Annual report 2013

DNB NÆRINGSKREDITT AS

– a company in the DNB Group

Key figures

DNB Næringskreditt AS

Statement of comprehensive income

Amounts in NOK 1000	2013	2012	2011	2010	2009
Net interest income	317 385	335 262	320 093	257 199	52 220
Net other operating income	(10 015)	1 000	877	409	(10)
Operating expenses	89 903	77 307	64 684	41 657	4 604
Impairments on loans and commitments	2 098	(3 222)	2 029	200	6 000
Pre-tax operating profit	215 369	262 177	254 256	215 750	41 606
Taxes	60 408	73 409	71 192	60 410	11 650
Profit for the period	**154 962**	**188 767**	**183 065**	**155 340**	**29 956**

Balance sheet *Amounts in NOK million*	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009
Total assets	23 742	21 452	23 035	18 136	17 179
Loans to customers	23 165	21 294	22 559	17 347	11 589
Debt securities issued	4 417	2 415	2 421	2 418	2 415
Total equity	5 521	5 555	5 549	5 366	5 366

Key figures

Per cent	2013	2012	2011	2010	2009
Combined average lending spreads for loans [1)]	0.77	0.59	0.38	0.29	n/a
Return on equity, annualised [2)]	3.7	3.2	3.4	2.9	1.7
Tier 1 capital ratio at end of period	28.8	31.5	23.1	30.2	42.1
Capital ratio at end of period	28.8	31.5	23.1	30.2	42.1
Net non-performing and impaired loans, per cent of net loans	0.00	(0.02)	0.01	0.00	0.05

1) *Based on nominal values excluding impaired loans, measured against actual funding cost.*
2) *Average equity is calculated on the basis of recorded equity*

Annual report

Notes to the accounts

Directors' report 2013

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors comfirms that the accounts have been prepared on a going concern basis, and that the going concern assumptions applies.

Pursuant to Section 3-9 of the Norwegian Accounting Act, DNB Næringskreditt prepares annual accounts in accordance with IFRS, International Financial Reporting Standars, approved by the EU.

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, of which NOK 2.0 billion was issued in the fourth quarter of 2013. 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. On 13 March 2014, Moody's upgraded the company's bonds from Aa1 to Aaa.

Operations in 2013

DNB Næringskreditt recorded a profit of NOK 155 million in 2013, compared with a profit of NOK 189 million in 2012. Interest rate spreads stabilised at a higher level than in 2012. However, average net loans to customers decreased slightly during 2013 and the net effect was thus a reduction in net interest income.

The company's commercial mortgage portfolio totalled NOK 23.2 billion at year-end 2013, rising by NOK 1.9 billion or 8.8 per cent over the preceding 12 months. Debt securities issued in the form of covered bonds increased from NOK 2.4 billion in 2012 to NOK 4.4 billion at year-end 2013.

Strategy

DNB Næringskreditt is a tool for DNB Bank to offer commercial mortgages on competitive terms. The issue of covered bonds secured by the company's cover pool will contribute to favourable funding for the banking group. The bonds are offered in Norwegian kroner primarily for the national market.

DNB Næringskreditt's assets comprise loans secured by commercial property within 60 per cent of the property's appraised value. New mortgages are provided through the bank's distribution channels. The bank is responsible for customer relations and all customer contact, marketing and product development. The company follows the bank's credit policy, credit strategy and credit process.

The quality and risk profile of the mortgages included in the cover pool shall ensure that the company's Aa1 rating target for its covered bonds is met.

The target group for covered bonds is national and international financial institutions and other investors.

Corporate governance and internal control

DNB Næringskreditt's corporate governance principles are based on the DNB Group's corporate governance policy. The Group's policy follows the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance.

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

The Board of Directors of DNB Næringskreditt reviews the financial reporting process. The company follows the DNB Group's policy for financial governance, which includes requirements for quality assurance of financial reporting processes to ensure relevant, timely and uniform reporting to internal stakeholders, regulators and capital market participants.

DNB Næringskreditt has no employees, but purchases administrative services from DNB Boligkreditt. DNB Boligkreditt has a management team which is adapted to its organisation and operations. The team reviews the process of internal control over financial reporting, and implements adequate and effective internal processes in accordance with established requirements. This encompasses DNB Næringskreditt. Processes include control measures to ensure that the financial reporting is of high quality. Every year, the team makes an evaluation of compliance with external and internal regulations and prepares a plan to implement any required improvements.

The Board of Directors reviews management's proposed annual accounts for DNB Næringskreditt.

Review of the annual accounts

DNB Næringskreditt recorded a profit of NOK 155 million in 2013, compare with a profit of NOK 189 million in 2012.

Total income

Income totalled NOK 307 million in 2013, down from NOK 336 million in 2012.

Amounts in NOK million	2013	Change	2012
Total income	307	(29)	336
Net interest income		(18)	
Net commission and fee income		(1)	
Net gains (losses) on financial instruments at fair value		(10)	

Interest rate spreads stabilised at a higher level in 2013, but average net loans to customers decreased slightly during 2013 and the net effect was thus a reduction in net interest income.

The recorded losses 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 management fee for 2013 was NOK 77 million, up from NOK 68 million in 2012.

Thus far, the company has recorded no individual impairment losses. Collective impairment losses of NOK 2.1 million were recorded in 2013. The Board of Directors considers the level of impairment to be satisfactory relative to the high quality of the loan portfolio.

Funding, liquidity and balance sheet

Balance sheet

At year-end 2013, DNB Næringskreditt had total assets of NOK 23.7 billion under management, an increase of NOK 2.3 billion or 10.7 per cent from year-end 2012.

Amounts in NOK million	31 Dec. 2013	Change	31 Dec. 2012
Total assets	23 742	2 290	21 452
Loans to customers		1 870	
Financial derivatives		2	
Other assets		418	
Total liabilities	18 221	2 324	15 897
Due to credit institutions		310	
Financial derivatives		16	
Debt securities issued		2 002	
Other liabilities		(4)	

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.

Debt securities issued increased by a net NOK 2.0 billion from year-end 2012. The company issued covered bonds totalling NOK 2.0 billion in 2013. Total debt securities issued amounted to NOK 4.4 billion at year-end 2013.

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.

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 commercial property 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.

As at year-end 2013, 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 28.8 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

The EU's new capital adequacy regulations, CRR and CRD IV, entered into force on 1 January 2014. The regulations are based on the Basel Committee's recommendations on new and stricter capital and liquidity standards, Basel III. Norway has chosen to introduce the capital requirements earlier than on the implementation date specified in the international regulations. The new legislation became effective as from 1 July 2013 and requires a common equity Tier 1 capital ratio of minimum 9 per cent and a capital adequacy ratio of 12.5 per cent. The requirement will be increased to 10.0 per cent by 1 July 2014, while the capital adequacy requirement will be increased to 13.5 per cent.

Requirements have also been introduced for a special buffer for systemically important institutions of 2.0 per cent common equity Tier 1 capital, as well as a counter-cyclical capital buffer of maximum 2.5 per cent. The counter-cyclical capital buffer is relevant to DNB Næringskreditt, and will be applied as from 30 June 2015.

In October 2013, the Ministry of Finance also determined rules for the weighting of bank's commercial mortgages in capital adequacy calculations. At the same time, it was announced that prevailing rules relating to the so-called Basel I floor will be retained. For DNB Næringskreditt, the Basel I floor will represent the actual limit for risk-weighted assets.

Employees and working environment

DNB Næringskreditt has no employees, and purchases administrative services from DNB Boligkreditt. In the opinion of the Board of Directors, the company's activities do not pollute the external environment.

The Board of Directors has five members, including two women.

