

THIRD QUARTER REPORT 2016
(Unaudited)

DNB

Q3

DNB Næringskreditt

A company in the DNB Group

Financial highlights

Income statement

	DNB Næringskreditt AS				
<i>Amounts in NOK million</i>	3rd quarter 2016	3rd quarter 2015	January-September 2016	January-September 2015	Full year 2015
Net interest income	86	81	262	247	329
Net other operating income	(8)	17	(11)	19	45
Operating expenses	(16)	(20)	(64)	(80)	(108)
Impairments on loans and commitments	0	(0)	1	1	1
Pre-tax operating profit	62	77	188	187	266
Tax expense	(16)	(21)	(47)	(50)	(71)
Profit for the period	47	56	141	136	195

Balance sheet

<i>Amounts in NOK million</i>	30 Sept. 2016	31 Dec. 2015	30 Sept. 2015
Total assets	27 186	26 807	26 075
Loans to customers	26 907	26 659	25 764
Debt securities issued	2 159	2 102	4 565
Total equity	5 541	5 562	5 503

Key figures

<i>Per cent</i>	3rd quarter 2016	3rd quarter 2015	January-September 2016	January-September 2015	Full year 2015
Combined weighted total average spread for lending ¹⁾	0.91	0.84	0.95	0.85	0.86
Return on equity, annualised	3.4	4.1	3.4	3.3	3.5
Common equity Tier 1 capital ratio, transitional rules	25.1	26.1	25.1	26.1	25.4
Capital ratio, transitional rules	25.1	26.1	25.1	26.1	25.4
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.

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

Directors' report

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

Financial accounts

DNB Næringskreditt recorded a profit of NOK 47 million in the third quarter of 2016, compared with a profit of NOK 56 million in the third quarter of 2015.

Total income

Income totalled NOK 78 million in the third quarter of 2016, compared with NOK 98 million in the year-earlier period.

Amounts in NOK million	3rd quarter		3rd quarter	
	2016	Change	2015	
Total income	78	(20)	98	
Net interest income		5		
Net commission and fee income				
Net gains/(losses) on financial instruments at fair value		(25)		

Net interest income increased by NOK 5 million from the third quarter of 2015 to the third quarter of 2016 due to wider interest rate spreads.

Operating expenses and impairment of loans

Operating expenses are volatile due to the management fee paid to DNB Bank. The cooperation with DNB Bank is formalised through an extensive servicing agreement that ensures DNB Næringskreditt sound competence in key areas and cost-effective operations. The management fee calculation is based primarily on lending volume and the spreads achieved. The size of the management fee is related to net interest income. The fee amounted to NOK 14 million in the third quarter of 2016, down from NOK 16 million in the third quarter of 2015.

The company has recorded no individual impairment losses in previous years, which was also the case in the third 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-September 2016, DNB Næringskreditt had total assets of NOK 27.2 billion, an increase of NOK 1.1 billion, or 4.2 per cent, from end-September 2015.

Amounts in NOK million	30 Sept.		30 Sept.	
	2016	Change	2015	
Total assets	27 186	1 111	26 075	
Loans to customers		1 143		
Financial derivatives		20		
Other assets		(52)		
Total liabilities	21 645	1 073	20 572	
Due to credit institutions		3 480		
Debt securities issued		(2 406)		
Other liabilities		(1)		

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

The company did not issue covered bonds in the third quarter of 2016. Total debt securities issued amounted to NOK 2.2 billion at end-September 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-September 2016, 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 25.1 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

Stream of new EU legislation in the wake of Norway's endorsement of the European supervisory authorities

On 30 September, the EEA Joint Committee decided to include the regulations on the European supervisory authorities in the EEA agreement. The decision was made after all the EEA countries (Norway, Iceland and Liechtenstein) approved the agreement with the European Union on adjustments to the supervisory system. In consequence of this, the Norwegian financial services industry is now formally a part of the European single market. However, extensive work remains to implement a number of EU regulations into Norwegian law so that Norway can gain full access to the European single market for financial services.

In the National Budget 2017, the government signaled that important legislative acts such as capital requirements regulations for banks, the crisis management regulations for banks, the regulation on deposit guarantee schemes for banks, as well as the capital requirements regulations for insurance companies (complementary rules to Solvency II), will be given priority.

