



# Næringskreditt 3<sup>rd</sup> Quarterly Report 2015

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# SpareBank 1 Næringskreditt AS

## Statement of the Board of Directors as of September 30, 2015

### Key figures<sup>1</sup>

	2Q 2015	1Q 2015	4Q 2014	3Q 2014	2Q 2014
Number of mortgages	484	504	532	457	455
Average balance per mortgage (NOK mill)	31.7	30,389092	30,1	34,3	34,4
Number of borrowers	356	356	382	321	317
Average weighted LTV	46,0 %	47,0 %	46,3 %	45,2 %	45,9 %
Cover Pool Overcollateralisation	129,9 %	128,0 %	128,2 %	129,5 %	131,2 %

### Key events during the period

In August 2015 the board of BN Bank announced a decision of a change in strategy which entails focusing exclusively on the market for lending to private households and terminate the corporate business segment which consist of lending for commercial property. SpareBank 1 Næringskreditt has acquired its largest share of loans from BN Bank, approximately 12 billion kroner. The termination of BN Bank's portfolio is to take place in a controlled manner over time. Næringskreditt therefore expects that its share of loans from BN Bank will decline in the future.

### Nature and development of the Company's business

SpareBank 1 Næringskreditt AS is a credit institution licensed by the Norwegian Financial Services Authority (Finanstilsynet) and is operated according to the legislation for covered bond issuers in Norway which is enshrined in the law regarding financial enterprises ("Finansieringsvirksomhetsloven") chapter 2, section IV and the detailed regulations thereof. The Norwegian Parliament has passed a new law regarding financial companies ('lov om finansforetak') which takes effect from January 1, 2016. We expect that the Norwegian Treasury Department will set a minimum overcollateralization level of 2 per cent for covered bond pools in the law's associated regulations. The law does not have any material impact on the operations of SpareBank 1 Boligkreditt.

The purpose of the Company is to provide funding for the owners by buying residential mortgage loans with a loan-to-value ("LTV") of up to 60 per cent and financing these primarily through the issuance of covered bonds. The Company which is based in Stavanger, is owned by banks which are members of the SpareBank 1 Alliance. An agreement is signed with each parent bank regarding the purchase and transfer of commercial mortgages and the services which the parent banks owe to the Company and the Company's customers in this regard.

### The period's financial accounts

The quarterly accounts have been prepared in accordance with the International Reporting Standards (IFRS) as adopted by the EU and published by the International Reporting Standards Board (IASB).

<sup>1</sup> The Key figures for the portfolio have not yet been updated for the 3rd quarter at the time of writing this report. There have been no material changes in the portfolio since June 30, 2015.

The Board views the accounts as presented to be a true representation of SpareBank 1 Næringskreditt's operations and financial position at the end of the third quarter 2015.

The total balance sheet amounts to NOK 17.0 billion at the end of the 3rd quarter and NOK 18.2 billion at the end of the previous year. The Company had during the first nine months net interest income of NOK 112 million, including commissions earned by the ownership banks and accrued as an expense to SpareBank 1 Næringskreditt, compared to 127 million kroner for the same period last year. The costs of operations were NOK 10.6 million kroner including amortisation and depreciation compared to 9.3 million kroner for the same period last year. No additional amounts have been charged as loan provisions (write offs) during the period, in addition to the NOK 6.4 million in cumulative group loan loss provisions as of 31 December, 2014. No actual loan losses have occurred. Valuation changes on financial assets and debt contributed negatively with 12.3 million kroner for the first nine months of 2015 and positively by 2.1 million for the same period last year. In total the period's pre-tax result was 89 million kroner, compared to 120 million kroner last year.

Lending to customers amounted to 15.3 billion kroner at the end of the third quarter 2015 and 15.8 billion at September 30, 2014. The cash and cash equivalents at 31 March 2015 amounted to NOK 953 million kroner.

## Risk Assessment

SpareBank 1 Næringskreditt as an issuer of covered bonds is subject to strict rules regarding its exposure to credit, market, and liquidity risks. This fact and the aim of the maintenance of a satisfactory rating means that the Company is subject to low levels of risk and places strong emphasis on risk control.

**Credit risk** is defined as the risk that losses can occur as a consequence of that customers and others do not have the ability or willingness to meet their obligations to SpareBank 1 Næringskreditt. The portfolio which consists of mortgages up to 60 per cent LTV is the reason for why the Board of Directors assess the credit risk to be lower compared to other banks in general.

**Market risk** is defined as the risk of losses due to changes in market rates, i.e. interest rates, exchange rates and the prices of financial instruments. At the end of the quarter SpareBank 1 Næringskreditt AS had issued bonds for approximately NOK 11.6 billion kroner and 1.8 billion Swedish kronor as well as 102 million euro. All borrowing and investments with a fixed coupon and all borrowings and investments denominated in a foreign currency are hedged by financial currency and/or interest rate swaps or through other natural hedges, in order to convert the effective cash flow on this debt to a NOK floating rate (3 months NIBOR). The Company had as of quarter-end only moderate interest rate risk and immaterial amounts of currency risk.

**Liquidity risk** is defined as the risk that the Company is not able to meet its obligations at maturity or to be able to finance the purchase of loans at normal terms and conditions. Liquidity risk is managed based upon a liquidity strategy approved by the Board. The Company shall maintain a material liquidity reserve with a minimum size of covering all maturities within 6 months and 50 per cent of all maturities between 6 and 12 months. Additionally the Company shall at any point in time be able to meet its interest payments, including derivatives, which come due in the next three months under a scenario where no interest payments are received from the loan portfolio. SpareBank 1 Næringskreditt AS's liquidity situation is good.

**Operational risk** is defined as risk of loss due to error or neglect in transaction execution, weakness in the internal control or information technology systems breakdowns. Reputational, legal, ethical and competency risks are also elements of operational risk. The risk is assessed to be moderate.

