FOURTH QUARTER REPORT 2016
(Preliminary and unaudited)

Q4

DNB Næringskreditt

A company in the DNB Group

Financial highlights

Income statement

DNB Næringskreditt AS

Amounts in NOK million	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Net interest income	89	82	351	329
Net other operating income	(2)	26	(14)	45
Operating expenses	(22)	(29)	(86)	(108)
Impairments on loans and commitments	0	0	1	1
Pre-tax operating profit	65	79	253	266
Tax expense	(16)	(21)	(63)	(71)
Profit for the period	**49**	**58**	**190**	**195**

Balance sheet

Amounts in NOK million	31 Dec. 2016	31 Dec. 2015
Total assets	25 470	26 807
Loans to customers	25 251	26 659
Debt securities issued	2 100	2 102
Total equity	5 589	5 562

Key figures

Per cent	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Combined weighted total average spread for lending [1)]	0.93	0.89	0.94	0.86
Return on equity, annualised	3.5	4.1	3.4	3.5
Common equity Tier 1 capital ratio, transitional rules	26.8	25.4	26.8	25.4
Capital ratio, transitional rules	26.8	25.4	26.8	25.4
Net non-performing and impaired loans, per cent of net loans	0.00	0.00	0.00	0.00

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

Fourth quarter report 2016

Directors' report 2

Accounts

Comprehensive income statement 4
Balance sheet 4
Statement of changes in equity 5
Cash flow statement 5

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

Additional information

Key figures 12
Profit and balance sheet trends 13
Contact information 14

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

Directors' report

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

Financial accounts

DNB Næringskreditt recorded a profit of NOK 49 million in the fourth quarter of 2016, compared with a profit of NOK 58 million in the fourth quarter of 2015.

Total income

Income totalled NOK 87 million in the fourth quarter of 2016, compared with NOK 108 million in the year-earlier period.

Amounts in NOK million	4th quarter 2016	Change	4th quarter 2015
Total income	87	(21)	108
Net interest income		7	
Net commission and fee income			
Net gains/(losses) on financial instruments at fair value		(28)	

Net interest income increased by NOK 7 million from the fourth quarter of 2015 to the fourth quarter of 2016, while net gains on interest rate swaps decreased by NOK 28 million in the same period.

Operating expenses and impairment of loans

Operating expenses are volatile due to the management fee paid to DNB Bank. The cooperation with DNB Bank is formalised through an extensive servicing agreement that ensures DNB Næringskreditt sound competence in key areas and cost-effective operations. The management fee calculation is based primarily on lending volume and the spreads achieved. The size of the management fee is related to net interest income. The fee amounted to NOK 19 million in the fourth quarter of 2016, down from NOK 24 million in the fourth quarter of 2015.

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

Funding, liquidity and balance sheet

Balance sheet

At end-December 2016, DNB Næringskreditt had total assets of NOK 25.5 billion, a decrease of NOK 1.3 billion, or 5.0 per cent, from end-December 2015.

Amounts in NOK million	31 Dec. 2016	Change	31 Dec. 2015
Total assets	25 470	(1 337)	26 807
Loans to customers		(1 408)	
Financial derivatives		(16)	
Other assets		87	
Total liabilities	19 881	(1 364)	21 245
Due to credit institutions		(1 369)	
Debt securities issued		(2)	
Other liabilities		7	

The reduction in loans to customers is mainly due to sales of commercial mortgages to DNB Livsforsikring for a total of NOK 2.6 billion.

The company did not issue covered bonds in the fourth quarter of 2016. Total debt securities issued amounted to NOK 2.1 billion at end-December 2016.

Risk and capital adequacy

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

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

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

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

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

At end-December 2016, the company's equity totalled NOK 5.6 billion, of which NOK 5.4 billion represented Tier 1 capital. The company has no primary capital in excess of equity. The company's capital adequacy and Tier 1 capital ratios were both 26.8 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.

Capital adequacy requirements

At year-end 2016, the common equity Tier 1 capital requirement was 15.0 per cent for DNB Næringskreditt. This included a counter-cyclical capital buffer of 1.5 per cent. The counter-cyclical capital buffer requirement in Norway will increase by 0.5 percentage points, to 2.0 per cent, as of 31 December 2017.

