other equity		408	387
Total equity		**5 562**	**5 541**
Total liabilities and equity		**26 807**	**26 088**

Statement of changes in equity

DNB Næringskreditt AS

Amounts in NOK million	Share capital	Share premium	Other equity	Total equity
Balance sheet as at 31 December 2013	**550**	**4 604**	**367**	**5 521**
Profit for the period			175	175
Total comprehensive income for the period			**175**	**175**
Group contribution paid			(155)	(155)
Balance sheet as at 31 December 2014	**550**	**4 604**	**387**	**5 541**
Balance sheet as at 1 January 2015	**550**	**4 604**	**387**	**5 541**
Profit for the period			195	195
Total comprehensive income for the period			**195**	**195**
Group contribution paid			(174)	(174)
Balance sheet as at 31 December 2015	**550**	**4 604**	**408**	**5 562**

Share capital

All of the company's shares and voting rights are held by DNB Bank ASA. Share capital at the beginning of 2015 was NOK 550 million (550 000 shares at NOK 1 000).

Cash flow statement

DNB Næringskreditt AS

Amounts in NOK million	Full year 2015	Full year 2014
Operating activities		
Net receipts on loans to customers	6 256	3 739
Interest received from customers	751	845
Net receipts on loans to/from credit institutions	3 195	2 699
Interest received from credit institutions	3	7
Interest paid to credit institutions	(333)	(390)
Payments for operating expenses	(111)	(121)
Taxes paid	(67)	
Net cash flow relating to operating activities	**9 694**	**6 780**
Investing activities		
Net purchase of loan portfolio	(7 034)	(6 469)
Net cash flow relating to investing activities	**(7 034)**	**(6 469)**
Financing activities		
Payments on redeemed bonds and commercial paper	(2 400)	
Interest payments on issued bonds and commercial paper	(90)	(102)
Group contribution paid	(174)	(215)
Net cash flow from financing activities	**(2 664)**	**(317)**
Net cash flow	**(4)**	**(7)**
Cash as at 1 January	4	11
Net payments of cash	(4)	(7)
Cash at end of period	(0)	4

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 is defined as cash and deposits with credit institutions with no agreed period of notice.

Note 1 Basis for preparation

The quarterly financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. A description of the accounting principles applied when preparing the financial statements appears in the annual report for 2014.

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, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the significant estimates and areas where judgment is applied appear in note 1 Important accounting estimates, judgments and assumptions in the annual report for 2014.

Note 2 Capital adequacy

Primary capital

Amounts in NOK million	DNB Næringskreditt AS 31 Dec 2015	 31 Dec. 2014
Share capital	550	550
Other equity	5 012	4 991
Total equity	5 562	5 541
Deductions		
Expected losses exceeding actual losses, IRB-portfolios	(20)	(7)
Value adjustments due to the requirements for prudent valuation (AVA)	(0)	(0)
Adjustments for deferred tax assets		(5)
Adjustment for unrealised losses/(gains) on debt recorded at fair value	(16)	
Allocated group contributions for payment	(194)	(175)
Tier 1 capital	5 332	5 354
Total eligible primary capital	5 332	5 354
Risk-weighted volume, transitional rules	21 157	20 710
Minimum capital requirement, transitional rules	1 693	1 657
Tier 1 capital ratio, transitional rules (%)	25.2	25.9
Capital ratio, transitional rules (%)	25.2	25.9

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

Specification of risk-weighted volume and capital requirements

Amounts in NOK million	Nominal exposure 31 Dec. 2015	EAD 1) 31 Dec. 2015	Risk-weighted volume 31 Dec. 2015	Capital require-ments 31 Dec. 2015	DNB Næringskreditt AS Capital require-ments 31 Dec. 2014
IRB approach					
Corporate	23 408	23 408	6 715	537	325
Total credit risk, IRB approach	23 408	23 408	6 715	537	325
Standardised approach					
Institutions	164	164	33	3	8
Corporate	3 258	3 258	3 258	261	1 036
Other assets	1	1	1	0	0
Total credit risk, standardised approach	3 423	3 423	3 292	263	1 044
Total credit risk	26 830	26 830	10 007	801	1 369
Credit value adjustment (CVA)			209	17	19
Operational risk			517	41	50
Total risk-weighted volume and capital requirements before transitional rules			10 733	859	1 437
Additional capital requirements according to transitional rules			10 424	834	219
Total risk-weighted volume and capital requirements			21 157	1 693	1 657

