FIRST QUARTER REPORT 2016
(Unaudited)

DNB

Q1

DNB Næringskreditt

A company in the DNB Group

Financial highlights

Income statement

DNB Næringskreditt AS

Amounts in NOK million	1st quarter 2016	1st quarter 2015	Full year 2015
Net interest income	91	85	329
Net other operating income	1	2	45
Operating expenses	(27)	(28)	(108)
Impairments on loans and commitments	(1)	1	1
Pre-tax operating profit	65	60	266
Tax expense	(16)	(16)	(71)
Profit for the period	**49**	**44**	**195**

Balance sheet

Amounts in NOK million	31 March 2016	31 Dec. 2015	31 March 2015
Total assets	26 933	26 807	25 098
Loans to customers	26 695	26 659	24 600
Debt securities issued	2 143	2 102	4 564
Total equity	5 610	5 562	5 585

Key figures

Per cent	1st quarter 2016	1st quarter 2015	Full year 2015
Combined weighted total average spread for lending 1)	1.01	0.90	0.86
Return on equity, annualised	3.5	3.1	3.5
Common equity Tier 1 capital ratio, transitional rules	25.3	27.1	25.4
Capital ratio, transitional rules	25.3	27.1	25.4
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.

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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 49 million in the first quarter of 2016, compared with a profit of NOK 44 million in the first quarter of 2015.

Total income

Income totalled NOK 92 million in the first quarter of 2016, up from NOK 87 million in the year-earlier period.

Amounts in NOK million	1st quarter 2016	Change	1st quarter 2015
Total income	92	5	87
Net interest income		6	
Net commission and fee income		(1)	
Net gains/(losses) on financial instruments at fair value			

Net interest income increased by NOK 6 million from the first quarter of 2015 to the first quarter of 2016 due to increased 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 24 million in the first quarter of 2016, down from NOK 25 million in the first quarter of 2015.

The company has recorded no individual impairment losses in previous years, which was also the case in the first 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-March 2016, DNB Næringskreditt had total assets of NOK 26.9 billion, an increase of NOK 1.8 billion or 7.3 per cent from end-March 2015.

Amounts in NOK million	31 March 2016	Change	31 March 2015
Total assets	26 933	1 835	25 098
Loans to customers		2 096	
Financial derivatives		35	
Other assets		(295)	
Total liabilities	21 323	1 810	19 513
Due to credit institutions		4 230	
Debt securities issued		(2 421)	
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 first quarter of 2016. Total debt securities issued amounted to NOK 2.1 billion at end-March 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-March 2016, 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 both 25.3 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

Finanstilsynet recommends 3 per cent leverage ratio requirement for mortgage institutions

The Basel Committee has proposed the introduction of a leverage ratio requirement of minimum 3 per cent as a supplement to capital requirements based on risk-weighting of the bank's exposures. .

In the EU, the ambition is to introduce the requirement with effect from 2018, though the EU has not yet come to a decision on the level of the ratio. By year-end 2016, the European Commission will submit a proposal to the Parliament and the Council for new regulations relating to the leverage ratio. The proposal will be based on advice from the European Banking Authority, EBA, which is expected to be presented in July 2016. The Commission's proposal will probably clarify the scope of action of the national supervisory authorities.

In a letter to the Ministry of Finance dated 31 March 2016, Finanstilsynet recommends deferring the introduction of the leverage ratio until the EU regulations have been finalised. Parallel to this, Finanstilsynet has prepared a consultation paper and draft regulations, which was part of its mandate from the Ministry of Finance.

At year-end 2015, the aggregate leverage ratio of Norwegian banks was 7.1 per cent, while DNB ASA reported a leverage ratio of 6.7 per cent. If a minimum leverage ratio requirement is to be stipulated, Finanstilsynet is of the opinion that it should be set at a level not much below the actual level in Norwegian financial services groups and banks. However, the requirement should not be set so high that the risk-weighted capital will no longer function as the binding capital constraint. The Ministry concurs and has stated that it intends to set the leverage ratio requirement at a level which does not result in higher capital requirements for Norwegian institutions.

Against this background, Finanstilsynet proposes a minimum requirement of 6 per cent for banks and banking groups, as well as for financial services groups, with the exception of groups which predominantly comprise insurance operations. It has also been proposed that this requirement should apply to other institutions, with the exception of mortgage institutions. Finanstilsynet proposes that the level for mortgage institutions be set at 3 per cent.

It is recommended that the requirement be based on the same definition of leverage ratio that will apply to the rest of Europe. In light of the consultation round and the subsequent assessment of consultative statements, Finanstilsynet assumes that the new regulations in Norway will enter into force no earlier than shortly before the Commission presents its final draft proposal.