New regulations give lower counter-cyclical buffer

The Ministry of Finance has adopted regulations on the institution-specific counter-cyclical buffer effective as of 1 October. This implies that DNB, instead of using the Norwegian buffer rate, will calculate the weighted average of the buffer rates for the countries where DNB has credit exposures. The effect of this for DNB Næringskreditt is very limited.

Macroeconomic developments

According to the IMF, global growth is projected to slow to 3.1 per cent in 2016 before picking up to 3.4 per cent in 2017. The forecast, revised down by 0.1 percentage point for 2016 and 2017, relative to the figures presented in April, reflects a more subdued outlook for advanced economies following the June UK vote in favour of leaving the European Union (Brexit) and weaker-than-expected growth in the United States. These developments have put further downward pressure on global interest rates, as monetary policy is now expected to remain accommodative for longer. Global growth is unevenly distributed and the growth is three times higher in the emerging market economies than in the industrialised countries. Almost eight years after the financial crisis, the industrialised countries are still experiencing spare capacity, low inflation and historically low interest rates.

Norwegian Mainland GDP growth has slowed down during the past year. This is primarily due to a large drop in petroleum sector investment since 2014. The falling prices of oil and certain other commodities have reduced the nation's income and weakened the Norwegian krone. This weakening has driven up inflation and reduced households' purchasing power. Real wages could drop by more than 1 per cent this year, which would be the biggest decline since 1981. The rise in unemployment is being dampened by waning growth in productivity and is also very lopsided, as virtually the entire rise

in unemployment has taken place in Western Norway. The slump is barely noticeable in the general housing market. Growth in residential construction has accelerated recently, especially in central areas in Eastern Norway. Norges Bank's regional network reports an increase in activity and an improved outlook, although from a low level. Mainland GDP rose by 0.6 per cent from the first to the second quarter. In the period ahead, oil prices are expected to rise, the decline in oil industry investment will abate, and real wage growth will be boosted by a stronger NOK and lower inflation. There will thus be less need for further interest rate cuts, which means that interest rates have probably already bottomed out. The government's proposal for next year's fiscal budget implies a continuous expansionary fiscal policy, which, however, will be less stimulating compared to the current year's budget.

Registered unemployment declined in the second and third quarters of 2016. However, rising unemployment in the Labour Force Surveys, LFS, shows a different view on capacity utilisation which is more in line with a stable level of employment. Despite higher LFS unemployment and lower growth in household income, it is expected that growth in housing prices will also be high this year. Very low interest rates and lower yield contribute to high returns on commercial property as well.

Future prospects


The Norwegian mainland economy stagnated in the second half of 2015, and annual growth ended at 1.0 per cent. Norges Bank's regional network reported improved actual activity, although from a low level, and forecast a more positive outlook. Mainland GDP rose by 0.6 percent from the first to the second quarter of 2016.

The downside risk of commercial property has been reduced in 2016, and prospects are considered to be good. The loan portfolio of DNB Næringskreditt is expected to increase in the period ahead as a result of further transfers of loans from DNB Bank ASA. Volume-weighted spreads are anticipated to be stable throughout 2016 and 2017.

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, 26 October 2016

The Board of Directors of DNB Næringskreditt AS


Bjørn Erik Næss
(chairman)


Jørn E. Pedersen


Eva-Lill Strandskogen


Per Sagbakken
(chief executive officer)

Comprehensive income statement

DNB Næringskreditt AS						
<i>Amounts in NOK million</i>	Note	3rd quarter 2016	3rd quarter 2015	January-September 2016	September 2015	Full year 2015
Total interest income	6	182	181	545	556	727
Total interest expenses	6	(96)	(100)	(282)	(309)	(398)
Net interest income	6	86	81	262	247	329
Commission and fee income		0	0	0	1	1
Commission and fee expenses		(0)	(0)	(0)	(0)	(0)
Net gains on financial instruments at fair value	7	(8)	17	(12)	18	44
Net other operating income		(8)	17	(11)	19	45
Total income		78	98	251	266	374
Other expenses	12	(16)	(20)	(64)	(80)	(108)
Total operating expenses		(16)	(20)	(64)	(80)	(108)
Impairment of loans and commitments	8	0	(0)	1	1	1
Pre-tax operating profit		62	77	188	187	266
Tax expense		(16)	(21)	(47)	(50)	(71)
Profit for the period		47	56	141	136	195
Other comprehensive income						
Total comprehensive income for the period		47	56	141	136	195

