ANNUAL REPORT

2015

DNB

DNB Boligkreditt

A company in the DNB Group

Financial highlights

Statement of comprehensive income					**DNB Boligkreditt AS**
Amounts in NOK million	2015	2014	2013	2012	2011
Net interest income	6 608	7 650	7 169	4 031	1 667
Net other operating income	4 054	(1 120)	(631)	(3 469)	2 099
Of which net gains on financial instruments at fair value	*4 081*	*(1 144)*	*(697)*	*(3 543)*	*2 031*
Operating expenses	(3 349)	(5 504)	(5 620)	(2 592)	(568)
Impairment of loans and guarantees	2	(1)	(16)	(8)	(75)
Pre-tax operating profit	7 315	1 024	901	(2 038)	3 123
Tax expense	(975)	(277)	(51)	571	(874)
Profit for the year	**6 340**	**748**	**850**	**(1 467)**	**2 248**

Balance sheet	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.
Amounts in NOK million	2015	2014	2013	2012	2011
Total assets	649 797	644 733	578 420	562 118	490 303
Loans to customers	564 746	555 625	532 284	519 362	463 615
Debt securitites issued	473 745	472 368	420 451	382 531	363 273
Total equity	39 198	29 407	25 166	22 312	17 496

Key figures					
Per cent	2015	2014	2013	2012	2011
Return on equity	18.4	2.7	3.6	(7.4)	16.3
Combined weighted total average spread for lending [1)]	1.11	1.30	1.21	0.60	0.23
Impairment relative to average net loans to customers, annualised	0.00	0.00	0.00	0.00	0.02
Net non-performing and impaired loans, per cent of net loans	0.11	0.14	0.14	0.13	0.14
Common equity Tier 1 capital ratio, transitional rules, at end of year	15.2	12.7	11.2	10.3	7.8
Capital ratio, transitional rules, at end of year	17.3	14.9	13.3	11.2	8.9

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

Contents

Directors' report 2015

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors comfirms 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 offices are located in Oslo. DNB Boligkreditt is a wholly-owned subsidiary of DNB Bank ASA and is reported as part of the Personal Banking Norway business area in DNB's consolidated accounts. Based on developments in international capital markets, DNB Boligkreditt has come to play a key role in ensuring long-term favourable funding for the Group. The rating agencies' assessments are of significance to the company's funding terms. DNB Boligkreditt's covered bond programmes are rated AAA by Moody's and Standard & Poor's.

Operations in 2015

DNB Boligkeditt recorded a profit of NOK 6 340 million in 2015, compared with a profit of NOK 748 million in 2014. Loans to customers grew by 2 per cent in 2015, but narrowing interest rate spreads gave a decline in net interest income.

The recorded gains on financial instruments reflect the effects of unrealised changes in the market value of covered bonds, derivatives and loans recorded at fair value.

The company's residential mortgage portfolio totalled NOK 564.7 billion at year-end 2015, rising by NOK 9.1 billion or 2 per cent over the preceding 12 months. Debt securities issued in the form of covered bonds increased from NOK 472.4 billion in 2014 to NOK 473.7 billion at year-end 2015.

In the course of 2015, 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 2015. The company issued covered bonds for a total of NOK 75.2 billion during the year.

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 policy for corporate social responsibility sets the standards for all of the Group's work on both the observance and the further development of corporate social responsibility. In addition, the Group has guidelines, business models and fora that aim to ensure that corporate social responsibility is an integral part of daily operations. Read more about DNB's corporate social responsibility on dnb.no/en/about-us/corporate-social-responsibility.

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 governance, 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.

Review of the annual accounts

DNB Boligkreditt recorded a profit of NOK 6 340 million in 2015, compared with a profit of NOK 748 million in 2014.

Total income

Income totalled NOK 10 662 million in 2015, up from NOK 6 530 million in 2014.

Amounts in NOK million	2015	Change	2014
Total income	10 662	4 132	6 530
Net interest income		(1 042)	
Net commission and fee income		(50)	
Net gains on financial instruments at fair value		5 226	
Net other income		(2)	

The decline in net interest income was mainly due to narrowing interest rate spreads.

A net gain of NOK 5 226 million on financial instruments was recorded in 2015, which reflects the effect of unrealised changes in the market value of covered bonds, derivatives and loans recorded at fair value. Gains and losses from such instruments tend to vary considerably from 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 positive effects of financial instruments in 2015 were due to a decrease in the market value of debt securities issued, and an increase 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 servicing agreement that ensures DNB Boligkreditt sound competence in key areas and cost-effective operations. The management fee calculation is based primarily on lending volume and the spreads achieved. The size of the management fee to the bank is related to net interest income. The fee amounted to NOK 3 267 million in 2015, down from NOK 5 469 million in 2014.

The company has generally recorded low impairment losses on loans. In 2015, the company reported net reversals on impairment losses of NOK 2 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 2015, DNB Boligkreditt had total assets of NOK 649.8 billion, an increase of NOK 5.1 billion or 0.8 per cent from year-end 2014.

Amounts in NOK million	31 Dec. 2015	Change	31 Dec. 2014
Total assets	649 797	5 064	644 733
Loans to customers		9 121	
Financial derivatives		(4 157)	
Other assets		100	
Total liabilities	610 599	(4 727)	615 326
Due to credit institutions		(5 771)	
Financial derivatives		(2 651)	
Debt securities issued		1 377	
Subordinated loan capital		2 459	
Other liabilities		(141)	

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

Debt securities issued increased by a net NOK 1.4 billion from year-end 2014. The company issued covered bonds under existing programmes totalling NOK 75.2 billion during 2015. Total debt securities issued amounted to NOK 473.7 billion at year-end 2015.

Risk and capital adequacy

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

Currency risk is eliminated through the use of financial derivatives. Interest rate and liquidity risk is managed in accordance with stipulations concerning covered bonds in the Financial Institutions Act and guidelines and limits approved by the Board of Directors. The company's overall financial risk is considered to be low.

Changes in the market value of the company's bonds due to credit risk are monitored on a daily basis.

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

Negative developments in the housing market affect the company. A decline in housing prices will reduce the value of the company's cover pool relative to the statutory asset coverage requirement. Quarterly stress tests are carried out to estimate the effects of a negative development in housing prices. A short-term measure to meet a significant fall in housing prices will be to supply DNB Boligkreditt with more substitute collateral. The Board of Directors considers the company's total risk exposure to be low.

At year-end 2015, the company's equity totalled NOK 39.2 billion, of which NOK 33.6 billion represented Tier 1 capital. Total primary capital in the company was NOK 38.4 billion. The Tier 1 capital ratio was 15.2 per cent, while the capital adequacy ratio was 17.3 per cent.

As from 30 June and 1 July 2016, the capital requirements in Norway will be further increased. On this basis, DNB Boligkreditt will be recapitalised in the first half of 2016.

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 (O-SIIs). The requirement also applies to DNB Boligkreditt. 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 Boligkreditt has been set at 0.5 per cent. The total Tier 1 capital requirement for DNB Boligkreditt will thus be 15.5 per cent at year-end 2016. DNB Boligkreditt will fulfil this requirement through an equity injection in the second quarter of 2016.

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 Boligkreditt 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.

Employees and working environment

The company had eight employees at year-end 2015, five men and three women. DNB Boligkreditt is committed to equal treatment in relation to gender, age and persons with disabilities. The total number of sickness absence days in 2015 was 43, which represents a rate of 2.7 per cent. No serious workplace accidents were reported in 2015.

The working environment in the company is good, and in the opinion of the Board of Directors, the company's activities do not pollute the external environment.

The Board of Directors had five members, including two women, in 2015.

The Board of Directors would like to thank all employees for their contribution to DNB Boligkreditt's strong performance in 2015.

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 spiralled. 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. DNB Boligkreditt is well capitalised, but will build additional capital in accordance with the authorities' requirement of 15.5 per cent by year-end 2016.

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. This provides a further solid basis for DNB Boligkreditt's funding activities. The volume of covered bond issues in 2016 is expected to be somewhat lower than in 2015.

Dividends and the allocation of profits

The profit for 2015 was NOK 6 340 million. The Board of Directors proposes that NOK 4 020 million be allocated as a group contribution to DNB Bank ASA and that NOK 2 320 million be transferred to other equity.