There is a need to have a margin over the total common equity Tier 1 capital requirement to take into account expected lending growth and fluctuations in the market value of financial instruments used for hedging purposes. This means that DNB Næringskreditt needed to have a common equity Tier 1 capital ratio of approximately 15.5 per cent at year-end 2016, increasing to 16.0 per cent at year-end 2017 due to the higher counter-cyclical capital buffer requirement.

As a supplement to the risk-weighted capital requirements and as a measure to counter adjustments and gaps in the regulations, a non-risk based capital requirement, leverage ratio, will also be introduced. The Basel Committee has recommended and the European Commission has proposed a leverage ratio requirement of minimum 3 per cent as from 2018. In Norway, the Ministry of Finance has set the minimum leverage ratio requirement at 3 per cent as of 30 June 2017. All Norwegian banks must have a buffer on top of the minimum requirement of at least 2 per cent. Systemically important banks must have an additional buffer of minimum 1 per cent. The additional buffer requirements will not apply to DNB Næringskreditt, so that 3 per cent will be the effective requirement.

Norway has joined the EU financial supervisory system

Due to a stipulation in the Norwegian Constitution on limited access to transfer powers to international organisations, it was not possible to incorporate the EU regulations establishing the European supervisory authorities into the EEA agreement until the autumn of 2016. The EFTA Surveillance Authority, ESA, has been granted competence to make legally binding decisions addressed to national supervisory authorities and individual institutions in Norway, Liechtenstein and Iceland. Decisions will be based on drafts prepared by the relevant EU supervisory authority. ESA and the national supervisory authorities in the three EEA/EFTA states shall participate, without voting rights, in the EU's three European supervisory authorities, EBA, ESMA and EIOPA. Also, the EU supervisory authorities shall participate, without voting rights, in ESA's work in this field. The same applies to preparatory bodies. The EU supervisory authorities will be granted competence to issue recommendations, that is non-binding decisions, vis-à-vis EEA/EFTA national authorities and enterprises. Parallel to this, a process is underway to incorporate the remaining several hundred legislative acts on financial services that have been accumulated in the EEA Joint Committee into the EEA agreement and Norwegian legislation.

Macroeconomic developments

Global GDP increased by approximately 3 per cent in 2016, about the same as the year before. However, growth was unevenly distributed. The emerging economies had considerably stronger growth than the industrialised countries, with an economic growth rate of approximately 1.5 per cent from 2015 to 2016. Eight years after the financial crisis, the more economically developed countries, MEDCs, are still characterised by spare capacity, low inflation and historically low interest rates. This also affects the political landscape. President Donald Trump has signaled a strong fiscal stimulus package. This has increased expectations with respect to both growth and inflation, and was an important driver of the hike in long-term interest rates towards the end of 2016.

In the United States, the cyclical upturn appears to continue. After a weak start to 2016, the economy showed signs of recovery. Several factors are helping to keep up growth momentum. Monetary policy remains expansionary while fiscal policy is expected to become more expansionary. Higher oil prices are making a positive contribution to the energy sector, counteracting the weakening of households' purchasing power. In addition, the tightening effects of the strong US dollar are starting to abate.

Growth in the Chinese economy appears to be more stable than expected. This is partly due to the authorities' expansionary policy and partly to the higher commodity prices, which have helped improve earnings in many industries. However, higher debt levels and unprofitable investments are increasing the risk of a crisis at some time in the future. In the short term, the greatest risk factors include capital flight, which will probably be intensified by higher US dollar interest rates and the authorities' restrictive housing policy, which may result in an unwanted reduction in housebuilding activity, higher loan default rates and lower consumption growth.

The result of the EU-referendum in the United Kingdom has so far had fewer negative consequences than expected. The financial turmoil was short-lived and domestic demand remained buoyant well into the autumn of 2016. The British pound has weakened more than expected, which is positive for the British export economy. The downside is that the weaker currency also results in higher inflation, which will weaken households' real disposable income.