It is important to the Company to identify measure and manage central areas of risk in such a way so that the Company can meet its strategic goals. A reference is made to annual report for 2014 for further information.

## Future Prospects of the Company

With an increased uncertainty in the Norwegian economy and a moderate increase in unemployment, commercial property is more exposed to an economic downturn than lending for residential real estate, but despite of this the Board of Directors characterise the outlook for the Company as good and stable. Unemployment in Norway is low in an international context, even after an increase to 4.3 per cent (July 2015). SpareBank 1 Næringskreditt has a portfolio of commercial real estate with a weighted average loan to value of approximately 46 per cent, located in the largest towns in Norway. Slightly more than 10 per cent of the lending volume (36 per cent of the number of loans) are related to residential real estate and over 48 per cent of the volume is related to central office buildings. Vacant space in commercial property has been increasing some, but this has so far not impacted the Company's portfolio materially. There have been no losses or defaults in the portfolio since the Company's commencement of operations.

### Macroeconomic development<sup>2</sup>:

Norwegian mainland GDP increased by 0.2 per cent during the second quarter of 2015 measured against the preceding quarter, while for the year 2014 as a whole, growth was 2.2 per cent. Consumption expenditures in private households as well as public consumption contribute positively in the second quarter, while investments and the value of exports decreases due to relatively low oil prices. Exports of traditional goods are nevertheless increasing (by 3.2 per cent in the second quarter) and is an indication of that competitiveness has improved with a weaker Norwegian krone.

### Economic outlook:

The Norwegian economy has now over the past year been in an oil-related cyclical downturn which is expected to be replaced by a modest recovery in the second half of 2016. Unemployment is expected to reach its maximum in 2016 at 4.6 per cent on average. The reduced demand from the oil industry contributes to the weaker development the Norwegian economy is now experiencing, but is countered by a weaker currency and an expansive fiscal policy. The low price of oil means that few potential new developments are profitable, while investments in fields already in existence may mitigate this. Compared with 2014 it seems like the oil-related investments could decrease by 12 per cent in 2015, and that this reduction is reduced gradually in the years ahead to 5.5 per cent in 2018. This would mean a reduction of close to 33 per cent from the highest point of investment spending in 2013 to 2018 and a price of oil of \$60 in 2018 is included in this projection.

Projections (%)	2015	2016	2017	2018
GDP growth, mainland	1.3	1.8	2.9	2.5
Unemployment rate	4.4	4.6	4.2	4.1
CPI growth	2.1	2.9	2	1.8
Annual wage increase	2.8	2.9	2.8	3

<sup>2</sup> Macroeconomic prospects and projections have been sourced from Statistics Norway as of per September 4, 2015.



The Board of Directors affirms that the financial accounts present a correct and complete picture of the Company's operations and financial position. No material events have occurred after the end of the third quarter which is expected to affect these quarterly accounts for the first nine months of 2015.

*Stavanger September 30, 2015 / October 23, 2015*  
*The Board of Directors of SpareBank 1 Næringskreditt AS*



A handwritten signature in black ink, appearing to read 'Kjell Fordal'.

Kjell Fordal  
Chairman of the Board



A handwritten signature in black ink, appearing to read 'Rolf Eigil Bygdnes'.

Rolf Eigil Bygdnes



A handwritten signature in black ink, appearing to read 'Heidi Larsen'.

Heidi Larsen



A handwritten signature in black ink, appearing to read 'Knut Oscar Fleten'.

Knut Oscar Fleten



A handwritten signature in black ink, appearing to read 'Merete Eik'.

Merete Eik



A handwritten signature in black ink, appearing to read 'Arve Austestad'.

Arve Austestad  
Chief Executive Officer

# SpareBank 1 Næringskreditt AS

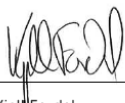
## Statement of the members of the board and the chief executive officer

The Board and the chief executive officer have today reviewed and approved the financial accounts for the first nine months of 2015 for SpareBank 1 Næringskreditt AS. The financial accounts have been prepared in accordance with the International Reporting Standards (IFRS), as adopted by the EU.

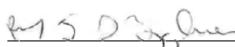
To the best knowledge of the board and the chief executive officer the accounts have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole as of September 30, 2015

The board of directors and the chief executive officer declare to the best of their knowledge that the annual report gives a true and fair view of the development and performance of the business of the Company, as well as a description of the principal risks and uncertainties facing the Company.

*Stavanger September 30, 2015 / October 23, 2015*  
*The Board of Directors in SpareBank 1 Næringskreditt AS*



Kjell Fordal  
Chairman of the Board



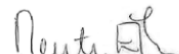
Rolf Eigil Bygdnes



Heidi Larsen



Knut Oscar Fleten



Merete Eik



Arve Austestad  
Chief Executive Officer

## Income Statement as of September 30, 2015

NOK 1 000	Note	30.09.2015	30.09.2014	2014
Interest income	2	347 158	414 805	554 399
Interest expense	2	234 778	287 592	381 495
<b>Net interest income</b>		<b>112 379</b>	<b>127 213</b>	<b>172 904</b>
Net gains/losses on financial instruments	3	-12 283	2 115	853
<b>Total other operating income</b>		<b>-12 283</b>	<b>2 115</b>	<b>853</b>
<b>Total operating income</b>		<b>100 096</b>	<b>129 328</b>	<b>173 757</b>
Salaries and other personnel expenses		3 718	4 190	5 377
Administration expenses		3 287	3 176	4 285
Other operating expenses	4	2 379	1 549	2 058
Amortization/Depreciation		1 250	406	764
<b>Total operating expenses</b>		<b>10 634</b>	<b>9 321</b>	<b>12 484</b>
<b>Operating profit before losses</b>		<b>89 462</b>	<b>120 007</b>	<b>161 273</b>
Impairment losses on loans			-	0
<b>Operating profit before tax</b>		<b>89 462</b>	<b>120 007</b>	<b>161 273</b>
Tax expense		24 155	32 402	43 543
<b>Net profit</b>		<b>65 307</b>	<b>87 605</b>	<b>117 730</b>