Institution-specific counter-cyclical capital buffer rate

According to the EU regulations, mutual recognition of counter-cyclical capital buffer requirements is mandatory as of 1 January 2016. This implies that all financial institutions comprised by this requirement must calculate their institution-specific counter-cyclical buffer requirement based on prevailing requirements in the countries in which the institution has operations. This stipulation has not yet been introduced in Norway, where the requirement is 1 per cent (1.5 per cent as of 30 June 2016) of total risk-weighted assets, including international exposures.

Pillar 2 requirements

Pillar 2 in the EU capital requirements regulations, CRD IV, is a key element in the supervision of banks. According to Pillar 2, the individual bank must assess the risks associated with its operations and consider the need for capital. The supervisory authorities may order banks to hold own funds in excess of the statutory minimum requirements, to reduce risk or make other changes to their operations.

The Pillar 2 requirements relate to risk factors which are not covered by Pillar 1 and must be met in their entirety with common equity Tier 1 capital. Finanstilsynet's review (SREP) of the DNB Group in 2015 resulted in a Pillar 2 capital requirement of 1.0 per cent of risk-weighted assets for DNB Næringskreditt. The total common equity Tier 1 capital requirement was 13.5 per cent at year-end 2015 and will be 15.5 per cent at year-end 2016, reflecting an increase in Pillar 1 buffer requirements during 2016. The requirement may be adjusted in the event of future changes in the Pillar 2 add-on or buffer requirements, cf. the effects of the introduction of an institution-specific counter-cyclical buffer.

The Ministry of Finance states that automatic restrictions on dividend payments etc. according to prevailing Norwegian law shall only enter into force if the Pillar 1 requirements are breached. Nevertheless, Finanstilsynet may, based on a concrete assessment, implement corresponding or other measures in the event of breach of the total capital requirements, including the Pillar 2 add-on.

Macroeconomic developments

Growth in the global economy is continuing at a moderate pace. Some loss of growth momentum in advanced economies and continuing headwinds for emerging markets have lowered prospects for a global rebound. Renewed global asset market volatility at the start of the year also weighed on the outlook. According to the latest IMF figures, global GDP is expected to increase by 3.2 per cent in 2016 and 3.5 per cent in 2017, which is 0.2 and 0.1 percentage points lower than the IMF's January forecasts. In 2015, GDP growth was 3.1 per cent.

In the United States, growth slowed in the fourth quarter of 2015, primarily reflecting developments in resource extraction and manufacturing. As in other countries, petroleum investment continued to fall sharply in the face of low oil prices. In addition, the appreciation of the US dollar over the past two years has contributed to a decline in exports and curbed growth in other manufacturing sectors. However, the rise in employment is still strong, and unemployment has fallen below 5.0 per cent. Some rebound is expected in the period ahead. The Federal Reserve raised its policy rate in December 2015, marking the start of a rate hike cycle. So far, the prospects for further rate increases this year have fallen substantially, but it is still likely that policy rates will be raised further before the end of the year.

The moderate growth in the euro area continued in the fourth quarter of 2015. The upturn is firmly established in several countries, and unemployment has come down from elevated levels. Towards the end of 2015, there were signs of a slow-down, primarily in the manufacturing sector. This continued into 2016. Weaker growth among euro area trading partners and vulnerabilities in the European banking sector are weighing on growth prospects. The benefits from the fall in energy prices look set to decline, and financial conditions have been tightening since mid-2014 despite the accommodative monetary policy. Thus, growth may slow somewhat in 2016 and 2017.

The Bank of Japan introduced negative interest rates on marginal excess reserve deposits in February. The move did not prevent a rise for the yen. The recent appreciation of the yen and weaker demand from emerging market economies may restrain activity in Japan during the first half of 2016. A scheduled increase in the consumption tax rate of 2 percentage points in 2017 may lower GDP growth further if it comes into effect.

China, now the world's largest economy on a purchasing-power-parity basis, is navigating a momentous but complex transition towards more sustainable growth based on consumption and services. Ultimately, that process will benefit both China and the rest of the world. Given China's important role in global trade, however, bumps along the way could have substantial spillover effects, especially on emerging markets and developing economies. Growth in China is projected to slow to 6.4 per cent this year and 5.9 per cent in 2017, but there will be considerable downside risks.

