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## DNB NÆRINGSKREDITT AS

– a company in the DNB Group

First quarter report 2015  
(Unaudited)

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# Financial highlights

## DNB Næringskreditt AS

### Comprehensive income statement

<i>Amounts in NOK 1 000</i>	1st quarter 2015	1st quarter 2014	Full year 2014
Net interest income	85 262	85 523	364 041
Net other operating income	1 581	5 374	(7 784)
Operating expenses	27 737	25 405	116 365
Impairment of loans and commitments	(670)	1 697	215
Pre-tax operating profit	59 777	63 795	239 678
Tax expense	16 133	17 234	64 723
<b>Profit for the period</b>	<b>43 644</b>	<b>46 561</b>	<b>174 955</b>

### Balance sheet

<i>Amounts in NOK million</i>	31 March 2015	31 Dec. 2014	31 March 2014
Total assets	25 098	26 088	24 533
Loans to customers	24 600	25 905	24 389
Debt securities issues	4 564	4 561	4 453
Total equity	5 585	5 541	5 568

### Key figures

<i>Per cent</i>	1st quarter 2015	1st quarter 2014	Full year 2014
Combined weighted total average spread for lending <sup>1)</sup>	0.90	0.86	0.90
Return on equity, annualised	3.1	3.4	3.2
Common equity Tier 1 capital ratio, transitional rules	27.1	27.4	25.9
Capital ratio, transitional rules	27.1	27.4	25.9
Net non-performing and impaired loans, per cent of net loans	0.00	0.00	0.00

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

# First quarter report 2015

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# Directors' report

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

## Financial accounts

DNB Næringskreditt recorded a profit of NOK 44 million in the first quarter of 2015, compared with a profit of NOK 47 million in the first quarter of 2014.

### Total income

Income totalled NOK 87 million in the first quarter of 2015, down from NOK 91 million in the year-earlier period.

Amounts in NOK million	1st quarter 2015	Change	1st quarter 2014
Total income	87	(4)	91
Net interest income		0	
Net gains/(losses) on financial instruments at fair value		(4)	

Net interest income was at the same level in the first quarter of 2015 as in the first quarter of 2014.

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

### Operating expenses and impairment of loans

Operating expenses are volatile due to the management fee paid to DNB Bank. The cooperation with DNB Bank is formalised through an extensive servicing agreement that ensures DNB Næringskreditt sound competence in key areas and cost-effective operations. The management fee calculation is based primarily on lending volume and the spreads achieved. The size of the management fee is related to net interest income. The fee amounted to NOK 25 million in the first quarter of 2015, up from NOK 23 million in the first quarter of 2014.

The company has recorded no individual impairment losses in previous years, and in the first quarter of 2015 net reversals on collective impairment losses of NOK 0.7 million were recorded. 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 end-March 2015, DNB Næringskreditt had total assets of NOK 25.1 billion under management, an increase of NOK 0.6 billion or 2.3 per cent from end-March 2014.

Amounts in NOK million	31 March 2015	Change	31 March 2014
Total assets	25 098	565	24 533
Loans to customers		211	
Financial derivatives		101	
Other assets		253	
Total liabilities	19 513	548	18 965
Due to credit institutions		436	
Debt securities issued		112	

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

The company did not issue covered bonds in the first quarter of 2015. Total debt securities issued amounted to NOK 4.6 billion at end-March 2015.

## Risk and capital adequacy

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

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

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

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

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

At year-March 2015, the company's equity totalled NOK 5.6 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 27.1 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

### Basel IV on the way

During the first quarter of 2015, the Basel Committee issued a consultative document relating to the new capital adequacy regulations for banks. Revisions to the standardised approach for credit risk have been proposed by replacing the current link between risk weights and external credit ratings with a limited number of risk factors, including the borrower's revenues, leverage/loan-to-value ratio and debt-service coverage ratio. The risk factors will vary depending on the type of exposure.

At the same time, the Basel Committee introduced a new floor that will limit reductions in risk weights when using IRB models. The purpose is to ensure that the total level of capital in the banking system does not fall below a certain threshold. In addition, the floor is intended to mitigate model risk and measurement error. The floor will be linked to the revised standardised approach and will replace the current transitional rules, which are based on Basel I ("Basel I floor").

