BN Bank ASA

# INTERIM REPORT 1st QUARTER | 2011

BN Bank

# Contents

# Financial Ratios - Group

| NOK MILLION | NOTE | 31.03.11 | % OF ATA | 31.03.10 | % OF ATA | FULL YEAR 2010 | % OF ATA |
|---|---|---|---|---|---|---|---|
| **Summary of results** | | | | | | | |
| Net income from interest and credit commissions | | 91 | 0.86 % | 95 | 0.77 % | 380 | 0.87 % |
| Total other operating income | | 20 | 0.19 % | 9 | 0.07 % | 91 | 0.21 % |
| Total income | | 111 | 1.05 % | 104 | 0.84 % | 471 | 1.08 % |
| Total other operating expense | | 62 | 0.59 % | 56 | 0.45 % | 245 | 0.56 % |
| Operating profit/(loss) before impairment losses | | 49 | 0.46 % | 48 | 0.39 % | 226 | 0.52 % |
| Impairment losses on loans and advances | | 35 | 0.33 % | 12 | 0.10 % | 32 | 0.07 % |
| Profit/(loss) before tax | | 14 | 0.13 % | 36 | 0.29 % | 194 | 0.45 % |
| Computed tax charge | | 4 | 0.04 % | 10 | 0.08 % | 52 | 0.12 % |
| Profit/(loss) remaining entity | | 10 | 0.09 % | 26 | 0.21 % | 142 | 0.33 % |
| **Profitability** | | | | | | | |
| Return on equity | 1 | 1.4 % | | 3.7 % | | 4.8 % | |
| Net interest margin | 2 | 0.86 % | | 0.77 % | | 0.87 % | |
| Cost-income ratio | 3 | 55.9 % | | 53.8 % | | 52.0 % | |
| **Balance sheet figures** | | | | | | | |
| Gross lending | | 33 577 | | 31 719 | | 32 577 | |
| Customer deposits | | 15 531 | | 16 152 | | 16 395 | |
| Deposit-to-loan ratio | 4 | 46.3 % | | 50.9 % | | 50.3 % | |
| Increase/decrease lending (gross) last 12 months | | 5.9 % | | -29.9 % | | 5.5 % | |
| Increase/decrease deposits last 12 months | | -3.8 % | | 0.4 % | | 5.2 % | |
| Average total assets (ATA) | 5 | 42 329 | | 49 366 | | 43 552 | |
| Total assets | | 41 437 | | 45 549 | | 41 228 | |
| Balance sheet figures remaining entity inc. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt | | | | | | | |
| Gross lending | | 43 577 | | 39 174 | | 42 269 | |
| Customer deposits | | 15 531 | | 16 152 | | 16 395 | |
| Increase/decrease lending (gross) last 12 months | | 11.2 % | | -11.9 % | | 8.9 % | |
| Increase/decrease deposits last 12 months | | -3.8 % | | -11.3 % | | 5.2 % | |
| Share of lending financed via deposits | | 35.6 % | | 41.2 % | | 38.8 % | |
| **Losses on loans and non-performing loans** | | | | | | | |
| Loss ratio lending | 5 | 0.44 % | | 0.13 % | | 0.10 % | |
| Non-performing loans as percentage of gross lending | 5 | 0.49 % | | 0.79 % | | 0.53 % | |
| Other doubtful commitments as percentage of gross lending | 5 | 3.52 % | | 0.94 % | | 1.18 % | |
| **Solvency** | | | | | | | |
| Capital adequacy ratio | 8 | 13.8 % | | 13.0 % | | 13.9 % | |
| Tier 1 capital ratio | 8 | 10.9 % | | 9.3 % | | 10.8 % | |
| Tier 1 capital | 8 | 3 453 | | 3 045 | | 3 448 | |
| Capital base | 8 | 4 392 | | 4 244 | | 4 419 | |
| **Offices and staffing** | | | | | | | |
| Number of offices | | 2 | | 2 | | 2 | |
| Number of full-time equivalents | 7 | 106 | | 101 | | 104 | |
| **Shares** | | | | | | | |
| Earnings per share for period (whole NOK) before discont. operations | | 0.81 | | 2.10 | | 11.47 | |
| Earnings per share for period (whole NOK) inc. discont. operations | | 1.37 | | 2.42 | | 11.39 | |