Norwegian Mainland GDP rose by 1.0 per cent in 2015, which was lower than most forecasts. The economy remained at a virtual standstill in the second half of 2015, primarily reflecting 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 has risen and was 4.8 per cent in January 2016 according to the Labour Force Survey. There are, however, large regional and occupational variations in unemployment.

Unemployment has been stable in the eastern and middle part of the country, while the western and coastal parts have experienced a marked rise in unemployment. Corresponding differences are also observed in the market for commercial property. Overall, commercial property prices rose in the Oslo area, while Stavanger experienced a decline.

Weak prospects and rising unemployment have contributed to curbing wage growth. After mandatory mediations, the partners in the benchmark wage settlements came to an agreement that indicates wage growth of 2.4 per cent in 2016, the lowest nominal level since 1935. The decline in wage growth and the depreciation of the Norwegian krone improve the cost competitiveness of Norwegian companies.

Future prospects

Recent developments in the Norwegian economy indicate a slow speed into 2016. In addition, growth in the mainland economy may be lower than the previously forecasted 1.2 per cent. 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. The central bank has also indicated the possibility of a zero policy rate. Accommodative monetary and fiscal policies support the economy during the process to adapt to lower oil prices. As oil prices are expected to partly recover, 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, 27 April 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

Amounts in NOK million	Note	DNB Næringskreditt AS 1st quarter 2016	1st quarter 2015	Full year 2015
Total interest income	6	183	190	727
Total interest expenses	6	(92)	(105)	(398)
Net interest income	**6**	**91**	**85**	**329**
Commission and fee income		0	0	1
Commission and fee expenses		(0)	(0)	(0)
Net gains on financial instruments at fair value	7	1	1	44
Net other operating income		**1**	**2**	**45**
Total income		**92**	**87**	**374**
Other expenses	12	(27)	(28)	(108)
Total operating expenses		**(27)**	**(28)**	**(108)**
Impairment of loans and commitments	8	(1)	1	1
Pre-tax operating profit		**65**	**60**	**266**
Tax expense		(16)	(16)	(71)
Profit for the period		**49**	**44**	**195**
Other comprehensive income				
Total comprehensive income for the period		**49**	**44**	**195**

Balance sheet

Amounts in NOK million	Note	DNB Næringskreditt AS 31 March 2016	31 Dec. 2015	31 March 2015
Assets				
Due from credit institutions	11, 12	75	28	365
Loans to customers	8, 10, 11	26 695	26 659	24 600
Financial derivatives	10, 12	162	120	127
Deferred tax assets				5
Other assets		1	1	1
Total assets		**26 933**	**26 807**	**25 098**
Liabilities and equity				
Due to credit institutions	11, 12	19 089	19 068	14 859
Debt securities issued	9, 10, 11, 12	2 143	2 102	4 564
Payable taxes		73	60	82
Deferred taxes		6	6	
Other liabilities		12	9	8
Total liabilities		**21 323**	**21 245**	**19 513**
Share capital		550	550	550
Share premium		4 604	4 604	4 604
Other equity		456	408	431
Total equity		**5 610**	**5 562**	**5 585**
Total liabilities and equity		**26 933**	**26 807**	**25 098**

Statement of changes in equity

				DNB Næringskreditt AS
Amounts in NOK million	Share capital	Share premium	Other equity	Total equity
Balance sheet as at 31 December 2014	**550**	**4 604**	**387**	**5 541**
Profit for the period			44	44
Total comprehensive income for the period			**44**	**44**
Balance sheet as at 31 March 2015	**550**	**4 604**	**431**	**5 585**
Balance sheet as at 31 December 2015	**550**	**4 604**	**408**	**5 562**
Profit for the period			49	49
Total comprehensive income for the period			**49**	**49**
Balance sheet as at 31 March 2016	**550**	**4 604**	**456**	**5 610**

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
	January - March		Full year
Amounts in NOK million	2016	2015	2015
Operating activities			
Net receipts on loans to customers	3 068	1 913	6 256
Interest received from customers	172	204	751
Net receipts/payments on loans to/from credit institutions	(29)	(1 352)	3 195
Interest received from credit institutions	1	1	3
Interest paid to credit institutions	(82)	(89)	(333)
Payments for operating expenses	(24)	(30)	(111)
Taxes paid	(3)	(1)	(67)
Net cash flow relating to operating activities	**3 103**	**645**	**9 694**
Investing activities			
Net purchase of loan portfolio	(3 095)	(622)	(7 034)
Net cash flow relating to investing activities	**(3 095)**	**(622)**	**(7 034)**
Financing activities			
Payments on redeemed bonds and commercial paper			(2 400)
Interest payments on issued bonds and commercial paper	(9)	(25)	(90)
Group contribution paid			(174)
Net cash flow from financing activities	**(9)**	**(25)**	**(2 664)**
Net cash flow	**(0)**	**(2)**	**(4)**
Cash as at 1 January	0	4	4
Net payments of cash	(0)	(2)	(4)
Cash at end of period	(0)	3	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