Macroeconomic developments

International economic growth remains moderate, and there are large differences between individual countries. In the US and Great Britain, economic growth increased markedly through 2013. After declining for six consecutive quarters, the euro economy showed a slight rebound from the second quarter of the year. However, there are great variations within the eurozone, ranging from strong growth in Germany to downturns in Italy and France. The picture is also mixed among emerging economies. In China, growth rebounded in 2013, while India and Mexico struggled with very weak growth rates.

In Norway, growth in the mainland economy was below the trend growth rate throughout 2013. There was a healthy trend in the engineering industry, mainy due to rising petroleum investment, while a number of other industry sectors showed a less favourable development as a result of the international recession. Norwegian exports stagnated in 2013, but due to a markedly weaker Norwegian krone and slightly stronger international growth, export is expected to pick up in the period ahead.

Housing prices in Norway showed a decline in the second half of 2013, and at year-end 2013 prices were slightly lower than a year before. Households have become more pessimistic about the Norwegian economy, and the weak price trend in the housing market is expected to continue.

Acitivity levels in the commercial property rental market are rising, with higher rents for the best properties. At the same time, there is still great uncertainty with respect to how the Norwegian liquidity and capital requirements will be designed, and how this will affect bank lending practices and lending spreads. Conditions in the transaction market normalised in 2013, with more transactions and slightly better access to capital.

The market remained attractive for covered bond issuers with strong credit ratings in 2013. Lower returns in other asset classes seemed to have a positive impact on the demand for covered bonds from highly rated issuers, especially covered bond issues with a long term to maturity. However, the volume of covered bond issues in 2013 was rather low compared to 2012.

Future prospects

According to current economic forecasts, a cautious recovery is expected in both the Norwegian and the international economy, though developments remain highly uncertain. In Norway, the uncertainty relates to housing market trends, though updated forecasts do not indicate any significant reduction in values in the Norwegian housing market in 2014. Overall, there is conditional optimism with respect to commercial property in Norway.

In consequence of the interest rate increases implemented for personal and corporate customers in 2013, the level of interest income rose throughout the year. DNB Næringskreditt expects spreads to remain relatively stable in the coming period. The loan portfolio is expected to increase in the period ahead as a result of IRB approval of the loan portfolio and further transfers of loans from DNB Bank ASA.

The particularly strict requirements for Norwegian financial institutions mean that competitors that are not subject to the same capital requirements may be in a better position to increase their market shares at the expense of Norwegian institutions. DNB Næringskreditt, however, is already adequately capitalised to meet the new capital requirements.

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. The company will continue to arrange bond issues in the market.

Dividends and the allocation of profits

The profit for 2013 was NOK 155.0 million. The Board of Directors proposes that NOK 154.8 million be allocated as group contributions to DNB Bank ASA.

Oslo, 13 March 2014
The Board of Directors of DNB Næringskreditt AS

Bjørn Erik Næss
(chairman)

Stein Ove Steffensen

Elisabeth Ege

Eva-Lill Strandskogen

Rein Øsebak

Øyvind Birkeland
(chief executive officer)

Statement pursuant to Section 5-5 of the Securities Trading Act

We hereby confirm that the annual accounts for the company for 2013 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole.

The directors' report gives a true and fair view of the development and performance of the business and the company, as well as a description of the principal risks and uncertainties facing the company.

Oslo, 13 March 2014
The Board of Directors of DNB Næringskreditt AS

Bjørn Erik Næss (chairman)		Stein Ove Steffensen
Elisabeth Ege	Eva-Lill Strandskogen	Rein Øsebak
		Øyvind Birkeland (chief executive officer)

Comprehensive income statement

DNB Næringskreditt AS

Amounts in NOK 1 000	Note	2013	2012
Total interest income	7	757 570	892 747
Total interest expenses	7	440 184	557 485
Net interest income	7	**317 385**	**335 262**
Commission and fee income		221	1 055
Commission and fee expenses		81	55
Net gains (losses) on financial instruments at fair value	8	(10 156)	-
Net other operating income		**(10 015)**	**1 000**
Total income		**307 370**	**336 262**
Other expenses	17	89 903	77 307
Total operating expenses		**89 903**	**77 307**
Impairments on loans and commitments	11	2 098	(3 222)
Pre-tax operating profit		**215 369**	**262 177**
Tax expense	9	60 408	73 409
Profit for the period		**154 962**	**188 767**
Other comprehensive income		-	-
Total comprehensive income for the period		**154 962**	**188 767**

Balance sheet

DNB Næringskreditt AS

		31 Dec.	31 Dec.
Amounts in NOK 1 000	Note	2013	2012
Assets			
Due from credit institutions	10, 15	571 517	157 317
Loans to customers	10, 11, 15	23 164 541	21 294 343
Financial derivatives	10, 12, 14	1 864	-
Deferred tax assets	9	2 818	97
Other assets		960	-
Total assets		**23 741 700**	**21 451 758**
Liabilities and equity			
Due to credit institutions	10, 15	13 709 979	13 400 436
Financial derivatives	10, 12, 14	15 962	-
Debt securities issued	10, 13, 14, 15	4 417 224	2 414 985
Payable taxes		63 128	73 385
Other liabilities		14 269	8 072
Total liabilities		**18 220 563**	**15 896 878**
Share capital		550 000	550 000
Share premium		4 604 100	4 694 100
Other equity		367 037	310 780
Total equity		**5 521 137**	**5 554 880**
Total liabilities and equity		**23 741 700**	**21 451 758**

Oslo, 13 March 2014
The Board of Directors of DNB Næringskreditt AS

Bjørn Erik Næss
(chairman)

Stein Ove Steffensen

Elisabeth Ege

Eva-Lill Strandskogen

Rein Øsebak

Øyvind Birkeland
(chief executive officer)

Statement of changes in equity

DNB Næringskreditt AS

Amounts in NOK 1000	Share capital	Share premium	Other equity	Total equity
Balance sheet as at 1 January 2012	**550 000**	**4 604 100**	**395 000**	**5 549 100**
Profit for the period	-	-	188 767	188 767
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**0**	**0**	**188 767**	**188 767**
Group contribution paid	-	-	(182 987)	(182 987)
Balance sheet as at 31 December 2012	**550 000**	**4 604 100**	**400 780**	**5 554 880**
Balance sheet as at 1 January 2013	**550 000**	**4 604 100**	**400 780**	**5 554 880**
Profit for the period	-	-	154 962	154 962
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**0**	**0**	**154 962**	**154 962**
Group contribution paid	-	-	(188 704)	(188 704)
Balance sheet as at 31 December 2013	**550 000**	**4 604 100**	**367 037**	**5 521 137**

Share capital

All of the company's shares and voting rights are held by DNB Bank ASA. Share capital at the beginning of 2013 was NOK 550 million (550 000 shares at NOK 1 000).

Statement of cash flows

DNB Næringskreditt AS

Amounts in NOK 1 000	2013	2012
OPERATING ACTIVITIES		
Net receipts/payments on loans to customers	1 894 346	3 114 630
Net receipts/payments on loans to/from credit institutions	(109 693)	(1 234 504)
Interest received from credit institutions	6 919	9 394
Interest paid to credit institutions	(381 613)	(523 159)
Payments for operating expenses	(84 526)	(76 788)
Net cash flow from operating activities	**2 071 151**	**2 183 222**
Investing activities		
Net purchase of loan portfolio	(3 761 709)	(1 857 465)
Net cash flow relating to investing activities	**(3 761 709)**	**(1 857 465)**
Financing activities		
Receipts on issued bonds and commercial paper	2 000 000	-
Interest payments on issued bonds and commercial paper	(56 816)	(75 414)
Group contribution paid	(262 089)	(254 149)
Net cash flow from financing activities	**1 681 095**	**(329 563)**
Net cash flow	**(9 462)**	**(3 806)**
Cash at beginning of period	20 826	24 633
Net receipts/payments of cash	(9 462)	(3 806)
Cash at end of period	11 364	20 826

The statement of cash flows 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.