## Notes

1) Profit after tax as a percentage of average equity
2) Total net interest margin to date this year in relation to average total assets (ATA)
3) Total operating expense as a percentage of total operating income
4) Customer deposits as a percentage of lending to customers
5) Average total assets (ATA) are calculated as an average of quarterly total assets and as at 1 January and 31 December
6) Net loss as a percentage of average gross lending to date this year
7) Not including employees relating to divested operations
8) The figures disclosed include BN Bank's operations in Ålesund



# Interim Report 1st Quarter

## Summary of Q1 to 31 March 2011

Comparative figures are for Q1 2010

- Growth of NOK 2 093 million (down NOK 9 million) and NOK 841 million (down NOK 1 244 million) in the corporate and retail markets respectively in the last 12 months.
- Profit before impairment losses on loans of NOK 49 million (NOK 48 million).
- Profit after tax, including divested operations, of NOK 17 million (NOK 30 million).
- Return on equity of 2.3 per cent (4.2 per cent).
- Impairment losses on loans and advances of NOK 35 million (NOK 12 million)
- Tier 1 capital ratio of 10.9 per cent (9.3 per cent)

For the first quarter of 2011 to 31 March, the BN Bank Group posted a profit after tax of NOK 17 million, compared with NOK 30 million in profit after tax for the first quarter of 2010. The decrease in profit is mainly attributable to a rise in impairment losses on loans and advances.

The following presentation states the comparative figures for the fourth quarter of 2010.

Total income for the first quarter of 2011 was NOK 111 million (NOK 155 million), a decrease mainly attributable to negative changes in the value of financial instruments, but also to reduced lending margins.

At the close of first-quarter 2011 residential mortgage loans valued at a total of NOK 2.3 billion (NOK 2.4 billion) had been transferred to SpareBank 1 Boligkreditt AS and commercial loans worth NOK 7.7 billion (NOK 7.3 billion) to SpareBank 1 Næringskreditt AS. BN Bank receives commission on these loans equal to the margins on the loans transferred to these companies. First-quarter 2011 commission received totalled NOK 19 million (NOK 19 million), and has been recognised in the accounts as commission income.

Operating expense for the first quarter of 2011 totalled NOK 62 million (NOK 66 million).

Net impairment losses on loans and guarantees amounted to NOK 35 million for the first quarter (NOK 4 million), including a rise in collective write-downs of NOK 8 million (NOK 3 million).

BN Bank is still seeing a positive trend in non-performing loans past due by 3 months. At the end of the first quarter non-performing loans accounted for 0.49 per cent (0.53 per cent) of gross lending.

BN Bank is experiencing a good level of demand for its loan products and saw lending rise by a total of NOK 1.3 billion in the first quarter of 2011. While growth has been highest in corporate lending, there is also good demand for residential mortgage loans following successful marketing campaigns towards the end of the quarter. However, as a result of tough competition in the deposit market, the Bank's deposits fell by NOK 0.9 billion in the first quarter.

BN Bank's funding situation remains good. In the first quarter of 2011, the Bank issued ordinary senior bonds for a total of NOK 2.3 billion in the Norwegian bond market. The Bank is also able to access funding via SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Using these companies to access the covered bonds market will remain an important part of the Bank's future funding strategy.

BN Bank's Board of Directors has previously determined that the Bank should have sufficient liquid funds at all times to operate for 12 months without any new funding. At the end of the first quarter this target figure was 15 months.

As at 31 March 2011, BN Bank's capital adequacy was at the same level as at the end of 2010. The capital adequacy ratio and tier 1 capital ratio were 13.8 per cent and 10.9 per cent respectively as at 31 March, compared with 13.9 per cent and 10.8 per cent respectively at the end of 2010.