It has not yet been clarified whether the new floor will apply to individual portfolios or to total risk-weighted assets. Nor does the consultative document say anything about the calibration of the floor. In the period ahead, the Basel Committee will consider the final calibration of the risk weights based on feedback from the consultation.

## Macroeconomic developments

There is still moderate growth in the global economy, though there are considerable differences from country to country. GDP rose by 0.9 per cent in the euro countries in 2014. After a very weak trend throughout the summer, growth picked up slightly towards the end of 2014. In Sweden, the United Kingdom and the United States, GDP increased by close to 2.5 per cent in 2014. Among emerging economies, the picture was mixed in the first quarter of 2015. The large commodity exporters, such as Brazil and Russia, showed a particularly weak development.

The price of oil fell to just over 45 US dollars a barrel from June 2014 to January 2015, after hovering around 110 US dollars for almost four years. Since then, the price of oil has picked up somewhat and was approximately 65 US dollars per barrel at the end of April. During the January through March period, low oil prices had different consequences in the various regions. China and other emerging markets in Asia are among the largest oil importers. Japan, Europe and the United States also import large quantities of oil. Large oil exporters include Mexico, Venezuela, Canada, Russia and many countries in the Middle East. Based on new extraction technology, the United States has built up a considerable oil producing sector in recent years. This sector has been affected by the fall in the price of oil. However, the effect of a lower oil price is expected to be positive for the US economy as a whole.

In Norway, lower demand from the petroleum industry and a sluggish trend in private consumption contributed to reduced economic growth throughout 2014. The strong fall in the price of crude oil

will reinforce the negative impulses in the future, while an expansive fiscal and monetary policy will help curb the cyclical downturn. The declining price of oil means lower revenues for Norway, while demand from the petroleum industry for deliveries from Norwegian companies is falling as a result of weaker profitability. The total scope of these effects depends on the extent and duration of the fall in oil prices. But even based on current oil prices, extensive oil and gas production will be profitable and ensure demand for deliveries from Norwegian companies for several decades ahead. The negative demand effects are limited by the high share of imports. In addition, a weaker Norwegian krone and lower wage inflation will stimulate mainland industries exposed to competition, which will also benefit from a certain increase in international demand.

The market remained attractive for covered bond issuers with strong credit ratings in the first quarter of 2015. Lower returns in other asset classes seemed to have a positive impact on the demand for covered bonds from highly rated issuers.

## Future prospects


Economic forecasts for 2015 indicate moderate global economic growth. Economic growth is also expected in Norway, though the growth will probably slow somewhat in 2015 as a result of declining oil investments and their spillover effects on the mainland economy. Lending volumes are expected to increase at an annual rate of 3 to 4 per cent, provided that exchange rates remain stable. Volume-weighted spreads are expected to be constant in 2015.

The loan portfolio of DNB Næringskreditt is expected to increase in the period ahead as a result of further transfers of loans from DNB Bank ASA. Overall, there is conditional optimism with respect to commercial property in Norway.

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


Oslo, 29 April 2015

The Board of Directors of DNB Næringskreditt AS


  
Bjørn Erik Næss  
(chairman)

  
Reidar Bolme

  
Elisabeth Ege

  
Jørn E. Pedersen

  
Eva-Lill Strandskogen

  
Per Sagbakken  
(chief executive officer)

# Comprehensive income statement

		DNB Næringskreditt AS		
<i>Amounts in NOK 1 000</i>	Note	1st quarter 2015	1st quarter 2014	Full year 2014
Total interest income	6	190 265	198 723	862 978
Total interest expenses	6	105 004	113 200	498 937
<b>Net interest income</b>	6	<b>85 262</b>	<b>85 523</b>	<b>364 041</b>
Commission and fee income		488	58	793
Commission and fee expenses		25	25	101
Net gains on financial instruments at fair value	7	1 118	5 341	(8 475)
<b>Net other operating income</b>		<b>1 581</b>	<b>5 374</b>	<b>(7 784)</b>
<b>Total income</b>		<b>86 843</b>	<b>90 897</b>	<b>356 258</b>
Other expenses	12	27 737	25 405	116 365
<b>Total operating expenses</b>		<b>27 737</b>	<b>25 405</b>	<b>116 365</b>
Impairment of loans and commitments	8	(670)	1 697	215
<b>Pre-tax operating profit</b>		<b>59 777</b>	<b>63 795</b>	<b>239 678</b>
Tax expense		16 133	17 234	64 723
<b>Profit for the period</b>		<b>43 644</b>	<b>46 561</b>	<b>174 955</b>
Other comprehensive income		0	0	0
<b>Total comprehensive income for the period</b>		<b>43 644</b>	<b>46 561</b>	<b>174 955</b>