GDP for Mainland Norway rose by approximately 0.7 per cent from 2015 to 2016, slightly lower than the previous year. The fall in oil investments was the most important factor behind the weak growth levels and had the most pronounced effect on petroleum-related industries. Employment levels in the mainland economy were virtually unchanged from the year before, stimulated by increased public demand, more construction workers and growth in some tourism-based industries. In other industries, however, there were few signs of employment growth in 2016. The weakening of the Norwegian krone in preceding years has strengthened Norwegian tourist companies, parts of the transportation sector and the hotel and restaurant industry. The depreciation of the krone also made a significant impact on inflation and reduced households' purchasing power. Real wages probably declined by more than 1 per cent, the weakest trend since 1981. According to AKU (a Norwegian labour force survey), the unemployment rate rose to 4.8 per cent, while the number of unemployed people registered with the Norwegian Labour and Welfare Administration (NAV) decreased slightly during the year. Zero growth in employment, however, supports the view that the labour market weakened slightly in 2016. In the commercial real estate market, prices inclined in 2017. In central parts of Oslo, the price increase was particularly strong.

Future prospects

In Norway, activity levels in the mainland economy are expected to increase somewhat, but hardly enough to cause any major reduction in unemployment levels. Internationally, there is risk related to factors such as global political changes, increasing financial imbalances in China, economic and political developments in the United States and the situation for some European banks.

The downside risk of commercial property has been reduced in 2016, and prospects are considered to be good. The loan portfolio and volume-weighted spreads are expected to be stable in the period ahead.

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

Oslo, 1 February 2017
The Board of Directors of DNB Næringskreditt AS

Bjørn Erik Næss
(chairman)

Jørn E. Pedersen

Eva-Lill Strandskogen

Per Sagbakken
(chief executive officer)

Comprehensive income statement

Amounts in NOK million	Note	DNB Næringskreditt AS 4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Total interest income	6	188	171	733	727
Total interest expenses	6	(99)	(89)	(382)	(398)
Net interest income	**6**	**89**	**82**	**351**	**329**
Commission and fee income		0	0	1	1
Commission and fee expenses		(0)	(0)	(0)	(0)
Net gains on financial instruments at fair value	7	(2)	26	(14)	44
Net other operating income		**(2)**	**26**	**(14)**	**45**
Total income		**87**	**108**	**338**	**374**
Other expenses	12	(22)	(29)	(86)	(108)
Total operating expenses		**(22)**	**(29)**	**(86)**	**(108)**
Impairment of loans and commitments	8	0	0	1	1
Pre-tax operating profit		**65**	**79**	**253**	**266**
Tax expense		(16)	(21)	(63)	(71)
Profit for the period		**49**	**58**	**190**	**195**
Other comprehensive income					
Total comprehensive income for the period		**49**	**58**	**190**	**195**

Balance sheet

Amounts in NOK million	Note	DNB Næringskreditt AS 31 Dec. 2016	31 Dec. 2015
Assets			
Due from credit institutions	10, 11, 12	113	28
Loans to customers	8, 11	25 251	26 659
Financial derivatives	10, 12	104	120
Other assets		1	1
Total assets		**25 470**	**26 807**
Liabilities and equity			
Due to credit institutions	11, 12	17 699	19 068
Debt securities issued	9, 10, 11, 12	2 100	2 102
Payable taxes		67	60
Deferred taxes		3	6
Other liabilities		13	9
Total liabilities		**19 881**	**21 245**
Share capital		550	550
Share premium		4 604	4 604
Other equity		435	408
Total equity		**5 589**	**5 562**
Total liabilities and equity		**25 470**	**26 807**

Statement of changes in equity

Amounts in NOK million	Share capital	Share premium	Other equity	Total equity
				DNB Næringskreditt AS
Balance sheet as at 31 December 2014	**550**	**4 604**	**387**	**5 541**
Profit for the period			195	195
Total comprehensive income for the period			**195**	**195**
Group contribution paid			(174)	(174)
Balance sheet as at 31 December 2015	**550**	**4 604**	**408**	**5 562**
Profit for the period			190	190
Total comprehensive income for the period			**190**	**190**
Group contribution paid			(162)	(162)
Balance sheet as at 31 December 2016	**550**	**4 604**	**435**	**5 589**