BN Bank's capital base totalled NOK 41.4 billion as at 31 March 2011, which is on a par with the figure at year-end 2010.

In February, BN Bank lost its appeal at the Borgarting Court of Appeal in a case against the ship- and offshore broking firm RS Platou concerning obligations relating to the future lease of office premises at Tjuvholmen in Oslo. The Court of Appeal's decision differed from that of Oslo District Court, which in December 2009 awarded BN Bank compensation of NOK 40.5 million. BN Bank has appealed the Court of Appeal's decision to the Appeal Committee of the Supreme Court. The Bank's losses arising from this dispute were recognised as expense in prior-year accounts.

During the first quarter of 2011, the Bank initiated a number of projects to implement the corporate strategy laid down by the Board towards the end of 2010. The aim of the strategy is for BN Bank to become Norway's leading direct bank in the retail market, focused on offering competitive terms and self-service solutions, while in the corporate market BN Bank aims to be a leading bank for financing commercial real estate, with the main focus on Eastern Norway and the county of Trøndelag in Central Norway. Within these areas, BN Bank will complement and supplement the services of the owner banks.

The overall objective is to make BN Bank known for its simple solutions, cost-effective operations, predictability and low risk profile. The Bank's vision is to make banking simple and predictable for all its customers.

## Financial developments

BN Bank presents its consolidated and separate interim financial statements in compliance with International Financial Reporting Standards (IFRS). See Note 1 for more information.

## Profit performance for Q1 2011

The results of the operations in Ålesund that were sold to Sparebank 1 SMN, but not transferred, are separated out in the financial statements in "Result of operations under disposal", so that "Profit/(loss) for period, remaining entity" reflects the results of the remaining entity (continuing operations) within commercial real estate, the retail market and the portfolio transferred to Sparebank 1 SMN, but where the loss guarantee lies with BN Bank.

For the first quarter of 2011, the pre-tax profit for the remaining entity (continued operations) was NOK 14 million, compared with NOK 85 million for fourth-quarter 2010. Profit after tax for the remaining entity was NOK 10 million, as against with NOK 63 million for fourth-quarter 2010, giving a return on equity for first-quarter 2011 of 1.4 per cent. The decrease in pre-tax profit is owing to negative changes in the value of financial instruments by NOK 28 million, increased impairment losses on loans of NOK 31 million, and a decrease in lending and deposit margins of NOK 13 million.

The Ålesund operations were transferred to SpareBank 1 SMN in the fourth quarter of 2009, and customer accounts have been converted gradually over the course of 2010 and early 2011. BN Bank is providing guarantees for the credit on the existing portfolio for 3-5 years from the inception of the agreement, and in the same period will receive a guarantee commission corresponding to the current income from the portfolio. All new business will be handled by SpareBank 1 SMN directly, a solution which is considered good for the customers, the staff, and the involved banks. The Ålesund operations are classified as operations under disposal (divestment) in respect of the portfolio that was not transferred to Sparebank 1 SMN, while other income and expense related to this portfolio are classified as remaining entity (continuing operations). At the end of first-quarter 2011, loans for NOK 262 million remain to be transferred out of the original portfolio valued at NOK 4.8 billion.

For the first quarter of 2011, the result for the Ålesund operations was a profit of NOK 3 million, of which profit of NOK 7 million is classified as operations under disposal (divestment) and a loss of NOK 4 million is classified under remaining entity

## Income

Income for the first quarter of 2011 totalled NOK 111 million, compared with NOK 155 million for fourth-quarter 2010.

| NOK M | Q1 11 | Q4 10 | CHANGE |
|---|---|---|---|
| Total income | 111 | 155 | -44 |
| Margins and volumes on lending and deposits | | | -13 |
| Return on unrestricted funds (equity) | | | 0 |
| Value changes financial instruments | | | -28 |
| Other | | | -3 |

Pressure on both retail and corporate lending margins in first-quarter 2011 had a negative impact on total income, while improved deposit margins pulled revenues up. The Bank expects market developments to exert further pressure on lending margins, particularly on corporate lending.

