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DNB NÆRINGSKREDITT AS

– a company in the DNB Group

Third quarter report 2014
(Unaudited)

Financial highlights

DNB Næringskreditt AS

Comprehensive income statement	3rd quarter	3rd quarter	January - September		Full year
Amounts in NOK 1 000	2014	2013	2014	2013	2013
Net interest income	93 652	80 358	268 448	233 694	317 385
Net other operating income	1 085	21	(2 693)	146	(10 015)
Operating expenses	28 874	24 045	81 932	63 882	89 903
Impairment of loans and commitments	336	1 998	652	1 077	2 098
Pre-tax operating profit	65 527	54 336	183 170	168 881	215 369
Tax expense	17 692	15 375	49 466	47 420	60 408
Profit for the period	47 835	38 963	133 705	121 461	154 962

Balance sheet	30 Sept.	31 Dec.	30 Sept.
Amounts in NOK 1 000	2014	2013	2013
Total assets	27 337 449	23 741 700	22 133 783
Loans to customers	26 723 945	23 164 541	22 122 310
Debt securities issues	4 530 388	4 417 224	2 413 104
Total equity	5 500 042	5 521 137	5 487 636

Key figures	3rd quarter	3rd quarter	January - September		Full year
Per cent	2014	2013	2014	2013	2013
Combined weighted total average spread for lending [1)]	0.89	0.77	0.89	0.73	0.77
Return on equity, annualised	3.5	2.9	3.2	2.8	3.7
Common equity Tier 1 capital ratio, transitional rules (%)	25.0	30.3	25.0	30.3	28.8
Capital ratio, transitional rules (%)	25.0	30.3	25.0	30.3	28.8
Net non-performing and impaired loans, per cent of net loans	0.00	0.01	0.00	0.00	0.00

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

Third quarter report 2014

Directors' report

DNB Næringskreditt AS is the DNB Group's vehicle for the issue of covered bonds based on commercial mortgages. The company's offices are located in Oslo. DNB Næringskreditt is a wholly-owned subsidiary of DNB Bank ASA and is reported partly under the Corporate Banking Norway business area, and partly under the Large Corporates and International business area, in the consolidated accounts of DNB Bank ASA. The company has completed three bond issues totalling NOK 4.4 billion, 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, which were rated Aa1.

Financial accounts

DNB Næringskreditt recorded a profit of NOK 48 million in the third quarter of 2014, compared with a profit of NOK 39 million in the third quarter of 2013. The profit for the first three quarters of 2014 was NOK 134 million, compared with a profit of NOK 121 million in 2013.

Total income

Income totalled NOK 95 million in the third quarter of 2014, up from NOK 80 million in the year-earlier period.

Amounts in NOK million	3rd quarter 2014	Change	3rd quarter 2013
Total income	95	15	80
Net interest income		14	
Net commission and fee income		0	
Net gains on financial instruments at fair value		1	

The improvement in net interest income was due to an increase in loans to customers, as well as wider interest rate spreads.

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

Amounts in NOK million	Jan.-Sept. 2014	Change	Jan.-Sept. 2013
Total income	266	32	234
Net interest income		35	
Net commission and fee income		0	
Net gains on financial instruments at fair value		(3)	

Interest rate spreads stabilised at a higher level than in 2013. At the same time, average net loans to customers increased during the first three quarters 2014 and the net effect was thus an increase in net interest income.

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 28 million in the third quarter of 2014, up from NOK 21 million in the third quarter of the year before. The management fee for the first three quarters of 2014 was NOK 76 million.

The company has recorded no individual impairment losses in previous years, though collective impairment losses of NOK 0.7 million were recorded in the first three quarters of 2014. The Board of Directors considers the level of impairment to be satisfactory relative to the high quality of the loan portfolio.

Funding, liquidity and balance sheet

Balance sheet

At end-September 2014, DNB Næringskreditt had total assets of NOK 27.3 billion under management, an increase of NOK 5.2 billion or 23.5 per cent from end-September 2013.

