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DNB NÆRINGSKREDITT AS

– a company in the DNB Group

Third quarter report 2015
(Unaudited)

Financial highlights

Comprehensive income statement

DNB Næringskreditt AS

Amounts in NOK million	3rd quarter 2015	3rd quarter 2014	January-September 2015	January-September 2014	Full year 2014
Net interest income	81	94	247	268	364
Net other operating income	17	1	19	(3)	(8)
Operating expenses	(20)	(29)	(80)	(82)	(116)
Impairments on loans and commitments	(0)	(0)	1	(1)	(0)
Pre-tax operating profit	77	66	187	183	240
Tax expense	(21)	(18)	(50)	(49)	(65)
Profit for the period	**56**	**48**	**136**	**134**	**175**

Balance sheet

Amounts in NOK million	30 Sept. 2015	31 Dec. 2014	30 Sept. 2014
Total assets	26 075	26 088	27 337
Loans to customers	25 764	25 905	26 724
Debt securities issued	4 565	4 561	4 530
Total equity	5 503	5 541	5 500

Key figures

Per cent	3rd quarter 2015	3rd quarter 2014	January-September 2015	January-September 2014	Full year 2014
Combined weighted total average spread for lending 1)	0.84	0.89	0.85	0.89	0.90
Return on equity, annualised	4.1	3.5	3.3	3.2	3.2
Common equity Tier 1 capital ratio, transitional rules	26.1	25.0	26.1	25.0	25.9
Capital ratio, transitional rules	26.1	25.0	26.1	25.0	25.9
Net non-performing and impaired loans, per cent of net loans	0.00	0.00	0.00	0.00	0.00

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

Third quarter report 2015

Directors' report

DNB Næringskreditt AS is the DNB Group's vehicle for the issue of covered bonds based on commercial mortgages. The company's offices are located in Oslo. DNB Næringskreditt is a wholly-owned subsidiary of DNB Bank ASA and is reported partly under the Corporate Banking Norway business area and partly under the Large Corporates and International business area in the consolidated accounts of DNB Bank ASA. The company has completed three bond issues totalling NOK 4.4 billion. The rating agencies' assessments are of significance to the company's funding terms. In 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 56 million in the third quarter of 2015, compared with a profit of NOK 48 million in the third quarter of 2014.

Total income

Income totalled NOK 98 million in the third quarter of 2015, up from NOK 95 million in the year-earlier period.

Amounts in NOK million	3rd quarter 2015	Change	3rd quarter 2014
Total income	98	3	95
Net interest income		(13)	
Net commission and fee income			
Net gains/(losses) on financial instruments at fair value		16	

Net interest income was reduced by NOK 13 million from the third quarter of 2014 to the third quarter of 2015.

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

Operating expenses and impairment of loans

Operating expenses are volatile due to the management fee paid to DNB Bank. The cooperation with DNB Bank is formalised through an extensive servicing agreement that ensures DNB Næringskreditt sound competence in key areas and cost-effective operations. The management fee calculation is based primarily on lending volume and the spreads achieved. The size of the management fee is related to net interest income. The fee amounted to NOK 22 million in the third quarter of 2015, down from NOK 28 million in the third quarter of 2014.

The company has recorded no individual impairment losses in previous years, which was also the case in the third quarter of 2015. 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 2015, DNB Næringskreditt had total assets of NOK 26.1 billion under management, a decrease of NOK 1.3 billion or 4.6 per cent from end-September 2014.

Amounts in NOK million	30 Sept. 2015	Change	30 Sept. 2014
Total assets	26 075	(1 262)	27 337
Loans to customers		(960)	
Financial derivatives		51	
Other assets		(353)	
Total liabilities	20 572	(1 265)	21 837
Due to credit institutions		(1 286)	
Debt securities issued		35	

The decrease in loans to customers is due to the fact that DNB Næringskreditt has acquired fewer commercial mortgages from DNB Bank.