Oslo, 17 March 2016
The Board of Directors of DNB Boligkreditt AS

Bjørn Erik Næss
(chairman)

Jørn E. Pedersen

Eva-Lill Strandskogen

Per Sagbakken
(chief executive officer)

Comprehensive income statement

		DNB Boligkreditt AS	
Amounts in NOK million	Note	2015	2014
Total interest income	9	17 598	20 565
Total interest expenses	9	(10 990)	(12 916)
Net interest income	9	**6 608**	**7 650**
Commission and fee income	10	(28)	22
Commission and fee expenses	10	(2)	(2)
Net gains on financial instruments at fair value	11, 21	4 081	(1 144)
Other income		3	5
Net other operating income		**4 054**	**(1 120)**
Total income		**10 662**	**6 530**
Salaries and other personnel expenses	12, 20	(17)	(15)
Other expenses	21	(3 332)	(5 490)
Total operating expenses		**(3 349)**	**(5 504)**
Impairments of loans and commitments	5	2	(1)
Pre-tax operating profit		**7 315**	**1 024**
Tax expense	13	(975)	(277)
Profit for the year		**6 340**	**748**
Other comprehensive income		(2)	(6)
Comprehensive income for the year		**6 338**	**741**

Balance sheet

Amounts in NOK million	Note	DNB Boligkreditt AS 31 Dec. 2015	 31 Dec. 2014
Assets			
Due from credit institutions	8, 14, 15	468	360
Loans to customers	4, 5, 8, 14, 15, 16	564 746	555 625
Financial derivatives	6, 7, 14, 16, 17, 21	84 583	88 740
Other assets	14	1	8
Total assets		**649 797**	**644 733**
Liabilities and equity			
Due to credit institutions	8, 14, 15, 21	113 813	119 584
Financial derivatives	6, 7, 14, 16, 17, 21	9 651	12 302
Debt securities issued	8, 14, 15, 16, 18, 21	473 745	472 368
Deferred taxes	13	8 181	5 722
Other liabilities	8, 14	322	464
Provisions		30	28
Subordinated loan capital	8, 14, 15, 19, 21	4 857	4 858
Total liabilities		**610 599**	**615 326**
Share capital		3 497	3 077
Share premium		25 623	21 843
Other equity		10 078	4 487
Total equity		**39 198**	**29 407**
Total liabilities and equity		**649 797**	**644 733**

Oslo, 17 March 2016
The Board of Directors of DNB Boligkreditt AS

Bjørn Erik Næss
(chairman)

Jørn E. Pedersen

Eva-Lill Strandskogen

Per Sagbakken
(chief executive officer)

Statement of changes in equity

DNB Boligkreditt AS

Amounts in NOK million	Share capital	Share premium	Actuarial gains and losses	Other equity	Total equity
Balance sheet as at 31 December 2013	2 727	18 693	7	3 739	25 166
Profit for the year				748	748
Other comprehensive income			(6)		(6)
Comprehensive income for the year			(6)	748	741
Share issue 30 May 2014	350	3 150			3 500
Balance sheet as at 31 December 2014	**3 077**	**21 843**	**0**	**4 487**	**29 407**
Profit for the year				6 340	6 340
Other comprehensive income			(2)		(2)
Comprehensive income for the year			(2)	6 340	6 338
Defined - benefit pension			3	(3)	(0)
Group contribution paid				(747)	(747)
Shares issued 30 June 2015	420	3 780			4 200
Balance sheet as at 31 December 2015	3 497	25 623	2	10 076	39 198

Share capital

All shares and voting rights of the company are held by DNB Bank ASA. Share capital at the beginning of 2015 was NOK 3 077 million (30 770 000 shares at NOK 100).

In June 2015, 4 200 000 shares were issued to DNB Bank ASA. Issue price per share was NOK 1 000. After the issuance, share capital was increased by NOK 420 million to NOK 3 497 million (34 970 000 shares) and share premium was increased by NOK 3 780 million to NOK 25 623 million.

Cash flow statement

Amounts in NOK million	DNB Boligkreditt AS 2015	2014
Operating activities		
Net receipts/payments on loans to customers	12 362	(5 620)
Interest received from customers	17 832	20 627
Net receipts/payments on loans to/from credit institutions	(5 803)	4 410
Interest received from credit institutions	12	19
Interest paid to credit institutions	(2 280)	(3 113)
Net payments on the sale of financial assets for investment or trading	(32)	(135)
Net receipts/payments on commissions and fees	(11)	20
Payments to operations	(3 500)	(5 660)
Net cash flow relating to operating activities	**18 580**	**10 548**
Investment activities		
Net purchase of loan portfolio	(23 203)	(16 379)
Net cash flow from investment activities	**(23 203)**	**(16 379)**
Funding activities		
Receipts on issued bonds and commercial paper	75 226	51 107
Payments on redeemed bonds and commercial paper	(66 533)	(44 617)
Interest payments on issued bonds and commercial paper	(8 784)	(9 269)
Interest payments on subordinated loan capital	(147)	(183)
Share issue	4 200	3 500
Group contribution paid	738	5 236
Net cash flow from funding activities	**4 699**	**5 774**
Net cash flow	**76**	**(57)**
Cash at beginning of period	3	60
Net receipts/payments of cash	76	(57)
Cash at end of year	79	3

The cash flow statement shows receips and payments of cash and cash equivalents during the year. The statement 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. Included in the cash balances at end of the year, are restricted amounts of NOK 763 293 (NOK 781 260 for 2014) 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 group is DNB ASA. 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 2015 were authorised for issue by the Board of Directors on 17 March 2016.

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 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 carried at amortised cost and those carried at fair value.

Interest on loans that have been written down due to impairment losses, are 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. Commissions are recognised in the statement of comprehensive income when earned as income or incurred as expenses. Fees for services are recognised as income as rendered.

Financial instruments

Recognition and derecognition of assets and liabilities:

Assets and liabilities are recognised in the balance sheet on trade date, i.e. the date that the company becomes a party to the contractual provisions of the financial instrument. 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.

Initial measurement

The classification of financial instruments at initial recognition depends on the purpose and the management's intentions for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at fair value.

Classification and presentation of financial instruments

On initial recognition financial assets and liabilities are classified in one of the following categories:

- Financial derivatives
- Financial derivatives classified as hedging instruments
- Financial assets and financial liabilities designated as at fair value through profit or loss
- Loans and receivables
- Other financial liabilities

Note 1 Accounting principles (continued)

Financial derivatives

The company uses derivatives such as interest rate swaps and cross currency interest rate swaps mainly for hedging purposes. Some of the derivatives are designated as hedging instruments and accounted for as hedging instruments. The other derivatives are accounting for as trading instruments.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fair value changes from changes in interest rates are recognised in the statement of comprehensive income as “Total interest expenses”. Other fair value changes are recognised as “Net gains/(losses) on financial instruments”.Hedge accounting is described below.

Financial assets and financial liabilities designated as at fair value through profit or loss

Loans to customers with fixed interest rate and issued bonds nominated in Norwegian kroner are on initial recognition designated as at fair value through profit or loss (fair value option). 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.

The interest income and expenses are calculated and recognised as described under “Recognition of income and expenses” above. The fair value adjustments are presented in the statement of comprehensive income within the line item "Net gains / (losses) on financial instruments”. If any objective evidence of impairment is identified for the loans at fixed interest rate, the part of the fair value change that represent the impairment is presented within “Impairment on loans and commitments” in the statement of comprehensive income.

The loans are presented in the balance sheet as “Loans to customers” and the bonds as “Debt securities issued”.

Loans and receivables

Loans with floating interest rates are carried at amortised cost. Amortised cost is the present value of contractual cash flows discounted by the effective interest rate. The effective interest rate method is described under “Recognition of income and expenses” above.

At the end of each reporting period, the company consider whether any objective evidence of impairment exists. If an impairment loss is calculated, the book value of the loan is reduced and the impairment amount is recognised in the statement of comprehensive income as “Impairment on loans and commitments”. Impairment of loans is described below.

Loans are presented in the balance sheet within the line item as “Loans to customers”.

Other financial liabilities

This category comprises all financial liabilities other than bonds nominated in Norwegian kroner, and includes bonds nominated in foreign currencies, balances due to banks, subordinated loan capital and short term payables. Other financial liabilities are carried at amortised cost and interest is recognised using the effective interest rate method. The effective interest rate method is described under “Recognition of income and expenses” above.

The company uses interest rate swaps to hedge the interest rate risk related to the bonds issued in foreign currencies. The derivatives and the bonds are designated as hedging relationships qualifying for hedge accounting. In the balance sheet the bonds are carried at amortised cost, but adjusted for fair value attributable to the risk that are being hedged. The bonds are recognised in the balance sheet as “Debt securities issued”. Hedge accounting is described below.

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 recorded 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 participant would take into account.

Note 1 Accounting principles (continued)

When using valuation techniques, the estimated fair values of financial OTC derivatives are adjusted for the counterparty's credit risk (CVA) or DNB Boligkreditt's own credit risk (DVA). The company estimates CVA as a function of simulated expected positive exposure, a counterparty's probability of default, and a loss given default. The majority of the DNB Boligkreditt's derivatives counterparties have no market-implied credit spread and no external rating. Internal ratings are therefore combined with historical credit default swap (CDS) spreads as well as current CDS indices to arrive at estimated CDS spreads. This means that the company exploits 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.