The transfer of loans SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt has resulted in a decrease in net interest income, although this has been compensated for by a rise in other income.

BN Bank's unrestricted funds (equity) are invested in short-term debt schemes. The return on the investment portfolio is virtually identical for first-quarter 2011 and fourth-quarter 2010.

BN Bank's derivatives, some bond borrowings and the entire liquidity portfolio, are carried at fair value. The Bank's interest rate risk and exchange rate risk are both low, and fluctuations in interest rates and exchange rates should have a limited net profit-and-loss effect. During periods when interest rate spreads between different instruments develop differently, profit-and-loss effects may arise. The market situation and the substantial fluctuations in interest rates and exchange rates have caused increased fluctuations in the value of financial instruments and greater volatility in changes in value. To reduce the volatility, since 2010 the Bank has used hedge accounting on new fixed-rate borrowings. For first-quarter 2011, value changes had a negative effect on operating income of NOK 6 million, which is a negative change of NOK 28 million compared with fourth-quarter 2010. For more information on value changes, see Note 2.

## Operating expense

First-quarter operating expense was NOK 62 million, compared with NOK 66 million for fourth- quarter 2010.

| NOK M | Q1 11 | Q4 10 | CHANGE |
|---|---|---|---|
| Operating expense | 62 | 66 | -4 |
| Salaries and other personnel expenses | | | -3 |
| Marketing | | | 2 |
| Other expense | | | -3 |

The first-quarter change (decrease) in salaries and other personnel expenses is chiefly attributable to provisions for bonuses having been made in fourth-quarter 2010.

BN Bank's marketing costs were up by NOK 2 million in the first quarter of 2011 compared with fourth-quarter 2010. The particular focus of marketing campaigns to date this year has been on promoting the EkstraKonto account and the Boliglån residential mortgage loans.

Costs as a percentage of average total assets in the first quarter 2011 were 0.59 per cent, compared with 0.61 per cent for fourth-quarter 2010. The number of full-time equivalents as at 31 March 2011 was 106, the same as at year-end 2010.

## Write-downs on loans

Non-performing and doubtful loans, less individual write-downs, totalled NOK 1 277 million at the close of the first quarter of 2011, which is NOK 527 million up on the start of the year. This includes non-performing and doubtful loans in the Ålesund portfolio. Non-performing loans accounted for 0.49 per cent of gross lending as at 31 March 2011 (including the Ålesund portfolio), compared with 0.53 per cent as at 31 December 2010. BN Bank will continue to focus closely on the quality of the loan portfolio and on monitoring and following up doubtful loans. See Note 5 for further information on non-performing and doubtful loans.

For the remaining entity (continuing operations), NOK 35 million was recognised as expense under impairment losses on loans and advances in first-quarter 2011, compared with NOK 4 million in fourth-quarter 2010. First-quarter impairment losses comprised NOK 23 million in corporate loans (0.32 per cent of gross lending on commercial real estate[1]), NOK 4 million in retail loans (0.13 per cent of gross retail lending[2]), and NOK 8 million in the loan portfolio sold to SpareBank 1 SMN[3]. In the portfolio under divestment, NOK 4 million was recognised as income under impairment losses. The Bank's first-quarter impairment losses totalled NOK 31 million in all, compared with impairment losses of NOK 15 million for fourth-quarter 2010.

Impairment losses on loans and advances in the Ålesund portfolio totalled NOK 4 million for the first quarter of 2011.

Loan loss provisions for the remaining entity totalled NOK 183 million as at 31 March 2011, of which collective write-downs accounted for NOK 91 million, which is 0.27 per cent of gross lending. Individual write-downs as at 31 March 2011 were NOK 92 million. Loan loss provisions for the Ålesund portfolio as at 31 March totalled NOK 58 million, of which NOK 15 million were group write-downs and NOK 43 million individual write-downs.

## Balance Sheet

BN Bank's total assets stood at NOK 41.4 billion as at 31 March 2011, which is NOK 4.1 billion down on the last 12 months. The change is mainly attributable to a decrease in liquid funds, which were used to repay borrowings with a high credit premium, while the divested portfolio was transferred to SpareBank 1 SMN and a residential mortgage loan portfolio transferred to SpareBank 1 Boligkreditt.