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

Risk and capital adequacy

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

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

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

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

DNB Næringskreditt's assets comprise loans secured by commercial property within 60 per cent of the property's appraised value, plus bank deposits. Negative developments in the commercial property market affect the company. A decline in 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-September 2015, 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 both 26.1 per cent. The Board of Directors considers the company to be adequately capitalised relative to the risk level in the loan portfolios and other operations.

New regulatory framework

Non-risk based capital requirement

In 2011, the Basel Committee proposed a non-risk based capital requirement, "leverage ratio", as a supplement to capital requirements based on risk weighting of banks' exposures. The Basel Committee proposed a minimum requirement of 3 per cent.

The EU's ambition is that the requirement will enter into force as from 2018, though the EU has not yet decided on the capital level. Based on advice from the EBA, the European Commission will prepare a report on the non-risk based capital requirement by year-end 2016. The report will include proposals on a binding minimum requirement or different minimum requirements for various business models. The report will also consider adjustments of the capital measure and the exposure measure.

In a letter to the Ministry of Finance, Finanstilsynet has assessed when and how a non-risk based capital requirement should be introduced in Norway. Finanstilsynet points out that it may be necessary to introduce a minimum non-risk based capital requirement as the lower limit for banks' capital adequacy in connection with possible future changes in the so-called Basel I floor. According to Finanstilsynet, the capital measure shall consist of common equity Tier 1 capital, even though the EU regulations stipulate that the capital measure shall comprise Tier 1 capital, which is common equity Tier 1 capital plus hybrid capital.

Finanstilsynet recommends that Norwegian banks' non-risk based capital requirement should be at a considerably higher level than 3 per cent. In addition, Finanstilsynet believes that it will be unfortunate if a national minimum requirement is determined which later has to be changed in line with a new definition and calibration in the EU. Thus, Finanstilsynet finds that the introduction plan for CRD IV should be followed.

The non-risk based capital of Norwegian banks is significantly higher than 3 per cent and higher than the average for European banks. This partly reflects the fact that the floor rules are strictly adhered to and that there are stringent requirements for the calibration of the banks' risk models. Nevertheless, Finanstilsynet is of the opinion that overall, Norwegian banks should further increase their non-risk based capital, which will be followed up in the supervisory dialogue up till 2018.

Macroeconomic developments

There is still moderate growth in the global economy, with considerable differences from country to country. Growth has picked up considerably in the US, and the labour market is sound. The first interest rate increase is expected towards the end of the year. In the United Kingdom, economic growth is holding up well. Activity levels have temporarily picked up in the eurozone, reflecting lower energy prices and higher employment growth, though there is still much excess capacity in the economy. High debt levels and limited growth capacity in a number of economies will contribute to continued high unemployment levels and low wage and price growth over the next few years. Many emerging economies are showing signs of weakness. Russia and Brazil are experiencing a setback. Economic growth is showing less momentum in China, and the intensity of the economic slowdown remains uncertain.

After climbing in the spring, the price of oil has declined again since the summer. The price level is now USD 48 a barrel, which is USD 8 lower than at end-December 2014 and as much as USD 54 lower than the price level during the preceding five years. The falling prices contribute to more extensive cost cuts in the petroleum industry and will probably result in a significant reduction in oil investments during the 2015-2017 period. This will have negative spillover effects on the mainland economy in the form of a more moderate increase in demand for goods and services. Moreover, unemployment levels will rise somewhat while wage inflation will remain moderate. Thus far this year, there has been a declining level of activity among oil suppliers parallel to a rise in unemployment in oil-intensive sectors and regions. However, household demand remains strong. There is still sound growth in housing prices on a national basis, though there are large regional differences. Prices will probably level off over the next three years, reflecting a weaker labour market and more moderate growth in purchasing power.

Interest rate cuts are helping to sustain households' purchasing power and to keep the Norwegian krone weak. A weak krone means higher profitability and improved competitiveness for exporters, who are also experiencing an upswing in demand from other countries. The competitive ability of home market companies exposed to global competition will also improve. Norway is conducting an expansionary fiscal policy. The sustained level of demand in the economy mainly reflects strong increases in public investment in roads and railways.