During the fourth quarter of 2013, certain items in the cash flow statement were reclassified. Among other things, net receipts/payments on loans to credit institutions and appurtenant interest were included in operating activites with effect from the fourth quarter of 2013. Prior to this, these items were included under financing activities. Comparable figures for previous periods have been restated.

Accounting principles

Corporate information
DNB Næringskreditt AS is a wholly owned subsidiary of DNB Bank ASA. The ultimate parent of the group is DNB ASA. Both the group's and DNB Næringskreditt AS' registered offices, are in Oslo, Norway.

DNB Næringskreditt is the DNB Group's vehicle for the issue of covered bonds based on residential mortgages.

The annual financial statements for the year ended 31 December 2013 were authorised for issue by the Board of Directors on 13 March 2014.

Basis for preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and endorsed by the EU.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets and liabilities designated as at fair value through profit or loss, which have all been measured at fair value. The carrying values of liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to reflect changes in fair value attributable to the risk that are being hedged.

DNB Næringskreditt AS' functional currency and presentation currency is Norwegian kroner. All values are rounded to NOK thousands, except when otherwise indicated.

The statement of financial position is broadly in order of liquidity.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis. Income and costs are not offset unless required or permitted under IFRS.

Changes in accounting principles
The following new standards and amendments were taken into use with effect from the 2013 accounting year:

IFRS 13 Fair Value Measurement entered into force as of 1 January 2013. The standard includes principles and guidance for fair value measurement of assets and liabilities when other IFRSs require or permit fair value measurements. The standard does not change what is required or permitted to be measured at fair value and have not changed any fair value measurement estimates in the company's balance sheet. IFRS 13 requires more detailed note information in both quarterly and annual accounts. This information is presented in notes 14 and 15.

Amendments to IFRS 7 – Financial instruments – disclosures entered into force as of 1 January 2013. The amendments require information about the offsetting of balance sheet items, and the respective amounts that are a result of such offsetting. There are currently no offsetting on DNB Næringskreditt's balance sheet. The company's netting rights are in compliance with general rules in Norwegian legislation. Unilateral netting clauses in favour of DNB Næringskreditt have been included in all of the company's loan agreements with DNB Bank ASA. CSA agreements (Credit Support Annex) have been entered into with DNB Bank, which implies that market values of all derivatives entered into between DNB Næringskreditt and DNB Bank are settled either daily or weekly. The amounts are not set off in the balance sheet as the transactions are generally not settled on a net basis.

Conversion of transactions in foreign currency
All transactions are initially recognised in the statement of comprehensive income or the balance sheet at the transaction date foreign exchange rate. All monetary items nominated in foreign currencies are translated to NOK based on the reporting date foreign exchange rate. Movements in the exchange rates between transaction date and reporting date or settlement date, are recognised in the statement of comprehensive income.

Recognition of income and expenses
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Expenses are recognised as they incur, normally when the services are rendered or the goods purchased are delivered.

Interest income and expenses are recorded using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation of the effective interest includes fees or incremental costs that are directly attributable to the financial instrument.

Interest income and expenses are recognised in the statement of comprehensive income as "Total interest income" and "Total interest expenses" respectively. This applies to interest related to all loans and borrowings, both those carried at amortised cost and those carried at fair value.

Interest on loans that have been written down due to impairment losses, are recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment. For fixed rate loans, this will be the originally calculated effective interest rate. For floating rate loans this will be the effecttive interest rate applied at the time of calculating the impairment loss.

Commissions are recognised in the statement of comprehensive income when earned as income or incurred as expenses.

Fees for services are recognised as income as rendered.

Financial instruments

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

Financial assets are derecognised when the rights to receive cash flows from the asset have expired. Financial liabilities are derecognised when the obligation under the liability is settled or expired.

Initial measurement
The classification of financial instruments at initial recognition depends on the purpose and the management's intentions for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and liabilities recorded at fair value through profit or loss. Fair value at initial recognition is the transaction price i.e. the consideration paid to or received from the other party, unless a different value can be justified based on observable market transactions. The company has not recorded any such "day 1" adjustments in the financial statements of 2013 or 2012.

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

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

Financial derivatives
The company uses derivatives such as interest rate swaps and these derivatives are accounting for as trading instruments.

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

Financial assets and financial liabilities designated as at fair value through profit or loss
Issued bonds with fixed interest rate and nominated in Norwegian kroner, are on initial recognition designated as at fair value through profit or loss (fair value option). The bonds are issued at fixed interest rates, but swapped to floating rates by the use of interest rate swaps. To reduce measurement inconsistency that would have arisen from measuring bonds at amortised cost while the derivatives are measured at fair value, the bonds are designated as at fair value through profit or loss.

The interest income and expenses are calculated and recognised as described under "Recognition of income and expenses" above. The fair value adjustments are included in the statement of comprehensive income in "Net gains / (losses) on financial instruments.

The loans are recognised in the balance sheet as "Loans to customers" and the bonds as "Debt securities issued".

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

At the end of each reporting period, the company assesses whether there is any objective evidence that the loans are impaired. If an impairment loss is calculated, the book value of the loan is reduced and the impairment amount is recognised in the statement of comprehensive income as "Impairment on loans and commitments".

Impairment of loans is described below.

Loans are recognised in the balance sheet as "Loans to customers".

Other financial liabilities
This category comprises balances due to banks and short term payables. Other financial liabilities are carried at amortised cost and interest is recognised using the effective interest rate method. The effective interest rate method is described under "Recognition of income and expenses" above.

Subsequent measurement of financial instruments measured at fair value
Fair value is the amount for which an asset could be exchanged or a liability settled, in a transaction between independent and willing parties. Financial assets and financial liabilities are measured at bid or asking prices respectively.

With respect to instruments traded in an active market (level 1), quoted prices are used. A market is considered active if it is possible to obtain external, observable prices, exchange rates or interest rates and these prices represent actual and frequent market transactions. DNB Næringskreditt has currently no financial instrument traded in active markets.

Fair values of financial instruments not traded in active markets are determined by using valuation techniques. As far as practicable, the input to the valuations are based on observable market data. The extent of observable market data included in the valuation, places the valuations in the valuation hierarchy either in level 2 or level 3. In all valuations of financial instruments in DNB Næringskreditt, observable market data input are used to some degree. If a valuation includes one or more input parameters that are based on unobservable inputs and these inputs may significantly change the value of the instrument, the valuation is considered as a level 3 valuation.

For financial instruments with input significantly based on observable market data (level 2), fair values are mainly determined based on;

- recently observed transactions in the relevant instrument between informed, willing and independent parties;
- quoted prices for instruments traded in an active market which are substantially similar to the instrument that is valued
- other valuation techniques where key parameters are based on observable market data

For financial instruments whose valuations include significant unobservable input (level 3), fair values are determined based on discounted estimated cash flows. This is mostly relevant for loans to customers. The discount rate used it based on market rates adjusted for credit and liquidity risk. Credit and liquidity risk is based on terms granted to recently issued loans to customers within the same risk category.

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

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

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

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

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

Income taxes

Taxes for the year comprise payable taxes for the financial year, any payable taxes for previous years and changes in deferred taxes. Deferred taxes are calculated on temporary differences. Temporary differences are differences between the recorded value of an asset or liability and the taxable value of the asset or liability. Deferred taxes are calculated on the basis of tax rates and tax rules that apply on the balance sheet date or are highly likely to be approved and are expected to be applicable when the deferred tax asset is realised or the deferred tax liability settled. The most significant temporary differences refer to financial derivatives and revaluations of certain financial assets and liabilities.

