

SECOND QUARTER AND FIRST HALF REPORT 2016  
(Unaudited)

DNB

Q2

DNB Næringskreditt

A company in the DNB Group

# Financial highlights

## Income statement

<i>Amounts in NOK million</i>	<b>DNB Næringskreditt AS</b>				
	2nd quarter 2016	2nd quarter 2015	2016	January-June 2015	Full year 2015
Net interest income	86	81	177	167	329
Net other operating income	(5)	0	(3)	2	45
Operating expenses	(21)	(32)	(48)	(59)	(108)
Impairments on loans and commitments	1	0	0	1	1
Pre-tax operating profit	61	50	126	110	266
Tax expense	(15)	(13)	(31)	(30)	(71)
<b>Profit for the period</b>	<b>46</b>	<b>36</b>	<b>94</b>	<b>80</b>	<b>195</b>

## Balance sheet

<i>Amounts in NOK million</i>	30 June 2016	31 Dec. 2015	30 June 2015
Total assets	26 200	26 807	25 909
Loans to customers	25 913	26 659	25 768
Debt securities issued	2 160	2 102	4 531
Total equity	5 494	5 562	5 447

## Key figures

<i>Per cent</i>	2nd quarter 2016	2nd quarter 2015	2016	January-June 2015	Full year 2015
Combined weighted total average spread for lending <sup>1)</sup>	0.92	0.83	0.97	0.86	0.86
Return on equity, annualised	3.3	2.7	3.4	2.9	3.5
Common equity Tier 1 capital ratio, transitional rules	26.1	26.0	26.1	26.0	25.4
Capital ratio, transitional rules	26.1	26.0	26.1	26.0	25.4
Net non-performing and impaired loans, per cent of net loans	0.00	0.00	0.00	0.00	0.00

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

# Second quarter and first half report 2016

<b>Directors' report</b> .....	2
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## **Accounts**

Comprehensive income statement.....	4
Balance sheet .....	4
Statement of changes in equity.....	5
Cash flow statement.....	5
Note 1 Basis for preparation.....	6
Note 2 Capital adequacy .....	6
Note 3 Credit risk.....	7
Note 4 Market risk .....	7
Note 5 Liquidity risk .....	7
Note 6 Net interest income .....	8
Note 7 Net gains on financial instruments at fair value .....	8
Note 8 Loans to customers.....	8
Note 9 Debt securities issued.....	9
Note 10 Financial instruments at fair value .....	9
Note 11 Fair value of financial instruments at amortised cost.....	10
Note 12 Information on related parties .....	11

<b>Statement pursuant to the Securities Trading Act</b> .....	12
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## **Additional information**

Key figures .....	13
Profit and balance sheet trends .....	14
Contact information .....	15

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

# Directors' report

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

## Financial accounts

DNB Næringskreditt recorded a profit of NOK 46 million in the second quarter of 2016, compared with a profit of NOK 36 million in the second quarter of 2015.

### Total income

Income totalled NOK 81 million in the second quarter of 2016, which was on a level with the year-earlier period.

Amounts in NOK million	2nd quarter		2nd quarter	
	2016	Change	2015	
Total income	81		81	
Net interest income		5		
Net commission and fee income				
Net gains/(losses) on financial instruments at fair value		(5)		

Net interest income increased by NOK 5 million from the second quarter of 2015 to the second quarter of 2016 due to wider interest rate spreads.

### Operating expenses and impairment of loans

Operating expenses are volatile due to the management fee paid to DNB Bank. The cooperation with DNB Bank is formalised through an extensive servicing agreement that ensures DNB Næringskreditt sound competence in key areas and cost-effective operations. The management fee calculation is based primarily on lending volume and the spreads achieved. The size of the management fee is related to net interest income. The fee amounted to NOK 17 million in the second quarter of 2016, down from NOK 28 million in the second quarter of 2015.

The company has recorded no individual impairment losses in previous years, which was also the case in the second quarter of 2016. The Board of Directors considers the quality of the loan portfolio to be satisfactory.