# Balance sheet

		DNB Næringskreditt AS		
<i>Amounts in NOK 1 000</i>	Note	31 March 2015	31 Dec. 2014	31 March 2014
<b>Assets</b>				
Due from credit institutions	11, 12	364 711	56 147	113 344
Loans to customers	8, 10, 11	24 599 951	25 905 361	24 389 255
Financial derivatives	10, 12	127 462	119 826	26 561
Deferred tax assets		5 285	5 285	2 818
Other assets		960	960	960
<b>Total assets</b>		<b>25 098 368</b>	<b>26 087 579</b>	<b>24 532 938</b>
<b>Liabilities and equity</b>				
Due to credit institutions	11, 12	14 858 988	15 907 941	14 423 346
Financial derivatives	10, 12	0	0	0
Debt securities issued	9, 10, 11, 12	4 564 192	4 560 848	4 452 540
Payable taxes		81 910	67 189	80 362
Other liabilities		8 342	10 309	8 991
<b>Total liabilities</b>		<b>19 513 433</b>	<b>20 546 286</b>	<b>18 965 240</b>
Share capital		550 000	550 000	550 000
Share premium		4 604 100	4 604 100	4 604 100
Other equity		430 836	387 192	413 598
<b>Total equity</b>		<b>5 584 936</b>	<b>5 541 292</b>	<b>5 567 698</b>
<b>Total liabilities and equity</b>		<b>25 098 368</b>	<b>26 087 579</b>	<b>24 532 938</b>

# Statement of changes in equity

DNB Næringskreditt AS				
<i>Amounts in NOK 1 000</i>	Share capital	Share premium	Other equity	Total equity
<b>Balance sheet as at 31 December 2013</b>	<b>550 000</b>	<b>4 604 100</b>	<b>367 037</b>	<b>5 521 137</b>
Profit for the period			46 561	46 561
<b>Total comprehensive income for the period</b>			<b>46 561</b>	<b>46 561</b>
<b>Balance sheet as at 31 March 2014</b>	<b>550 000</b>	<b>4 604 100</b>	<b>413 598</b>	<b>5 567 698</b>
<b>Balance sheet as at 31 December 2014</b>	<b>550 000</b>	<b>4 604 100</b>	<b>387 192</b>	<b>5 541 292</b>
Profit for the period			43 644	43 644
<b>Total comprehensive income for the period</b>			<b>43 644</b>	<b>43 644</b>
<b>Balance sheet as at 31 March 2015</b>	<b>550 000</b>	<b>4 604 100</b>	<b>430 836</b>	<b>5 584 936</b>

## Share capital

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

# Cash flow statement

DNB Næringskreditt AS			
<i>Amounts in NOK 1 000</i>	1st quarter 2015	1st quarter 2014	Full year 2014
<b>Operating activities</b>			
Net receipts/payments on loans to customers	1 912 878	(577 988)	3 739 497
Interest received from customers	203 957	188 559	844 807
Net receipts/payments on loans to/from credit institutions	(1 352 445)	1 168 849	2 699 271
Interest received from credit institutions	1 162	289	6 830
Interest paid to credit institutions	(89 130)	(86 587)	(389 723)
Payments for operating expenses	(30 149)	(29 852)	(120 878)
Taxes paid	(1 412)		
<b>Net cash flow relating to activities</b>	<b>644 861</b>	<b>663 271</b>	<b>6 779 803</b>
<b>Investing activities</b>			
Net purchase of loan portfolio	(621 651)	(638 549)	(6 469 192)
<b>Net cash flow relating to investing activities</b>	<b>(621 651)</b>	<b>(638 549)</b>	<b>(6 469 192)</b>
<b>Financing activities</b>			
Receipts on issued bonds and commercial paper	0	0	0
Interest payments on issued bonds and commercial paper	(24 916)	(26 197)	(102 455)
Group contribution paid			(215 000)
<b>Net cash flow from financing activities</b>	<b>(24 916)</b>	<b>(26 197)</b>	<b>(317 455)</b>
<b>Net cash flow</b>	<b>(1 706)</b>	<b>(1 475)</b>	<b>(6 843)</b>
Cash as at 1 January	4 521	11 364	11 364
Net receipts/payments of cash	(1 706)	(1 475)	(6 843)
Cash at end of period	2 815	9 889	4 521