Future prospects

Economic forecasts for 2015 indicate moderate global economic growth. Economic growth is also expected in Norway, though it will probably slow down in 2015 as a result of declining oil investments and their spillover effects on the mainland economy. The Norwegian economy has important buffers which help ensure continued growth in the mainland economy and low unemployment levels in an international perspective. A weaker Norwegian krone will be positive for Norwegian industries exposed to competition. Overall, the Norwegian economy will probably grow by just over 1 per cent in both 2015 and 2016, whereafter the growth rate is expected to reach more normal levels. In 2018, the growth rate is expected to exceed 2 per cent.

Impairment losses on loans in 2015 are expected to stay below normalised levels.

The tax rate for 2015 is estimated to be around 25 per cent. Further information about the DNB Group's ambitions and future prospects will be given on the Capital Markets Day in London on 25 November.

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.

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

Oslo, 21 October 2015
The Board of Directors of DNB Næringskreditt AS

Bjørn Erik Næss
(chairman)

Reidar Bolme

Elisabeth Ege

Jørn E. Pedersen

Eva-Lill Strandskogen

Per Sagbakken
(chief executive officer)

Comprehensive income statement

						DNB Næringskreditt AS
		3rd quarter	3rd quarter	January-September		Full year
Amounts in NOK million	Note	2015	2014	2015	2014	2014
Total interest income	6	181	232	556	644	863
Total interest expenses	6	(100)	(138)	(309)	(376)	(499)
Net interest income	6	**81**	**94**	**247**	**268**	**364**
Commission and fee income		0	0	1	0	1
Commission and fee expenses		(0)	(0)	(0)	(0)	(0)
Net gains on financial instruments at fair value	7	17	1	18	(3)	(8)
Net other operating income		**17**	**1**	**19**	**(3)**	**(8)**
Total income		**98**	**95**	**266**	**266**	**356**
Other expenses	12	(20)	(29)	(80)	(82)	(116)
Total operating expenses		**(20)**	**(29)**	**(80)**	**(82)**	**(116)**
Impairment of loans and commitments	8	(0)	(0)	1	(1)	(0)
Pre-tax operating profit		**77**	**66**	**187**	**183**	**240**
Tax expense		(21)	(18)	(50)	(49)	(65)
Profit for the period		**56**	**48**	**136**	**134**	**175**
Other comprehensive income						
Total comprehensive income for the period		**56**	**48**	**136**	**134**	**175**

Balance sheet

				DNB Næringskreditt AS
		30 Sept.	31 Dec.	30 Sept.
Amounts in NOK million	Note	2015	2014	2014
Assets				
Due from credit institutions	11, 12	159	56	515
Loans to customers	8, 10, 11	25 764	25 905	26 724
Financial derivatives	10, 12	146	120	95
Deferred tax assets		5	5	3
Other assets		1	1	1
Total assets		**26 075**	**26 088**	**27 337**
Liabilities and equity				
Due to credit institutions	11, 12	15 950	15 908	17 236
Financial derivatives	10, 12	(0)		
Debt securities issued	9, 10, 11, 12	4 565	4 561	4 530
Payable taxes		50	67	52
Other liabilities		7	10	18
Total liabilities		**20 572**	**20 546**	**21 837**
Share capital		550	550	550
Share premium		4 604	4 604	4 604
Other equity		349	387	346
Total equity		**5 503**	**5 541**	**5 500**
Total liabilities and equity		**26 075**	**26 088**	**27 337**

Statement of changes in equity

DNB Næringskreditt AS

Amounts in NOK million	Share capital	Share premium	Other equity	Total equity
Balance sheet as at 31 December 2013	**550**	**4 604**	**367**	**5 521**
Profit for the period			134	134
Total comprehensive income for the period			**134**	**134**
Group contribution paid			(155)	(155)
Balance sheet as at 30 September 2014	**550**	**4 604**	**346**	**5 500**
Balance sheet as at 31 December 2014	**550**	**4 604**	**387**	**5 541**
Profit for the period			136	136
Total comprehensive income for the period			**136**	**136**
Group contribution paid			(174)	(174)
Balance sheet as at 30 September 2015	**550**	**4 604**	**349**	**5 503**

Share capital

All of the company's shares and voting rights are held by DNB Bank ASA. Share capital at the beginning of 2015 was NOK 550 million (550 000 shares at NOK 1 000).