Deferred tax assets are recorded in the balance sheet to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred taxes and deferred tax assets are recorded net in the company's balance sheet. Payable and deferred taxes are recorded against equity if the taxes refer to items recorded against equity.

Cash flow statements

Cash is defined as cash, deposits with banks and deposits with credit institutions with no agreed period of notice. The cash flow statement has been prepared in accordance with the direct method.

Approved standards and interpretations that have not entered into force

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

IFRS 9 Financial Instruments (phase 1)

IFRS 9 will replace the current IAS 39. The project comprises several phases. The IASB approved the first phase of the project on the classification and measurement of financial assets in 2010. In November 2012, the IASB proposed limited amendments to the classification principles which were expected to be approved in 2013. In addition, new rules for impairment and hedge accounting were expected to be approved in 2013 or later. Under the new standard, the number of measurement categories for financial assets is reduced from four to three, amortised cost, fair value through profit or loss and fair value through other comprehensive income.

With respect to financial liabilities designated as at fair value, changes in fair value due to changes in credit risk should be recorded against other items of income and expense in the comprehensive income statement, provided that this does not result in measurement inconsistency.

In order for a financial asset to be measured at amortised cost, the instrument must have basic features in common with loans and be managed on a contractual cash flow basis. If the criteria for measuring the financial instrument at amortised cost are not met, the instrument must be measured at fair value. It will still be possible to use the fair value option for financial assets which initially must be recorded at amortised cost if fair value measurement will reduce or eliminate measurement inconsistency. It is assumed that loans to customers that are currently measured at amortised cost can generally still be measured at amortised cost according to the new rules.

Equities, equity instruments and financial derivatives will still be measured at fair value.

In November 2013, the IASB decided to abolish the previously announced mandatory effective date of IFRS 9 on 1 January 2015 and the effective date for the new standard is, at the earliest, expected to be 1 January 2017. It remains uncertain when the standard will be endorsed by the EU, and the EU has decided not to endorse IFRS 9 until all phases of the project are known.

The company will consider the effects of the new IFRS 9. To be able to make an overall assessment of the accounting effects of the new classification and measurement of the company's financial instruments, the company considers it appropriate to wait until all elements in the new IFRS 9 are known.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments to the standard clarify the rules on presenting financial assets and liabilities on a net basis.

The amendments are endorsed by EU and entered into force on 1 January 2014.

The new rules will have no material impact on the offsetting of financial assets and liabilities in the accounts.

Note 1 Significant accounting judgements, estimates and assumptions

The preparation of financial information in conformity with IFRS requires the use of estimates and assumptions about future conditions that affect reported income, expenses, assets and liabilities. Use of available information and applications of judgement are inherent in the formation of estimates. Actual results in the future may differ from such estimates, and the differences may be material to the financial statements. Estimation uncertainties and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of loans

If there is objective evidence that a loan is impaired, the impairment loss is calculated as the difference between the carrying value of the loan and the estimated recoverable amount. The estimated recoverable amount is the present value of expected future cash flows discounted by the loan's effective interest rate. Expected future cash flows are estimated based on empirical data and management judgement of future macroeconomic developments and developments in the performance of the actual loans. Expected future cash flows include amounts that may result from restructuring or the liquidation of collateral. When calculating impairment losses, there are uncertainties with respect to the identification of impaired loans, the estimation of amounts and the timing of future cash flows, including assessment of collateral.

Individual impairments

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

Collective impairment

To cover losses which have incurred, but that are not yet identified on loans subject to individual assessment, and for homogeneous groups of loans that are not considered individually significant, collective assessments are made. The loans are divided into groups of loans with similar characteristics related to sector, risk classification and credit risk. The expected future cash flow is estimated on the basis of expected losses and the anticipated economic situation for each group of loans. Expected losses are based on historical loss experiences. Key parameters are house prices and production gaps, which give an indication of capacity utilisation in the economy and housing prices. The economic situation is assessed by means of economic indicators for each customer group based on external information about the markets. Various parameters are used depending on the customer group in question.

Fair value of financial derivatives and bonds

The fair value of financial instruments that are not traded in an active market is determined by using different valuation techniques. The company considers and chooses techniques and assumptions that as far as possible are based on observable market data representing the market conditions on the balance sheet date. When valuing financial instruments for which observable market data are not available, the company makes assumptions with respect to what it expects the market will use as a basis for valuing similar financial instruments. The valuetions require a high level of management judgement when calculating liquidity risk, credit risk and volatility. See also note 14 Financial instruments at fair value.

Note 2 Capital adequacy

DNB Næringskreditt is the DNB group's vehicle for the issue of covered bonds based on commercial mortgages. The primary activity of the company is to acquire mortgage loans from the DNB group, secured by commercial property within 60 per cent of the property's appraised value, and based on these loans issue covered bonds. The issue of covered bonds is regulated by the Financial Institutions Act and the company actively monitors that the requirements in the regulation are fulfilled. The primary objectives of the company's capital management policy are to ensure that the company complies with externally imposed capital requirements and that the company maintains strong credit ratings and healthy capital ratios in order to support its business. With respect to capital adequacy ratios, DNB Næringskreditt follows the EU's new capital adequacy regulations, CRR and CRD IV, which entered into force on 1 January 2014. The regulations are based on the Basel Committee's recommendations on new and stricter capital and liquidity standards, Basel III.

From 9 October 2012, the company has been granted permission to use the Internal Ratings Based ("IRB") approach for credit risk to calculate the total risk-weighted assets. However, as long as Norwegian transitional rules relating to full implementation of the IRB approach remain in force, the total risk-weighted assets cannot be reduced below 80 per cent of the Basel I requirements.

The new legislation requires a common equity Tier 1 capital ratio of minimum 9.0 per cent and a capital adequacy ratio of 12.5 per cent. The requirement of the Tier 1 capital ratio will be increased to 10.0 per cent by 1 July 2014, while the capital adequacy requirement will be increased to 13.5 per cent. On 13 March 2014, the Board of Directors approved a new capitalization policy. The policy sets forth that, upon full implementation of the IRB system, Tier 1 capital as a percentage of risk-weighted assets shall be a minimum of 12.0 per cent, calculated as the minimum regulatory requirement (as of 1 July 2014 11.5 per cent, including 1.5 per cent of hybrid capital) plus a buffer of 0.5 per cent. The policy further sets forth that the total capital adequacy ratio shall be a minimum of 14.0 per cent, calculated as the minimum regulatory requirement (as of 1 July 2014 13.5 per cent) plus a buffer of 0.5 per cent. Requirements have also been introduced for a special buffer for systemically important institutions of 2.0 per cent common equity Tier 1 capital, as well as a counter-cyclical capital buffer of maximum 2.5 per cent. These buffers will apply to banks, but are not relevant for DNB Næringskreditt.

DNB Næringskreditt, based on its current capital structure, is expected to be well prepared to meet the new capital ratio requirements. The Board of Directors will, on an ongoing basis, evaluate the company's capitalization needs in light of the international development.

The company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of it activities. The main source of capital is the issuing of covered bonds which is part of the long-term plan of financing the DNB group. In order to maintain or adjust the capital structure within DNB Næringskreditt in the short run, the company may adjust group contributions and dividends paid to the DNB group and issue new shares to the parent.