Share capital

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

Cash flow statement

Amounts in NOK million	Full year 2016	Full year 2015
		DNB Næringskreditt AS
Operating activities		
Net receipts on loans to customers	8 629	6 256
Interest received from customers	723	751
Net receipts/payments on loans to/from credit institutions	(1 418)	3 195
Interest received from credit institutions	1	3
Interest paid to credit institutions	(383)	(333)
Payments for operating expenses	(83)	(111)
Taxes paid		(67)
Net cash flow relating to operating activities	**7 470**	**9 694**
Investing activities		
Net purchase of loan portfolio	(7 212)	(7 034)
Net cash flow relating to investing activities	**(7 212)**	**(7 034)**
Financing activities		
Payments on redeemed bonds and commercial paper		(2 400)
Interest payments on issued bonds and commercial paper	(35)	(90)
Group contribution paid	(222)	(174)
Net cash flow from financing activities	**(256)**	**(2 664)**
Net cash flow	**1**	**(4)**
Cash as at 1 January	0	4
Net payments of cash	1	(4)
Cash at end of period	2	0

Note 1 Basis for preparation

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

Note 2 Capital adequacy

Primary capital

Amounts in NOK million	DNB Næringskreditt AS 31 Dec. 2016	31 Dec. 2015
Share capital	550	550
Other equity	5 039	5 012
Total equity	5 588	5 562
Deductions		
Expected losses exceeding actual losses, IRB-portfolios	(19)	(20)
Value adjustments due to the requirements for prudent valuation (AVA)	(0)	(0)
Adjustments for deferred tax assets		
Adjustment for unrealised losses/(gains) on debt recorded at fair value	(4)	(16)
Allocated group contributions for payment	(190)	(162)
Tier 1 capital	5 376	5 364
Total eligible primary capital	5 376	5 364
Risk-weighted volume, transitional rules	20 029	21 157
Minimum capital requirement, transitional rules	1 602	1 693
Tier 1 capital ratio, transitional rules (%)	26.8	25.4
Capital ratio, transitional rules (%)	26.8	25.4

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

Specification of risk-weighted volume and capital requirements

DNB Næringskreditt AS

Amounts in NOK million	Nominal exposure 31 Dec. 2016	EAD [1] 31 Dec. 2016	Risk-weighted volume 31 Dec. 2016	Capital require-ments 31 Dec. 2016	Capital require-ments 31 Dec. 2015
IRB approach					
Corporate	23 704	23 704	6 287	503	537
Total credit risk, IRB approach	23 704	23 704	6 287	503	537
Standardised approach					
Institutions	233	122	24	2	3
Corporate	1 554	1 554	1 554	124	261
Other assets	1	1	1	0	0
Total credit risk, standardised approach	1 789	1 677	1 580	126	263
Total credit risk	25 492	25 381	7 867	629	801
Credit value adjustment (CVA)			162	13	17
Operational risk			667	53	41
Total risk-weighted volume and capital requirements before transitional rules			8 696	696	859
Additional capital requirements according to transitional rules			11 334	907	834
Total risk-weighted volume and capital requirements			20 029	1 602	1 693

1) *EAD, exposure at default.*

Note 3 Credit risk

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

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

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

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

Note 4 Market risk

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

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

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

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

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

Note 5 Liquidity risk

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

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

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

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

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

From 2016 Q2 DNB Næringskreditt, as a subsidiary of a systemic important institution in Norway, has a regulatory LCR requirement of 100%, which is fulfilled.

Note 6 Net interest income

Amounts in NOK million	DNB Næringskreditt AS 4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Interest on amounts due from credit institutions	0	0	1	3
Interest on loans to customers	188	171	732	725
Other interest income	0	0	0	0
Total interest income	**188**	**171**	**733**	**727**
Interest on amounts due to credit institutions	(86)	(75)	(327)	(305)
Interest on debt securities issued	(14)	(14)	(55)	(93)
Total interest expenses	**(99)**	**(89)**	**(382)**	**(398)**
Net interest income	**89**	**82**	**351**	**329**

Note 7 Net gains on financial instruments at fair value

Amounts in NOK million	DNB Næringskreditt AS 4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Net gains on financial liabilities, designated as at fair value [1)]	30	23	2	45
Net gains on financial derivatives, trading [2)]	(33)	3	(16)	(2)
Net gains on financial instruments at fair value	**(2)**	**26**	**(14)**	**44**

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

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

Note 8 Loans to customers

Loans to customers, including accrued interest, totaled NOK 25.3 billion at end-December 2016 (NOK 26.7 billion as at end-December 2015). There was no objective evidence of a decrease in value requiring individual impairment of the loans. Nor were any allocations made for individual impairment.

The loans have been reviewed for collective impairment. At end-December 2016, there were net reversals on collective impairment losses with NOK 1.1 million.