Cash flow statement

DNB Næringskreditt AS

Amounts in NOK million	January-September 2015	2014	Full year 2014
Operating activities			
Net receipts/payments on loans to customers	4 171	1 685	3 739
Interest received from customers	571	614	845
Net receipts/payments on loans to/from credit institutions	(55)	3 567	2 699
Interest received from credit institutions	3	5	7
Interest paid to credit institutions	(252)	(286)	(390)
Payments for operating expenses	(83)	(77)	(121)
Taxes paid	(67)		
Net cash flow relating to operating activities	**4 287**	**5 509**	**6 780**
Investing activities			
Net purchase of loan portfolio	(4 047)	(5 220)	(6 469)
Net cash flow relating to investing activities	**(4 047)**	**(5 220)**	**(6 469)**
Financing activities			
Interest payments on issued bonds and commercial paper	(69)	(76)	(102)
Group contribution paid	(174)	(215)	(215)
Net cash flow from financing activities	**(243)**	**(291)**	**(317)**
Net cash flow	**(3)**	**(3)**	**(7)**
Cash as at 1 January	5	11	11
Net receipts/payments of cash	(3)	(3)	(7)
Cash at end of period	1	8	5

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

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. A description of the accounting principles applied when preparing the financial statements appears in the annual report for 2014.

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

Note 2 Capital adequacy

Primary capital

	DNB Næringskreditt AS	
Amounts in NOK million	30 Sept. 2015	31 Dec. 2014
Share capital	550	550
Other equity	4 817	4 991
Total equity	5 367	5 541
Deductions		
Expected losses exceeding actual losses, IRB-portfolios	(10)	(7)
Value adjustments due to the requirements for prudent valuation (AVA)	(0)	(0)
Adjustments for deferred tax assets	(5)	(5)
Adjustment for unrealised losses/(gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	(0)	
Allocated group contributions for payment		(175)
Tier 1 capital	5 351	5 354
Total eligible primary capital	5 351	5 354
Risk-weighted volume, transitional rules	20 539	20 710
Minimum capital requirement, transitional rules	1 643	1 657
Tier 1 capital ratio, transitional rules (%)	26.1	25.9
Capital ratio, transitional rules (%)	26.1	25.9

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

Specification of risk-weighted volume and capital requirements

	DNB Næringskreditt AS				
Amounts in NOK million	Nominal exposure 30 Sept. 2015	EAD [1] 30 Sept. 2015	Risk-weighted volume 30 Sept. 2015	Capital require-ments 30 Sept. 2015	Capital require-ments 31 Dec. 2014
IRB approach					
Corporate	13 448	13 448	3 859	309	325
Total credit risk, IRB approach	13 448	13 448	3 859	309	325
Standardised approach					
Institutions	174	174	35	3	8
Corporate	12 323	12 323	12 323	986	1 036
Other assets	1	1	1	0	0
Total credit risk, standardised approach	12 498	12 498	12 359	989	1 044
Total credit risk	25 946	25 946	16 218	1 297	1 369
Credit value adjustment (CVA)			250	20	19
Operational risk			623	50	50
Total risk-weighted volume and capital requirements before transitional rules			17 091	1 367	1 437
Additional capital requirements according to transitional rules			3 447	276	219
Total risk-weighted volume and capital requirements			20 539	1 643	1 657

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 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 2015 can be characterised as sound.