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

## Note 1 Basis for preparation

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The quarterly financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. A description of the accounting principles applied by the company when preparing the financial statements appears in the annual report for 2014. The annual and interim financial statements for the company have been prepared in accordance with IFRS endorsed by EU.

When preparing the financial statements, management makes estimates, judgment and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the significant estimates and areas where judgment is applied appear in note 1 Important accounting estimates, judgments and assumptions in the annual report for 2014.

## Note 2 Capital adequacy

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Primary capital	DNB Næringskreditt AS	
	31 March 2015	31 Dec. 2014
<i>Amounts in NOK 1 000</i>		
Share capital	550 000	550 000
Other equity	4 991 292	4 991 192
Total equity	5 541 292	5 541 192
Deductions		
Expected losses exceeding actual losses, IRB portfolios	(6 662)	(6 530)
Value adjustments due to the requirements for prudent valuation	0	(53)
Adjustments for deferred tax assets	(5 285)	(5 285)
Allocated group contributions for payment	(174 955)	(174 955)
Tier 1 capital	5 354 390	5 354 369
Total eligible primary capital	5 354 390	5 354 369
Risk-weighted volume, transitional rules	19 732 442	20 709 580
Minimum capital requirement, transitional rules	1 578 595	1 656 766
Tier 1 capital ratio, transitional rules (%)	27.1	25.9
Capital ratio, transitional rules (%)	27.1	25.9

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



## Note 2 Capital adequacy (continued)

Specification of risk-weighted volume and capital requirements	DNB Næringskreditt AS				
	Nominal exposure 31 March 2015	EAD <sup>1)</sup> 31 March 2015	Risk-weighted volume 31 March 2015	Capital requirements 31 March 2015	Capital requirements 31 Dec. 2014
<i>Amounts in NOK 1 000</i>					
IRB approach					
Corporate	12 582 727	12 582 726	3 908 548	312 684	325 140
Total credit risk, IRB approach	12 582 727	12 582 726	3 908 548	312 684	325 140
Standardised approach					
Institutions	493 711	493 711	246 856	19 748	7 726
Corporate	12 024 701	12 024 701	12 024 701	961 976	1 036 131
Other assets	960	960	960	77	77
Total credit risk, standardised approach	12 519 372	12 519 372	12 272 516	981 801	1 043 933
Total credit risk	25 102 099	25 102 098	16 181 064	1 294 485	1 369 073
Credit value adjustment risk (CVA)			243 723	19 498	18 567
Operational risk			622 913	49 833	49 833
Total risk-weighted volume and capital requirements before transitional rules			17 047 700	1 363 816	1 437 473
Additional capital requirements according to transitional rules			2 684 742	214 779	219 293
Total risk-weighted volume and capital requirements			19 732 442	1 578 595	1 656 766

1) EAD, exposure at default.

## Note 3 Credit risk

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

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

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

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

## Note 4 Market risk

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

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

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

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

Relative to the company's primary capital, the company's interest rate risk is considered to be insignificant. In the opinion of the 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

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

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

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

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

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

DNB Næringskreditt's liquidity situation for the first quarter of 2015 can be characterised as sound.