## Funding, liquidity and balance sheet

### Balance sheet

At end-June 2016, DNB Næringskreditt had total assets of NOK 26.2 billion, an increase of NOK 0.3 billion, or 1.1 per cent, from end-June 2015.

Amounts in NOK million	30 June		30 June	
	2016	Change	2015	
Total assets	26 200	291	25 909	
Loans to customers		145		
Financial derivatives		79		
Other assets		67		
Total liabilities	20 706	244	20 462	
Due to credit institutions		2 616		
Debt securities issued		(2 371)		
Other liabilities		(1)		

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

The company did not issue covered bonds in the second quarter of 2016. Total debt securities issued amounted to NOK 2.2 billion at end-June 2016.

## Risk and capital adequacy

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

The company is not exposed to currency risk. Interest rate and liquidity risk is managed in accordance with stipulations concerning covered bonds in the Financial Institutions Act and guidelines and limits approved by the Board of Directors. The company's overall financial risk is considered to be low.

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

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

DNB Næringskreditt's assets comprise loans secured by commercial property within 60 per cent of the property's appraised value, plus bank deposits. Negative developments in the commercial property market affect the company. A decline in prices of commercial properties will reduce the value of the company's cover pool relative to the statutory asset coverage requirement. Quarterly stress tests are carried out to estimate the effects of a negative development in commercial property prices. A short-term measure to meet a significant fall in prices will be to supply DNB Næringskreditt with more substitute collateral. The Board of Directors considers the company's total risk exposure to be low.

At end-June 2016, the company's equity totalled NOK 5.5 billion, of which NOK 5.4 billion represented Tier 1 capital. The company has no primary capital in excess of equity. The company's capital adequacy and Tier 1 capital ratios were both 26.1 per cent. The Board of Directors considers the company to be adequately capitalised relative to the risk level in the loan portfolios and other operations.

## New regulatory framework

### Norway joins the EU financial supervisory system

Due to the high bar set by the Norwegian Constitution for transferring sovereignty to international organisations, incorporating the EU regulations establishing the European supervisory authorities into the EEA agreement has required a lengthy dialogue between Norway and the EU before a compromise could be reached. As a result of this, more than 180 relevant EU legislative acts in the area of financial services, granting the supervisory authorities the competence to exercise direct supervisory powers over enterprises, have not been included in the EEA agreement.

On 13 June 2016, the Norwegian parliament (Storting) approved the government's negotiated proposal for a solution to this intractable problem. Since the solution required ceding sovereignty to EFTA, the matter had to be considered according to Article 115 in the Norwegian Constitution, requiring a majority vote of three-fourths of the parliament members. The parliament resolution was sanctioned by the government on 17 June. According to the agreement, the Brussels-based EFTA

Surveillance Authority, ESA, will be granted competence to make legally binding decisions addressed to national supervisory authorities and individual institutions in Norway, Liechtenstein and Iceland. Decisions will be based on drafts prepared by the relevant EU supervisory authority.

Norway's accession to the European cooperation on financial supervision means that the Norwegian financial services industry will remain fully integrated in the internal market through the EEA agreement. This is good news for DNB and the broader industry. However, it is unclear how quickly the solution negotiated between the EU and the EFTA countries will enter into force.

### Macroeconomic developments

According to the OECD, overall growth in real gross domestic product (GDP) in the G20 area remained stable at 0.7 per cent in the first quarter of 2016. GDP growth accelerated in the euro area in the first quarter of the year, picking up in Germany, France and Italy. There was also increasing growth in Australia, Canada, India (to 2.1 per cent, its highest rate in over five years), Japan and Mexico. By contrast, growth continued to slow in, among others, China and the United Kingdom. Also, the first figures released indicated a slowdown for the US economy, though recent figures show rising growth. Compared with the first quarter of 2015, GDP growth for the G20 area remained stable at 3.0 per cent, with India recording the highest growth rate (8.0 per cent) and Brazil the lowest (minus 5.1 per cent).