Balance sheet

DNB Næringskreditt AS					
<i>Amounts in NOK million</i>	Note	30 Sept. 2016	31 Dec. 2015	30 Sept. 2015	
Assets					
Due from credit institutions	10, 11, 12	112	28	159	
Loans to customers	8, 11	26 907	26 659	25 764	
Financial derivatives	10, 12	166	120	146	
Deferred tax assets				5	
Other assets		1	1	1	
Total assets		27 186	26 807	26 075	
Liabilities and equity					
Due to credit institutions	11, 12	19 430	19 068	15 950	
Debt securities issued	9, 10, 11, 12	2 159	2 102	4 565	
Payable taxes		44	60	50	
Deferred taxes		6	6		
Other liabilities		5	9	7	
Total liabilities		21 645	21 245	20 572	
Share capital		550	550	550	
Share premium		4 604	4 604	4 604	
Other equity		387	408	349	
Total equity		5 541	5 562	5 503	
Total liabilities and equity		27 186	26 807	26 075	

Statement of changes in equity

DNB Næringskreditt AS

<i>Amounts in NOK million</i>	Share capital	Share premium	Other equity	Total equity
Balance sheet as at 31 December 2014	550	4 604	387	5 541
Profit for the period			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
Balance sheet as at 31 December 2015	550	4 604	408	5 562
Profit for the period			141	141
Total comprehensive income for the period			141	141
Group contribution paid			(162)	(162)
Balance sheet as at 30 September 2016	550	4 604	387	5 541

Share capital

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

Cash flow statement

DNB Næringskreditt AS

<i>Amounts in NOK million</i>	January-September 2016	2015	Full year 2015
Operating activities			
Net receipts on loans to customers	4 855	4 171	6 256
Interest received from customers	534	571	751
Net receipts/payments on loans to/from credit institutions	314	(55)	3 195
Interest received from credit institutions	1	3	3
Interest paid to credit institutions	(293)	(252)	(333)
Payments for operating expenses	(68)	(83)	(111)
Taxes paid	(3)	(68)	(67)
Net cash flow relating to operating activities	5 341	4 287	9 694
Investing activities			
Net purchase of loan portfolio	(5 093)	(4 047)	(7 034)
Net cash flow relating to investing activities	(5 093)	(4 047)	(7 034)
Financing activities			
Payments on redeemed bonds and commercial paper			(2 400)
Interest payments on issued bonds and commercial paper	(26)	(69)	(90)
Group contribution paid	(222)	(174)	(174)
Net cash flow from financing activities	(248)	(243)	(2 664)
Net cash flow	(0)	(3)	(4)
Cash as at 1 January	0	4	4
Net payments of cash	(0)	(3)	(4)
Cash at end of period	0	1	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	DNB Næringskreditt AS	
	30 Sept. 2016	31 Dec. 2015
<i>Amounts in NOK million</i>		
Share capital	550	550
Other equity	4 850	5 012
Total equity	5 400	5 562
Deductions		
Expected losses exceeding actual losses, IRB-portfolios	(20)	(20)
Value adjustments due to the requirements for prudent valuation (AVA)	(0)	(0)
Adjustments for deferred tax assets		
Adjustment for unrealised losses/(gains) on debt recorded at fair value	(16)	(16)
Allocated group contributions for payment		(162)
Tier 1 capital	5 364	5 364
Total eligible primary capital	5 364	5 364
Risk-weighted volume, transitional rules	21 357	21 157
Minimum capital requirement, transitional rules	1 709	1 693
Tier 1 capital ratio, transitional rules (%)	25.1	25.4
Capital ratio, transitional rules (%)	25.1	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				
	Nominal exposure 30 Sept. 2016	EAD ¹⁾ 30 Sept. 2016	Risk- weighted volume 30 Sept. 2016	Capital require- ments 30 Sept. 2016	Capital require- ments 31 Dec. 2015
<i>Amounts in NOK million</i>					
IRB approach					
Corporate	25 841	25 841	6 921	554	537
Total credit risk, IRB approach	25 841	25 841	6 921	554	537
Standardised approach					
Institutions	294	186	37	3	3
Corporate	1 073	1 073	1 073	86	261
Other assets	1	1	1	0	0
Total credit risk, standardised approach	1 369	1 261	1 112	89	263
Total credit risk	27 210	27 102	8 033	643	801
Credit value adjustment (CVA)			253	20	17
Operational risk			646	52	41
Total risk-weighted volume and capital requirements before transitional rules			8 932	715	859
Additional capital requirements according to transitional rules			12 424	994	834
Total risk-weighted volume and capital requirements			21 357	1 709	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 company's management, the company does not assume greater interest rate risk than what is considered prudent, cf. the requirements in section 5 in the regulations on mortgage institutions issuing covered bonds of 25 May 2007.