Impairment of loans carried at amortised cost

At the end of each reporting period, the company considers whether any objective evidence of impairment exists. Objective evidences that indicate a loss event include significant financial difficulties of the borrower, breaches of contract such as defaulted payments of interest or principal, renegotiations of terms due to financial difficulties, it is becoming probable that the borrower will enter bankruptcy or financial renegotiations or national or local events that indicate that certain groups of borrowers will enter financial difficulties.

If objective evidence of a loss event exists, the impairment loss is calculated as the difference between the value of the loan recognised in the balance sheet and the present value of estimated future cash flows discounted by the effective interest rate.

The effective interest rate used is the loan's effective interest rate at the time objective evidence of impairment was identified. The effective interest rate is not adjusted to reflect changes in the credit risk and terms of the loan due to objective indications of impairment being identified.

All individually significant loans are assessed individually for impairment. All other loans, including individually significant loans to which there are not recognised any impairment adjustment, are collectively assessed for impairment. The collective assessment is done for groups of loans with similar characteristics related to sector, risk classification and credit risk. The impairment amount is calculated per group based on estimates of the general economic situation and historical loss experiences for each group. As for individual impairment calculations, collective impairments are based on discounted future cash flows. The cash flows are discounted on the basis of statistics derived from the individual impairment calculations.

The estimated impairment loss reduces the value of the loans recognised in the balance sheet. The change in impairment for the period is recognised in the statement of comprehensive income within the line item “Impairment on loans and commitments”.

Hedge accounting

The company uses derivative instruments to manage exposure to interest rate related to long-term borrowings in foreign currencies. At initial recognition derivatives and borrowings are designated as hedging relationships, accounted for as fair value hedges.

Upon entering into a hedge relationship, the correlation between the hedged item and the hedging instrument is documented. In addition, the goal and strategy underlying the hedging transaction are documented. Degree of offset is verified in the form of a test of hedge effectiveness at the beginning and end of the relevant period.

Hedging instruments are measured at fair value. Fair value changes are recognised in the statement of comprehensive income within the line item "Net gains / (losses) on financial instruments”. The hedged items are measured at amortised cost, adjusted for changes in fair value attributable to the hedged risk.

The changes in value of the attributable hedged risks are recognised in the statement of comprehensive income within the line item "Net gains / (losses) on financial instruments”.

If the hedge relationship ceases or adequate hedge effectiveness cannot be verified, the adjustment to the hedged item due to changes in fair value attributable to the hedged risk is amortised over the remaining period 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.

Approved standards and interpretations that have not entered into force

The IASB has published a number of amendments to current regulations which have not entered into force. Below is a description of the amendments which may affect the company's future reporting.

Note 1 Accounting principles (continued)

IFRS 9 Financial Instruments

In July 2014, the IASB issued the new standard for financial instruments IFRS 9 Financial Instruments which will replace the current IAS 39. The new standard introduces a business model oriented approach for classification of financial assets, an expected loss model for impairment and a new general hedge accounting model. IASB is still working on a new requirements related to macro hedge accounting. This work has been established as a separate project and is expected to be finalized as a new standard at a later point in time.

IFRS 9 is effective from 1 January 2018 but earlier application is permitted. The standard has not yet been adopted by the EU but it is expected that this will be done during 2016. DNB Boligkreditt AS will not utilise the opportunity for early adoption.

The preliminary expectation is that the implementation of IFRS 9 will result in an increase in impairment losses due to the change from an incurred loss model to an expected loss model. DNB Boligkreditt AS has started working with the implementation process, but it is still too early to give an estimate of the expected impact on DNB Boligkreditt AS's financial statements.

Important accounting estimates, judgments and assumptions

When preparing the consolidated 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.

Impairment of loans

Estimates of future cash flows are based on empirical data and management's judgment of future macroeconomic developments and developments in the performance of the actual loans, based on the situation at the balance sheet date. When considering impairment of loans, there will be several elements of uncertainty with respect to the objective identification of impairment, the estimation of amounts and the timing of future cash flows, including the valuation of collateral.

Individual impairment

When estimating impairment on individual loans both the current and the future financial position of the customer is considered. This includes the probability of potential restructuring, refinancing and settlement of the pledged asset. An overall assessment of these factors forms the basis for estimating future cash flows. The discount period is estimated on an individual basis or based on empirical data about the period it normally takes to reach a solution to the problems that caused the objective indication of impairment.

Collective impairment

The expected future cash flow is estimated on the basis of expected losses and the anticipated economic situation for the respective group of loans. Expected losses are based on historical loss experiences for the relevant group. The economic situation is assessed by means of economic indicators for each group based on external information about the markets. Various parameters are used depending on the group in question. Key parameters are house prices and production gaps, which give an indication of capacity utilisation in the economy and housing prices.

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 16 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. 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.

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. However, as long as Norwegian transitional rules relating to full implementation of the IRB approach remain in force, the total risk-weighted assets cannot be reduced below 80 per cent of the Basel I requirements.

The new legislation requires a common equity Tier 1 capital ratio of 13.5 per cent and a capital adequacy ratio of 15.5 per cent from 1 July 2015. From 1 July 2016 the requirement will be further increased to 15.5 per cent Tier 1 capital ratio and 17.5 per cent capital adequacy. On 3 February 2016, the Board of Directors approved a new capitalisation policy. The policy sets forth that the common Tier 1 capital ratio shall be at least 16.0 per cent, calculated as the regulatory requirement (as of 1 July 2016 15.5 per cent, including 1.5 per cent of hybrid capital) plus a management buffer of 0.5 per cent.

DNB Boligkreditt, based on its current capital structure, is expected to be further capitalised during the second quarter of 2016 to meet the new capital ratio requirements with effect from 1 July 2016. The Board of Directors will, on an ongoing basis, evaluate the company's capitalisation needs in light of the international 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 reported in accordance with the EU's new capital adequacy regulations for banks and investment firms (CRD IV/CRR) under the Basel III framework.

Valuation rules used in the statutory accounts form the basis for the consolidation, which is subject to special consolidation rules governed by the Consolidation Regulations. Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.

Primary capital	**DNB Boligkreditt AS**	
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Share capital	3 497	3 077
Other equity	35 701	26 330
Total equity	39 198	29 407
Deductions		
Expected losses exceeding actual losses, IRB portfolios	(967)	(766)
Value adjustments due to the requirements for prudent valuation	(385)	(398)
Adjustments for unrealised losses/(gains) on liabilities recorded at fair value	(232)	157
Adjustments for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities	(2)	(13)
Allocated group contributions for payment	(4 020)	(748)
Common Equity Tier 1 capital	33 592	27 640
Term subordinated loan capital	4 850	4 850
Tier 2 capital	4 850	4 850
Total eligible primary capital	38 442	32 490
Risk-weighted volume, transitional rules	221 648	217 886
Minimum capital requirement, transitional rules	17 732	17 431
Common Equity Tier 1 capital ratio, transitional rules (%)	15.2	12.7
Capital ratio, transitional rules (%)	17.3	14.9

Note 2 Capitalisation policy and capital adequacy (continued)

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

Amounts in NOK million	Nominal exposure 31 Dec. 2015	EAD [1] 31 Dec. 2015	Risk-weighted volume 31 Dec. 2015	Capital requirements 31 Dec. 2015	Capital requirements 31 Dec. 2014
IRB approach					
Corporate	6 074	6 074	3 276	262	289
Retail - residential property	580 843	580 843	127 443	10 195	7 303
Total credit risk, IRB approach	586 917	586 917	130 718	10 457	7 592
Standardised approach					
Institutions	31 324	31 324	6 265	501	835
Corporate	16 988	16 956	5 966	477	478
Retail - residential property	12 678	11 722	4 134	331	345
Retail - other exposures	405	264	225	18	
Other assets	1	1	1	0	1
Total credit risk, standardised approach	61 396	60 268	16 591	1 327	1 658
Total credit risk	648 313	647 184	147 309	11 785	9 250
Credit value adjustment risk (CVA)			36 418	2 913	113
Operational risk			12 740	1 019	760
Total risk-weighted volume and capital requirements before transitional rules			196 468	15 717	10 123
Additional capital requirements according to transitional rules			25 181	2 014	7 308
Total risk-weighted volume and capital requirements			221 648	17 732	17 431

1) EAD, exposure at default

Note 3 Risk management

Risk management in DNB Boligkreditt AS

The Board of Directors of DNB ASA has a clearly stated goal to maintain a low risk profile. DNB Boligkreditt AS is part of the DNB Group and a wholly owned subsidiary of DNB Bank ASA. The profitability of DNB will depend on the Group's ability to identify, manage and accurately price risk arising in connection with financial services.