Norwegian mainland GDP rose by 0.3 per cent in the first quarter of 2016, mostly due to a rise in electricity production. Parallel to the release of the first quarter figures, growth in the second half of 2015 was revised down. Hence, the underlying growth seemed a bit more sluggish than before. However, Norges Bank's regional network reported a few positive signals, and unemployment was stable at 4.6 per cent in the second half of 2015 and the first quarter of 2016. Fiscal policy has been even more expansionary, and it is likely that Norges Bank will cut its policy rate from 0.50 per cent to 0.25 per cent in September. Consumer confidence is still low, but has risen over the last months. Existing home price growth has picked up and was 7.3 per cent year-on-year in May.

On 23 June, the people of the UK voted to leave the European Union. The Brexit vote initially caused severe market movements, but most of the turmoil faded the following week. Most formal assessments agree that the UK would be worse off

economically if it were to leave the EU, as higher trade and financial barriers would lead to lower output and incomes. Furthermore, IMF's staff analysis and assessments indicate that it is unlikely that any EU economies would gain from the UK's exit.

In 2015, 20 per cent of Norwegian goods exports were to the UK, representing mostly crude oil and natural gas. 8 per cent of traditional goods exports were to the UK, mainly manufactured goods, amounting to 1.1 per cent of mainland GDP. Exports of services to the UK were a little higher than traditional goods exports, but were dominated by ocean transport services and services to the UK petroleum sector. Most services exports to the UK will probably be little affected by the Brexit. Even allowing for indirect exports to the UK and lower international growth, the effects on the Norwegian economy through the international trade channel seem to be limited. Higher risk premiums in financial markets and greater uncertainty for enterprises and households may deepen the negative effects. At the time of writing, the financial markets seem to be normalising, with repriced levels for GBP and yield curves. Risk premiums, for example on currency basis swaps, rose immediately after the referendum, but seem to have started to revert. Without severe and long-lasting effects in the financial markets, Brexit will probably have a limited effect on the Norwegian economy.

### Future prospects

The Norwegian mainland economy stagnated in the second half of last year, and annual growth ended at 1.0 per cent. There are prospects of even lower growth in 2016.

Norges Bank has responded to the growth prospects by lowering its policy rate to 0.5 per cent and signalled another 25 basis point rate cut in the second half of 2016. Accommodative monetary and fiscal policies support the economy during the process to adapt to lower oil prices. As oil prices have partly recovered and are expected to rise further, there are prospects of increased growth for the mainland economy.

The loan portfolio of DNB Næringskreditt is expected to increase in the period ahead as a result of further transfers of loans from DNB Bank ASA. Volume-weighted spreads are anticipated to be stable in 2016.


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

Oslo, 11 July 2016

The Board of Directors of DNB Næringskreditt AS



Bjørn Erik Næss  
(chairman)



Jørn E. Pedersen



Eva-Lill Strandskogen



Per Sagbakken  
(chief executive officer)

# Comprehensive income statement

<i>Amounts in NOK million</i>	Note	DNB Næringskreditt AS				
		2nd quarter 2016	2nd quarter 2015	2016	January-June 2015	Full year 2015
Total interest income	6	180	185	363	375	727
Total interest expenses	6	(94)	(104)	(187)	(209)	(398)
<b>Net interest income</b>	<b>6</b>	<b>86</b>	<b>81</b>	<b>177</b>	<b>167</b>	<b>329</b>
Commission and fee income		0	0	0	1	1
Commission and fee expenses		(0)	0	(0)	(0)	(0)
Net gains on financial instruments at fair value	7	(5)	0	(4)	1	44
<b>Net other operating income</b>		<b>(5)</b>	<b>0</b>	<b>(3)</b>	<b>2</b>	<b>45</b>
<b>Total income</b>		<b>81</b>	<b>81</b>	<b>173</b>	<b>168</b>	<b>374</b>
Other expenses	12	(21)	(32)	(48)	(59)	(108)
<b>Total operating expenses</b>		<b>(21)</b>	<b>(32)</b>	<b>(48)</b>	<b>(59)</b>	<b>(108)</b>
Impairment of loans and commitments	8	1	0	0	1	1
<b>Pre-tax operating profit</b>		<b>61</b>	<b>50</b>	<b>126</b>	<b>110</b>	<b>266</b>
Tax expense		(15)	(13)	(31)	(30)	(71)
<b>Profit for the period</b>		<b>46</b>	<b>36</b>	<b>94</b>	<b>80</b>	<b>195</b>
Other comprehensive income						
<b>Total comprehensive income for the period</b>		<b>46</b>	<b>36</b>	<b>94</b>	<b>80</b>	<b>195</b>