Amounts in NOK million	30 Sept. 2014	Change	30 Sept. 2013
Total assets	27 337	5 204	22 134
Loans to customers		4 602	
Financial derivatives		95	
Other assets		507	
Total liabilities	21 837	5 191	16 646
Due to credit institutions		3 057	
Financial derivatives		0	
Debt securities issued		2 117	
Other liabilities		17	

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

The company did not issue covered bonds in the first three quarters of 2014. Total debt securities issued amounted to NOK 4.5 billion at end-September 2014.

Risk and capital adequacy

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

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

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

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

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

As at end-Septemer 2014, 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 25.0 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

On 22 August 2014, the Norwegian Ministry of Finance adopted a regulation on the technical specifications in the CRD IV regulations.

The main requirements have already been included in the Financial Institutions Act and the Securities Trading Act. These entered into force on 1 July 2013 and entail a gradual increase in the minimum common equity Tier 1 requirement up until 1 July 2016. According to the Ministry, calculations of buffer requirements should be based on total risk-weighted volume, including international exposures. This means that total risk-weighted volume should be used when calculating the counter-cyclical buffer and in cases where the systemic risk buffer and the buffer for systemically important institutions are added up. In addition, in the regulation the Ministry has included the distinctively Norwegian requirement that risk-weighted volume cannot be less than 80 per cent of the corresponding figure calculated according to the Basel I regulations. This means that the Basel I floor applies to the buffer requirements. The changes in regulations entered into force on 30 September 2014.

Some stipulations in the EU's new banking regulations, Basel III and CRD IV, remain to be implemented, including liquidity requirements, a non-risk based capital requirement (leverage ratio) and stipulations regarding the so-called Pillar II requirements. In the opinion of the Ministry of Finance, Norway cannot wait for the international processes, but must formulate and introduce national rules that "as far as possible" correspond to the likely EU requirements. A liquidity buffer requirement, Liquidity Coverage Ratio, and a Net Stable Funding Ratio will be introduced. It has not yet been decided whether such buffer requirements will apply to mortgage institutions.

The Ministry of Finance has also asked Finanstilsynet to consider when and how a non-risk based capital requirement and related definitions can be introduced in Norway. Among other things, Finanstilsynet will consider the most appropriate level for Norwegian banks in view of the fact that such a requirement will be the lower limit for the risk-weighted capital requirement. In addition, Finanstilsynet has been asked to consider the appropriateness of making public the supervisory authorities' Pillar II assessments and requirements for individual banks. Finanstilsynet will present its suggestions and assessments by end-June 2015.

Macroeconomic developments

Following a period characterised by positive signals in the international economy, several of Norway's major trading partners have experienced more sluggish growth in recent months. The level of growth has been particularly in the eurozone. Developments have been more positive in the US and the United Kingdom, which have experienced sound growth in private consumption and investment.

Unemployment levels may have peaked in the EU, but remain very high. Several emerging economies have experienced slow economic growth, while growth has remained brisk in China and India.

Norwegian economic growth increased significantly during the second quarter of 2014, though this was largely attributable to factors that will not give equally strong impulses to the economy in the period ahead. In mid-August, companies in Norges Bank's regional network reported moderate, but slightly declining production growth over the preceding three months, which was somewhat below the expectations presented in May. The building and construction industry has the same expectations, and the prolonged decline in growth appears to have come to a halt.

Despite a rather high office vacancy rate, acitivity levels in the commercial property rental market are rising, with strong growth in office rents. Underlying growth in property prices has been weaker, but we believe that higher rents, together with better access to finance and lower loan margins, will provide a basis for a future rise in value.

The market remained attractive for covered bond issuers with strong credit ratings in the first three quarters of 2014. 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 bonds issued in 2014 is low compared to 2013.

Future prospects

There has recently been weaker economic growth in the eurozone parallel to a positive trend in the US and the United Kingdom, as well as in emerging economies such as India and China.

In Norway, the rate of growth is expected to slow in the period ahead due to a decline in petroleum investment. If the recent fall in oil prices prevails, it could have a negative impact on the Norwegian economy in the longer term. Housing prices are expected to be stable. Overall, there is conditional optimism with respect to comercial property in Norway.