## Note 6 Net interest income

	DNB Næringskreditt AS		
	1st quarter 2015	1st quarter 2014	Full year 2014
<i>Amounts in NOK 1 000</i>			
Interest on amounts due from credit institutions	1 162	289	6 830
Interest on loans to customers	189 094	198 427	856 083
Other interest income	9	7	65
<b>Total interest income</b>	<b>190 265</b>	<b>198 723</b>	<b>862 978</b>
Interest on amounts due to credit institutions	78 300	84 884	383 645
Interest on debt securities issued	26 704	28 316	115 292
<b>Total interest expenses</b>	<b>105 004</b>	<b>113 200</b>	<b>498 937</b>
<b>Net interest income</b>	<b>85 262</b>	<b>85 523</b>	<b>364 041</b>

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

Amounts in NOK 1 000	DNB Næringskreditt AS		
	1st quarter 2015	1st quarter 2014	Full year 2014
Net gains on financial liabilities, designated as at fair value <sup>1)</sup>	4 460	(26 290)	(144 000)
Net gains on financial derivatives, trading <sup>2)</sup>	(3 342)	31 631	135 525
<b>Net gains on financial instruments at fair value</b>	<b>1 118</b>	<b>5 341</b>	<b>(8 475)</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, totalled NOK 24.6 billion at end-March 2015 (NOK 24.4 billion as at end-March 2014). There was no objective evidence of a decrease in value requiring individual impairment of the loans. Nor were any allocations made for individual impairment.

The loans have been reviewed for collective impairment. During the first quarter of 2015, there were net reversals on collective impairment losses with NOK 0.7 million.

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

Amounts in NOK 1 000	DNB Næringskreditt AS		
	31 March 2015	31 Dec. 2014	31 March 2014
Loans to customers at amortised cost, nominal amount	24 496 819	25 788 046	24 274 888
– Individual impairment	0	0	0
Loans to customers, after individual impairment	24 496 819	25 788 046	24 274 888
+ Accrued interest and amortisation	109 782	124 636	124 167
– Individual impairment on accrued interest	0	0	(997)
Loans to customers, at amortised cost	24 606 601	25 912 682	24 398 058
– Collective impairment	6 650	7 321	8 803
<b>Total loans to customers</b>	<b>24 599 951</b>	<b>25 905 361</b>	<b>24 389 255</b>

Amounts in NOK 1 000	DNB Næringskreditt AS		
	31 March 2015	31 March 2014	31 Dec. 2014
Impairment as per 1 January	7 321	7 106	7 106
Changes in individual impairment	0	0	0
Changes in collective impairment	(670)	1 697	215
Impairment at end of period	6 650	8 803	7 321

Of which: Individual impairment  
Individual impairment of accrued interest and amortisation  
Collective impairment

6 650      8 803      7 321

## Note 9 Debt securities issued

						<b>DNB Næringskreditt AS</b>		
<i>Amounts in NOK 1 000</i>						31 March	31 Dec.	31 March
ISIN Code	Currency	Nominal value	Interest	Issued	Matured	2015	2014	2014
NO 0010543192	NOK	2 400 000	Floating	2009	2015	2 400 000	2 400 000	2 400 000
NO 0010694425	NOK	1 000 000	Floating	2013	2018	1 000 000	1 000 000	1 000 000
NO 0010694474	NOK	1 000 000	Fixed	2013	2023	1 135 600	1 140 060	1 022 350
Accrued interest						28 592	20 788	30 190
<b>Total debt securities issued</b>						<b>4 564 192</b>	<b>4 560 848</b>	<b>4 452 540</b>

				<b>DNB Næringskreditt AS</b>		
<i>Amounts in NOK 1 000</i>				31 March	31 Dec.	31 March
				2015	2014	2014
<b>Cover pool</b>						
Pool of eligible loans				20 881 860	20 950 379	22 061 080
Market value of eligible derivatives				127 462	120 710	26 561
Supplementary assets				0	0	103 454
<b>Total collateralised assets</b>				<b>21 009 323</b>	<b>21 071 089</b>	<b>22 191 095</b>
Debt securities issued, carrying value				4 550 064	4 543 366	4 452 540
Market value of eligible derivatives				0	0	0
Less valuation changes attributable to changes in credit risk on debt carried at fair value				(14 128)	(17 482)	(2 435)
<b>Debt securities issued, valued according to regulation <sup>1)</sup></b>				<b>4 535 937</b>	<b>4 525 884</b>	<b>4 450 106</b>
Collateralisation (per cent)				463.2	465.6	498.7

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

## Note 10 Financial instruments at fair value

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

### Level 1

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

### Level 2

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

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

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

### Level 3

Techniques for which inputs that have a significant effect on the recorded fair value are not based on observable market data.