## Comprehensive Income Statement as of September 30, 2015

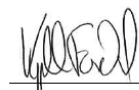
NOK 1 000	30.09.2015	30.09.2014	2014
Net profit	65 307	87 605	117 730
<b>Total profit</b>	<b>65 307</b>	<b>87 605</b>	<b>117 730</b>
Allocations of total profit:			118 236
Dividends			-506
Other equity	65 307	87 605	117 730
<b>Total</b>	<b>65 307</b>	<b>87 605</b>	<b>117 730</b>



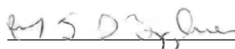
# Balance Sheet as of September 30, 2015

NOK 1 000	Note	30.09.2015	30.09.2014	2014
<b>Assets</b>				
Deposits with credit institutions	10	413 771	923 151	459 908
Norwegian Government bills	10, 11	249 675	99 450	183 932
Bonds	10, 11	289 735	777 653	702 915
Lending to customers	5	15 283 534	15 774 540	16 111 887
Financial derivatives	9, 10, 11	814 096	285 939	698 574
Other intangible assets		3 346	3 606	3 899
<b>Total Assets</b>		<b>17 054 158</b>	<b>16 274 752</b>	<b>18 161 115</b>
<b>Liabilities and Equity</b>				
<b>Liabilities</b>				
Debt incurred by issuing securities	7, 10, 11	14 569 880	15 079 913	15 621 116
Collateral received in derivatives transactions		-	-	-
Subordinated debt	8	521 956	522 309	522 265
Financial derivatives	9, 10, 11	-	71 807	-
Deferred taxes		38 489	19 912	38 489
Taxes payable		24 155	32 402	24 966
Other liabilities	12	8 982	224 497	10 655
<b>Total Liabilities</b>		<b>15 163 462</b>	<b>15 950 840</b>	<b>16 217 491</b>
<b>Equity</b>				
Paid in equity	6	1 825 000	1 725 000	1 825 000
Other paid in equity (not yet registered)		-	100 000	-
Accrued equity		388	894	388
Provision for dividends		-	-	118 236
Net profit		65 307	87 605	-
<b>Total Equity</b>		<b>1 890 695</b>	<b>1 913 499</b>	<b>1 943 624</b>
<b>Total Debt and Liabilities</b>		<b>17 054 158</b>	<b>17 864 339</b>	<b>18 161 115</b>

Stavanger, October 23, 2015



Kjell Fordal  
Chairman of the Board



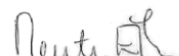
Rolf Eigil Bygdnes



Heidi Larsen



Knut Oscar Fleten



Merete Eik



Arve Austestad  
Chief Executive Officer

# Statement of changes in equity

NOK 1 000	Share capital	Premium reserve	Not yet registered paid in equity	Declared dividends	Other Equity	Total Equity
<b>Balance sheet as of 31 December 2010</b>	<b>584 000</b>	<b>146 000</b>		<b>8 877</b>	<b>34</b>	<b>738 911</b>
Share increase 05.01.2011	120 000	30 000	-	-	-	150 000
Share increase 05.01.2011	240 000	60 000	-	-	-	300 000
Paid out dividend 15.07.2010	-	-	-	-8 877	-	-8 877
Net profit	-	-	-	23 128	900	24 028
<b>Balance sheet as of 31 December 2011</b>	<b>944 000</b>	<b>236 000</b>		<b>23 128</b>	<b>934</b>	<b>1 204 062</b>
Paid out dividend 23.03.2012	-	-	-	-23 128	-	-23 128
Share increase 20.09. 2012	100 000	25 000	-	-	-	125 000
Net profit	-	-	-	21 924	-71	21 853
<b>Balance sheet as of 31 December 2012</b>	<b>1 044 000</b>	<b>261 000</b>		<b>21 924</b>	<b>863</b>	<b>1 327 787</b>
Share Increase 27.02.2013	60 000	15 000	-	-	-	75 000
Share Increase 25.04.2013	20 000	5 000	-	-	-	25 000
Share Increase 28.05.2013	80 000	20 000	-	-	-	100 000
Paid out dividend 29.05.2013	-	-	-	-21 924	-	-21 924
Share Increase 15.10.2013	160 000	40 000	-	-	-	200 000
Net profit	-	-	-	32 736	31	32 767
<b>Balance sheet as of 31 December 2013</b>	<b>1 364 000</b>	<b>341 000</b>		<b>32 736</b>	<b>894</b>	<b>1 738 630</b>
Share increase 31.01.2014	16 000	4 000	-	-	-	20 000
Paid out dividend 06.06.2014	-	-	-	-32 736	-	-32 736
Share increase 16.09.2014	80 000	20 000	-	-	-	100 000
Net profit	-	-	-	118 236	-506	117 730
<b>Balance sheet as of 30 June 2014</b>	<b>1 460 000</b>	<b>365 000</b>	-	<b>118 236</b>	<b>388</b>	<b>1 943 624</b>
Net profit	-	-	-	-	45 688	45 688
Paid out dividend 06.06.2014	-	-	-	-118 236	-	-118 236
<b>Balance sheet as of 31 March 2015</b>	<b>1 460 000</b>	<b>365 000</b>	-	-	<b>46 076</b>	<b>1 871 076</b>