1) *EAD, exposure at default.*

Note 3 Credit risk

Credit risk is the risk that the company will incur a loss because its customers or counterparties fail to meet their contractual obligations. Credit risk arises from loans and 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 4 Market risk

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

Market risk arises as a consequence of 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 5 Liquidity risk

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by 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 2015 can be characterised as sound.

Note 6 Net interest income

	DNB Næringskreditt AS			
Amounts in NOK million	4th quarter 2015	4th quarter 2014	Full year 2015	Full year 2014
Interest on amounts due from credit institutions	0	2	3	7
Interest on loans to customers	171	217	725	856
Other interest income	0	0	0	0
Total interest income	**171**	**219**	**727**	**863**
Interest on amounts due to credit institutions	(75)	(94)	(305)	(384)
Interest on debt securities issued	(14)	(29)	(93)	(115)
Total interest expenses	**(89)**	**(123)**	**(398)**	**(499)**
Net interest income	**82**	**96**	**329**	**364**

Note 7 Net gains on financial instruments at fair value

	DNB Næringskreditt AS			
Amounts in NOK million	4th quarter 2015	4th quarter 2014	Full year 2015	Full year 2014
Net gains on financial liabilities, designated as at fair value [1)]	23	(60)	45	(144)
Net gains on financial derivatives, trading [2)]	3	55	(2)	136
Net gains on financial instruments at fair value	**26**	**(6)**	**44**	**(8)**

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 8 Loans to customers

Loans to customers, including accrued interest, totaled NOK 26.7 billion at end-December 2015 (NOK 25.9 billion as at end-December 2014). 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 2015, collective impairments decreased by NOK 0.1 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 million	31 Dec. 2015	31 Dec. 2014
Loans to customers, nominal amount	26 566	25 788
+ Accrued interest	99	125
– Collective impairment	(6)	(7)
Total loans to customers	**26 659**	**25 905**

	DNB Næringskreditt AS	
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Impairment as per 1 January	(7)	(7)
Changes in collective impairment	1	0
Impairment at end of period	(6)	(7)

Note 9 Debt securities issued

Amounts in NOK million ISIN Code	Currency	Nominal value	Interest	Issued	Matured	DNB Næringskreditt AS 31 Dec. 2015	31 Dec. 2014
NO 0010543192	NOK	2 400	Floating	2009	2015		2 400
NO 0010694425	NOK	1 000	Floating	2013	2018	1 000	1 000
NO 0010694474	NOK	1 000	Fixed	2013	2023	1 095	1 140
Accrued interest						7	21
Total debt securities issued						**2 102**	**4 561**

Cover pool

Amounts in NOK million	DNB Næringskreditt AS 31 Dec. 2015	31 Dec. 2014
Pool of eligible loans	24 855	20 950
Market value of eligible derivatives	120	121
Total collateralised assets	**24 975**	**21 071**
Debt securities issued, carrying value	2 102	4 561
Less valuation changes attributable to changes in credit risk on debt carried at fair value	22	(17)
Debt securities issued, valued according to regulation [1]	**2 124**	**4 543**
Collateralisation (per cent)	1 175.8	463.8

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 10 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.

Amounts in NOK million	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]	DNB Næringskreditt AS Total
Assets as at 31 December 2015					
Financial derivatives		120			120
Liabilities as at 31 December 2015					
Debt securities issued		1 095		5	1 100

1) *Accrued interest on financial derivatives is included in the amount in level 2.*

Note 11 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 10.