# Balance sheet

<i>Amounts in NOK million</i>	Note	DNB Næringskreditt AS		
		30 June 2016	31 Dec. 2015	30 June 2015
<b>Assets</b>				
Due from credit institutions	10, 11, 12	112	28	40
Loans to customers	8, 11	25 913	26 659	25 768
Financial derivatives	10, 12	174	120	95
Deferred tax assets				5
Other assets		1	1	1
<b>Total assets</b>		<b>26 200</b>	<b>26 807</b>	<b>25 909</b>
<b>Liabilities and equity</b>				
Due to credit institutions	11, 12	18 504	19 068	15 888
Debt securities issued	9, 10, 11, 12	2 160	2 102	4 531
Payable taxes		29	60	29
Deferred taxes		6	6	
Other liabilities		7	9	13
<b>Total liabilities</b>		<b>20 706</b>	<b>21 245</b>	<b>20 462</b>
Share capital		550	550	550
Share premium		4 604	4 604	4 604
Other equity		340	408	293
<b>Total equity</b>		<b>5 494</b>	<b>5 562</b>	<b>5 447</b>
<b>Total liabilities and equity</b>		<b>26 200</b>	<b>26 807</b>	<b>25 909</b>

# Statement of changes in equity

## DNB Næringskreditt AS

<i>Amounts in NOK million</i>	Share capital	Share premium	Other equity	Total equity
<b>Balance sheet as at 31 December 2014</b>	<b>550</b>	<b>4 604</b>	<b>387</b>	<b>5 541</b>
Profit for the period			80	80
<b>Total comprehensive income for the period</b>			<b>80</b>	<b>80</b>
Group contribution paid			(174)	(174)
<b>Balance sheet as at 30 June 2015</b>	<b>550</b>	<b>4 604</b>	<b>293</b>	<b>5 447</b>
<b>Balance sheet as at 31 December 2015</b>	<b>550</b>	<b>4 604</b>	<b>408</b>	<b>5 562</b>
Profit for the period			94	94
<b>Total comprehensive income for the period</b>			<b>94</b>	<b>94</b>
Group contribution paid			(162)	(162)
<b>Balance sheet as at 30 June 2016</b>	<b>550</b>	<b>4 604</b>	<b>340</b>	<b>5 494</b>

### Share capital

All of the company's shares and voting rights are held by DNB Bank ASA. Share capital at the beginning of 2016 was NOK 550 million (550 000 shares at NOK 1 000).

# Cash flow statement

## DNB Næringskreditt AS

<i>Amounts in NOK million</i>	2016	January-June 2015	Full year 2015
<b>Operating activities</b>			
Net receipts on loans to customers	4 563	2 855	6 256
Interest received from customers	363	385	751
Net receipts/payments on loans to/from credit institutions	(613)	(2)	3 195
Interest received from credit institutions	1	2	3
Interest paid to credit institutions	(205)	(169)	(333)
Payments for operating expenses	(49)	(57)	(111)
Taxes paid	(3)	(67)	(67)
<b>Net cash flow relating to operating activities</b>	<b>4 056</b>	<b>2 947</b>	<b>9 694</b>
<b>Investing activities</b>			
Net purchase of loan portfolio	(3 817)	(2 728)	(7 034)
<b>Net cash flow relating to investing activities</b>	<b>(3 817)</b>	<b>(2 728)</b>	<b>(7 034)</b>
<b>Financing activities</b>			
Payments on redeemed bonds and commercial paper			(2 400)
Interest payments on issued bonds and commercial paper	(18)	(47)	(90)
Group contribution paid	(222)	(174)	(174)
<b>Net cash flow from financing activities</b>	<b>(240)</b>	<b>(222)</b>	<b>(2 664)</b>
<b>Net cash flow</b>	<b>(0)</b>	<b>(3)</b>	<b>(4)</b>
Cash as at 1 January	0	5	4
Net payments of cash	(0)	(3)	(4)
Cash at end of period	0	2	0