Note 6 Net interest income

					DNB Næringskreditt AS
	3rd quarter	3rd quarter	January-September		Full year
Amounts in NOK million	2015	2014	2015	2014	2014
Interest on amounts due from credit institutions	1	3	3	5	7
Interest on loans to customers	180	229	553	639	856
Other interest income	0	0	0	0	0
Total interest income	**181**	**232**	**556**	**644**	**863**
Interest on amounts due to credit institutions	(74)	(109)	(230)	(289)	(384)
Interest on debt securities issued	(26)	(29)	(79)	(87)	(115)
Total interest expenses	**(100)**	**(138)**	**(309)**	**(376)**	**(499)**
Net interest income	**81**	**94**	**247**	**268**	**364**

Note 7 Net gains on financial instruments at fair value

	DNB Næringskreditt AS				
	3rd quarter	3rd quarter	January-September		Full year
Amounts in NOK million	2015	2014	2015	2014	2014
Net gains on financial liabilities, designated as at fair value [1)]	(25)	(18)	22	(84)	(144)
Net gains on financial derivatives, trading [2)]	41	19	(4)	81	136
Net gains on financial instruments at fair value	**17**	**1**	**18**	**(3)**	**(8)**

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 25.8 billion at end-September 2015 (NOK 26.7 billion as at end-September 2014). There was no objective evidence of a decrease in value requiring individual impairment of the loans. Nor were any allocations made for individual impairment.

The loans have been reviewed for collective impairment. During the first three quarters of 2015, collective impairments decreased 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		
	30 Sept.	31 Dec.	30 Sept.
Amounts in NOK million	2015	2014	2014
Loans to customers at amortised cost, nominal amount	25 664	25 788	26 593
+ Accrued interest	107	125	138
– Collective impairment	(7)	(7)	(8)
Total loans to customers	**25 764**	**25 905**	**26 724**

	DNB Næringskreditt AS		
	30 Sept.	31 Dec.	30 Sept.
Amounts in NOK million	2015	2014	2014
Impairment as per 1 January	(7)	(7)	(7)
Changes in collective impairment	1	0	(1)
Impairment at end of period	(7)	(7)	(8)

Note 9 Debt securities issued

Amounts in NOK million ISIN Code	Currency	Nominal value	Interest	Issued	Matured	DNB Næringskreditt AS 30 Sept. 2015	31 Dec. 2014	30 Sept. 2014
NO 0010543192	NOK	2 400	Floating	2009	2015	2 400	2 400	2 400
NO 0010694425	NOK	1 000	Floating	2013	2018	1 000	1 000	1 000
NO 0010694474	NOK	1 000	Fixed	2013	2023	1 118	1 140	1 080
Accrued interest						47	21	50
Total debt securities issued						**4 565**	**4 561**	**4 530**

Cover pool

Amounts in NOK million	DNB Næringskreditt AS 30 Sept. 2015	31 Dec. 2014	30 Sept. 2014
Pool of eligible loans	23 229	20 950	23 197
Market value of eligible derivatives	146	121	95
Total collateralised assets	**23 375**	**21 071**	**23 292**
Debt securities issued, carrying value	4 565	4 561	4 530
Less valuation changes attributable to changes in credit risk on debt carried at fair value	(0)	(17)	(14)
Debt securities issued, valued according to regulation [1)]	**4 565**	**4 543**	**4 517**
Collateralisation (per cent)	512.1	463.8	515.7

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

Note 10 Financial instruments at fair value

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

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

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

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

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

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

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	Accrued interest [1)]	DNB Næringskreditt AS Total
Assets as at 30 September 2015					
Financial derivatives		146			146
Liabilities as at 30 September 2015					
Debt securities issued		1 118		34	1 152

1) Accrued interest on financial derivatives is included in the amount in level 2.

Note 11 Fair value of financial instruments at amortised cost

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

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

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

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

Fair value of financial instruments at amortised cost **DNB Næringskreditt AS**

	30 September 2015		30 September 2014	
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Due from credit institutions	159	159	515	515
Loans to customers	25 764	25 764	26 724	26 724
Total financial assets	25 923	25 923	27 239	27 239
Due to credit institutions	15 950	15 950	17 236	17 236
Debt securities issued	3 413	3 416	3 417	3 437
Total financial liabilities	19 363	19 365	20 653	20 674

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	Accrued interest	Total
Assets as at 30 September 2015					
Due from credit institutions		159			159
Loans to customers			25 673	91	25 764
Liabilities as at 30 September 2015					
Due to credit institutions		15 913		36	15 950
Debt securities issued		3 403		13	3 416

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

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

Note 12 Information on related parties

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

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

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. During the third quarter of 2015, portfolios of NOK 1.3 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 22.2 million for the third quarter of 2015 (NOK 27.6 million for the third quarter of 2014).