Note 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				
	3rd quarter 2016	3rd quarter 2015	January-September 2016 2015		Full year 2015
Interest on amounts due from credit institutions	0	1	1	3	3
Interest on loans to customers	181	180	544	553	725
Other interest income	0	0	(0)	0	0
Total interest income	182	181	545	556	727
Interest on amounts due to credit institutions	(82)	(74)	(241)	(230)	(305)
Interest on debt securities issued	(14)	(26)	(41)	(79)	(93)
Total interest expenses	(96)	(100)	(282)	(309)	(398)
Net interest income	86	81	262	247	329

Note 7 Net gains on financial instruments at fair value

Amounts in NOK million	DNB Næringskreditt AS				
	3rd quarter 2016	3rd quarter 2015	January-September 2016 2015		Full year 2015
Net gains on financial liabilities, designated as at fair value ¹⁾	10	(25)	(28)	22	45
Net gains on financial derivatives, trading ²⁾	(18)	41	17	(4)	(2)
Net gains on financial instruments at fair value	(8)	17	(12)	18	44

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

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

Note 8 Loans to customers

Loans to customers, including accrued interest, totaled NOK 26.9 billion at end-September 2016 (NOK 25.8 billion as at end-September 2015). There was no objective evidence of a decrease in value requiring individual impairment of the loans. Nor were any allocations made for individual impairment.

The loans have been reviewed for collective impairment. During the first three quarter of 2016, there were net reversals on collective impairment losses with NOK 0.7 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		
	30 Sept. 2016	31 Dec. 2015	30 Sept. 2015
Loans to customers, nominal amount	26 805	26 566	25 664
+ Accrued interest	108	99	107
– Collective impairment	(6)	(6)	(7)
Total loans to customers	26 907	26 659	25 764

Amounts in NOK million	DNB Næringskreditt AS		
	30 Sept. 2016	31 Dec. 2015	30 Sept. 2015
Impairment as per 1 January	(6)	(7)	(7)
Changes in collective impairment	1	1	1
Impairment at end of period	(6)	(6)	(7)

Note 9 Debt securities issued

						DNB Næringskreditt AS		
<i>Amounts in NOK million</i>						30 Sept.	31 Dec.	30 Sept.
ISIN Code	Currency	Nominal value	Interest	Issued	Matured	2016	2015	2015
NO 0010543192	NOK	2 400	Floating	2009	2015			2 400
NO 0010694425	NOK	1 000	Floating	2013	2018	1 000	1 000	1 000
NO 0010694474	NOK	1 000	Fixed	2013	2023	1 123	1 095	1 118
Accrued interest						36	7	47
Total debt securities issued						2 159	2 102	4 565

Cover pool

						DNB Næringskreditt AS		
<i>Amounts in NOK million</i>						30 Sept.	31 Dec.	30 Sept.
						2016	2015	2015
Pool of eligible loans						26 219	24 855	23 229
Market value of eligible derivatives						166	120	146
Total collateralised assets						26 385	24 975	23 375

Debt securities issued, carrying value	2 159	2 102	4 565
Less valuation changes attributable to changes in credit risk on debt carried at fair value	6	22	0
Debt securities issued, valued according to regulation ¹⁾	2 165	2 124	4 565

Collateralisation (per cent)	1 219	1 176	512
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1) The debt securities issued are bonds with preferred rights in the appurtenant cover pool. The composition and calculation of values in the cover pool are defined in Sections 11-8 and 11-11 of the Financial Institutions Act with appurtenant regulations.