Primary capital **DNB Næringskreditt AS**

Amounts in NOK 1 000	31 Dec. 2013	31 Dec. 2012
Share capital	550 000	550 000
Other equity	4 971 137	5 004 880
Total equity	5 521 137	5 554 880
Deductions		
100 per cent of expected losses, IRB portfolios	(4 078)	(1 407)
Adjustments for deferred tax assets	(2 818)	(97)
Allocated group contributions for payment	(154 800)	(188 704)
Tier 1 capital	5 359 441	5 364 671
Total eligible primary capital	5 359 441	5 364 671
Risk-weighted volume	18 624 555	17 017 313
Minimum capital requirement	1 489 964	1 361 385
Tier 1 capital ratio (%)	28.8	31.5
Capital ratio (%)	28.8	31.5

DNB Næringskreditt AS complies with the Basel II regulations.

Due to transitional rules, the minimum capital requirement for 2013 cannot be reduced below 80 per cent relative to the Basel I requirements. Capital adequacy, as per 31 December 2013, is reported according to the transitional rules.

The schedule below shows capital adequacy according to Basel II without regard to the rules of transation.

DNB Næringskreditt AS

Amounts in NOK 1 000	31 Dec. 2013	31 Dec. 2012
Risk-weighted volume, Basel II	16 739 734	16 256 192
Minimum capital requirement, Basel II	1 339 179	1 318 792
Tier 1 capital ratio (%)	32.0	33.0
Capital ratio (%)	32.0	33.0

Note 2 Capital adequacy (continued)

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

Amounts in NOK 1 000	Exposure 31 Dec. 2013	EAD 31 Dec. 2013	Risk-weighted volume 31 Dec. 2013	Capital requirements 31 Dec. 2013
IRB approach	10 146 344	10 146 344	2 997 635	239 811
Retail - residential property	-	-	-	-
Total credit-risk, IRB approach	10 146 344	10 146 344	2 997 635	239 811
Standardised approach				
Institutions	571 517	571 517	114 303	9 144
Corporate	13 026 192	13 026 192	13 026 192	1 042 095
Retail - residential property	-	-	-	-
Total credit-risk, standardised approach	13 597 709	13 597 709	13 140 495	1 051 240
Total credit-risk	23 744 053	23 744 053	16 138 130	1 291 050
Other assets			-	-
Market-risk, standardised approach			-	-
Operational risk			601 605	48 128
Deductions			-	-
Total risk-weighted volume and capital requirements before transitional rule			16 739 734	1 339 179
Additional capital requirements according to transitional rules				150 786

Note 3 Risk management

Risk management in DNB Næringskreditt AS

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

Organisation and authorisation structure

- *Board of Directors*. The Board of Directors of DNB Næringskreditt sets long-term targets for the company's risk profile which are harmonised with the Group's risk targets. The risk profile is operationalised through the risk management framework, including the establishment of authorisations.
- *Authorisations*. Authorisations must be in place for the extension of credit and for position and trading limits in all critical financial areas. All authorisations are personal. Authorisations and company limits are determined by the Board of Directors and can be delegated in the organisation. According to the management agreement dated 9 July 2009, credit authorisations have been granted to DNB Bank.
- *Annual review of limits*. Risk limits are reviewed at least annually in connection with budget and planning processes.
- *Independent risk management functions*. Risk management functions and the development of risk management tools are undertaken by units that are independent of operations in the individual business areas in DNB Bank.

Monitoring and use

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

Risk categories in DNB Næringskreditt AS

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

- *Credit risk* is the risk of losses due to failure on the part of the company's counterparties/customers to meet their payment obligations. Credit risk refers to all claims against counterparties/customers, mainly loans. The company's credit risk is considered to be low as all loans in the cover pool, cf. requirements in the Financial Institutions Act, are commercial mortgages secured within 60 per cent of appraised value. Note 4 contains an assessment of the company's credit risk at year-end 2012 and 2013.
- *Market risk* arises as a consequence of open positions in interest rate. Note 5 contains an assessment of the company's market risk at year-end 2012 and 2013.
- *Liquidity risk* is the risk that the company will be unable to meet its payment obligations. The company's liquidity risk is considered to be insignificant and well within legal requirements and requirements set by the rating agencies. Note 6 contains an assessment of the company's liquidity risk at year-end 2012 and 2013.
- *Operational risk* is the risk of losses due to deficiencies or errors in processes and systems, errors made by employees or external events.
- *Business risk* is the risk of losses due to external factors such as the market situation or government regulations. This risk category also includes reputational risk. Decline in the prices of commercial properties is a business risk related to the commercial mortgage portfolio, as well as stricter rules from the Financial Supervisory Authority for loan-to-value ratios.

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

DNB Næringskreditt uses financial derivatives as part of risk management to handle interest rate risk. The company uses interest rate swaps as hedging instruments. Interest rate flows relating to both borrowings are swapped to short-term fixed interest. The total interest rate risk is insignificant.

Note 4 Credit risk

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

DNB 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. Collateral are taken to manage credit risk in the loan portfolios. According to the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Næringskreditt AS", the day-to-day monitoring of the loans is managed by DNB Bank on behalf of DNB Næringskreditt.

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

DNB's risk classification [1)]

	Probability of default (per cent)		External rating	
Risk class	As from	Up to	Moody's	Standard & Poor's
1	0.01	0.10	Aaa - A3	AAA - A-
2	0.10	0.25	Baa1 - Baa2	BBB+ - BBB
3	0.25	0.50	Baa3	BBB-
4	0.50	0.75	Ba1	BB+
5	0.75	1.25	Ba2	BB
6	1.25	2.00		
7	2.00	3.00	Ba3	BB-
8	3.00	5.00	B1	B+
9	5.00	8.00	B2	B
10	8.00	impaired	B3, Caa/C	B-, CCC/C

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

Loans and commitments according to risk classification — DNB Næringskreditt AS

Amounts in NOK 1000	Gross loans	Undrawn limits (committed)	Total loans and commitments
Risk category based on probability of default			
1 - 4	16 616 114	860 000	17 476 114
5 - 6	3 800 658	-	3 800 658
7 - 10	543 217	-	543 217
Non-performing and impaired loans and commitments	-	-	-
Total loans and commitments as at 31 December 2012 [1)]	20 959 989	860 000	21 819 989
Risk category based on probability of default			
1 - 4	17 149 109	-	17 149 109
5 - 6	5 618 042	-	5 618 042
7 - 10	291 200	-	291 200
Non-performing and impaired loans and commitments	-	-	-
Total loans and commitments as at 31 December 2013 [1)]	23 058 352	0	23 058 352

Loan-loss level [2)]	2013	2012
Normalised losses including loss of interest income in per cent of net lending	0.12	0.12

1) *If timely payment is not made, the loans are reclassified to the category non-performing and impaired loans (based on DNB's definition). The relevant loans will be monitored, and the need for individual impairment will be estimated based on the collateral backing the loan and the customer's solvency and willingness to pay.*
2) *The calculation of the loan-loss level is based on an evaluation of the probability of future losses (default frequency), exposure at default and the size of the estimated loss (loss ratio). Calculations are based on a certain level of discretion and estimation.*

Note 4 Credit risk (continued)

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. Only loans that qualify as collateral for the issue of covered bonds according to the Financial Institutions Act are accepted by the company. For all these loans, a mortgage over the property is taken and the value of the total loan balance per property should not exceed 60 per cent of the property's appraised value. The collateral value is monitored on an ongoing basis.

As a result, the collateral value per 31 December 2013 exceeds the total loan balance per property with a margin. Total loan balance by year-end 2013 was NOK 23 165 million.

Note 5 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 its 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.

The table below shows net changes in market value (reflected in the statement of comprehensive income) in Norwegian kroner for each 1 percentage point (100 basis points) interest rate adjustment in the company's portfolios of loans, derivatives, bonds and other funding. The sensitivity analysis shows expected effects in the income statement in connection with a 1 percentage point parallel change in interest rates on the entire interest curve.