Interest rate spreads are expected to be stable during the remainder of 2014. The loan portfolio of DNB Næringskreditt is expected to increase in the period ahead as a result of further transfers of loans from DNB Bank ASA. Furthermore, continued sound credit quality is expected to ensure that impairment losses remain below the normalised level in 2014.

Covered bonds have gained a leading position as a funding vehicle for Norwegian banks. In October 2014, the European Commission presented final requirements on the compostition of the LCR liquidity buffer. 70 per cent of the buffer can now be in the form of covered bonds, compared to 40 per cent in previous proposals. Norwegian covered bonds still seem to be regarded as attractive investments with relatively low credit and market risk.

Oslo, 22 October 2014
The Board of Directors of DNB Næringskreditt AS

Bjørn Erik Næss
(chairman)

Eva-Lill Strandskogen

Reidar Bolme

Elisabeth Ege

Jørn E. Pedersen

Øyvind Birkeland
(chief executive officer)

Comprehensive income statement

						DNB Næringskreditt AS
		3rd quarter	3rd quarter	January - September		Full year
Amounts in NOK 1 000	Note	2014	2013	2014	2013	2013
Total interest income	7	231 554	191 853	644 429	562 658	757 570
Total interest expenses	7	137 901	111 494	375 981	328 964	440 184
Net interest income	7	**93 652**	**80 358**	**268 448**	**233 694**	**317 385**
Commission and fee income		87	34	350	185	221
Commission and fee expenses		25	13	74	39	81
Net gains on financial instruments at fair value	8	1 022	-	(2 969)	-	(10 156)
Net other operating income		**1 085**	**21**	**(2 693)**	**146**	**(10 015)**
Total income		**94 737**	**80 380**	**265 755**	**233 840**	**307 370**
Other expenses	13	28 874	24 045	81 932	63 882	89 903
Total operating expenses		**28 874**	**24 045**	**81 932**	**63 882**	**89 903**
Impairment of loans and commitments	9	336	1 998	652	1 077	2 098
Pre-tax operating profit		**65 527**	**54 336**	**183 170**	**168 881**	**215 369**
Tax expense		17 692	**15 375**	49 466	47 420	60 408
Profit for the period		**47 835**	**38 963**	**133 705**	**121 461**	**154 962**
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		**47 835**	**38 963**	**133 705**	**121 461**	**154 962**

Balance sheet

				DNB Næringskreditt AS
		30 Sept.	31 Dec.	30 Sept.
Amounts in NOK 1 000	Note	2014	2013	2013
Assets				
Due from credit institutions	12, 13	514 861	571 517	11 376
Loans to customers	9, 11, 12	26 723 945	23 164 541	22 122 310
Financial derivatives	11, 13	94 866	1 864	-
Deferred tax assets		2 818	2 818	97
Other assets		960	960	-
Total assets		**27 337 449**	**23 741 700**	**22 133 783**
Liabilities and equity				
Due to credit institutions	12, 13	17 236 279	13 709 979	14 179 528
Financial derivatives	11, 13	-	15 962	-
Debt securities issued	10, 11, 12, 13	4 530 388	4 417 224	2 413 104
Payable taxes		52 394	63 128	47 420
Other liabilities		18 346	14 269	6 094
Total liabilities		**21 837 407**	**18 220 563**	**16 646 147**
Share capital		550 000	550 000	550 000
Share premium reserve		4 604 100	4 604 100	4 694 100
Other equity		345 942	367 037	243 536
Total equity		**5 500 042**	**5 521 137**	**5 487 636**
Total liabilities and equity		**27 337 449**	**23 741 700**	**22 133 783**

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 2013	**550 000**	**4 604 100**	**400 780**	**5 554 880**
Profit for the period			82 498	82 498
Other comprehensive income			-	0
Total comprehensive income for the period			**82 498**	**82 498**
Group contribution paid			(188 704)	**(188 704)**
Balance sheet as at 30 September 2013	**550 000**	**4 604 100**	**294 574**	**5 448 673**
Balance sheet as at 1 January 2014	**550 000**	**4 604 100**	**367 037**	**5 521 137**
Profit for the period			133 705	133 705
Other comprehensive income			-	0
Total comprehensive income for the period			**133 705**	**133 705**
Group contribution paid			(154 800)	(154 800)
Balance sheet as at 30 September 2014	**550 000**	**4 604 100**	**345 942**	**5 500 042**