Fair value of financial instruments at amortised cost

DNB Næringskreditt AS

	31 December 2015		31 December 2014	
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Due from credit institutions	28	28	56	56
Loans to customers	26 659	26 659	25 905	25 905
Total financial assets	26 686	26 686	25 962	25 962
Due to credit institutions	19 068	19 068	15 908	15 908
Debt securities issued	1 002	999	3 416	3 427
Total financial liabilities	20 070	20 067	19 324	19 335

DNB Næringskreditt AS

Amounts in NOK million	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 2015					
Due from credit institutions		28			28
Loans to customers			26 574	85	26 659
Liabilities as at 31 December 2015					
Due to credit institutions		19 032		36	19 068
Debt securities issued		996		2	999

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 12 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 2015, portfolios of NOK 3.0 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 23.7 million for the fourth quarter of 2015 (NOK 30.9 million for the fourth quarter of 2014).

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 0,5 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 full-time equivalents. The management fee amounted to NOK 0.8 million for the fourth quarter of 2015. DNB Boligkreditt is a wholly-owned subsidiary of DNB Bank.

Key figures

	DNB Næringskreditt AS			
	4th quarter 2015	4th quarter 2014	Full year 2015	Full year 2014
Rate of return/profitability				
Return on equity, annualised (%) [1)]	4.1	3.0	3.5	3.2
Financial strength at end of period				
Common equity Tier 1 capital ratio, transitional rules (%)	25.2	25.9	25.2	25.9
Capital ratio, transitional rules (%)	25.2	25.9	25.2	25.9
Common equity Tier 1 capital (NOK million)	5 332	5 354	5 332	5 354
Risk-weighted volume, transitional rules (NOK million)	21 157	20 710	21 157	20 710

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 million	4th quarter 2015	3rd quarter 2015	2nd quarter 2015	1st quarter 2015	4th quarter 2014
Total interest income	171	181	185	190	219
Total interest expenses	(89)	(100)	(104)	(105)	(123)
Net interest income	**82**	**81**	**81**	**85**	**96**
Commission and fee income	0	0	0	0	0
Commission and fee expenses	(0)	(0)	(0)	(0)	(0)
Net gains on financial instruments at fair value	26	17	0	1	(6)
Net other operating income	**26**	**17**	**0**	**2**	**(5)**
Total income	**108**	**98**	**81**	**87**	**91**
Other expenses	(29)	(20)	(32)	(28)	(34)
Total operating expenses	**(29)**	**(20)**	**(32)**	**(28)**	**(34)**
Impairment of loans and commitments	0	(0)	0	1	0
Pre-tax operating profit	**79**	**77**	**50**	**60**	**57**
Tax expense	(21)	(21)	(13)	(16)	(15)
Profit for the period	**58**	**56**	**36**	**44**	**41**
Other comprehensive income					
Total comprehensive income for the period	**58**	**56**	**36**	**44**	**41**

Balance sheet					**DNB Næringskreditt AS**
Amounts in NOK million	31 Dec. 2015	30 Sept. 2015	30 June 2015	31 March 2015	31 Dec. 2014
Assets					
Due from credit institutions	28	159	40	365	56
Loans to customers	26 659	25 764	25 768	24 600	25 905
Financial derivatives	120	146	95	127	120
Deferred tax assets		5	5	5	5
Other assets	1	1	1	1	1
Total assets	**26 807**	**26 075**	**25 909**	**25 098**	**26 088**
Liabilities and equity					
Due to credit institutions	19 068	15 950	15 888	14 859	15 908
Debt securities issued	2 102	4 565	4 531	4 564	4 561
Payable taxes	60	50	29	82	67
Deferred taxes	6				
Other liabilities	9	7	13	8	10
Total liabilities	**21 245**	**20 572**	**20 462**	**19 513**	**20 546**
Share capital	550	550	550	550	550
Share premium	4 604	4 604	4 604	4 604	4 604
Other equity	408	349	293	431	387
Total equity	**5 562**	**5 503**	**5 447**	**5 585**	**5 541**
Total liabilities and equity	**26 807**	**26 075**	**25 909**	**25 098**	**26 088**

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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

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HERE FOR YOU.
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