## Note 1 Basis for preparation

The quarterly financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. When preparing the financial statements, management makes estimates, judgment and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied appear in note 1 Accounting principles in the annual report for 2015.

## Note 2 Capital adequacy

Primary capital	DNB Næringskreditt AS	
	30 June 2016	31 Dec. 2015
<i>Amounts in NOK million</i>		
Share capital	550	550
Other equity	4 850	5 012
Total equity	5 400	5 562
Deductions		
Expected losses exceeding actual losses, IRB-portfolios	(18)	(20)
Value adjustments due to the requirements for prudent valuation (AVA)	(0)	(0)
Adjustments for deferred tax assets		
Adjustment for unrealised losses/(gains) on debt recorded at fair value	(16)	(16)
Allocated group contributions for payment		(162)
Tier 1 capital	5 365	5 364
Total eligible primary capital	5 365	5 364
Risk-weighted volume, transitional rules	20 583	21 157
Minimum capital requirement, transitional rules	1 647	1 693
Tier 1 capital ratio, transitional rules (%)	26.1	25.4
Capital ratio, transitional rules (%)	26.1	25.4

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

### Specification of risk-weighted volume and capital requirements

	DNB Næringskreditt AS				
	Nominal exposure	EAD <sup>1)</sup>	Risk- weighted volume	Capital require- ments	Capital require- ments
	30 June 2016	30 June 2016	30 June 2016	30 June 2016	31 Dec. 2015
<i>Amounts in NOK million</i>					
IRB approach					
Corporate	24 577	24 577	6 509	521	537
Total credit risk, IRB approach	24 577	24 577	6 509	521	537
Standardised approach					
Institutions	303	195	39	3	3
Corporate	1 343	1 343	1 343	107	261
Other assets	1	1	1	0	0
Total credit risk, standardised approach	1 647	1 539	1 383	111	263
Total credit risk	26 224	26 116	7 892	631	801
Credit value adjustment (CVA)			275	22	17
Operational risk			646	52	41
Total risk-weighted volume and capital requirements before transitional rules			8 813	705	859
Additional capital requirements according to transitional rules			11 770	942	834
Total risk-weighted volume and capital requirements			20 583	1 647	1 693

1) EAD, exposure at default.



## Note 3 Credit risk

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

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

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

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

## Note 4 Market risk

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

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

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

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

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

## Note 5 Liquidity risk

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

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

According to Section 11-2 of the Financial Institutions Act: "the mortgage institution shall ensure that payment flows from the cover assets at all times enable the mortgage institution to meet its payment obligations to the owners of bonds with preferential rights and counterparties in derivative agreements". The company's Board of Directors has decided that the company shall, at all times, have positive cash flows over the next 12 months.

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

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

DNB Næringskreditt has received, as a subsidiary of a systemic important institution in Norway, a regulatory LCR requirement of 100%. This is fulfilled from the beginning of July.

## Note 6 Net interest income

Amounts in NOK million	DNB Næringskreditt AS				
	2nd quarter 2016	2nd quarter 2015	2016	January-June 2015	Full year 2015
Interest on amounts due from credit institutions	0	1	1	2	3
Interest on loans to customers	180	184	363	373	725
Other interest income	(0)	0	(0)	0	0
<b>Total interest income</b>	<b>180</b>	<b>185</b>	<b>363</b>	<b>375</b>	<b>727</b>
Interest on amounts due to credit institutions	(81)	(77)	(159)	(155)	(305)
Interest on debt securities issued	(14)	(27)	(28)	(53)	(93)
<b>Total interest expenses</b>	<b>(94)</b>	<b>(104)</b>	<b>(187)</b>	<b>(209)</b>	<b>(398)</b>
<b>Net interest income</b>	<b>86</b>	<b>81</b>	<b>177</b>	<b>167</b>	<b>329</b>