# Cash flow statement

NOK 1 000	30.09.2015	30.09.2014	31.12.2014
<b>Cash flows from operations</b>			
Interest received	325 077	408 528	548 122
Payments for operations	-8 639	-8 871	-10 522
Paid tax	-24 966	-	-
<b>Net cash flow from operations</b>	<b>291 472</b>	<b>399 657</b>	<b>537 600</b>
<b>Cash flows from investments</b>			
Net purchase of loan portfolio	806 273	-529 348	-874 089
Net payments on the acquisition of government bills	-66 307	-62 601	-146 651
Net payments on the acquisition of bonds	410 704	-777 098	-702 044
Net investments in intangible assets	-698	(3 046)	(4 508)
<b>Net cash flows relating to investments</b>	<b>1 149 972</b>	<b>-1 372 093</b>	<b>-1 727 292</b>
<b>Cash flows from funding activities</b>			
Net receipt/payment from the issuance of bonds	-1 154 743	1 790 525	1 842 869
Net receipt/payment from the issuance of subordinated debt	-	-	-
Net receipt/payment from the issuance of loans to credit institutions	-2 418	-29 790	-244 393
Equity capital subscription	0	120 000	120 000
Paid dividend	-118 260	-32 736	-32 736
Net interest payments on funding activity	-212 160	-310 300	-394 028
<b>Net cash flow relating to funding activities</b>	<b>-1 487 581</b>	<b>1 537 699</b>	<b>1 291 712</b>
<b>Net cash flow in the period</b>	<b>-46 137</b>	<b>565 263</b>	<b>102 020</b>
<b>Balance of cash and cash equivalents start of period</b>	<b>459 908</b>	<b>357 888</b>	<b>357 888</b>
Net receipt/payments on cash	-46 137	565 263	102 020
Exchange rate difference	-	-	-
<b>Balance of cash and cash equivalents end of period</b>	<b>413 771</b>	<b>923 151</b>	<b>459 908</b>

# Income statement and balance sheet

## Income statement

NOK 1 000	3rd quarter 2015	2nd quarter 2015	1st quarter 2015	4th quarter 2014	3rd quarter 2014
Interest income	347 158	113 272	119 684	139 594	139 934
Interest expense	234 778	78 178	80 027	93 903	94 527
<b>Net interest income</b>	<b>112 379</b>	<b>35 094</b>	<b>39 657</b>	<b>45 691</b>	<b>45 407</b>
Net gains/losses on financial instruments	-12 283	-5 396	-3 116	-1 262	298
<b>Total operating income</b>	<b>100 096</b>	<b>29 698</b>	<b>36 541</b>	<b>44 429</b>	<b>45 705</b>
Salaries and other personnel expenses	3 718	916	1 447	1 187	1 722
Administration expenses	3 287	933	1 339	1 109	717
Other operating expenses	2 379	1 141	485	509	537
Amortization/Depreciation	1 250	426	392	358	258
<b>Total operating expenses</b>	<b>10 634</b>	<b>3 416</b>	<b>3 663</b>	<b>3 163</b>	<b>3 234</b>
<b>Operating profit before losses</b>	<b>89 462</b>	<b>26 282</b>	<b>32 878</b>	<b>41 266</b>	<b>42 471</b>
Impairment losses on loans	-	-	-	-	-
<b>Operating profit before tax</b>	<b>89 462</b>	<b>26 282</b>	<b>32 878</b>	<b>41 266</b>	<b>42 471</b>
Tax expense	24 155	4 595	8 877	11 142	11 467
<b>Net profit</b>	<b>65 307</b>	<b>21 687</b>	<b>24 001</b>	<b>30 125</b>	<b>31 004</b>

## Balance Sheet

NOK 1 000	3rd quarter 2015	2nd quarter 2015	1st quarter 2015	4th quarter 2014	3rd quarter 2014
<b>Assets</b>					
Deposits with credit institutions	413 771	19 180	539 178	459 908	923 151
Norwegian Government bills	249 675	-	64 597	183 932	99 450
Bonds	289 735	1 143 933	1 283 976	702 915	777 653
Lending to customers	15 283 534	15 423 368	15 410 282	16 111 887	15 774 540
Financial derivatives	814 096	609 682	695 147	698 574	285 939
Other intangible assets	3 346	3 779	3 851	3 899	3 606
<b>Sum of assets</b>	<b>17 054 158</b>	<b>17 199 941</b>	<b>17 997 031</b>	<b>18 161 115</b>	<b>17 864 339</b>
<b>Liabilities</b>					
Debt incurred by issuing securities	14 569 880	14 745 711	15 281 395	15 621 116	15 079 913
Collateral received in derivatives transactions	-	-	139 332	-	-
Subordinated debt	521 956	522 169	521 960	522 265	522 309
Financial derivatives	-	-	-	-	71 807
Deferred taxes	38 489	38 489	38 489	38 489	19 912
Taxes payable	24 155	13 473	33 843	24 966	32 402
Other liabilities	8 982	9 023	14 387	10 655	224 497
<b>Total Liabilities</b>	<b>15 163 462</b>	<b>15 328 865</b>	<b>16 029 406</b>	<b>16 217 491</b>	<b>15 950 840</b>

**Equity**

Paid in equity	1 825 000	1 825 000	1 825 000	1 825 000	1 725 000
Other paid in equity (not yet registered)	-	-	-	-	100 000
Accrued equity	388	388	364	388	894
Provision for dividends	-	-	118 260	118 236	-
Net profit	65 307	45 688	24 001	-	87 605
<b>Total Equity</b>	<b>1 890 695</b>	<b>1 871 076</b>	<b>1 967 625</b>	<b>1 943 624</b>	<b>1 913 499</b>
<b>Total Liabilities and Equity</b>	<b>17 054 158</b>	<b>17 199 941</b>	<b>17 997 031</b>	<b>18 161 115</b>	<b>17 864 339</b>

**Key figures**

Number of shares	14 600 000	14 600 000	14 600 000	14 600 000	14 600 000
<b>Net profit per share</b>	<b>0,4473 %</b>	<b>0,3129 %</b>	<b>0,1644 %</b>	<b>0,2063 %</b>	<b>0,2124 %</b>

# Notes to the Accounts as of September 30, 2015

## Note 1 General Information

### 1.1 General Information

SpareBank 1 Næringskreditt AS quarterly accounts for the period 01.01.-30.09.15 have been prepared in accordance with "International Financial Reporting Standards (IFRS), as determined by the EU and published by "International Accounting Standards Board" (IASB). The accounting principles listed below should be read in conjunction with the accounting principles as detailed in the annual accounts for 2014.