Amounts in NOK million	DNB Næringskreditt AS 31 March 2016	31 Dec. 2015
Share capital	550	550
Other equity	5 012	5 012
Total equity	5 562	5 562
Deductions		
Expected losses exceeding actual losses, IRB-portfolios	(17)	(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)	(162)
Tier 1 capital	5 366	5 364
Total eligible primary capital	5 366	5 364
Risk-weighted volume, transitional rules	21 229	21 157
Minimum capital requirement, transitional rules	1 698	1 693
Tier 1 capital ratio, transitional rules (%)	25.3	25.4
Capital ratio, transitional rules (%)	25.3	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

Amounts in NOK million	Nominal exposure 31 March 2016	EAD [1] 31 March 2016	Risk-weighted volume 31 March 2016	Capital require-ments 31 March 2016	Capital require-ments 31 Dec. 2015
IRB approach					
Corporate	23 618	23 618	6 544	523	537
Total credit risk, IRB approach	23 618	23 618	6 544	523	537
Standardised approach					
Institutions	238	238	48	4	3
Corporate	3 086	3 086	3 086	247	261
Other assets	1	1	1	0	0
Total credit risk, standardised approach	3 325	3 325	3 135	251	263
Total credit risk	26 943	26 943	9 679	774	801
Credit value adjustment (CVA)			273	22	17
Operational risk			646	52	41
Total risk-weighted volume and capital requirements before transitional rules			10 598	848	859
Additional capital requirements according to transitional rules			10 630	850	834
Total risk-weighted volume and capital requirements			21 229	1 698	1 693

1) EAD, exposure at default.

Note 3 Credit risk

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

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

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

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

Note 4 Market risk

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

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

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

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

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

Note 5 Liquidity risk

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

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

According to Section 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's liquidity situation for the first quarter of 2016 can be characterised as sound.

Note 6 Net interest income

Amounts in NOK million	DNB Næringskreditt AS 1st quarter 2016	1st quarter 2015	Full year 2015
Interest on amounts due from credit institutions	1	1	3
Interest on loans to customers	183	189	725
Other interest income	0	0	0
Total interest income	**183**	**190**	**727**
Interest on amounts due to credit institutions	(78)	(78)	(305)
Interest on debt securities issued	(14)	(27)	(93)
Total interest expenses	**(92)**	**(105)**	**(398)**
Net interest income	**91**	**85**	**329**

Note 7 Net gains on financial instruments at fair value

Amounts in NOK million	DNB Næringskreditt AS 1st quarter 2016	1st quarter 2015	Full year 2015
Net gains on financial liabilities, designated as at fair value [1]	(31)	4	45
Net gains on financial derivatives, trading [2]	32	(3)	(2)
Net gains on financial instruments at fair value	**1**	**1**	**44**

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

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

Note 8 Loans to customers

Loans to customers, including accrued interest, totaled NOK 26.7 billion at end-March 2016 (NOK 24.6 billion as at end-March 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 first quarter of 2016, there were net reversals on collective impairment losses with NOK 0.1 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 31 March 2016	31 Dec. 2015	31 March 2015
Loans to customers, nominal amount	26 593	26 566	24 497
+ Accrued interest	109	99	110
– Collective impairment	(7)	(6)	(7)
Total loans to customers	**26 695**	**26 659**	**24 600**

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

Note 9 Debt securities issued

						DNB Næringskreditt AS		
Amounts in NOK million ISIN Code	Currency	Nominal value	Interest	Issued	Matured	31 March 2016	31 Dec. 2015	31 March 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	1 126	1 095	1 136
Accrued interest						17	7	29
Total debt securities issued						**2 143**	**2 102**	**4 564**

Cover pool

	DNB Næringskreditt AS		
Amounts in NOK million	31 March 2016	31 Dec. 2015	31 March 2015
Pool of eligible loans	25 779	24 855	20 882
Market value of eligible derivatives	162	120	127
Total collateralised assets	**25 940**	**24 975**	**21 009**
Debt securities issued, carrying value	2 143	2 102	4 550
Less valuation changes attributable to changes in credit risk on debt carried at fair value	20	22	(14)
Debt securities issued, valued according to regulation [1]	**2 162**	**2 124**	**4 536**
Collateralisation (per cent)	1 200	1 176	463