## Note 7 Net gains on financial instruments at fair value

Amounts in NOK million	DNB Næringskreditt AS				
	2nd quarter 2016	2nd quarter 2015	2016	January-June 2015	Full year 2015
Net gains on financial liabilities, designated as at fair value <sup>1)</sup>	(8)	42	(39)	47	45
Net gains on financial derivatives, trading <sup>2)</sup>	3	(42)	35	(46)	(2)
<b>Net gains on financial instruments at fair value</b>	<b>(5)</b>	<b>0</b>	<b>(4)</b>	<b>1</b>	<b>44</b>

1) DNB Næringskreditt's fixed-rate bonds, issued in Norwegian kroner, are carried at fair value. The floating-rate bonds are carried at amortised cost. The market value of the fixed-rate bonds, carried at fair value, is impacted by the interest rate, including own credit risk premium. Reduced interest rates, including own credit risk premium, will increase the fair value of already issued Norwegian kroner liabilities. However, new funding issued at lower credit risk premiums will over time lead to decreased interest expenses. The fair value adjustments of the company's Norwegian kroner debt are reversed over the loans' remaining term to maturity.

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

## Note 8 Loans to customers

Loans to customers, including accrued interest, totaled NOK 25.9 billion at end-June 2016 (NOK 25.8 billion as at end-June 2015). There was no objective evidence of a decrease in value requiring individual impairment of the loans. Nor were any allocations made for individual impairment.

The loans have been reviewed for collective impairment. During the second quarter of 2016, there were net reversals on collective impairment gain with NOK 0.5 million.

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

Amounts in NOK million	DNB Næringskreditt AS		
	30 June 2016	31 Dec. 2015	30 June 2015
Loans to customers, nominal amount	25 820	26 566	25 661
+ Accrued interest	99	99	113
– Collective impairment	(6)	(6)	(7)
<b>Total loans to customers</b>	<b>25 913</b>	<b>26 659</b>	<b>25 768</b>

Amounts in NOK million	DNB Næringskreditt AS		
	30 June 2016	31 Dec. 2015	30 June 2015
Impairment as per 1 January	(6)	(7)	(7)
Changes in collective impairment	0	1	1
Impairment at end of period	(6)	(6)	(7)

## Note 9 Debt securities issued

						DNB Næringskreditt AS		
<i>Amounts in NOK million</i>		Nominal	Interest	Issued	Matured	30 June	31 Dec.	30 June
ISIN Code	Currency	value				2016	2015	2015
NO 0010543192	NOK	2 400	Floating	2009	2015			2 400
NO 0010694425	NOK	1 000	Floating	2013	2018	1 000	1 000	1 000
NO 0010694474	NOK	1 000	Fixed	2013	2023	1 133	1 095	1 093
Accrued interest						26	7	38
<b>Total debt securities issued</b>						<b>2 160</b>	<b>2 102</b>	<b>4 531</b>

### Cover pool

				DNB Næringskreditt AS		
<i>Amounts in NOK million</i>				30 June	31 Dec.	30 June
				2016	2015	2015
Pool of eligible loans				25 343	24 855	23 661
Market value of eligible derivatives				174	120	95
<b>Total collateralised assets</b>				<b>25 517</b>	<b>24 975</b>	<b>23 755</b>

Debt securities issued, carrying value				2 160	2 102	4 531
Less valuation changes attributable to changes in credit risk on debt carried at fair value				14	22	(13)
<b>Debt securities issued, valued according to regulation <sup>1)</sup></b>				<b>2 174</b>	<b>2 124</b>	<b>4 518</b>

Collateralisation (per cent)				1 174	1 176	526
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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 10 Financial instruments at fair value