Share capital

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

Cash flow statement

DNB Næringskreditt AS			
	January - September		Full year
Amounts in NOK 1 000	2014	2013	2013
Operating activities			
Net receipts/payments on loans to customers	1 685 426	927 882	1 894 346
Interest received from customers	614 034	554 043	745 718
Net receipts/payments on loans to/from credit institutions	3 566 966	920 721	(109 693)
Interest received from credit institutions	5 309	4 710	6 919
Interest paid to credit institutions	(286 198)	(292 415)	(381 613)
Payments for operating expenses	(76 782)	(65 714)	(84 526)
Net cash flow from operating activities	**5 508 756**	**2 049 227**	**2 071 151**
Investing activities			
Net purchase of loan portfolio	(5 220 397)	(1 753 021)	(3 761 709)
Net cash flow relating to investing activities	**(5 220 397)**	**(1 753 021)**	**(3 761 709)**
Funding activities			
Receipts on issued bonds and commercial paper	-	-	2 000 000
Interest payments on issued bonds and commercial paper	(76 487)	(43 568)	(56 816)
Group contribution paid	(215 000)	(262 089)	(262 089)
Net cash flow from funding activities	**(291 487)**	**(305 657)**	**1 681 095**
Net cash flow	**(3 128)**	**(9 451)**	**(9 462)**
Cash as at 1 January	11 364	20 826	20 826
Net receipts/payments of cash	(3 128)	(9 451)	(9 462)
Cash at end of period	8 236	11 376	11 364

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.

Note 1 Accounting principles

The financial statements for the third quarter of 2014 have been prepared in accordance with IAS 34 *Interim Financial Reporting*

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual financial statements as at 31 December 2013.

The company's accounting principles and calculation methods are consistent with those applied when preparing the annual financial statements for 2013. No new or amended accounting standards or interpretations have entered into force so far in 2014 that have had effect on the interim report.

The accounts for the third quarter were approved by the Board of Directors on the 22 October 2014.

Operating segments

The company has operations within one operating segment only, according to IFRS 8 *Operating segments*. The segment generated a profit of NOK 133.7 million in the first nine months of 2014. The company uses the information in the statement of comprehensive income and balance sheet also in its internal reporting.

Note 2 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 information estimates. Actual results in the future may differ from such estimates, and the differences may be material to the financial statements. A more detailed description of important estimates and assumtions is presented in the annual report for 2013 in note 1 Significant accounting judgements, estimates and assumptions.

Note 3 Capital adequacy

Primary capital	**DNB Næringskreditt AS**	
Amounts in NOK 1 000	30 Sept. 2014	31 Dec. 2013
Share capital	550 000	550 000
Other equity	4 816 337	4 971 137
Total equity	5 366 337	5 521 137
Deductions		
100 per cent of expected losses exceeding actual losses, IRB portfolios	(6 608)	(4 078)
Adjustments for deferred tax assets	(2 818)	(2 818)
Allocated group contributions for payment	-	(154 800)
Tier 1 capital	5 356 911	5 359 441
Total eligible primary capital	5 356 911	5 359 441
Risk-weighted volume, transitional rules	21 437 232	18 624 555
Minimum capital requirement, transitional rules	1 714 979	1 489 964
Tier 1 capital ratio, transitional rules (%)	25.0	28.8
Capital ratio, transitional rules (%)	25.0	28.8

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

Note 3 Capital adequacy (continued)