Interest rate risk **DNB Næringskreditt AS**

	Change in interest rate levels in basis points	Effect on pre-tax profits (NOK 1 000)
2013	+100	(1 739)
	-100	1 739
2012	+100	(4 160)
	-100	4 160

Relative to the company's primary capital of NOK 5.4 billion, the company's interest rate risk is considered to be insignificant. In the opinion of the company's management, the company does not assume greater interest rate risk than what is considered prudent; cf. the requirements in Section 5 in the regulations on mortgage institutions issuing covered bonds of 25 May 2007.

Note 6 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. In a situation where the net cash flow from the lending and funding activities is negative, the company has a long-term overdraft facility in DNB Bank ASA with a limit of NOK 20 billion by end December 2013.

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 at year-end 2013 can be characterised as sound.

Residual maturity as at 31 December 2013 **DNB Næringskreditt AS**

Amounts in NOK 1 000	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Loans to and deposits with credit institutions	-	571 517	-	-	-	-	571 517
Loans to customers	674 185	487 324	507 025	7 336 494	14 167 509		23 172 537
Other assets	960	-	-	-	-	2 818	3 778
Total	675 145	1 058 841	507 025	7 336 494	14 167 509	2 818	23 747 832
Liabilities							
Due to credit institutions	-	38 709	-	13 671 270	-	-	13 709 979
Debt securities issued[1)]	21 164	-	-	3 400 000	1 000 000	-	4 421 164
Other liabilities	14 269	-	63 128	-	-	-	77 397
Total	35 433	38 709	63 128	17 071 270	1 000 000	0	18 208 540
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cashflows	-	-	-	-	-	-	-
Outgoing cashflows	-	-	-	-	-	-	-
Financial derivatives, net settlement	-	(6)	21	59	74	-	148
Total financial derivatives	0	(6)	21	59	74	0	148

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

Residual maturity as at 31 December 2012 **DNB Næringskreditt AS**

Amounts in NOK 1 000	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Loans to and deposits with credit institutions	-	157 317	-	-	-	-	157 317
Loans to customers	895 879	209 767	109 875	5 412 608	14 673 740	-	21 301 868
Other assets	-	-	-	-	-	97	97
Total	895 879	367 084	109 875	5 412 608	14 673 740	97	21 459 282
Liabilities							
Due to credit institutions	-	43 135	-	13 357 300	-	-	13 400 435
Debt securities issued[1)]	14 985	-	-	-	2 400 000	-	2 414 985
Other liabilities	8 072	73 385	-	-	-	-	81 457
Total	23 057	116 520	0	13 357 300	2 400 000	0	15 896 877

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

Note 7 Net interest income

DNB Næringskreditt AS

Amounts in NOK 1 000	2013 Recorded at fair value	2013 Recorded at amortised cost [1)]	2013 Total	2012 Recorded at fair value	2012 Recorded at amortised cost [1)]	2012 Total
Interest on amounts due from credit institutions	-	6 919	6 919	-	9 394	9 394
Interest on loans to customers	-	749 962	749 962	-	882 417	882 417
Other interest income	-	688	688	-	937	937
Total interest income	**0**	**757 570**	**757 570**	**0**	**892 748**	**892 748**
Interest on amounts due to credit institutions	-	377 188	377 188	-	488 086	488 086
Interest on debt securities issued	4 919	58 076	62 995	-	69 399	69 399
Total interest expenses	**4 919**	**435 265**	**440 184**	**0**	**557 485**	**557 485**
Net interest income	**(4 919)**	**322 305**	**317 385**	**0**	**335 263**	**335 263**

1) *Includes hedged items.*

Note 8 Net gains on financial instruments

DNB Næringskreditt AS

Amounts in NOK 1 000	2013	2012
Net gains on financial liabilities, designated as at fair value [1)]	3 940	-
Net gains on financial derivatives, trading [2)]	(14 096)	-
Net gains (losses) on financial instruments at fair value	**(10 156)**	**-**

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 AS 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 9 Taxes

Tax expense on pre-tax operating profit	DNB Næringskreditt AS	
Amounts in NOK 1 000	2013	2012
Current taxes	63 128	73 385
Changes in deferred taxes	(2 720)	24
Tax expense	**60 408**	**73 409**

Reconciliation of tax expense against nominal tax rate

Amounts in NOK 1 000	2013	2012
Operating profit before taxes	215 369	262 177
Estimated tax expense at nominal tax rate (28 per cent)	60 303	73 409
Tax effect of changed tax rate for deferred taxes recognised in the balance sheet	105	-
Tax expense	**60 408**	**73 409**
Effective tax rate	28%	28%

Deferred tax assets/(deferred taxes) — **DNB Næringskreditt AS**

27 per cent (28 per cent in 2012) deferred tax calculation on all temporary differences (Norway)

Amounts in NOK 1 000	2013	2012
The year's changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	97	122
Changes recorded against profits	2 720	(24)
Deferred tax assets/(deferred taxes) as at 31 December	**2 818**	**97**

Deferred tax assets and deferred taxes in the balance sheet relates to the following temporary differences	31 Dec.	31 Dec.
Amounts in NOK 1 000	2013	2012
Deferred tax assets		
Debt securities issued	1 064	-
Financial derivatives	(3 806)	-
Net other tax-deductable temporary differences	(75)	(97)
Total deferred tax assets	**(2 818)**	**(97)**

Deferred taxes in the income statement relate to the following temporary differences

Amounts in NOK 1 000	2013	2012
Debt securities issued	(1 064)	-
Financial derivatives	3 806	-
Other temporary differences	(22)	(24)
Deferred tax expense	**2 720**	**(24)**

Group contributions, with effect on payable taxes, is paid in both 2012 and 2013. Allocated pre-tax group contributions for 2013 is NOK 215 million (NOK 262 million in 2012). The effect of group contributions on payable taxes is NOK 60 million in 2013 (NOK 73 million in 2012).

Note 10 Classification of financial instruments

As at 31 December 2013 — DNB Næringskreditt AS

Amounts in NOK 1 000	Financial instruments at fair value through profit and loss		Financial derivatives designated as hedging instruments	Financial assets and liabilities carried at amortised cost 1)	Total
	Trading	Designated as at fair value			
Due from credit institutions	-	-	-	571 517	571 517
Loans to customers	-	-	-	23 164 541	23 164 541
Financial derivatives	1 864	-	-	-	1 864
Other assets	-	-	-	960	960
Total financial assets	**1 864**	**0**	**0**	**23 737 018**	**23 738 882**
Due to credit institutions	-	-	-	13 709 979	13 709 979
Financial derivatives	15 962	-	-	-	15 962
Debt securities issued	-	1 000 979	-	3 416 245	4 417 224
Other liabilities	-	-	-	77 397	77 397
Total financial liabilities	**15 962**	**1 000 979**	**0**	**17 203 621**	**18 220 563**

1) Debt securities issued which are subject to hedge accounting are classified as liabilities carried at amortised cost.

As at 31 December 2012 — DNB Næringskreditt AS

Amounts in NOK 1 000	Financial instruments at fair value through profit and loss		Financial derivatives designated as hedging instruments	Financial assets and liabilities carried at amortised cost 1)	Total
	Trading	Designated as at fair value			
Due from credit institutions	-	-	-	157 317	157 317
Loans to customers	-	-	-	21 294 343	21 294 343
Financial derivatives	-	-	-	-	-
Other assets	-	-	-	-	-
Total financial assets	**0**	**0**	**0**	**21 451 661**	**21 451 661**
Due to credit institutions	-	-	-	13 400 436	13 400 436
Financial derivatives	-	-	-	-	-
Debt securities issued	-	-	-	2 414 985	2 414 985
Other liabilities	-	-	-	81 458	81 458
Total financial liabilities	**0**	**0**	**0**	**15 896 878**	**15 896 878**

1) Debt securities issued which are subject to hedge accounting are classified as liabilities carried at amortised cost.