					DNB Næringskreditt AS			
<i>Amounts in NOK million</i>		Valuation based on quoted prices in an active market	Valuation based on observable market data	Valuation based on other than observable market data	Total			
		Level 1	Level 2	Level 3				
<b>Assets as at 30 June 2016</b>								
Due from credit institutions			112					112
Financial derivatives			174					174
<b>Liabilities as at 30 June 2016</b>								
Debt securities issued			1 158					1 158

					DNB Næringskreditt AS			
<i>Amounts in NOK million</i>		Valuation based on quoted prices in an active market	Valuation based on observable market data	Valuation based on other than observable market data	Total			
		Level 1	Level 2	Level 3				
<b>Assets as at 30 June 2015</b>								
Financial derivatives			95					95
<b>Liabilities as at 30 June 2015</b>								
Debt securities issued			1 117					1 117

In the second quarter of 2016 DNB Næringskreditt entered into repurchase agreements (repos) with the bank as counterparty. The fair value of the repos is presented in level 2 and amounted to NOK 112 million at end-June 2016. For a further description of the instruments and valuation techniques, see the annual report for 2015.

## Note 11 Fair value of financial instruments at amortised cost

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

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

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

The table shows estimated fair values of items carried at amortised cost. For a further description of valuation methods, see the annual report for 2015.

### Fair value of financial instruments at amortised cost

<i>Amounts in NOK million</i>	30 June 2016		DNB Næringskreditt AS 30 June 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Due from credit institutions	0	0	40	40
Loans to customers	25 913	25 913	25 768	25 768
<b>Total financial assets</b>	<b>25 913</b>	<b>25 913</b>	<b>25 808</b>	<b>25 808</b>
Due to credit institutions	18 504	18 504	15 888	15 888
Debt securities issued	1 002	1 003	3 414	3 425
<b>Total financial liabilities</b>	<b>19 506</b>	<b>19 507</b>	<b>19 302</b>	<b>19 313</b>

<i>Amounts in NOK million</i>	Valuation based on quoted prices in an active market		Valuation based on other than observable market data		Total
	Level 1	Level 2	Level 3		
<b>Assets as at 30 June 2016</b>					
Due from credit institutions					
Loans to customers			25 913		25 913
<b>Liabilities as at 30 June 2016</b>					
Due to credit institutions		18 504			18 504
Debt securities issued		1 003			1 003

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

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

## **Note 12      Information on related parties**

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### **DNB Bank ASA**

During the first half of 2016, portfolios of NOK 3.8 billion were transferred from the bank to DNB Næringskreditt in accordance with the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Næringskreditt AS".

The management fee paid to the bank for purchased services is recognised as "Other expenses" in the statement of comprehensive income and amounted to NOK 41 million for the first half of 2016 (NOK 53 million for the first half of 2015).

At end-June, the bank had invested NOK 0.1 billion in covered bonds issued by DNB Næringskreditt.

In the second quarter of 2016 DNB Næringskreditt entered into reverse repurchasing agreements (reverse repos) with the bank as counterparty. The value of the repos amounted to NOK 112 million at end-June 2016.

### **DNB Boligkreditt AS**

DNB Næringskreditt has no employees and purchases administrative services from DNB Boligkreditt. On an annual basis, DNB Næringskreditt hires staff representing 2 full-time equivalents. The management fee amounted to NOK 1.7 million for the first half of 2016.

# Statement

## pursuant to Section 5-6 of the Securities Trading Act


We hereby confirm that the half-yearly financial statements for the company for the period 1 January through 30 June 2016 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole.