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

Amounts in NOK 1 000	Nominal exposure 30 Sept. 2014	EAD [1] 30 Sept. 2014	Risk-weighted volume 30 Sept. 2014	Capital requirements 30 Sept. 2014	Capital requirements 30 Sept. 2013
IRB approach					
Corporate	12 362 316	12 362 316	3 564 219	285 138	123 429
Retail - residential property	-	-	-	-	
Total credit risk, IRB approach	12 362 316	12 362 316	3 564 219	285 138	123 429
Standardised approach					
Institutions	609 727	609 727	304 863	24 389	182
Corporate	14 370 654	14 370 654	14 370 654	1 149 652	1 247 092
Retail - residential property	-	-	-	-	
Total credit risk, standardised approach	14 980 381	14 980 381	14 675 518	1 174 041	1 247 274
Total credit risk	27 342 697	27 342 697	18 239 737	1 459 179	1 370 703
Other assets			960	77	
Credit value adjustment risk (CVA)			187 640	15 011	-
Operational risk			601 605	48 128	45 742
Deductions					
Total risk-weighted volume and capital requirements before transitional rules			19 029 942	1 522 395	1 416 445
Additional capital requirements according to transitional rules			2 407 290	192 583	-
Total risk-weighted voluem and capital requirements			21 437 232	1 714 979	1 416 445

1) *EAD, exposure at default.*

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 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 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 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 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.

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

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

DNB Næringskreditt's liquidity situation for the third quarter of 2014 can be characterised as sound.

Note 7 Net interest income

	DNB Næringskreditt AS				
	3rd quarter	3rd quarter	January - September		Full year
Amounts in NOK 1 000	2014	2013	2014	2013	2013
Interest on amounts due from credit institutions	2 589	1 270	5 309	4 710	6 919
Interest on loans to customers	228 926	190 359	639 063	557 279	749 963
Other interest income	39	224	56	668	688
Total interest income	**231 554**	**191 853**	**644 429**	**562 658**	**757 570**
Interest on amounts due to credit institutions	108 552	98 232	289 296	287 277	377 189
Interest on debt securities issued	29 350	13 263	86 685	41 687	62 996
Total interest expenses	**137 901**	**111 494**	**375 981**	**328 964**	**440 184**
Net interest income	**93 652**	**80 358**	**268 448**	**233 694**	**317 385**

Note 8 Net gains on financial instruments at fair value

	DNB Næringskreditt AS				
Amounts in NOK 1 000	3rd quarter 2014	3rd quarter 2013	January - September 2014	2013	Full year 2013
Net gains on financial liabilities, designated as at fair value [1)]	(18 030)	-	(83 920)	-	3 940
Net gains on financial derivatives, trading [2)]	19 052	-	80 951	-	(14 096)
Net gains on financial instruments at fair value	**1 022**	**0**	**(2 969)**	**0**	**(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 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 Loans to customers

Loans to customers, including accrued interest, totalled NOK 26.7 billion at end-September 2014 (NOK 22.1 billion as at end-September 2013). There was no objective evidence of a decrease in value requiring individual impairment of the loans. Nor were any allocations made for individual impairment.

The loans have been reviewed for collective impairment. During the first three quarters of 2014, collective impairments increased by NOK 0.7 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	30 Sept. 2014	31 Dec. 2013	30 Sept. 2013
Loans to customers at amortised cost, nominal amount	26 593 322	23 058 352	22 016 128
– Individual impairment	-	-	-
Loans to customers, after individual impairment	26 593 322	23 058 352	22 016 128
+ Accrued interest and amortisation	138 380	113 295	112 267
– Individual impairment on accrued interest	-	-	-
Loans to customers, at amortised cost	26 731 703	23 171 647	22 128 395
– Collective impairment	7 758	7 106	6 084
Total loans to customers	**26 723 945**	**23 164 541**	**22 122 310**

	DNB Næringskreditt AS		
Amounts in NOK 1 000	30 Sept. 2014	31 Dec. 2013	30 Sept. 2013
Impairment as per 1 January	7 106	5 008	5 008
Changes in individual impairment	-	-	
Changes in collective impairment	652	2 098	1 076
Impairment at end of period	7 758	7 106	6 084
Of which: Individual impairment	-	-	-
Individual impairment of accrued interest and amortisation	-	-	-
Collective impairment	*7 758*	*7 106*	*6 084*