Note 11 Loans to customers

Loans to customers, including accrued interest, totalled NOK 23.2 billion at end-December 2013 (NOK 21.3 billion as at 31 December 2012). There was no objective evidence of a decrease in value requiring individual impairment of the loans. Nor were any allocations made for individual impairment in 2012.

The loans have been reviewed for collective impairment. During 2013, collective impairments increased by NOK 2.1 million.

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

	DNB Næringskreditt AS	
Amounts in NOK 1 000	31 Dec. 2013	31 Dec. 2012
Loans to customers at amortised cost, nominal amount	23 058 352	21 190 989
– Individual impairments	-	-
Loans to customers, net of impairment allowances	23 058 352	21 190 989
+ Accrued interest and amortisation	113 295	108 362
– Individual impairment of accrued interest	-	-
Loans to customers, at amortised cost	23 171 647	21 299 351
– Collective impairments	7 106	5 008
Total loans to customers	**23 164 541**	**21 294 343**

	DNB Næringskreditt AS	
Amounts in NOK 1 000	31 Dec. 2013	31 Dec. 2012
Impairments as per 1 January	5 008	8 229
Changes in individual impairments	-	-
Changes in collective impairments	2 098	(3 222)
Impairments at end of period	7 106	5 008
Of which: *Individual impairments*	-	-
Individual impairment of accrued interest and amortisations	-	-
Collective impairments	*7 106*	*5 008*

	DNB Næringskreditt AS	
Amounts in NOK 1 000	31 Dec. 2013	31 Dec. 2012
Loans according to geographical location:[1]		
Østfold	95 500	95 500
Akershus	2 689 605	2 890 386
Oslo	14 453 756	14 211 204
Hedmark	171 000	0
Oppland	177 711	183 574
Buskerud	190 921	128 138
Vestfold	494 608	442 408
Aust-Agder	27 000	27 000
Vest-Agder	182 496	183 930
Rogaland	642 000	642 000
Hordaland	1 560 269	891 328
Møre og Romsdal	1 040 900	1 061 000
Sør-Trøndelag	113 840	115 593
Troms	1 128 746	228 927
Abroad	90 000	90 000
Total	**23 058 352**	**21 190 989**

1) *In the table, loans to customers, at nominal value, are listed based on customer address. The allocation is based on definitions given by Norges Bank and Finanstilsynet (The Financial Supervisory Authority of Norway).*

Note 12 Financial derivatives

Financial derivatives are contracts stipulating financial values in the form of interest rate terms, exchange rates and the value of equity instruments for a specific periods of time or at specific dates. DNB Næringskreditt uses derivatives to manage liquidity and market risk arising from the company's ordinary operations, hereunder to achieve desired interest rates according to the risk management strategy.

DNB Næringskreditt uses interest rate swaps to eliminate risk associated with fixed interest rate funding. Swaps are contracts in which the parties exchange cash flows for a fixed amount over the contractual period. The swaps used by DNB Næringskreditt are tailor-made to hedge the company's risk. DNB Bank acts as counterparty for all swap contracts. The total interest rate risk is insignificant.

The table below show nominal values on financial derivatives according to type of derivative as well as positive and negative market values. Positive market values are recognised as assets in the balance sheet, whereas negative market values are recognised as liabilities.

DNB Næringskreditt AS

	31 Dec. 2013			31 Dec. 2012		
Amounts in NOK million	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
Interest rate contracts						
Swaps	1 000	0	16	0	0	0
Total interest rate contracts	**1 000**	**0**	**16**	**0**	**0**	**0**

Note 13 Debt securities issued

Private placements — **DNB Næringskreditt AS**

Amounts in NOK 1 000						31 Dec.	31 Dec.
ISIN Code	Nominal value	Currency	Interest	Issued	Maturity	2013	2012
NO 0010543192	2 400 000	NOK	Floating	2009	2015	2 400 000	2 400 000
NO 0010694425	1 000 000	NOK	Floating	2013	2018	1 000 000	-
NO 0010694474	1 000 000	NOK	Fixed	2013	2023	996 060	-
Accrued interest						21 164	14 985
Total debt securities issued						**4 417 224**	**2 414 985**

Debt securities issued with a floating interest rate are classified as liabilities carried at amortised cost. Debt securities issued with a fixed interest rate are classified as liabilities at fair value.

Changes in debt securities issued — **DNB Næringskreditt AS**

Amounts in NOK 1 000	Balance sheet 31 Dec. 2013	Issued 2013	Matured/ redeemed 2013	Exchange rate movements 2013	Changes in adjustments 2013	Balance sheet 31 Dec. 2012
Bond debt, nominal amount	4 400 000	2 000 000	-	-	-	2 400 000
Total adjustments	17 224	-	-	-	2 240	14 985
Total debt securities issued	**4 417 224**	**2 000 000**	**0**	**0**	**2 240**	**2 414 985**

Cover pool — **DNB Næringskreditt AS**

Amounts in NOK 1 000	31 Dec. 2013	31 Dec. 2012
Pool of eligible loans	20 981 617	18 603 764
Market value of eligible derivatives	-	-
Supplementary assets	560 153	136 932
Total collateralised assets	**21 541 770**	**18 740 695**
Debt securities issued, carrying value	4 417 224	2 414 985
Market value of eligible derivatives	14 098	-
Debt securities issued, valued according to regulation [1)]	**4 431 322**	**2 414 985**
Collateralisation (per cent)	486	776

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 Section 2-28 of the Financial Institutions Act with appurtenant regulations.*

Note 14 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 instrument in this category.

As at 31 December 2013 **DNB Næringskreditt AS**

Amounts in NOK 1 000	Valuation based on quoted prices in an activa market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Accrued interest 1)	Total
Assets					
Loans to customers	-	-	-	-	-
Financial derivatives	-	1 864	-	-	1 864
Liabilities					
Debt securities issued	-	996 060	-	4 919	1 000 979
Financial derivatives	-	15 962	-	-	15 962

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

DNB Næringskreditt AS entered into assets and liabilities, carried at fair value, for the first time in the fourth quarter of 2013. In 2012, there were no assets or liabilities carried at fair value.

Note 15 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 14.

Fair value of financial instruments at amortised cost			**DNB Næringskreditt AS**	
Amounts in NOK 1 000	Carrying value 31 Dec. 2013	Fair value 31 Dec. 2013	Carrying value 31 Dec. 2012	Fair value 31 Dec. 2012
Due from credit institutions	571 517	571 517	157 317	157 317
Loans to customers	23 164 541	23 164 541	21 294 343	21 294 343
Total financial assets	**23 736 058**	**23 736 058**	**21 451 661**	**21 451 661**
Due to credit institutions	13 709 979	13 709 979	13 400 436	13 400 436
Debt securities issued	3 416 245	3 416 245	2 414 985	2 414 985
Total financial liabilities	**17 126 224**	**17 126 224**	**15 815 420**	**15 815 420**

As at 31 December 2013				**DNB Næringskreditt AS**	
Amounts in NOK 1 000	Valuation based on quoted prices in an activa market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Accrued interest	Total
Assets					
Lending to and deposits with credit institutions	-	571 517	-	-	571 517
Loans to customers	-	-	23 050 356	114 185	23 164 541
Liabilities					
Loans and deposits from credit institutions	-	13 709 979	-	-	13 709 979
Debt securities issued	-	3 400 000	-	16 245	3 416 245