Organisation and authorisation structure

- *Board of Directors*. The Board of Directors of DNB Boligkreditt sets long-term targets for the company's risk profile which are harmonised with the Group's risk targets. The risk profile is operationalised through the risk management framework, including the establishment of authorisations.
- *Authorisations.* Authorisations must be in place for the extension of credit and for position and trading limits in all critical financial areas. All authorisations are personal. Authorisations and company limits are determined by the Board of Directors and can be delegated in the organisation. According to the management agreement dated 18 December 2015, credit authorisations have been granted to DNB Bank.
- *Annual review of limits.* Risk limits are reviewed at least annually in connection with budget and planning processes.
- *Independent risk management functions.* Risk management functions and the development of risk management tools are undertaken by units that are independent of operations in the individual business areas in DNB Bank.

Monitoring and use

- *Accountability.* All executives are responsible for risk within their own area of responsibility and must consequently be fully updated on the risk situation at all times.
- *Risk reporting.* Risk reporting in the DNB Group ensures that all executives have the necessary information about current risk levels and future developments. To ensure high-quality, independent risk reports, responsibility for reporting is assigned to units that are independent of the operational units.
- *Capital assessment.* A summary and analysis of the company's capital and risk situation is presented in a special risk report to the Board of Directors of DNB Boligkreditt.
- *Use of risk information.* Risk is an integral part of the management and monitoring of business operations.

Risk categories in DNB Boligkreditt AS

For risk management purposes, DNB Boligkreditt distinguishes between the following risk categories:

- *Credit risk* is the risk of losses due to failure on the part of the company's counterparties/customers to meet their payment obligations. Credit risk refers to all claims against counterparties/customers, mainly loans. The company's credit risk is considered to be low as all loans in the cover pool, cf. requirements in the Financial Institutions Act, are residential mortgages secured within 75 per cent of appraised value. Note 4 contains an assessment of the company's credit risk at year-end 2014 and 2015.
- *Market risk* arises as a consequence of open positions in foreign exchange and interest rate. Note 6 contains an assessment of the company’s market risk at year-end 2014 and 2015.
- *Basis risk* is the risk associated with imperfect hedging. The company enters into basis swaps to manage foreign currency risk and interest rate risk from it’s long-term borrowing in foreign currencies. Basis risk arises from differences between the underlying position whose price is to be hedged and the asset underlying the derivative or due to a mismatch between the expiration date of the derivative and the actual selling date of the underlying position. Basis risk may occur because of mismatches in start date, expiration date, place of delivery, quality, pro/cons regarding the stock of underlying instrument, credit risk or offer- and demand effects.
- *Liquidity risk* is the risk that the company will be unable to meet its payment obligations. The company's liquidity risk is considered to be insignificant and well within legal requirements and requirements set by the rating agencies. Note 8 contains an assessment of the company's liquidity risk at year-end 2014 and 2015.
- *Operational risk* is the risk of losses due to deficiencies or errors in processes and systems, errors made by employees or external events.
- *Business risk* is the risk of losses due to external factors such as the market situation or government regulations. This risk category also includes reputational risk. Decline in housing prices is a business risk related to the residential mortgage portfolio, as well as stricter rules from the Financial Supervisory Authority for loan-to-value ratios, liquidity calculations and the basis for approving home equity credit lines and interest-only periods.

The DNB Group uses a total risk model to quantify risk and calculates risk-adjusted capital requirements for individual risk categories and for the Group's overall risk in the business areas, including the individual group subsidiaries. Risk-adjusted capital requirements should cover unexpected losses which may occur in operations in exceptional circumstances. Quantifications are based on statistical probability calculations for the various risk categories, using historical data.

DNB Boligkreditt uses financial derivatives as part of risk management to handle currency and interest rate risk. The company primarily uses interest rate and currency swaps as hedging instruments. The company uses interest rate and currency swaps to hedge all foreign currency positions. Interest rate flows relating to both borrowings and loans are swapped to short-term fixed interest. The total interest rate risk is insignificant.

For the long-term borrowing in foreign currencies, DNB Boligkreditt typically enters into basis swaps to convert the foreign currency into Norwegian kroner.The payment of interest will thus be in Norwegian kroner based on a swap curve, which may have been reduced or increased by a margin (spread), and the company will receive interest in the foreign currency in return. Such risk premiums, named basis swap spreads, vary significantly on a day-to-day basis, and thus cause volatility in the income statement. This risk cannot be reduced through accepted hedging techniques. However, as the contracts are generally hold to maturity, these effects will be balanced out over time.

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 loan commitments 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 loan commitments represent credit risk. The maximum exposure of loan commitments is the irrevocable amount that may be drawn upon in the future.

DNB Boligkreditt has adopted the credit risk policies as set by 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. Collateral are taken to manage credit risk in the loan portfolios. 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 and classification

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's risk classification [1)]

	Probability of default (per cent)		External rating	
Risk class	As from	Up to	Moody's	Standard & Poor's
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	impaired	B3, Caa/C	B-, CCC/C

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

Collateral and other risk-mitigating measures

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.

As a result, the collateral value per 31 December 2015 exceeds the total loan balance per property with a margin. Total loan balance by year-end 2015 was NOK 564 746 million.

Loans and commitments according to risk classification

In the table below, all loans to customers and undrawn commitments are presented per risk class. The amounts are based on the nominal amounts before adjustments for impairments, accrued interest and fair value changes.

Loans for which payments are overdue with more than 90 days are considered non-performing and transferred to “Non-performing loans”. Loans that are overdue less than 90 days are not considered non-performing, but are subject to monitoring. See table and further description of “Past due loans not subject to impairment”, below.

Loans and commitments according to risk classification — **DNB Boligkreditt AS**

Amounts in NOK million	Gross loans	Undrawn limits (committed)	Total loans and commitments
Risk category based on probability of default			
1 - 4	432 598	40 544	473 142
5 - 6	99 935	5 495	105 430
7 - 10	18 430	588	19 018
Non-performing and impaired loans and commitments	1 277		1 277
Total loans and commitments as at 31 December 2014	552 239	46 627	598 866
Risk category based on probability of default			
1 - 4	446 343	46 262	492 605
5 - 6	98 835	6 272	105 107
7 - 10	16 992	626	17 617
Non-performing and impaired loans and commitments	900		900
Total loans and commitments as at 31 December 2015	563 069	53 160	616 228

Note 4 Credit risk (continued)

Loan-loss level [1]	2015	2014
Normalised losses including loss of interest income in per cent of net loans	0.06	0.06

1) *The calculation of the loan-loss level is based on an evaluation of the probability of future losses (default frequency), exposure at default and the size of the estimated loss (loss ratio). Calculations are based on a certain level of discretion and estimation.*

Past due loans not subject to impairment

The table below shows the amount of loans that are overdue by number of days overdue. Late payments due to delays in payment transfers are not considered past due. Past due loans are subject to continual monitoring and assessed for impairment if a deterioration of customer solvency is probable or if other objective evidences of impairment are identified. Past due loans subject to impairment are not included in the table.

				DNB Boligkreditt AS
	31 December 2015		31 December 2014	
Amounts in NOK million	Past due/ overdrawn	Outstanding balance on past due loans	Past due/ overdrawn	Outstanding balance on past due loans
10-29 days	30	4 775	41	6 011
30-59 days	27	656	8	758
60-89 days	10	173	2	138
> 90 days	21	665		0
Total	87	6 270	51	6 907

Loans at fair value

Loans to customers with fixed interest rates are measured at fair value. The maximum credit risk exposure for such loans per 31 December 2015 amounted to its carrying balance sheet amount of NOK 58 billion (NOK 64 billion in 2014).

Current and cumulative changes in the fair value of loans attributable to changes in credit risk are only calculated for those loans outstanding on the balance sheet date.

Loans and deposits designated as at fair value [1]		**DNB Boligkreditt AS**
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Loans and deposits designated as at fair value	57 771	63 927
Total exposure to credit risk	57 771	63 927
Value adjustment from credit risk [2]	53	64
Value adjustment from change in credit risk [2]	(11)	(76)

1) *In November 2015, a portfolio of residential mortgages amounting to approximately NOK 20 billion was sold from DNB Boligkreditt to DNB Livforsikring AS.*
2) *Credit risk reflected in fair value measurements is based on normalised losses and changes in normalised losses in the relevant portfolio.*

For further details on the loans and collateral security, see note 5 Loans to customers.