### 1.2 Accounting Principles

The Company's accounting principles and methods of computation/estimation are in all material aspects unchanged compared to the annual accounts for 2014. The principles below should be read together with the accounting principles in the annual accounts for 2013.

### 1.3 Segment

A business segment is a grouping of assets or business activity which produces products or services, and which is subject to risk and return which is different to that of other business segments. The Company has one segment, which is the commercial property segment. This segment consists of lending for commercial properties and all loans have been acquired from banks in the SpareBank 1 Alliance.

### 1.4 Pension

SpareBank 1 Næringskreditt AS has no directly employed staff. The pension obligation is covered by SpareBank 1 Boligkreditt AS under the pension Scheme of SpareBank 1 Boligkreditt AS currently has two types of pension schemes.

### 1.5 Financial risk management

For a discussion of financial risk management, please refer to notes 3, 22 and 23 in the annual accounts for 2014.

### 1.6 Estimates

The presentation of financial information results in that management uses estimates and makes assumptions which affect the outcome of certain accounting principles, including the amounts accounted for assets, liabilities, income and cost. In the annual accounts for 2013 a discussion of these estimates and assumptions have been included in note 4.



## Note 2 Net Interest Income

NOK 1 000	30.09.2015	30.09.2014	2014
<b>Interest income</b>			
Interest income and similar income from lending to credit institutions	18 317	19 799	26 542
Interest income and similar income from loans to and balances with customers	384 317	469 936	622 716
Commission expense (payable to shareholder banks) *	-55 734	-74 930	-94 859
<b>Total interest income</b>	<b>347 158</b>	<b>414 805</b>	<b>554 399</b>

\* Commissions to our parent banks are calculated daily for each mortgage loan transferred, whereby the commission equals the customer loan rate less a rate which incorporates the Company's average cost of funding and operational costs. The operational add-on element is expressed through an average rate which is from time to time decided by the Company's Board of Directors.

<b>Interest expense</b>			
Interest expense and similar expenses on issued bonds	216 936	268 569	356 176
Interest expense on subordinated debt	17 843	19 023	25 355
Other interest expense	-	-	-36
<b>Total interest expense</b>	<b>234 778</b>	<b>287 592</b>	<b>381 495</b>
<b>Net interest income</b>	<b>112 379</b>	<b>127 213</b>	<b>172 904</b>

## Note 3 Net Gains from Financial Instruments

NOK 1 000	30.09.2015	30.09.2014	2014
Net gains (losses) from financial liabilities	1 033	-903	-410 436
Net gains (losses) from financial assets at fair value	-6 162	-198 024	-580
Net gains (losses) from financial derivatives, hedging, at fair value	-7 154	201 042	411 868
<b>Netto gains (losses)</b>	<b>-12 283</b>	<b>2 115</b>	<b>852</b>

## Note 4 Other Operating Expenses

NOK 1 000	30.09.2015	30.09.2014	2014
IT services	2 187	1 345	1 779
Other operating expenses	192	204	279
<b>Total</b>	<b>2 379</b>	<b>1 549</b>	<b>2 058</b>

## Note 5 Lending to Customers

NOK 1 000	30.09.2015	30.09.2014	2014
Repayment loans	15 196 973	15 658 505	16 003 246
Accrued interest on loans	92 957	122 431	115 037
<b>Total lending before provisions for loan losses</b>	<b>15 289 930</b>	<b>15 780 936</b>	<b>16 118 283</b>
Individual loan loss provisions			-
Group loan loss provisions	6 396	6 396	6 396
<b>Net lending to customers</b>	<b>15 283 534</b>	<b>15 774 540</b>	<b>16 111 887</b>
<b>Defaulted loans</b>			
Defaults*	0,00 %	0,00 %	0,00 %
Specified loan loss provisions	0,00 %	0,00 %	0,00 %
<b>Net defaulted loans</b>	<b>0,00 %</b>	<b>0,00 %</b>	<b>0,00 %</b>
<b>Loans at risk of loss</b>			
Loans not defaulted but at risk of loss	0,00 %	0,00 %	0,00 %
- Write downs on loans at risk of loss	0,00 %	0,00 %	0,00 %
<b>Net other loans at risk of loss</b>	<b>0,00 %</b>	<b>0,00 %</b>	<b>0,00 %</b>

\*The entire customer loan balance is considered to be in default and will be included in overviews of defaulted loans when overdue instalments and interest payments are not received within 90 days or if credit limits on revolving loans are exceeded for 90 days or more.

## Note 6 Equity and shareholders information

Overview of shareholders as of 30.09.2015

	Number of shares	A-shares	B-shares	Ownership stake	Vote
SpareBank 1 SMN	4 909 200	1 200 000	3 709 200	33,62 %	33,62 %
SpareBank 1 SR-Bank ASA	3 913 034	1 200 000	2 713 034	26,80 %	26,80 %
SpareBank 1 Nord-Norge	3 041 400	400 000	2 641 400	20,83 %	20,83 %
Sparebanken Hedmark	560 000	560 000	-	3,84 %	3,84 %
SpareBank 1 Ringerike Hadeland	455 646	-	455 646	3,12 %	3,12 %
SpareBank 1 BV	321 589	-	321 589	2,20 %	2,20 %
SpareBank 1 Østfold Akershus	277 072	-	277 072	1,90 %	1,90 %
Sparebanken Telemark	270 165	-	270 165	1,85 %	1,85 %
SpareBank 1 Hallingdal Valdres	171 156	-	171 156	1,17 %	1,17 %
SpareBank 1 Nordvest	140 200	-	140 200	0,96 %	0,96 %
Modum Sparebank	115 127	-	115 127	0,79 %	0,79 %
SpareBank 1 Nøtterøy Tønsberg	102 592	-	102 592	0,70 %	0,70 %
SpareBank 1 Søre Sunnmøre	101 568	-	101 568	0,70 %	0,70 %
SpareBank 1 Gudbrandsdal	86 473	-	86 473	0,59 %	0,59 %
Lom og Skjåk Sparebank	81 869	-	81 869	0,56 %	0,56 %
Sparebanken Vest	52 909	-	52 909	0,36 %	0,36 %
<b>Sum</b>	<b>14 600 000</b>	<b>3 360 000</b>	<b>11 240 000</b>	<b>100 %</b>	<b>100 %</b>