Note 10 Financial instruments at fair value

					DNB Næringskreditt AS			
<i>Amounts in NOK million</i>					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 30 September 2016								
Due from credit institutions						112		112
Financial derivatives						166		166
Liabilities as at 30 September 2016								
Debt securities issued						1 157		1 157

					DNB Næringskreditt AS			
<i>Amounts in NOK million</i>					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 30 September 2015								
Financial derivatives						146		146
Liabilities as at 30 September 2015								
Debt securities issued						1 152		1 152

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 end-September 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

<i>Amounts in NOK million</i>	30 September 2016		DNB Næringskreditt AS 30 September 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Due from credit institutions	0	0	159	159
Loans to customers	26 907	26 907	25 764	25 764
Total financial assets	26 908	26 908	25 923	25 923
Due to credit institutions	19 430	19 430	15 950	15 950
Debt securities issued	1 002	1 006	3 413	3 416
Total financial liabilities	20 432	20 437	19 363	19 365

<i>Amounts in NOK million</i>	Valuation based on quoted prices in an active market	Valuation based on observable market data	Valuation based on other than observable market data	Total
	Level 1	Level 2	Level 3	
Assets as at 30 September 2016				
Due from credit institutions		0		0
Loans to customers			26 907	26 907
Liabilities as at 30 September 2016				
Due to credit institutions		19 430		19 430
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

During the first three quarters of 2016, portfolios of NOK 5.1 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 55 million for the first three quarters of 2016 (NOK 69 million for the first three quarters of 2015).

At end-September, the bank had invested NOK 0.2 billion in covered bonds issued by DNB Næringskreditt.

In the second quarter of 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-September 2016.

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 2.1 million for the first three quarters of 2016.

Key figures

	DNB Næringskreditt AS				
	3rd quarter 2016	3rd quarter 2015	January-September 2016	September 2015	Full year 2015
Rate of return/profitability					
Return on equity, annualised (%) ¹⁾	3.4	4.1	3.4	3.3	3.5
Financial strength at end of period					
Common equity Tier 1 capital ratio, transitional rules (%)	25.1	26.1	25.1	26.1	25.4
Capital ratio, transitional rules (%)	25.1	26.1	25.1	26.1	25.4
Common equity Tier 1 capital (NOK million)	5 364	5 351	5 364	5 351	5 364
Risk-weighted volume, transitional rules (NOK million)	21 357	20 539	21 357	20 539	21 157

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

Profit and balance sheet trends

Comprehensive income statement

DNB Næringskreditt AS

<i>Amounts in NOK million</i>	3rd quarter	2nd quarter	1st quarter	4th quarter	3rd quarter
	2016	2016	2016	2015	2015
Total interest income	182	180	183	171	181
Total interest expenses	(96)	(94)	(92)	(89)	(100)
Net interest income	86	86	91	82	81
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	(8)	(5)	1	26	17
Net other operating income	(8)	(5)	1	26	17
Total income	78	81	92	108	98
Other expenses	(16)	(21)	(27)	(29)	(20)
Total operating expenses	(16)	(21)	(27)	(29)	(20)
Impairment of loans and commitments	0	1	(1)	0	(0)
Pre-tax operating profit	62	61	65	79	77
Tax expense	(16)	(15)	(16)	(21)	(21)
Profit for the period	47	46	49	58	56
Other comprehensive income					
Total comprehensive income for the period	47	46	49	58	56

Balance sheet

DNB Næringskreditt AS

<i>Amounts in NOK million</i>	30 Sept.	30 June	31 March	31 Dec.	30 Sept.
	2016	2016	2016	2015	2015
Assets					
Due from credit institutions	112	112	75	28	159
Loans to customers	26 907	25 913	26 695	26 659	25 764
Financial derivatives	166	174	162	120	146
Deferred tax assets					5
Other assets	1	1	1	1	1
Total assets	27 186	26 200	26 933	26 807	26 075
Liabilities and equity					
Due to credit institutions	19 430	18 504	19 089	19 068	15 950
Debt securities issued	2 159	2 160	2 143	2 102	4 565
Payable taxes	44	29	73	60	50
Deferred taxes	6	6	6	6	
Other liabilities	5	7	12	9	7
Total liabilities	21 645	20 706	21 323	21 245	20 572
Share capital	550	550	550	550	550
Share premium	4 604	4 604	4 604	4 604	4 604
Other equity	387	340	456	408	349
Total equity	5 541	5 494	5 610	5 562	5 503
Total liabilities and equity	27 186	26 200	26 933	26 807	26 075

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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