Effects of changes in credit margins

In the long term funding markets, there was a healthy supply of capital in the first half of the year. However, as the unrest in Greece increased as summer approached, the level of activity in the market dropped significantly, accompanied by rising prices on new issues. In September the level of activity picked up, though margins widened. There was a general increase in margins for both covered bonds and ordinary senior debt in the second half of 2015. DNB Boligkreditt had good access to long-term funding throughout 2015.

DNB Boligkreditt's long-term borrowings in Norwegian kroner are carried at fair value through profit or loss. Margin requirements increased in the second half of 2015: At end-December 2015, there were unrealised gains of NOK 318 million on long-term borrowings, compared with unrealised losses of NOK 963 million at year-end 2014. Unrealised gains on the DNB Boligkreditt's liabilities will be reversed over the remaining term to maturity.

DNB Boligkreditt's fixed-rate loans are carried at fair value through profit or loss. Unrealised losses resulting from increased margin requirements, measured relative to swap rates on these loans, came to NOK 433 million at year-end 2015, compared with unrealised losses of NOK 309 million at end-December 2014. The unrealised losses will be reversed over the remaining term to maturity, provided that there are no changes in the credit status of the loans.

Note 5 Loans to customers

Loans to customers comprise mainly of mortgage loans with collateral taken in residential properties. Most loans are performing well, collateral quality is considered good and historical losses are very low. Loans to customers at year-end, including accrued interest, totalled NOK 564.7 billion (NOK 555.6 billion in 2014). Nominal values were NOK 563.1 billion (NOK 552.2 billion in 2014) of which the majority of the loans are at floating interest rate (90.0 per cent 2015 and 88.9 per cent in 2014).

	DNB Boligkreditt AS	
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Loans at amortised cost:		
Loans to customers at amortised cost, nominal amount	506 576	491 092
– Individual impairments	(46)	(48)
Loans to customers, after individual impairment	506 531	491 045
+ Accrued interest	583	804
– Individual impairments on accrued interest	(42)	(46)
Loans to customers, at amortised cost	507 072	491 803
Loans at fair value:		
Loans to customers at fair value, nominal amount	56 492	61 147
– Individual impairments	(1)	(2)
Loans to customers, after individual impairment	56 492	61 145
+ Accrued interest	95	120
+ Adjustment to fair value	1 184	2 661
Loans to customers, at fair value 1)	57 770	63 925
– Collective impairments	(96)	(103)
Total loans to customers	**564 746**	**555 625**

Impairments of loans to customers

	DNB Boligkreditt AS	
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Individual impairments	(47)	(50)
Individual impairments of accrued interest	(42)	(46)
Collective impairments	(96)	(103)
Total impairments of loans to customers	**(185)**	**(198)**

Impairment expenses

	DNB Boligkreditt AS	
Amounts in NOK million	2015	2014
Individual impairments	(8)	(9)
Collective impairments 2)	6	4
Recoveries of previous write-offs	4	3
Impairment expenses for the year	**2**	**(1)**

1) *In November 2015, a portfolio of residential mortgages amounting to approximately NOK 20 billion was sold from DNB Boligkreditt to DNB Livforsikring AS.*
2) *Based on the DNB Group's calculation model and statistics. Further information about collective impairments can be found in note 1 Accounting principles.*

Expected losses, including losses related to interest payments, calculated as a percentage of net loans to customers, was 0.06 per cent for 2015 (0.06 per cent for 2014). Expected losses are calculated based on the probability of future losses, estimated net exposure at the time of default and expected losses at time of default (loss ratio).

Note 5 Loans to customers (continued)

In the table below loans to customers, at nominal value, are listed based on customer address.

	DNB Boligkreditt AS	
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Loans according to geographical location [1]		
Østfold	33 453	33 406
Akershus	105 139	102 207
Oslo	117 787	113 809
Hedmark	12 197	12 210
Oppland	18 849	18 801
Buskerud	35 236	35 107
Vestfold	37 760	38 731
Telemark	13 121	13 078
Aust-Agder	8 948	8 937
Vest-Agder	9 436	9 514
Rogaland	38 059	36 869
Hordaland	44 011	43 299
Sogn og Fjordane	2 215	2 202
Møre og Romsdal	9 429	9 236
Sør-Trøndelag	22 555	21 800
Nord-Trøndelag	7 544	7 612
Nordland	22 365	20 402
Troms	14 528	14 434
Finnmark	8 558	8 580
Svalbard	1	2
Abroad	1 877	2 002
Total	**563 069**	**552 239**

1) The allocation is based on definitions given by Norges Bank and Finanstilsynet (The Financial Supervisory Authority of Norway).

Note 6 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 2015 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.

Currency risk — **DNB Boligkreditt AS**

	2015		2014	
	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	(408)	+10	(185)
USD	+10		+10	
CHF	+10	(21)	+10	(18)
Others	+10	(3)	+10	(2)

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.

Interest rate risk — **DNB Boligkreditt AS**

	Change in interest rate levels in basis points	Effect on pre-tax profits (NOK million)
2015	+ 100	(22)
	- 100	22
2014	+ 100	(33)
	- 100	33

Relative to the company's primary capital of NOK 38.4 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 it's 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 recorded 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 positive effects from changes in basis swap spreads per year-end 2015 were NOK 3 041 million (NOK 41 million in 2014).

Note 7 Financial derivatives

General information on application of financial derivatives

Financial derivatives are contracts stipulating financial values in the form of interest rate terms, exchange rates and the value of equity instruments for specific periods of time or at specific dates. 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.

DNB Boligkreditt uses swaps, mainly interest rate swaps and cross-currency 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. The total interest rate risk is insignificant.

The table below shows nominal values on financial derivatives according to type of derivative as well as positive and negative market values. Positive market values are recognised as assets in the balance sheet, whereas negative market values are recognised as liabilities. See note 1 Accounting principles for a more detailed description of measurement of financial derivatives.

DNB Boligkreditt AS

	31 December 2015			31 December 2014		
Amounts in NOK million	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
Interest rate contracts						
Swaps	371 376	26 298	2 663	369 044	30 458	3 173
Total interest rate contracts	371 376	26 298	2 663	369 044	30 458	3 173
Foreign exchange contracts						
Swaps	374 382	58 285	6 987	350 692	58 282	9 129
Total foreign exchange contracts	374 382	58 285	6 987	350 692	58 282	9 129
Total financial derivatives	**745 758**	**84 583**	**9 651**	**719 736**	**88 740**	**12 302**
Of which: Applied for hedging purposes	*331 318*	*25 003*	*225*	*321 051*	*28 458*	*198*

The company uses cross-currency interest rate swaps to hedge all foreign currency positions. When bonds nominated at fixed interest rates in foreign currencies are issued, the company also enters into derivative contracts where there is a 1:1 relationship between the bonds and the relevant derivatives.

DNB Boligkreditt AS

Amounts in NOK million	Debt securities issued	Cross-currency interest rate swaps	Net exposure
Currency (nominal amount)			
AUD	3 860	(3 860)	
CHF	11 526	(11 526)	
EUR	302 553	(302 553)	
GBP	6 516	(6 516)	
JPY	365	(365)	
SEK	2 960	(2 960)	
USD	46 602	(46 602)	

Note 8 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 160 billion by end December 2015 (same amount in 2014).

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.

DNB Boligkreditt's liquidity situation at year-end is considered as sound.

Residual maturity as at 31 December 2015 — **DNB Boligkreditt AS**

Amounts in NOK million	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	Total
Assets							
Loans to and deposits with credit institutions	468						468
Loans to customers	1 981	87	616	6 639	554 422	(96)	563 649
Other assets	1						1
Total	2 450	87	616	6 639	554 422	(96)	564 118
Liabilities							
Due to credit institutions	113 813						113 813
Debt securities issued [1]	23 808	22 829	34 429	284 849	85 049		450 964
Other liabilities		322					322
Subordinated loan capital				4 857			4 857
Total	137 621	23 151	34 429	289 706	85 049		569 956
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cashflows	19 354	23 121	29 683	190 405	117 179		379 742
Outgoing cashflows	18 782	22 093	29 993	177 157	100 011		348 036
Financial derivatives, net settlement	1 280	1 035	4 714	17 905	10 594		35 528
Total financial derivatives	1 852	2 063	4 404	31 153	27 762		67 234

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

Note 8 Liquidity risk (continued)

Residual maturity as at 31 December 2014 — **DNB Boligkreditt AS**

Amounts in NOK million	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	Total
Assets							
Loans to and deposits with credit institutions	360						360
Loans to customers	2 112	137	717	6 903	543 291	(103)	553 058
Other assets	8						8
Total	2 479	137	717	6 903	543 291	(103)	553 425
Liabilities							
Due to credit institutions	119 584						119 584
Debt securities issued [1)]		4 768	49 376	271 268	119 382		444 794
Other liabilities		445					445
Subordinated loan capital		8		850	4 000		4 858
Total	119 584	5 220	49 376	272 118	123 382		569 680
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cashflows	252	382	45 045	207 511	105 371		358 561
Outgoing cashflows	846	903	41 165	188 740	97 722		329 376
Financial derivatives, net settlement	1 066	860	4 756	17 604	11 673		35 960
Total financial derivatives	473	339	8 636	36 375	19 322		65 145