Note 10 Debt securities issued

						DNB Næringskreditt AS		
Amounts in NOK 1 000						30 Sept.	31 Dec.	30 Sept.
ISIN Code	Currency	Nominal value	Interest	Issued	Matured	2014	2013	2013
NO 0010543192	NOK	2 400 000	Floating	2009	2015	2 400 000	2 400 000	2 400 000
NO 0010694425	NOK	1 000 000	Floating	2013	2018	1 000 000	1 000 000	-
NO 0010694474	NOK	1 000 000	Fixed	2013	2023	1 079 980	996 060	-
Accrued interest						50 408	21 164	13 104
Total debt securities issued						**4 530 388**	**4 417 224**	**2 413 104**

Cover pool	DNB Næringskreditt AS		
	30 Sept.	31 Dec.	30 Sept.
Amounts in NOK 1 000	2014	2013	2013
Pool of eligible loans	23 197 266	20 981 617	19 477 510
Market value of eligible derivatives	94 866	-	-
Supplementary assets		560 153	447
Total collateralised assets	**23 292 132**	**21 541 770**	**19 477 957**
Debt securities issued, carrying value	4 530 388	4 417 224	2 413 104
Market value of eligible derivatives	-	14 098	-
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(13 734)	-	-
Debt securities issued, valued according to regulation [1)]	**4 516 654**	**4 431 322**	**2 413 104**
Collateralisation (per cent)	515.7	486.0	807.0

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

Note 11 Financial instruments at fair value

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

Level 1
Valuation based on quoted, unadjusted prices in active markets for identical assets and liabilities. DNB Næringskreditt has no financial instruments in this category.

Level 2
Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

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

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

Level 3
Techniques for which inputs that have a significant effect on the recorded fair value are not based on observable market data. DNB Næringskreditt has no financial instruments in this category.

					DNB Næringskreditt AS
Amounts in NOK 1 000	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	Accrued interest [1)]	Total
Assets as at 30 September 2014					
Loans to customers	-	-	-	-	0
Financial derivatives	-	94 866	-	-	94 866
Liabilities as at 30 September 2014					
Debt securities issued	-	1 079 980	-	33 794	1 113 774
Financial derivatives	-	-	-	-	0

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

Note 12 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 11.

Fair value of financial instruments at amortised cost	**DNB Næringskreditt AS**	
Amounts in NOK 1 000	Carrying amount 30 Sept. 2014	Fair value 30 Sept. 2014
Due from credit institutions	514 861	514 861
Loans to customers	26 723 945	26 723 945
Total financial assets	**27 238 805**	**27 238 805**
Due to credit institutions	17 236 279	17 236 279
Debt securities issued	3 416 614	3 437 494
Total financial liabilities	**20 652 893**	**20 652 893**

	DNB Næringskreditt AS				
Amounts in NOK 1 000	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	Accrued interest	Total
Assets as at 30 September 2014					
Lending to and deposits with credit institutions	-	514 861	-	-	514 861
Loans to customers	-	-	26 584 297	139 648	26 723 945
Liabilities as at 30 September 2014					
Loans and deposits from credit institutions	-	17 236 279	-	-	17 236 279
Debt securities issued	-	3 420 881	-	16 614	3 437 494

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 13 Information on related parties

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

DNB Bank ASA

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

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. During the third quarter of 2014, portfolios of NOK 1.2 billion were transferred from the bank to DNB Næringskreditt. All transactions are carried out at market terms.

Pursuant to the management agreement, DNB Næringskreditt purchases services from the bank, including administration, bank production, distribution, customer contact, IT operations, financial and liquidity management. DNB Næringskreditt pays a management fee for these services based on the lending volume under management and the achieved lending spreads. The management fee amounted to NOK 27.6 million for the third quarter of 2014 (NOK 20.6 million for the third quarter of 2013).

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-September, the bank had invested NOK 2.9 billion in covered bonds issued by DNB Næringskreditt.

DNB Boligkreditt AS

DNB Næringskreditt has no employees and purchases administrative services from DNB Boligkreditt. On an annual basis, DNB Næringskreditt hires staff representing 2.3 full-time equivalents. The management fee amounted to NOK 1.0 million for the third quarter of 2014. DNB Boligkreditt is a wholly-owned subsidiary of DNB Bank.