The equity capital consists of 3,360,000 A-shares and 11,240,000 B-shares, each with a face value of NOK 125. The A-shares reflect loans transferred (or reserved for future transfers) from the banks. B-shares reflect loans transferred to the Company by banks mutually owned by the other banks (as of today this pertains only to BN Bank ASA). The B-shares are allocated amongst the banks according to their ownership share in the mutually owned banks. A-shares and B-shares carry the same rights, with the one exemption that dividends may be differentiated between the share classes.

## Note 7 Liabilities incurred by issuing Securities

	Nominal amounts*	Nominal amounts	Nominal amounts
<b>NOK 1 000</b>	<b>30.09.2015</b>	<b>30.09.2014</b>	<b>2014</b>
Senior unsecured Bonds	1 342 000	2 455 000	1 355 000
Repurchased senior unsecured bonds	0	-1 100 000	-16 000
Covered bonds	13 153 992	13 544 505	13 758 330
Withdrawn from the Norwegian Central Bank Swap Facility		-	-
Bonds deposited in the Norwegian Central Bank Swap Facility		-	-
Repurchased covered bonds	-455 000	-50 000	-50 000
<b>Total liabilities incurred by issuing securities</b>	<b>14 040 955</b>	<b>14 849 505</b>	<b>15 047 330</b>

\* Nominal value is incurred debt at exchange rates (SEK/NOK) at the time of issuance

	Book value	Book value	Book value
<b>NOK 1 000</b>	<b>30.09.2015</b>	<b>30.09.2014</b>	<b>2014</b>
Senior unsecured Bonds	1 342 000	2 454 860	1 354 882
Repurchased senior unsecured bonds	0	-1 115 776	-15 997
Covered bonds	13 621 768	13 721 889	14 219 182
Withdrawn from the Norwegian Central Bank Swap Facility	0	-	-
Bonds deposited in the Norwegian Central Bank Swap Facility		-	-
Repurchased covered bonds	-463 041	-51 973	-54 963
Activated costs incurred by issuing debt	-223	-602	-500
Accrued interest	69 377	71 515	118 512
<b>Total liabilities incurred by issuing securities</b>	<b>14 569 880</b>	<b>15 079 913</b>	<b>15 621 116</b>

Liabilities categorized by debt instrument and year of maturity (nominal value\*) NOK 1,000:

<b>Senior unsecured</b>	Nominal amounts*	Nominal amounts	Nominal amounts
<b>Due in year</b>	<b>30.09.2015</b>	<b>30.09.2014</b>	<b>2014</b>
2014			
2015	-		85 000
2016	-	1 355 000	1 254 000
2017	1 342 000		-
<b>Total</b>	<b>1 342 000</b>	<b>1 355 000</b>	<b>1 339 000</b>

<b>Covered Bonds in Central Bank Swap Facility</b>	Nominal amounts*	Nominal amounts	Nominal amounts
<b>Due in year</b>	<b>30.09.2015</b>	<b>30.09.2014</b>	<b>2014</b>
2014	-	-	-
<b>Total</b>	<b>-</b>	<b>0</b>	<b>-</b>

Covered Bonds	Due in year	Nominal amounts*	Nominal amounts	Nominal amounts
		30.09.2015	30.09.2014	2014
	2015	-	865 000	820 000
	2016	1 010 200	928 600	959 400
	2017	468 000	600 000	600 000
	2018	2 137 316	2 128 425	2 189 700
	2019	3 404 000	3 650 000	3 650 000
	2020	2 200 000	2 100 000,00	2 200 000 ,00
	2021	1 140 116	963 000	980 300
	2022	-	-	-
	2023	550 000	550 000	550 000
	2024	114 070	99 480	108 180
	2025	200 000	200 000	200 000
	2026	-	-	-
	2027	-	-	-
	2028	1 000 000	1 000 000	1 000 000
	2029	475 290	410 000	450 750
<b>Total</b>		<b>12 698 992</b>	<b>13 494 505</b>	<b>13 708 330</b>
<b>Grand Total</b>		<b>14 040 992</b>	<b>14 849 505</b>	<b>15 047 330</b>

\* Nominal value is incurred debt at exchange rates at the time of issuance

Liabilities incurred by currency (book values at the end of the period)

NOK 1 000	30.09.2015	30.09.2014	2014
NOK	11 560 546	12 458 015	12 760 938
SEK	2 021 718	1 783 910	1 922 201
EUR	987 616	837 988	937 977
<b>Total</b>	<b>14 569 880</b>	<b>15 079 913</b>	<b>15 621 116</b>

## Note 8 Subordinated debt

NOK 1000	Year of issuance	Nominal value	Maturity	Callable	Book value	Book value	Book value
					30.09.2015	30.09.2014	2014
Subordinated debt Tier 2	2013	NOK 346 000	2023	2018	347 627	347 863	346 719
Additional Tier 1 capital	2013	NOK 173 000	Evigvarende	2018	174 328	174 446	173 561
<b>Total</b>		<b>NOK 519 000</b>			<b>521 956</b>	<b>522 309</b>	<b>520 280</b>

Out of the total of NOK 519 mill in subordinated debt, NOK 173 mill is additional Tier 1 capital and NOK 346 mill is subordinated debt classified as Tier 2 capital. Issuance expenses are activated and are reflected in the amortized costs valuation. Additional Tier 1 capital may be a maximum of 35% of total Tier 1 capital for bonds with no maturity.