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 16 Remunerations

DNB Næringskreditt AS

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2013	Paid remunera-tion in 2013	Paid salaries in 2013	Benefits in kind and other benefits in 2013	Total remunera-tion earned in 2013	Bonus earned in 2012	Loans as at 31 Dec. 2013	Accrued pension expenses	Current value of pension agree-ment [2)]
The Board of Directors									
Bjørn Erik Næss 1)	3 630	-	3 704	198	5 416	1 217	1 764	4 578	23 678
Stein Ove Steffensen	1 810	-	1 868	159	2 047	161	3	518	8 148
Elisabeth Ege	-	166	-	-	166	-	1 490	-	-
Eva-Lill Strandskogen (from 20 June 2013)	1 150	-	1 166	151	1 336	125	6 415	201	2 950
Ingrid Tjønneland (until 20 June 2013)	1 710	-	1 754	155	1 929	397	12	542	9 801
Rein Øsebak	-	166	-	162	328	-	0	111	3 013
Board of Directors, total	**8 300**	**332**	**8 492**	**824**	**11 222**	**1 900**	**9 685**	**5 951**	**47 589**
Chief executive officer	**2 293**	**-**	**2 350**	**154**	**2 525**	**325**	**4 436**	**756**	**12 575**
Supervisory Board, total	**6 578**	**78**	**10 988**	**1 700**	**12 886**	**3 463**	**18 817**	**2 039**	**34 250**
Total	**17 172**	**410**	**21 830**	**2 679**	**26 633**	**5 688**	**32 937**	**8 746**	**94 413**

1) *Bonus earned in 2013 amounts to NOK 1.5 million and will be paid in 2014.*
2) *The net current value of pension agreements represents accrued pension commitments excluding payments into funded pension schemes.The change in the net present value of pension agreements was mainly due to changes in the discount rate.*

DNB Næringskreditt has no employees and purchases administrative services from DNB Boligkreditt. All remunerations and loans in the table are related to employment in other entities within the DNB Group.

Remunerations to the Supervisory Board members, and members of the Board of Directors that are not employed in the DNB Group, are charged to the account of the company proportionate to the time spent in DNB Boligkreditt and DNB Næringskreditt

DNB Næringskreditt paid no remunerations to the Control Committee in 2013. See annual reports for 2013 for the DNB Bank Group and the DNB Group for information about remunerations etc. to the Control Committee in 2013.

DNB Næringskreditt has no contractual obligations to give the chief executive officer, members of the board or others special compensation in case of changes in conditions of employment. Nor has the company contractual obligations to offer bonuses, profit sharing arrangements or options benefiting the chief executive officer, the Board of Directors or others. For 2013, all of the Group's employees will receive a bonus of NOK 20 000. The bonus will be paid in 2014.

Remuneration to the statutory auditor

DNB Næringskreditt AS

Amounts in NOK 1 000	2013	2012
Statutory audit [1)]	305	462
Other certification services [1) 2)]	47	93
Other services	-	-
Total remuneration to the statutory auditor	**352**	**555**

1) *All amounts are inclusive of VAT.*
2) *Of this, the remuneration to the independent investigator, pursuant to Section 2-34 of the Financial Institutions Act, represents NOK 47 375.*

Note 17 Related parties

Transactions with related parties	**DNB Næringskreditt AS**	
Amounts in NOK 1 000	2013	2012
Assets		
Loans to and deposits with credit institutions	571 517	157 317
Financial derivatives	1 864	-
Other receivables	-	-
Liabilities		
Loans due to credit institutions	13 709 979	13 357 300
Financial derivatives	15 962	-
Securities issued	3 700 000	2 414 985
Other liabilities	14 187	6 441
Income and expenses		
Interest income	5 182	9 394
Interest expenses	346 758	488 086
Net gains on financial instruments at fair value	186	-
Fees	81 349	74 494

DNB Næringskreditt AS is a subsidiary within the DNB Group. During the year many transactions, mostly related to the ordinary course of business, take place between DNB 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 2013, portfolios of NOK 3.8 billion (NOK 1.9 billion in 2012) 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 is recognised as "other expenses" in the statement of comprehensive income and amounted to NOK 76.7 million in 2013 (NOK 67.6 million in 2012).

In the balance sheet "Loans to and deposits with credit institutions" and "Due to credit institutions" are solely outstandings with DNB Bank. All derivative contracts are with DNB Bank as counterparty. At end-December, the bank had invested NOK 3.7 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 6.7 million in 2013 (NOK 5.4 million in 2012). DNB Boligkreditt is a wholly-owned subsidiary of DNB Bank.

Group contributions

During 2013, group contributions of NOK 188.7 million (pre-tax NOK 262.1 million) were paid to DNB Bank ASA. An amount of NOK 154.8 million (pre-tax NOK 215.0 million) has been allocated group contributions for payment at year-end 2013.

Note 18 Contingencies and post-balance sheet events

DNB Næringskreditt is not involved in any legal actions.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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To the Annual Shareholders' Meeting and Supervisory Board of
DNB Næringskreditt AS

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of DNB Næringskreditt AS, which comprise the balance sheet as at 31 December 2013, the statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements of DNB Næringskreditt AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Oslo, 13 March 2014
ERNST & YOUNG AS

Einar Hersvik
State Authorised Public Accountant (Norway)

Kontrollkomiteens uttalelse

Til representantskapet og generalforsamlingen DNB Næringskreditt AS

Kontrollkomiteen har ført tilsyn med DNB Næringskreditt AS i henhold til lov og instruks fastsatt av representantskapet.

Kontrollkomiteen har i forbindelse med årsavslutningen for regnskapsåret 2013 gjennomgått årsberetningen, årsregnskapet og revisors beretning for DNB Næringskreditt AS.

Komiteen finner at styrets vurdering av selskapets økonomiske stilling er dekkende og tilrår at årsberetningen og årsregnskapet for regnskapsåret 2013 godkjennes.

Oslo 13. mars 2014

Frode Hassel
(leder)

Thorstein Øverland
(nestleder)

Vigdis Merete Almestad

Karl Olav Hovden

Ida Miriam Espolin Johnson
(varamedlem)

Key figures

DNB Næringskreditt AS	2013	2012
1. Return on equity, annualised (%) [1)]	3.7	3.2
2. Core (Tier 1) capital ratio at end of period (%)	28.8	31.5
3. Capital adequacy ratio at end of period (%)	28.8	31.5
4. Core capital at end of period (NOK 1 000)	5 359 441	5 364 671
5. Risk-weighted volume at end of period (NOK 1 000)	18 624 555	17 017 313

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

Governing bodies

Supervisory Board

Members
Anita Roarsen, Oslo
Eldbjørg Sture, Oslo
Nils H. Bastiansen, Stabekk
Vidar Knudsen, Nesbru
Olav Løvstad, Kongsberg
Torild Ressås Aamnes, Nesbru

Deputies
Ragnhild Martinsen, Bodø
Jo Teslo, Haslum

Control Committee

Members
Frode Hassel, Trondheim
Thorstein Øverland, Oslo
Vigdis Merete Almestad, Oslo
Karl Olav Hovden, Kolbotn

Deputy
Ida Espolin Johnson, Oslo

Board of Directors

Members
Bjørn Erik Næss, Oslo
Stein Ove Steffensen, Bergen
Elisabeth Ege, Eiksmarka
Eva-Lill Strandskogen, Oslo
Rein Øsebak, Tønsberg

Deputy
Reidar Bolme, Oslo

Contact information

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Internet	dnb.no
Organisation number	NO 984 851 006

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 www.dnb.no.

DNB Næringskreditt AS

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