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

Note 9 Net interest income

DNB Boligkreditt AS

	2015			2014		
Amounts in NOK million	Recorded at fair value	Recorded at amortised cost [1)]	Total	Recorded at fair value	Recorded at amortised cost [1)]	Total
Interest on amounts due from credit institutions		12	12		19	19
Interest on loans to customers	2 510	14 841	17 352	2 639	17 689	20 328
Front-end fees etc.		234	234		219	219
Total interest income	**2 510**	**15 087**	**17 598**	**2 639**	**17 927**	**20 565**
Interest on amounts due to credit institutions		(2 280)	(2 280)		(3 113)	(3 113)
Interest on debt securities issued	(2 172)	(8 051)	(10 223)	(2 625)	(7 548)	(10 173)
Interest on subordinated loan capital		(146)	(146)		(180)	(180)
Net interest income/expenses, derivatives	1 659		1 659	551		551
Total interest expenses	**(513)**	**(10 477)**	**(10 990)**	**(2 074)**	**(10 842)**	**(12 916)**
Net interest income	**1 998**	**4 610**	**6 608**	**565**	**7 085**	**7 650**

1) Includes hedged items.

Note 10 Net commission and fee income

DNB Boligkreditt AS

Amounts in NOK million	2015	2014
Money transfer fees	(93)	(35)
Sundry commissions and fees on banking services	65	57
Commission and fee income	**(28)**	**22**
Fees on custodial services	(1)	(2)
Sundry commissions and fees on banking services	(0)	
Commission and fee expenses	**(2)**	**(2)**
Net commission and fee income	**(30)**	**20**

Note 11 Net gains on financial instruments at fair value

	DNB Boligkreditt AS	
Amounts in NOK million	2015	2014
Net gains on foreign exchange and financial derivatives, trading 1) 2)	3 290	(1 498)
Financial derivatives, hedging 2) 3)	(4 802)	12 181
Financial liabilities, hedged items 3)	4 659	(11 665)
Net gains on hedged items	(143)	515
Loans at fair value (fixed-rate loans) 4)	(672)	1 425
Financial liabilities (long-term borrowing in NOK) 5)	1 605	(1 586)
Net gains on financial instruments, designated as at fair value	933	(161)
Net gains (losses) on financial instruments at fair value	**4 081**	**(1 144)**

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 recorded 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. For the year 2015 the effect was a NOK 3 000.1 million increase in market values (positive effect on profits), compared with a NOK 76.1 million decrease in market values in 2014 (negative effect on profits). Accumulated positive mark-to-market effects by the end of 2015 were NOK 3 041.0 million, compared with accumulated positive effects of NOK 40.9 million by the end of 2014.*
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. For the year 2015 the effect was a NOK 82.6 million in negative value adjustment, compared with NOK 537.2 million in negative value adjustment in 2014. Accumulated negative value adjustment by the end of 2015 was NOK 619.7 million, compared with accumulated negative value adjustment of NOK 537.2 by the end of 2014.*
3) *As from 1 January 2014, 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 recorded at fair value (see footnote 2). Changes in fair value arising from hedged risk are presented under 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.*
4) *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 fair value adjustments of the company's fixed-rate loans are reversed over the loans' remaining term to maturity.*
5) *DNB Boligkreditt's long-term borrowing in Norwegian kroner is carried at fair value. 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. For the year 2015 the effect was NOK 1 281.2 million decrease in market values (positive effect on profits), compared with a NOK 748.0 million increase in market values in 2014 (negative effect on profits). Accumulated positive mark-to-market effects by the end of 2015 were NOK 318.2 million, compared with a negative NOK 963.1 million by the end of 2014.*

Note 12 Salaries and other personnel expenses

	DNB Boligkreditt AS	
Amounts in NOK million	2015	2014
Salaries	(8)	(8)
Employer's national insurance contributions	(2)	(2)
Pension expenses	(6)	(4)
Other Personnel expenses	(1)	(1)
Salaries and other personnel expenses	**(17)**	**(15)**

At year-end, DNB Boligkreditt had 8 full time employees (8 employees in 2014). The average number of man-year in 2015 was 8 (8 in 2014).

The employees of DNB Boligkreditt have the same pension benefits as the other employees of the DNB group.

Note 13 Taxes

Tax expense on pre-tax operating profit	DNB Boligkreditt AS	
Amounts in NOK million	2015	2014
Current taxes		
Changes in deferred taxes	(975)	(277)
Tax expense	(975)	(277)

Note 13 Taxes (continued)

Reconciliation of tax expense against nominal tax rate

Amounts in NOK million	2015	2014
Pre-tax operating profit	7 315	1 024
Estimated tax expense at nominal tax rate 27 per cent	(1 975)	(277)
Tax effect of other tax-exempt income and non-deductible expenses	0	0
Tax effect of changed tax rate for deferred taxes recognised in the balance sheet 2)	1 000	
Tax expense	(975)	(277)
Effective tax rate	13%	27%

Income tax on other comprehensive income

Amounts in NOK million	2015	2014
Pensions	1	2
Total income tax on other comprehensive income	1	2

Deferred tax assets/(deferred taxes)

25 per cent (27 per cent in 2014) deferred tax calculation on all temporary differences (Norway)

Amounts in NOK million	2015	2014
The year's changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	(5 722)	(212)
Changes recorded against profits	(975)	(277)
Changes due to group contributions	(1 485)	(5 236)
Changes recognised against comprehensive income	1	2
Deferred tax assets/(deferred taxes) as at 31 December	(8 181)	(5 722)

Deferred tax assets and deferred taxes in the balance sheet relates to the following temporary differences

Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Deferred taxes		
Debt securities issued	(5 682)	(7 445)
Financial derivatives	17 944	19 824
Other financial instruments	296	718
Net pension liabilities	(7)	(7)
Net other taxable temporary differences	0	(1)
Tax losses and tax credits carried forward	(4 370)	(7 368)
Total deferred taxes	**8 181**	**5 722**

Deferred taxes in the income statement relates to the temporary differences

Amounts in NOK million	2015	2014
Debt securities issued 1)	(1 758)	4 199
Financial derivatives 1)	1 880	(11 455)
Other financial instruments 1)	422	(385)
Pensions	0	(1)
Other temporary differences	0	(1)
Tax losses and tax credits carried forward	(1 519)	7 366
Deferred tax expense	**(975)**	**(277)**

1) *A significant share of the financial instruments are carried at fair value in the accounts, while for tax purposes, the same instruments are recorded on an accrual basis in accordance with the realisation principle. This gives rise to large differences between net results stated in the accounts and profits computed for tax purposes for the individual accounting years, especially in years with significant fluctuations in interest rate levels and exchange rates. These differences are offset in the longer term.*

2) *The nominal tax rate in 2015 was 27 per cent. As from 2016 the nominal tax rate is 25 per cent. Accordingly deferred tax assets and liabilities at year-end 2015 are calculated based on a 25 per cent tax rate as this is the expected tax rate at the time the temporary differences will reverse. The effect of re-evaluating the opening balances of deferred tax in 2015 to a 25 per cent tax rate, is included in the 2015 deferred tax expense. In 2015 taxable losses for the company gave rise to a deferred tax asset. As the losses will be utilized against group contributions with effect for the tax reporting in 2015, the deferred tax asset has been calculated based on the tax rate for 2015 (27 per cent).*

DNB Bank ASA has proposed NOK 16 000 million to be provided as group contribution with tax effect to DNB Boligkreditt (NOK 11 680 million after tax). The group contribution will affect the tax assessment of 2015 and DNB Boligkreditt proposes to provide a group contribution of NOK 15 700 without tax effect to DNB Bank ASA in 2015 (circle group contribution). The group contribution will be provided such that net group contribution to DNB Bank ASA in 2015 is 4 020 million. Group contributions will be recognized in DNB Boligkreditt's financial statements in 2016 and will thus not be included in the company's balance sheet at 31 December 2015.

Note 14 Classification of financial instruments

As at 31 December 2015					**DNB Boligkreditt AS**
	Financial instruments at fair value through profit and loss		Financial derivatives designated as hedging instruments	Financial instruments carried at amortised cost [1]	
Amounts in NOK million	Trading	Designated as at fair value			Total
Due from credit institutions				468	468
Loans to customers		57 771		506 975	564 746
Financial derivatives	59 580		25 003		84 583
Other assets				1	1
Total financial assets	59 580	57 771	25 003	507 444	649 797
Due to credit institutions				113 813	113 813
Financial derivatives	9 426		225		9 651
Debt securities issued		73 955		399 790	473 745
Other liabilities				322	322
Subordinated loan capital				4 857	4 857
Total financial liabilities [2]	9 426	73 955	225	518 782	602 388

1) Debt securities issued which are subject to hedge accounting are classified as liabilities carried at amortised cost.
2) Contractual obligations of financial liabilities designated as at fair value totalled NOK 72 525 million.