In the balance sheet ”Loans to and deposits with credit institutions” and “Due to credit institutions” are solely outstandings with DNB Bank. All derivative contracts are with DNB Bank as counterparty. At end-September, the bank had invested NOK 2.8 billion in covered bonds issued by DNB Næringskreditt.

DNB Boligkreditt AS
DNB Næringskreditt has no employees and purchases administrative services from DNB Boligkreditt. On an annual basis, DNB Næringskreditt hires staff representing 2 full-time equivalents. The management fee amounted to NOK 0.6 million for the third quarter of 2015. DNB Boligkreditt is a wholly-owned subsidiary of DNB Bank.

Key figures

	3rd quarter 2015	3rd quarter 2014	January-September 2015	January-September 2014	Full year 2014
					DNB Næringskreditt AS
Rate of return/profitability					
Return on equity, annualised (%) [1)]	4.1	3.5	3.3	3.2	3.2
Financial strength at end of period					
Common equity Tier 1 capital ratio, transitional rules (%)	26.1	25.0	26.1	25.0	25.9
Capital ratio, transitional rules (%)	26.1	25.0	26.1	25.0	25.9
Common equity Tier 1 capital (NOK million)	5 351	5 357	5 351	5 357	5 354
Risk-weighted volume, transitional rules (NOK million)	20 539	21 437	20 539	21 437	20 710

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	3rd quarter 2015	2nd quarter 2015	1st quarter 2015	4th quarter 2014	3rd quarter 2014
Total interest income	181	185	190	219	232
Total interest expenses	(100)	(104)	(105)	(123)	(138)
Net interest income	**81**	**81**	**85**	**96**	**94**
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	17	0	1	(6)	1
Net other operating income	**17**	**0**	**2**	**(5)**	**1**
Total income	**98**	**81**	**87**	**91**	**95**
Other expenses	(20)	(32)	(28)	(34)	(29)
Total operating expenses	**(20)**	**(32)**	**(28)**	**(34)**	**(29)**
Impairment of loans and commitments	(0)	0	1	0	(0)
Pre-tax operating profit	**77**	**50**	**60**	**57**	**66**
Tax expense	(21)	(13)	(16)	(15)	(18)
Profit for the period	**56**	**36**	**44**	**41**	**48**
Other comprehensive income					
Total comprehensive income for the period	**56**	**36**	**44**	**41**	**48**

Balance sheet — **DNB Næringskreditt AS**

Amounts in NOK million	30 Sept. 2015	30 June 2015	31 March 2015	31 Dec. 2014	30 Sept. 2014
Assets					
Due from credit institutions	159	40	365	56	515
Loans to customers	25 764	25 768	24 600	25 905	26 724
Financial derivatives	146	95	127	120	95
Deferred tax assets	5	5	5	5	3
Other assets	1	1	1	1	1
Total assets	**26 075**	**25 909**	**25 098**	**26 088**	**27 337**
Liabilities and equity					
Due to credit institutions	15 950	15 888	14 859	15 908	17 236
Financial derivatives	(0)	(0)			
Debt securities issued	4 565	4 531	4 564	4 561	4 530
Payable taxes	50	29	82	67	52
Other liabilities	7	13	8	10	18
Total liabilities	**20 572**	**20 462**	**19 513**	**20 546**	**21 837**
Share capital	550	550	550	550	550
Share premium	4 604	4 604	4 604	4 604	4 604
Other equity	349	293	431	387	346
Total equity	**5 503**	**5 447**	**5 585**	**5 541**	**5 500**
Total liabilities and equity	**26 075**	**25 909**	**25 098**	**26 088**	**27 337**

Contact information

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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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