DNB Næringskreditt has no financial instruments in this category.

						<b>DNB Næringskreditt AS</b>				
<i>Amounts in NOK 1 000</i>						Valuation based on quoted prices in an active market	Valuation based on other than observable market data			
						Level 1	Level 2	Level 3	Accrued interest <sup>1)</sup>	Total
<b>Assets as at 31 March 2015</b>										
Financial derivatives							127 462			127 462
<b>Liabilities as at 31 March 2015</b>										
Debt securities issued							1 135 600		14 544	1 150 144

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

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

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

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

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

The table shows estimated fair values of items carried at amortised cost. Values are measured based on the valuation methods described in note 10.

### Fair value of financial instruments at amortised cost

	31 March 2015		DNB Næringskreditt AS 31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>Amounts in NOK 1 000</i>				
Due from credit institutions	364 711	364 711	113 344	113 344
Loans to customers	24 599 951	24 599 951	24 389 255	24 389 255
<b>Total financial assets</b>	<b>24 964 662</b>	<b>24 964 662</b>	<b>24 502 599</b>	<b>24 502 599</b>
Due to credit institutions	14 858 988	14 858 988	14 423 346	14 423 346
Debt securities issued	3 414 048	3 428 398	3 415 646	3 427 104
<b>Total financial liabilities</b>	<b>18 273 036</b>	<b>18 287 386</b>	<b>17 838 992</b>	<b>17 838 992</b>

	Valuation			DNB Næringskreditt AS	
	based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Accrued interest	Total
<i>Amounts in NOK 1 000</i>					
<b>Assets as at 31 March 2015</b>					
Due from credit institutions		364 711			364 711
Loans to customers			24 490 169	109 782	24 599 951
<b>Liabilities as at 31 March 2015</b>					
Due to credit institutions		14 819 813		39 175	14 858 988
Debt securities issued		3 414 351		14 048	3 428 398

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

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

## Note 12 Information on related parties

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

### DNB Bank ASA

DNB Bank ASA (the bank) is the parent of DNB Næringskreditt. As part of ordinary business transactions, a large number of banking transactions are entered into between DNB Næringskreditt and the bank. The transactions are regulated in the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Næringskreditt AS" (the transfer agreement) and the "Contract concerning purchase of management services" (the management agreement).

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. During the first quarter of 2015, portfolios of NOK 0.6 billion were transferred from the bank to DNB Næringskreditt. All transactions are carried out at market terms.

Pursuant to the management agreement, DNB Næringskreditt purchases services from the bank, including administration, bank production, distribution, customer contact, IT operations, financial and liquidity management. DNB Næringskreditt pays a management fee for these services based on the lending volume under management and the achieved lending spreads. The management fee amounted to NOK 24.7 million for the first quarter of 2015 (NOK 23.1 million for the first quarter of 2014).

In the balance sheet "Loans to and deposits with credit institutions" and "Due to credit institutions" are solely outstandings with DNB Bank. All derivative contracts are with DNB Bank as counterparty. At end-March, the bank had invested NOK 3.0 billion in covered bonds issued by DNB Næringskreditt.

### DNB Boligkreditt AS

DNB Næringskreditt has no employees and purchases administrative services from DNB Boligkreditt. On an annual basis, DNB Næringskreditt hires staff representing 2.3 full-time equivalents. The management fee amounted to NOK 1.0 million for the first quarter of 2015. DNB Boligkreditt is a wholly-owned subsidiary of DNB Bank.

## Note 13 Contingencies

DNB Næringskreditt is not involved in any legal actions.