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

Amounts in NOK million	DNB Næringskreditt AS 31 Dec. 2016	31 Dec. 2015
Loans to customers, nominal amount	25 149	26 566
+ Accrued interest	107	99
– Collective impairment	(5)	(6)
Total loans to customers	**25 251**	**26 659**

Amounts in NOK million	DNB Næringskreditt AS 31 Dec. 2016	31 Dec. 2015
Impairment as per 1 January	(6)	(7)
Changes in collective impairment	1	1
Impairment at end of period	(5)	(6)

Note 9 Debt securities issued

Amounts in NOK million ISIN Code	Currency	Nominal value	Interest	Issued	Matured	DNB Næringskreditt AS 31 Dec. 2016	31 Dec. 2015
NO 0010694425	NOK	1 000	Floating	2013	2018	1 000	1 000
NO 0010694474	NOK	1 000	Fixed	2013	2023	1 093	1 095
Accrued interest						7	7
Total debt securities issued						**2 100**	**2 102**

Cover pool

Amounts in NOK million	DNB Næringskreditt AS 31 Dec. 2016	31 Dec. 2015
Pool of eligible loans	23 864	24 855
Market value of eligible derivatives	104	120
Total collateralised assets	**23 968**	**24 975**
Debt securities issued, carrying value	2 100	2 102
Less valuation changes attributable to changes in credit risk on debt carried at fair value	6	22
Debt securities issued, valued according to regulation [1)]	**2 106**	**2 124**
Collateralisation (per cent)	1 138	1 176

1) *The debt securities issued are bonds with preferred rights in the appurtenant cover pool. The composition and calculation of values in the cover pool are defined in Sections 11-8 and 11-11 of the Financial Institutions Act with appurtenant regulations.*

Note 10 Financial instruments at fair value

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	DNB Næringskreditt AS Total
Assets as at 31 December 2016				
Due from credit institutions		112		112
Financial derivatives		104		104
Liabilities as at 31 December 2016				
Debt securities issued		1 098		1 098

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	DNB Næringskreditt AS Total
Assets as at 31 December 2015				
Financial derivatives		120		120
Liabilities as at 31 December 2015				
Debt securities issued		1 100		1 100

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

Note 11 Fair value of financial instruments at amortised cost

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

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

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

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

Fair value of financial instruments at amortised cost

DNB Næringskreditt AS

	31 December 2016		31 December 2015	
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Due from credit institutions	2	2	28	28
Loans to customers	25 251	25 251	26 659	26 659
Total financial assets	25 253	25 253	26 686	26 686
Due to credit institutions	17 699	17 699	19 068	19 068
Debt securities issued	1 002	1 006	1 002	999
Total financial liabilities	18 701	18 704	20 070	20 067

DNB Næringskreditt AS

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Total
Assets as at 31 December 2016				
Due from credit institutions		2		2
Loans to customers			25 251	25 251
Liabilities as at 31 December 2016				
Due to credit institutions		17 699		17 699
Debt securities issued		1 006		1 006

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

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

Note 12 Information on related parties

DNB Bank ASA

In 2016, portfolios of NOK 7.2 billion were transferred from the bank to DNB Næringskreditt in accordance with the "Agreement relating to transfer of loan portfolio between DNB Bank ASA and DNB Næringskreditt AS".

The management fee paid to the bank for purchased services is recognised as "Other expenses" in the statement of comprehensive income and amounted to NOK 74 million in 2016 (NOK 93 million in 2015).

At end-December, the bank had invested NOK 0.9 billion in covered bonds issued by DNB Næringskreditt.

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

The company has a long-term overdraft facility in DNB Bank ASA. In the fourth quarter of 2016 the limit of the overdraft facility was increased from NOK 25 billion to NOK 30 billion.

DNB Boligkreditt AS

DNB Næringskreditt has no employees and purchases administrative services from DNB Boligkreditt. On an annual basis, DNB Næringskreditt hires staff representing 2 full-time equivalents. The management fee amounted to NOK 3.1 million in 2016.

DNB Livsforsikring AS

In November and December 2016, portfolios of commercial mortgages amounting to approximately NOK 2.6 billion was transferred from DNB Næringskreditt to DNB Livsforsikring.