## Note 9 Financial Derivatives

NOK 1 000	30.09.2015	30.09.2014	2014
<b>Interest rate swaps</b>			
Nominal amount	4 700 000	4 550 000	4 550 000
Asset	491 635	278 464	527 121
Liability	-	-	-
<b>Currency derivatives</b>			
<b>Currency swaps</b>			
Nominal amount	2 989 992	2 609 119	2 838 330
Asset	322 461	7 474	171 453
Liability	-	-71 807	-
<b>Total financial derivatives</b>			
Nominal amount	7 689 992	7 159 119	7 388 330
Asset	814 096	285 939	698 574
Liability	-	-71 807	-

All derivative contracts exist for the purpose of hedging changes in interest rates and currency exchange rates.

## Note 10 Classification of Financial Instruments

NOK 1 000	Financial instruments accounted for at fair value *	Financial assets and debt accounted for at amortised cost	Non-financial assets and liabilities	30.09.2015
<b>Assets</b>				
Deposits in banks		413 771		413 771
Government certificates	249 675			249 675
Bonds	289 735			289 735
Lending		15 283 534		15 283 534
Financial derivatives	814 096			814 096
Other intangible assets			3 346	3 346
<b>Total Assets</b>	<b>1 353 506</b>	<b>15 697 305</b>	<b>3 346</b>	<b>17 054 158</b>
<b>Liabilities</b>				
Debt incurred by issuing securities	8 206 657	6 363		14 569 880
Collateral received in derivatives transactions		-		-
Subordinated debt		521 956		521 956
Financial derivatives				-
Deferred taxes			38 489	38 489
Taxes payable			24 155	24 155
Other liabilities		4 300	4 682	8 982
<b>Total Liabilities</b>	<b>8 206 657</b>	<b>6 889 479</b>	<b>67 326</b>	<b>15 163 462</b>
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>1 890 695</b>	<b>1 890 695</b>
<b>Total Liabilities and Equity</b>	<b>8 206 657</b>	<b>6 889 479</b>	<b>1 958 021</b>	<b>17 054 158</b>

NOK 1 000	Financial instruments accounted for at fair value *	Financial assets and debt accounted for at amortised cost	Non-financial assets and liabilities	30.09.2014
<b>Assets</b>				
Deposits in banks	-	459 908	-	459 908
Government certificates	183 932	-	-	183 932
Bonds	702 915	-	-	702 915
Lending	-	16 111 887	-	16 111 887
Financial derivatives	698 574	-	-	698 574
Other intangible assets	-	-	3 899	3 899
<b>Total Assets</b>	<b>1 585 421</b>	<b>16 571 795</b>	<b>3 899</b>	<b>18 161 115</b>
<b>Liabilities</b>				
Debt incurred by issuing securities	7 942 977	7 678 139	-	15 621 116
Subordinated debt	-	522 265	-	522 265
Financial derivatives	-	-	-	-
Deferred taxes	-	-	38 489	38 489
Taxes payable	-	-	24 966	24 966
Other liabilities	-	6 718	3 937	10 655
<b>Total Liabilities</b>	<b>7 942 977</b>	<b>8 207 122</b>	<b>67 392</b>	<b>16 217 491</b>
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>1 943 624</b>	<b>1 943 624</b>
<b>Total Liabilities and Equity</b>	<b>7 942 977</b>	<b>8 207 122</b>	<b>2 011 016</b>	<b>18 161 115</b>

\* Fair value calculation according to changes in market interest rates and currencies exchange rates.

## Note 11 Financial Instruments at Fair Value

### Methods in order to determine fair value.

The interest rate curve that is used as input for fair value valuations of hedging instruments and hedging objects consists of the NIBOR-curve for maturities less than one year. The swap-curve is used for maturities exceeding one year.

### Interest rate and currency swaps

Valuation of interest rate swaps at fair value is done through discounting future cash flows to their present values. Valuation of currency swaps will also include the element of foreign exchange rates.

### Bonds

Issued bonds are valued at present value using a discount rate. The discount rate is the swap rate curve.

The presentation of fair value is according to three levels:

- Quoted price in an active market for an identical asset or liability (level 1)
- Valuation based on observable factors either direct (prices) or indirect (deduced from prices used in level 1) other than quoted price for the asset or liability (Level 2)
- The valuation is based on factors that are not found in observable markets (non-observable assumptions) (level 3), but no such assets are held.



The following table present the company's assets and liabilities at fair value as of 30.09.2015:

<b>NOK 1 000</b>				
	Level 1	Level 2	Level 3	Total
Bonds and bills	-	539 410	-	539 410
Financial Derivatives	-	814 096	-	814 096
<b>Total Assets</b>	<b>-</b>	<b>1 353 506</b>	<b>-</b>	<b>1 353 506</b>
Bonds	-	8 206 657	-	8 206 657
Financial Derivatives	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>8 206 657</b>	<b>-</b>	<b>8 206 657</b>

The following table present the company's assets and liabilities at fair value as of 30.09.2014:

<b>NOK 1 000</b>				
	Level 1	Level 2	Level 3	Total
Bonds and bills	183 932	702 915	-	886 847
Financial Derivatives	-	698 574	-	698 574
<b>Total Assets</b>	<b>183 932</b>	<b>1 401 489</b>	<b>-</b>	<b>1 585 421</b>
Bonds	-	7 942 977	-	7 942 977
Financial Derivatives	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>7 942 977</b>	<b>-</b>	<b>7 942 977</b>

## Note 12 Other Liabilities

<b>NOK 1 000</b>	<b>30.09.2015</b>	<b>30.09.2014</b>	<b>2014</b>
Commissions payable to shareholder banks	4 300	234 868	6 718
Due to SpareBank 1 Boligkreditt AS	-	-	1 042
Other liabilities	4 682	2 087	2 895
<b>Total other liabilities</b>	<b>8 982</b>	<b>236 955</b>	<b>10 655</b>

The Company maintains no line of credit / overdraft facility.