## Key figures

	DNB Næringskreditt AS		
	1st quarter 2015	1st quarter 2014	Full year 2014
<b>Rate of return/profitability</b>			
Return on equity, annualised (%) <sup>1)</sup>	3.1	3.4	3.2
<b>Financial strength at end of period</b>			
Common equity Tier 1 capital ratio, transitional rules (%)	27.1	27.4	25.9
Capital ratio, transitional rules (%)	27.1	27.4	25.9
Common equity Tier 1 capital (NOK 1 000)	5 354 290	5 360 034	5 354 369
Risk-weighted volume, transitional rules (NOK 1 000)	19 732 442	19 543 905	20 709 580

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

# Profit and balance sheet trends

## Comprehensive income statement

DNB Næringskreditt AS

<i>Amounts in NOK 1 000</i>	1st quarter 2015	4th quarter 2014	3rd quarter 2014	2nd quarter 2014	1st quarter 2014
Total interest income	190 265	218 549	231 554	214 152	198 723
Total interest expenses	105 004	122 956	137 901	124 879	113 200
<b>Net interest income</b>	<b>85 262</b>	<b>95 593</b>	<b>93 652</b>	<b>89 273</b>	<b>85 523</b>
Commission and fee income	488	442	87	205	58
Commission and fee expenses	25	27	25	25	25
Net gains on financial instruments at fair value	1 118	(5 506)	1 022	(9 332)	5 341
<b>Net other operating income</b>	<b>1 581</b>	<b>(5 091)</b>	<b>1 085</b>	<b>(9 151)</b>	<b>5 374</b>
<b>Total income</b>	<b>86 843</b>	<b>90 503</b>	<b>94 737</b>	<b>80 121</b>	<b>90 897</b>
Other expenses	27 737	34 432	28 874	27 654	25 405
<b>Total operating expenses</b>	<b>27 737</b>	<b>34 432</b>	<b>28 874</b>	<b>27 654</b>	<b>25 405</b>
Impairment of loans and commitments	(670)	(437)	336	(1 381)	1 697
<b>Pre-tax operating profit</b>	<b>59 777</b>	<b>56 508</b>	<b>65 527</b>	<b>53 848</b>	<b>63 795</b>
Tax expense	16 133	15 257	17 692	14 539	17 234
<b>Profit for the period</b>	<b>43 644</b>	<b>41 251</b>	<b>47 835</b>	<b>39 309</b>	<b>46 561</b>
Other comprehensive income	0	0	0	0	0
<b>Comprehensive income for the period</b>	<b>43 644</b>	<b>41 251</b>	<b>47 835</b>	<b>39 309</b>	<b>46 561</b>

## Balance sheet

DNB Næringskreditt AS

<i>Amounts in NOK 1 000</i>	31 March 2015	31 Dec. 2014	30 Sept. 2014	30 June 2014	31 March 2014
<b>Assets</b>					
Due from credit institutions	364 711	56 147	514 861	229 100	113 344
Loans to customers	24 599 951	25 905 361	26 723 945	25 958 888	24 389 255
Financial derivatives	127 462	119 826	94 866	66 058	26 561
Deferred tax assets	5 285	5 285	2 818	2 818	2 818
Other assets	960	960	960	960	960
<b>Total assets</b>	<b>25 098 368</b>	<b>26 087 579</b>	<b>27 337 449</b>	<b>26 257 824</b>	<b>24 532 938</b>
<b>Liabilities and equity</b>					
Due to credit institutions	14 858 988	15 907 941	17 236 279	16 259 989	14 423 346
Financial derivatives	0	0	0	0	0
Debt securities issued	4 564 192	4 560 848	4 530 388	4 502 594	4 452 540
Payable taxes	81 910	67 189	52 394	34 702	80 362
Other liabilities	8 342	10 309	18 346	8 333	8 991
<b>Total liabilities</b>	<b>19 513 433</b>	<b>20 546 286</b>	<b>21 837 407</b>	<b>20 805 617</b>	<b>18 965 240</b>
Share capital	550 000	550 000	550 000	550 000	550 000
Share premium	4 604 100	4 604 100	4 604 100	4 604 100	4 604 100
Other equity	430 836	387 192	345 942	298 107	413 598
<b>Total equity</b>	<b>5 584 936</b>	<b>5 541 292</b>	<b>5 500 042</b>	<b>5 452 207</b>	<b>5 567 698</b>
<b>Total liabilities and equity</b>	<b>25 098 368</b>	<b>26 087 579</b>	<b>27 337 449</b>	<b>26 257 824</b>	<b>24 532 938</b>

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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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EVERY DAY.  
WHEN IT MATTERS  
THE MOST.

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