Key figures

				DNB Næringskreditt AS
	4th quarter 2016	4th quarter 2015	Full year 2016	Full year 2015
Rate of return/profitability				
Return on equity, annualised (%) [1)]	3.5	4.1	3.4	3.5
Financial strength at end of period				
Common equity Tier 1 capital ratio, transitional rules (%)	26.8	25.4	26.8	25.4
Capital ratio, transitional rules (%)	26.8	25.4	26.8	25.4
Common equity Tier 1 capital (NOK million)	5 376	5 364	5 376	5 364
Risk-weighted volume, transitional rules (NOK million)	20 029	21 157	20 029	21 157

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

Profit and balance sheet trends

Comprehensive income statement					**DNB Næringskreditt AS**
Amounts in NOK million	4th quarter 2016	3rd quarter 2016	2nd quarter 2016	1st quarter 2016	4th quarter 2015
Total interest income	188	182	180	183	171
Total interest expenses	(99)	(96)	(94)	(92)	(89)
Net interest income	**89**	**86**	**86**	**91**	**82**
Commission and fee income	0	0	0	0	0
Commission and fee expenses	(0)	(0)	(0)	(0)	(0)
Net gains on financial instruments at fair value	(2)	(8)	(5)	1	26
Net other operating income	**(2)**	**(8)**	**(5)**	**1**	**26**
Total income	**87**	**78**	**81**	**92**	**108**
Other expenses	(22)	(16)	(21)	(27)	(29)
Total operating expenses	**(22)**	**(16)**	**(21)**	**(27)**	**(29)**
Impairment of loans and commitments	0	0	1	(1)	0
Pre-tax operating profit	**65**	**62**	**61**	**65**	**79**
Tax expense	(16)	(16)	(15)	(16)	(21)
Profit for the period	**49**	**47**	**46**	**49**	**58**
Other comprehensive income					
Total comprehensive income for the period	**49**	**47**	**46**	**49**	**58**

Balance sheet					**DNB Næringskreditt AS**
Amounts in NOK million	31 Dec. 2016	30 Sept. 2016	30 June 2016	31 March 2016	31 Dec. 2015
Assets					
Due from credit institutions	113	112	112	75	28
Loans to customers	25 251	26 907	25 913	26 695	26 659
Financial derivatives	104	166	174	162	120
Other assets	1	1	1	1	1
Total assets	**25 470**	**27 186**	**26 200**	**26 933**	**26 807**
Liabilities and equity					
Due to credit institutions	17 699	19 430	18 504	19 089	19 068
Debt securities issued	2 100	2 159	2 160	2 143	2 102
Payable taxes	67	44	29	73	60
Deferred taxes	3	6	6	6	6
Other liabilities	13	5	7	12	9
Total liabilities	**19 881**	**21 645**	**20 706**	**21 323**	**21 245**
Share capital	550	550	550	550	550
Share premium	4 604	4 604	4 604	4 604	4 604
Other equity	435	387	340	456	408
Total equity	**5 589**	**5 541**	**5 494**	**5 610**	**5 562**
Total liabilities and equity	**25 470**	**27 186**	**26 200**	**26 933**	**26 807**

Contact information

DNB Næringskreditt AS

Mailing address	P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address	Dronning Eufemias gate 30, Oslo
Telephone	+47 915 03 000
Internet	dnb.no
Organisation number	NO 846 069 062 MVA

Chief executive officer

Per Sagbakken
Tel: +47 906 61 159
per.sagbakken@dnb.no

Financial reporting

Roar Sørensen
Tel: +47 934 79 616
roar.sorensen@dnb.no

Rating and investor information

Håkon Røsand
Tel: +47 906 16 892
hakon.rosand@dnb.no

DNB ASA

Mailing address	P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address	Dronning Eufemias gate 30, Oslo
Telephone	+47 915 03 000
Internet	dnb.no
Organisation number	NO 981 276 957 MVA

DNB Bank ASA

Mailing address	P.O.Box 1600 Sentrum, NO-0021 Oslo
Visiting address	Dronning Eufemias gate 30, Oslo
Telephone	+47 915 03 000
Internet	dnb.no
Organisation number	NO 984 851 006 MVA

Other sources of information

Annual and quarterly reports

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

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

DNB Næringskreditt AS
Mailing address:
P.O.Box 1600 Sentrum
N-0021 Oslo

Visiting address:
Dronning Eufemias gate 30
Bjørvika, Oslo

dnb.no