As at 31 December 2014					**DNB Boligkreditt AS**
	Financial instruments at fair value through profit and loss		Financial derivatives designated as hedging instruments	Financial instruments carried at amortised cost [1]	
Amounts in NOK million	Trading	Designated as at fair value			Total
Due from credit institutions				360	360
Loans to customers		63 927		491 698	555 625
Financial derivatives	60 282		28 458		88 740
Other assets				8	8
Total financial assets	60 282	63 927	28 458	492 065	644 733
Due to credit institutions				119 584	119 584
Financial derivatives	12 105		198		12 302
Debt securities issued		92 988		379 379	472 368
Other liabilities				463	463
Subordinated loan capital				4 858	4 858
Total financial liabilities [2]	12 105	92 988	198	504 285	609 575

1) Debt securities issued which are subject to hedge accounting are classified as liabilities carried at amortised cost.
2) Contractual obligations of financial liabilities designated as at fair value totalled NOK 89 931 million.

Note 15 Fair value of financial instruments at amortised cost

	DNB Boligkreditt AS			
	31 December 2015		31 December 2014	
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Due from credit institutions	468	468	360	360
Loans to customers	506 975	506 975	491 896	491 896
Total financial assets	507 442	507 442	492 255	492 255
Due to credit institutions	113 813	113 813	119 584	119 584
Debt securities issued	399 790	401 328	379 379	383 821
Subordinated loan capital	4 857	4 868	4 858	4 908
Total financial liabilities	518 460	520 010	503 821	508 312

					DNB Boligkreditt 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 inputs other than observable market data Level 3	Accrued interest	Total
Assets as at 31 December 2015					
Due from credit institutions		468			468
Loans to customers			506 305	670	506 975
Liabilities as at 31 December 2015					
Due to credit institutions		113 813			113 813
Debt securities issued		397 271		4 057	401 328
Subordinated loan capital			4 862	7	4 868

Financial instruments at amortised cost
Most assets and liabilities in the DNB Boligkreditt'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 16 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
Debt securities issued that are carried at amortised cost 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 is at floating interest rates and carried at amortised cost. 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 16 Financial instruments at fair value

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 inputs other than observable market data Level 3	Accrued interest [1]	Total
					DNB Boligkreditt AS
Assets as at 31 December 2015					
Loans to customers			57 676	95	57 771
Financial derivatives		84 583			84 583
Liabilities as at 31 December 2015					
Debt securities issued		73 410		545	73 955
Financial derivatives		9 651			9 651
Assets as at 31 December 2014					
Loans to customers			63 807	120	63 927
Financial derivatives		88 740			88 740
Liabilities as at 31 December 2014					
Debt securities issued		92 392		597	92 988
Financial derivatives		12 302			12 302

1) For financial derivatives, accrued interest is included in the amounts in level 2.

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 recorded 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 2015 or 2014.

Loans consist primarily of fixed-rate loans in Norwegian kroner. 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. 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 — **DNB Boligkreditt AS**

Amounts in NOK million	Loans to customers
Carrying amount as at 31 December 2014	**63 807**
Net gains on financial instruments	(672)
Additions/purchases	30 290
Sales [1]	(20 278)
Settled	(15 471)
Carrying amount as at 31 December 2015	**57 676**

1) In November 2015, a portfolio of home mortgages amounting to approximately NOK 20 billion was sold from DNB Boligkreditt to DNB Livsforsikring.

Note 17 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. The table below presents the potential effects of DNB Boligkreditt's netting arrangements on financial assets and financial liabilities.

						DNB Boligkreditt AS
Amounts in NOK million	Gross amount	Amounts offset in the statement of financial position	Carrying amount	Netting agreements	Other collateral	Amounts after possible netting
Assets as at 31 December 2015						
Financial derivatives	84 583		84 583	9 651		74 932
Liabilities as at 31 December 2015						
Financial derivatives	9 651		9 651	9 651		

						DNB Boligkreditt AS
Amounts in NOK million	Gross amount	Amounts offset in the statement of financial position	Carrying amount	Netting agreements	Other collateral	Amounts after possible netting
Assets as at 31 December 2014						
Financial derivatives	88 740		88 740	12 302		76 438
Liabilities as at 31 December 2014						
Financial derivatives	12 302		12 302	12 302		

Note 18 Debt securities issued

Debt securities issued

		DNB Boligkreditt AS
Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Bond debt, nominal amount	446 362	440 026
Adjustments	27 383	32 342
Total debt securities issued	473 745	472 368

Changes in debt securities issued

						DNB Boligkreditt AS
Amounts in NOK million	Balance sheet 31 Dec. 2015	Issued 2015	Matured/ redeemed 2015	Exchange rate movements 2015	Other adjustments 2015	Balance sheet 31 Dec. 2014
Bond debt, nominal amount	446 362	45 468	66 533	27 401		440 026
Adjustments	27 383				(4 959)	32 342
Total debt securities issued	473 745	45 468	66 533	27 401	(4 959)	472 368

Maturity of debt securities issued

			DNB Boligkreditt AS
Amounts in NOK million	NOK	Foreign currency	Total
2016	5 740	70 724	76 464
2017	10 690	52 126	62 816
2018	13 450	59 237	72 687
2019	16 600	41 791	58 391
2020	10 000	36 665	46 665
2021	10 500	33 790	44 290
2022 and later	5 000	80 049	85 049
Total bond debt	71 980	374 382	446 362

Note 18 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. 2015	31 Dec. 2014
XS0493748015	EUR	80	Fixed	2010	2015	Called		80
XS0502969388	EUR	16 010	Fixed	2010	2015	Matured		16 010
NO0010571946	NOK	3 249	Floating	2010	2015	Matured		3 249
CH0110819403	CHF	3 653	Fixed	2010	2015	Matured		3 653
NO0010477706	NOK	390	Floating	2008	2015	Matured		390
XS0527362692	EUR	3 187	Fixed	2010	2015	Matured		3 187
XS0383827135	EUR	398	Fixed	2008	2015	Matured		398
XS0532508826	EUR	79	Fixed	2010	2015	Matured		79
XS0559323109	EUR	788	Floating	2010	2015	Matured		788
XS0541698683	EUR	405	Floating	2010	2015	Matured		405
Private Placement	NOK	250	Fixed	2008	2015	Matured		250
XS0550064314	USD	16 080	Fixed	2010	2015	Matured		16 080
NO0010430143	NOK	100	Fixed	2009	2015	Called	1 750	1 850
NO0010495575	NOK	3 958	Floating	2010	2015	Called	5 740	9 698
NO0010503931	NOK	150	Floating	2011	2015	Called	18 650	18 800
NO0010526817	NOK	10 000	Floating	2009	2015	Called		10 000
NO0010534100	NOK	6 272	Floating	2009	2015	Called		6 272
NO0010598857	NOK	785	Fixed	2011	2015	Called	2 040	2 825
NO0010622087	NOK	50	Floating	2011	2015	Called	6 950	7 000
NO0010664394	NOK	300	Floating	2012	2015	Called	12 700	13 000
NO0010664402	NOK	350	Fixed	2012	2015	Called	2 150	2 500
Total debt securities issued, nominal value		66 534					49 980	116 514

Cover pool

DNB Boligkreditt AS

Amounts in NOK million	31 Dec. 2015	31 Dec. 2014
Pool of eligible loans	561 517	551 598
Market value of eligible derivatives	74 932	76 438
Total collateralised assets	636 449	628 035
Debt securities issued, carrying value	473 745	472 368
Less valuation changes attributable to changes in credit risk on debt carried at fair value	361	(938)
Debt securities issued, valued according to regulation [1)]	474 106	471 430
Collateralisation (per cent)	134	133

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 19 Subordinated loan capital

						DNB Boligkreditt AS	
Amounts in NOK million	Currency	Nominal	Interest rate	Issue date	Maturity date	31 Dec. 2015	31 Dec. 2014
Term subordinated loan capital	NOK	850	3 month Nibor + 400 bp	2009	2019	850	850
Term subordinated loan capital	NOK	4 000	3 month Nibor + 170 bp	2013	2023	4 000	4 000
Accrued interest						7	8
Total						4 857	4 858