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

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

Oslo, 11 July 2016

The Board of Directors of DNB Næringskreditt AS



Bjørn Erik Næss  
(chairman)



Jørn E. Pedersen



Eva-Lill Strandskogen



Per Sagbakken  
(chief executive officer)

# Key figures

	DNB Næringskreditt AS				
	2nd quarter 2016	2nd quarter 2015	2016	January-June 2015	Full year 2015
<b>Rate of return/profitability</b>					
Return on equity, annualised (%) <sup>1)</sup>	3.3	2.7	3.4	2.9	3.5
<b>Financial strength at end of period</b>					
Common equity Tier 1 capital ratio, transitional rules (%)	26.1	26.0	26.1	26.0	25.4
Capital ratio, transitional rules (%)	26.1	26.0	26.1	26.0	25.4
Common equity Tier 1 capital (NOK million)	5 365	5 350	5 365	5 350	5 364
Risk-weighted volume, transitional rules (NOK million)	20 583	20 547	20 583	20 547	21 157

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

# Profit and balance sheet trends

## Comprehensive income statement

<i>Amounts in NOK million</i>	DNB Næringskreditt AS				
	2nd quarter 2016	1st quarter 2016	4th quarter 2015	3rd quarter 2015	2nd quarter 2015
Total interest income	180	183	171	181	185
Total interest expenses	(94)	(92)	(89)	(100)	(104)
<b>Net interest income</b>	<b>86</b>	<b>91</b>	<b>82</b>	<b>81</b>	<b>81</b>
Commission and fee income	0	0	0	0	0
Commission and fee expenses	(0)	(0)	(0)	(0)	0
Net gains on financial instruments at fair value	(5)	1	26	17	0
<b>Net other operating income</b>	<b>(5)</b>	<b>1</b>	<b>26</b>	<b>17</b>	<b>0</b>
<b>Total income</b>	<b>81</b>	<b>92</b>	<b>108</b>	<b>98</b>	<b>81</b>
Other expenses	(21)	(27)	(29)	(20)	(32)
<b>Total operating expenses</b>	<b>(21)</b>	<b>(27)</b>	<b>(29)</b>	<b>(20)</b>	<b>(32)</b>
Impairment of loans and commitments	1	(1)	0	(0)	0
<b>Pre-tax operating profit</b>	<b>61</b>	<b>65</b>	<b>79</b>	<b>77</b>	<b>50</b>
Tax expense	(15)	(16)	(21)	(21)	(13)
<b>Profit for the period</b>	<b>46</b>	<b>49</b>	<b>58</b>	<b>56</b>	<b>36</b>
Other comprehensive income					
<b>Total comprehensive income for the period</b>	<b>46</b>	<b>49</b>	<b>58</b>	<b>56</b>	<b>36</b>

## Balance sheet

<i>Amounts in NOK million</i>	DNB Næringskreditt AS				
	30 June 2016	31 March 2016	31 Dec. 2015	30 Sept. 2015	30 June 2015
<b>Assets</b>					
Due from credit institutions	112	75	28	159	40
Loans to customers	25 913	26 695	26 659	25 764	25 768
Financial derivatives	174	162	120	146	95
Deferred tax assets				5	5
Other assets	1	1	1	1	1
<b>Total assets</b>	<b>26 200</b>	<b>26 933</b>	<b>26 807</b>	<b>26 075</b>	<b>25 909</b>
<b>Liabilities and equity</b>					
Due to credit institutions	18 504	19 089	19 068	15 950	15 888
Debt securities issued	2 160	2 143	2 102	4 565	4 531
Payable taxes	29	73	60	50	29
Deferred taxes	6	6	6		
Other liabilities	7	12	9	7	13
<b>Total liabilities</b>	<b>20 706</b>	<b>21 323</b>	<b>21 245</b>	<b>20 572</b>	<b>20 462</b>
Share capital	550	550	550	550	550
Share premium	4 604	4 604	4 604	4 604	4 604
Other equity	340	456	408	349	293
<b>Total equity</b>	<b>5 494</b>	<b>5 610</b>	<b>5 562</b>	<b>5 503</b>	<b>5 447</b>
<b>Total liabilities and equity</b>	<b>26 200</b>	<b>26 933</b>	<b>26 807</b>	<b>26 075</b>	<b>25 909</b>



# Contact information

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## **Other sources of information**

### **Annual and quarterly reports**

DNB Næringskreditt AS is part of the DNB Bank Group and the DNB Group. Annual and quarterly reports for DNB Næringskreditt AS, the DNB Bank Group and the DNB Group are available on [dnb.no](http://dnb.no)

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

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