Note 14 Contingencies and post-balance sheet events

DNB Næringskreditt is not involved in any legal actions.

Key figures

DNB Næringskreditt AS	3rd quarter 2014	3rd quarter 2013	January - September 2014	January - September 2013	Full year 2013
Rate of return/profitability					
Return on equity, annualised (%) [1)]	3.5	2.9	3.2	2.8	3.7
Financial strength at end of period					
Common equity Tier 1 capital ratio, transitional rules (%)	25.0	30.3	25.0	30.3	28.8
Capital ratio, transitional rules (%)	25.0	30.3	25.0	30.3	28.8
Common equity Tier 1 capital (NOK 1 000)	5 356 911	5 361 719	5 359 729	5 361 719	5 359 441
Risk-weighted volume, transitional rules (NOK 1 000)	21 437 232	17 705 563	21 437 232	17 705 563	18 624 555

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 1 000	3rd quarter 2014	2nd quarter 2014	1st quarter 2014	4th quarter 2013	3rd quarter 2013
Total interest income	231 554	214 152	198 723	194 912	191 853
Total interest expenses	137 901	124 879	113 200	111 220	111 494
Net interest income	**93 652**	**89 273**	**85 523**	**83 691**	**80 358**
Commission and fee income	87	205	58	183	34
Commission and fee expenses	25	25	25	(65)	13
Net gains on financial instruments at fair value	1 022	(9 332)	5 341	(10 156)	-
Net other operating income	**1 085**	**(9 151)**	**5 374**	**(10 015)**	**21**
Total income	**94 737**	**80 121**	**90 897**	**73 530**	**80 380**
Other expenses	28 874	27 654	25 405	26 020	24 045
Total operating expenses	**28 874**	**27 654**	**25 405**	**26 020**	**24 045**
Impairment of loans and commitments	336	(1 381)	1 697	1 021	1 998
Pre-tax operating profit	**65 527**	**53 848**	**63 795**	**46 488**	**54 336**
Tax expense	17 692	14 539	17 234	12 987	15 375
Profit for the period	**47 835**	**39 309**	**46 561**	**33 501**	**38 963**
Other comprehensive income	-	-	-	-	-
Comprehensive income for the period	**47 835**	**39 309**	**46 561**	**33 501**	**38 963**

Balance sheet					**DNB Næringskreditt AS**
Amounts in NOK 1 000	30 Sept. 2014	30 June 2014	31 March 2014	31 Dec. 2013	30 Sept. 2013
Assets					
Due from credit institutions	514 861	229 100	113 344	571 517	11 376
Loans to customers	26 723 945	25 958 888	24 389 255	23 164 541	22 122 310
Financial derivatives	94 866	66 058	26 561	1 864	-
Deferred tax assets	2 818	2 818	2 818	2 818	97
Other assets	960	960	960	960	-
Total assets	**27 337 449**	**26 257 824**	**24 532 938**	**23 741 700**	**22 133 783**
Liabilities and equity					
Due to credit institutions	17 236 279	16 259 989	14 423 346	13 709 979	14 179 528
Financial derivatives	-	-	-	15 962	-
Debt securities issued	4 530 388	4 502 594	4 452 540	4 417 224	2 413 104
Payable taxes	52 394	34 702	80 362	63 128	47 420
Other liabilities	18 346	8 333	8 991	14 269	6 094
Total liabilities	**21 837 407**	**20 805 617**	**18 965 240**	**18 220 563**	**16 646 147**
Share capital	550 000	550 000	550 000	550 000	550 000
Share premium reserve	4 604 100	4 604 100	4 604 100	4 604 100	4 694 100
Other equity	345 942	298 107	413 598	367 037	243 536
Total equity	**5 500 042**	**5 452 207**	**5 567 698**	**5 521 137**	**5 487 636**
Total liabilities and equity	**27 337 449**	**26 257 824**	**24 532 938**	**23 741 700**	**22 133 783**

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Other sources of information

Annual and quarterly reports

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

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The quarterly report has been produced by Group Financial Reporting in DNB. Translation: Gina Fladmoe, DNB.
Cover design: Itera Gazette / Photo: Kimm Saatvedt

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