Note 20 Remunerations

							DNB Boligkreditt AS	
Amounts in NOK 1000	Fixed annual salary as at 31 Dec. 2015	Remunera-tion earned in 2015	Paid salaries 2015	Bonus earned in 2015	Benefits in kind and other benefits in 2015	Total remunera-tion earned in 2015	Loans as at 31 Dec. 2015	Accrued pension expenses 1)
The Board of Directors								
Bjørn Erik Næss 2)	3 795		3 956	1 642	208	5 806	376	4 927
Eva-Lill Strandskogen	1 203		1 236	164	151	1 551	6 489	249
Reidar Bolme	1 069		3 417	22	152	3 592		155
Elisabeth Ege		177				177	1 231	
Jørn E. Pedersen		177			971	1 148	14	
Øyvind Birkeland, CEO (to 1 March 2015) 3)			810		932	1 742	2 991	149
Per Sagbakken, CEO (from 1 March 2015)	1 800		1 836	191	170	2 197	2 583	389
Supervisory Board	9 404	84	10 377	3 953	774	15 188	18 936	1 911

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 25 Pensions in the annual report 2015 for the DNB Group.*
2) *Bonus earned in 2015 amounts to NOK 1.6 million and will be paid in 2016.*
3) *Benefits in kind and other benefits include pension payments.*

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, as well as "Remuneration earned in 2015" are paid by DNB Boligkreditt. The cost is charged proportionate to the time spent in the DNB Boligkreditt and DNB Næringskreditt. Remunerations to other members are charged DNB Bank ASA.

DNB Boligkreditt paid no remunerations to the Control Committee in 2015. See annual reports for 2015 for the DNB Bank Group and the DNB Group for information about remunerations etc. to the Control Committee in 2015.

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 2015, all of the Group's employees will receive a bonus of NOK 22 000. The bonus will be paid in 2016.

Remuneration to the statutory auditor

	DNB Boligkreditt AS	
Amounts in NOK 1000, excluding VAT	2015	2014
Statutory audit	(777)	(770)
Other certification services 1)	(1 036)	(529)
Total remuneration to the statutory auditor	(1 813)	(1 299)

1) *Of this, the remuneration to the independent investigator, pursuant to Section 11-14 of the Financial Institutions Act, represents NOK 261 000 in 2015.*

Note 21 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	**DNB Boligkreditt AS**	
Amounts in NOK million	2015	2014
Assets		
Loans to and deposits with credit institutions	468	360
Financial derivatives	84 583	88 740
Liabilities		
Loans due to credit institutions	113 813	119 584
Subordinated loan capital	4 857	4 858
Financial derivatives	9 651	12 302
Debt securities issued	7 996	25 507
Other liabilities	139	444
Income and expenses		
Interest income	12	19
Interest expenses	(1 677)	(3 293)
Commissions payable	(1)	(2)
Net gains on financial instruments at fair value	(3 865)	11 651
Fee income	3	5
Fee expenses	(3 310)	(5 474)

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 2015 portfolios of NOK 23.2 billion (NOK 16.4 billion in 2014) were transferred from the bank to DNB Boligkreditt.

Pursuant to the management agreement, DNB Boligkreditt purchases services from the bank, including administration, bank production, distribution, customer contact, IT operations, 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 3 267 million in 2015 (NOK 5 469 million in 2014).

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 2015, the bank had invested NOK 8.0 billion in covered bonds issued by DNB Boligkreditt.

In the fourth quarter of 2013, DNB Boligkreditt entered into a "Revolving Credit Facility Agreement (RCF)" with DNB Bank ASA. Subject to the terms of this RCF, DNB Bank makes available to DNB Boligkreditt a revolving credit facility at all times equal to DNB Boligkreditt's payment obligations in NOK for the next 12 months in respect of issued Covered Bonds and related derivative hedge agreements. DNB Boligkreditt shall apply all amounts borrowed by it under the RCF towards payments under Covered Bonds and related derivative contracts entered into for hedging purposes for those Covered Bonds. DNB Boligkreditt may not make use of the RCF for the fulfillment of payment obligations related to the ordinary (re-) purchase of Covered Bonds (if any), or to derivative agreements related to such Covered Bonds. The obligations of DNB Bank towards DNB Boligkreditt under the RCF do not constitute a guarantee in respect of amounts due and payable under the Covered Bonds.

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 2015, DNB Livforsikring’s holding of listed DNB Boligkreditt bonds was valued at NOK 1.9 billion (NOK 1.9 billion in 2014).

In November 2015, a portfolio of residential mortgages amounting to approximately NOK 20 billion was sold from DNB Boligkreditt to DNB Livsforsikring AS.

DNB Næringskreditt AS

DNB Næringskreditt has no employees and purchases administrative services from DNB Boligkreditt. The fee received for such services is recognised as “Other income” in the income statement and amounted to NOK 3.1 million for 2015 (NOK 4.5 million in 2014).

Group contributions

The profit for 2015 was NOK 6 340 million. The Board of Directors proposes to provide NOK 4 020 million as group contribution.

DNB Bank ASA has proposed NOK 16 000 million to be provided as group contribution with tax effect to DNB Boligkreditt (NOK 11 680 million after tax). The group contribution will affect the tax assessment of 2015 and DNB Boligkreditt proposes to provide group contribution to DNB Bank ASA of NOK 15 700 million without tax effect in 2015 (circle group contribution). The group contribution will be provided such that net group contribution to DNB Bank ASA in 2015 is 4 020 million. Group contributions will be recognized in DNB Boligkreditt’s financial statements in 2016 and is not included in the company’s balance sheet at 31 December 2015.

Statement

Pursuant to Section 5-5 of the Securities Trading Act

We hereby confirm that the annual accounts for the company for 2015 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, 17 March 2016
The Board of Directors of DNB Boligkreditt AS

Bjørn Erik Næss (chairman)	Jørn E. Pedersen	Eva-Lill Strandskogen
		Per Sagbakken (chief executive officer)

Building a better
working world

Statsautoriserte revisorer
Ernst & Young AS

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To the Annual Shareholders' Meeting of
DNB Boligkreditt AS

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of DNB Boligkreditt AS, which comprise the balance sheet as at 31 December 2015, the statements of comprehensive income, cash flows and changes in equity for the year then ended, a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of DNB Boligkreditt AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements and the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 17 March 2016
ERNST & YOUNG AS

Einar Hersvik
State Authorised Public Accountant (Norway)

Key figures

Amounts in NOK million	2015	2014	2013	2012	2011
					DNB Boligkreditt AS
Rate of return/profitability					
Return on equity, annualised (%) [1)]	18.4	2.7	3.6	(7.4)	16.3
Financial strength at end of period					
Common equity Tier 1 capital ratio, transitional rules (%)	15.2	12.7	11.2	10.3	7.8
Capital ratio, transitional rules (%)	17.3	14.9	13.3	11.2	8.9
Common equity Tier 1 capital (NOK million)	33 592	27 640	24 933	22 025	14 836
Risk-weighted volume, transitional rules (NOK million)	221 648	217 886	222 032	213 870	190 438
Loan portfolio and impairment					
Impairment relative to average net loans to customers	0.00	0.00	0.00	0.00	0.02
Non-performing and doubtful loans, per cent of gross loans	0.19	0.23	0.24	0.23	0.22
Non-performing and doubtful gross loans, end of period (NOK million)	1 058	1 295	1 258	1 191	1 085
Net non-performing and net doubtful loans and guarantees, per cent of net loans	0.11	0.14	0.14	0.13	0.14
Net non-performing and net doubtful loans and guarantees at end of period (NOK million)	634	765	729	679	662
Staff					
Number of full-time positions at end of period	8	8	9	12	11

1) Average equity is calculated on the basis of book value of equity.

Governing bodies
as at 31 December 2015

Supervisory Board

Members
Anita Roarsen, Oslo
Vidar Knudsen, Nesbru
Anders Lægreid, Oslo
Eldbjørg Sture, Oslo
Lars Tronsgaard, Drammen
Torild Ressås Aamnes, Nesbru

Deputies
Ragnhild Martinsen, Bodø
Jo Teslo, Haslum
Vigdis Tomter, Oslo

Control Committee

Members
Frode Hassel, Trondheim
Ida Helliesen, Oslo
Karl Olav Hovden, Kolbotn

Deputy
Ida Espolin Johnson, Oslo
Ole Grøtting Trasti, Oslo

Board of Directors

Members
Bjørn Erik Næss, Oslo
Reidar Bolme, Oslo
Elisabeth Ege, Eiksmarka
Jørn E. Pedersen, Oslo
Eva-Lill Strandskogen, Oslo

Deputy
Olav T. Løvstad, Kongsberg

Contact information

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Organisation number	NO 984 851 006

Other sources of information

Annual and quarterly reports

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

Here for you. Every day.
When it matters the most.

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