## Note 13 Asset Coverage Requirement

The asset coverage requirement is according to the covered bond law § 2-31.

<b>NOK 1 000</b>	<b>30.09.2015</b>	<b>30.09.2014</b>	<b>2014</b>
Covered Bonds	13 687 631	13 788 072	14 333 327
Repurchased Bonds	-463 814	-52 534	-56 016
Derivatives	-814 096	-214 132	-698 574
<b>Total Covered Bonds</b>	<b>12 409 721</b>	<b>13 521 406</b>	<b>13 578 737</b>
Lending to customers	15 213 888	15 711 643	16 057 724
Derivatives	249 675	99 450	183 932
Substitute collateral	702 988	1 700 804	1 162 824
<b>Total Cover Pool</b>	<b>16 166 551</b>	<b>17 511 897</b>	<b>17 404 480</b>
<b>Asset-coverage</b>	<b>130,3 %</b>	<b>129,5 %</b>	<b>128,2 %</b>

## Note 14 Capital Adequacy

The primary goal for the Company's management of capital reserves is to ensure compliance with laws and regulatory requirements and maintain solid financial ratios and a high quality credit assessment in order to best support its business.

A new capital requirements directive was introduced in Norway as of January 1, 2007 (Basel II). SpareBank 1 Næringskreditt AS employs the standardised approach to calculate the Pillar 1 capital requirements.

The European Union has approved new regulatory requirements, CRD IV. The new regulations place more robust requirements on capital adequacy, capital structure, liquidity buffers and funding. CRD IV is gradually introduced in Norway up until the end of 2016. The requirement of 12.5% total capital includes a 9% Core Tier 1 capital and 3.5% additional capital. SpareBank 1 Næringskreditt introduces the capital coverage as per the CRD IV requirements as of 30.09.2014.

The Company's parent banks have committed themselves to keep the Equity Core Tier 1 capital at a minimum 9%. Primarily this commitment is pro rata according to the ownership stakes in the Company, but it is a joint and several undertaking if one or more ownership banks are unable to comply, up to the maximum of twice the initial pro rata amount.

Equity capital i NOK 1 000	30.09.2015	30.09.2014	2014
Share capital	1 460 000	1 380 000	1 460 000
Premium share fund	365 000	345 000	365 000
Other paid in equity (not yet registered)		100 000	-
Other equity	388	894	894
Declared dividends	0	0	-118 236
Net profit		-	117 730
Prudent valuation adjustment (AVA)	-1 107		(1 585)
Intangible assets	-3 346		(3 899)
<b>Total core equity</b>	<b>1 820 935</b>	<b>1 825 894</b>	<b>1 819 904</b>
Intangible assets	0	-3 606	-
Deferred tax asset	-	-	-
Declared dividend	-	-	-
Perpetual capital (hybrid) securities	173 000	173 000	173 000
<b>Total Tier 1 Equity</b>	<b>1 993 935</b>	<b>1 995 288</b>	<b>1 992 904</b>
<b>Supplementary capital</b>			
Additional tier 1 (exceeding 15% and 35 %)		-	-
Additional tier 2 capital	346 000	346 000	346 000
<b>Total supplementary capital</b>	<b>346 000</b>	<b>346 000</b>	<b>346 000</b>
<b>Total capital</b>	<b>2 339 935</b>	<b>2 341 288</b>	<b>2 338 904</b>

<b>Minimum requirements for capital according to Basel II i NOK 1 000</b>	<b>30.09.2015</b>	<b>30.09.2014</b>	<b>2014</b>
Credit risk	1 211 903	1 255 494	1 286 988
Market risk		-	-
Operational risk	13 768	7 465	7 465
CVA Risk	24 826		45 261
Depreciation on groups of loans	-512	(512)	(512)
<b>Minimum capital requirement</b>	<b>1 249 985</b>	<b>1 262 447</b>	<b>1 339 201</b>

#### Capital coverage

	<b>30.09.2015</b>	<b>30.09.2014</b>	<b>2014</b>
<i>Risk weighted assets, incl. transitional rule</i>	15 624 811	15 780 588	16 740 014
Capital Ratio (%)	14,98 %	14,84 %	13,97 %
Tier 1 Capital Ratio (%)	12,76 %	12,64 %	11,91 %
Core Tier 1 Capital Ratio (%)	11,65 %	11,55 %	10,87 %

## Note 15 Information regarding Related Parties

A number of transactions are entered into between SpareBank 1 Næringskreditt AS and its shareholder banks such as the acquisition of mortgages secured in commercial property, deposits and unsecured debt issued by the Company. The Company has acquired loans from BN Bank ASA, SpareBank 1 SR Bank ASA, SpareBank 1 Midt-Norge AS, Sparebanken Hedmark and SpareBank 1 Nordvest. A Transfer and Servicing Agreement is signed by the Company and each of the vendors of mortgages.

The Company acquires operational services from SpareBank 1 SR-Bank ASA. A Service Level Agreement has been entered into between SpareBank 1 Næringskreditt AS and SpareBank 1 SR-Bank ASA. In addition SpareBank 1 Næringskreditt AS purchases IT services from BN Bank ASA.

SpareBank 1 Næringskreditt AS hires personell from SpareBank 1 Boligkreditt. According to a decision by the Board of Directors in SpareBank 1 Næringskreditt AS as of 17.09.09, 1/3 of av personell expense in SpareBank 1 Boligkreditt AS shall be carried by SpareBank 1 Næringskreditt AS. The share reflects the actual use of resources in SpareBank 1 Boligkreditt AS.

SpareBank 1 Næringskreditt AS has in 2015 calculated a commission in the amount of 22.1 million kroner and payable commissions as of 30.09.2015 are 4.3 million kroner. The commission is calculated based on the difference in rates of lending to customers and borrowings with a deduction for administrative costs.

# Contact information

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