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	
Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 31 March 2016				
Financial derivatives		162		162
Liabilities as at 31 March 2016				
Debt securities issued		1 140		1 140

			DNB Næringskreditt AS	
Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 31 March 2015				
Financial derivatives		127		127
Liabilities as at 31 March 2015				
Debt securities issued		1 150		1 150

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

DNB Næringskreditt AS

	31 March 2016		31 March 2015	
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Due from credit institutions	75	75	365	365
Loans to customers	26 695	26 695	24 600	24 600
Total financial assets	26 771	26 771	24 965	24 965
Due to credit institutions	19 089	19 089	14 859	14 859
Debt securities issued	1 002	1 005	3 414	3 428
Total financial liabilities	20 091	20 094	18 273	18 287

DNB Næringskreditt AS

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 31 March 2016				
Due from credit institutions		75		75
Loans to customers			26 695	26 695
Liabilities as at 31 March 2016				
Due to credit institutions		19 089		19 089
Debt securities issued		1 005		1 005

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 2016, portfolios of NOK 3.1 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 24.1 million for the first quarter of 2016 (NOK 24.7 million for the first quarter of 2015).

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 0.4 billion in covered bonds issued by DNB Næringskreditt.

DNB Boligkreditt AS

DNB Næringskreditt has no employees and purchases administrative services from DNB Boligkreditt. On an annual basis, DNB Næringskreditt hires staff representing 2 full-time equivalents. The management fee amounted to NOK 1.0 million for the first quarter of 2016. DNB Boligkreditt is a wholly-owned subsidiary of DNB Bank.

Key figures

	DNB Næringskreditt AS		
	1st quarter 2016	1st quarter 2015	Full year 2015
Rate of return/profitability			
Return on equity, annualised (%) [1)]	3.5	3.1	3.5
Financial strength at end of period			
Common equity Tier 1 capital ratio, transitional rules (%)	25.3	27.1	25.4
Capital ratio, transitional rules (%)	25.3	27.1	25.4
Common equity Tier 1 capital (NOK million)	5 366	5 354	5 364
Risk-weighted volume, transitional rules (NOK million)	21 229	19 732	21 157

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

Profit and balance sheet trends

Comprehensive income statement					**DNB Næringskreditt AS**
Amounts in NOK million	1st quarter 2016	4th quarter 2015	3rd quarter 2015	2nd quarter 2015	1st quarter 2015
Total interest income	183	171	181	185	190
Total interest expenses	(92)	(89)	(100)	(104)	(105)
Net interest income	**91**	**82**	**81**	**81**	**85**
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	1	26	17	0	1
Net other operating income	**1**	**26**	**17**	**0**	**2**
Total income	**92**	**108**	**98**	**81**	**87**
Other expenses	(27)	(29)	(20)	(32)	(28)
Total operating expenses	**(27)**	**(29)**	**(20)**	**(32)**	**(28)**
Impairment of loans and commitments	(1)	0	(0)	0	1
Pre-tax operating profit	**65**	**79**	**77**	**50**	**60**
Tax expense	(16)	(21)	(21)	(13)	(16)
Profit for the period	**49**	**58**	**56**	**36**	**44**
Other comprehensive income					
Total comprehensive income for the period	**49**	**58**	**56**	**36**	**44**

Balance sheet					**DNB Næringskreditt AS**
Amounts in NOK million	31 March 2016	31 Dec. 2015	30 Sept. 2015	30 June 2015	31 March 2015
Assets					
Due from credit institutions	75	28	159	40	365
Loans to customers	26 695	26 659	25 764	25 768	24 600
Financial derivatives	162	120	146	95	127
Deferred tax assets			5	5	5
Other assets	1	1	1	1	1
Total assets	**26 933**	**26 807**	**26 075**	**25 909**	**25 098**
Liabilities and equity					
Due to credit institutions	19 089	19 068	15 950	15 888	14 859
Debt securities issued	2 143	2 102	4 565	4 531	4 564
Payable taxes	73	60	50	29	82
Deferred taxes	6	6			
Other liabilities	12	9	7	13	8
Total liabilities	**21 323**	**21 245**	**20 572**	**20 462**	**19 513**
Share capital	550	550	550	550	550
Share premium	4 604	4 604	4 604	4 604	4 604
Other equity	456	408	349	293	431
Total equity	**5 610**	**5 562**	**5 503**	**5 447**	**5 585**
Total liabilities and equity	**26 933**	**26 807**	**26 075**	**25 909**	**25 098**

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Other sources of information

Annual and quarterly reports

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

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