Liquid funds are down by NOK 1.8 billion in the past 12 months, and during this period residential mortgage loans valued at a total of NOK 2.3 billion were transferred to SpareBank 1 Boligkreditt. Assets classified as held for sale were down by NOK 3.6 billion in the last 12 months.

Gross lending[4], including lending in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt, totalled NOK 43.6 billion as at 31 March 2011, which is NOK 4.4 billion (11 per cent) up on the past year.

| NOK BN | Q1 11 | Q4 10 | Q3 10 | Q2 10 |
|---|---|---|---|---|
| Lending* | 43,6 | 42,3 | 41,3 | 40,8 |
| Change in the quarter | 1,3 | 1,0 | 0,5 | 1,6 |

*Including SpareBank 1 Næringskreditt, SpareBank 1 Boligkreditt and the loans transferred to SpareBank 1 SMN

[1] Including lending in SpareBank 1 Næringskreditt.
[2] Including lending in SpareBank 1 Boligkreditt.
[3] BN Bank has provided guarantees for losses in this portfolio.
[4] Gross lending is the sum total of corporate and retail lending in BN Bank, SpareBank 1 Næringskreditt, SpareBank 1 Boligkreditt and loans transferred to SpareBank 1 SMN.

As at 31 March 2011, a loan portfolio valued at NOK 7.7 billion had been transferred to SpareBank 1 Næringskreditt, while a loan portfolio valued at NOK 2.3 billion had been transferred to SpareBank 1 Boligkreditt.

Segmental breakdown of gross lending as at 31 March 2011:

| NOK BN | 31-03-11 | 31-12-10 |
|---|---|---|
| Retail market* | 13,1 | 12,8 |
| Commercial real estate** | 28,5 | 27,6 |
| Loans transferred to SpareBank 1 SMN | 2,0 | 1,9 |

* Including loans transferred to SpareBank 1 Boligkreditt.
** Including loans transferred to SpareBank 1 Næringskreditt.

Growth in corporate lending has been primarily in the Oslo region. As a result of competitive interest rates and increased marketing, BN Bank has also seen an increase in retail lending during the quarter and over the course of the past 12 months.

Gross lending in the Group[5] had the following sectoral exposure as at 31 December:

| | 31-03-11 | 31-12-10 |
|---|---|---|
| Real estate operations | 48 % | 47 % |
| Retail market | 34 % | 34 % |
| Financial industry | 6 % | 6 % |
| Other | 12 % | 13 % |

As the table above shows, there were only marginal changes in sectoral exposure in the first quarter.

Deposits totalled NOK 15.5 billion as at 31 March 2011, which is NOK 0.9 billion (5 per cent) down on first-quarter 2011. It is important for BN Bank to reverse this trend and marketing campaigns aimed at boosting deposits will be carried out in the second quarter. The deposit-to-loan ratio for the remaining entity as at 31 March 2011 was 46 per cent, which is four percentage points lower than at the turn of the year.

BN Bank has experienced a healthy demand for its bonds in the past few years, a trend which continued in the first quarter of 2011. The Bank issued certificates and bonds for a total of NOK 2.3 billion in the first quarter. The Bank's maturity structure is now well adapted to its size and risk profile, and the liquidity situation is good.

The first-quarter interim financial statements give a true and fair view of the BN Bank Group's assets and liabilities, financial position and performance. The financial statements are based on the assumption that the entity is a going concern.

[5] Gross lending for the Group is the sum total of corporate and retail lending in BN Bank and loans transferred to SpareBank 1 SMN.

## Subsidiaries

The BN Bank Group consists of the bank BN Bank, and the credit institutions Bolig- og Næringskreditt AS (BNkreditt) and BN Boligkreditt AS (BN Boligkreditt). The Group also includes the real estate companies Munkegata 21 AS and Collection Eiendom AS, which were both established in 2010.

BN Bank presents the separate financial statements for BNkreditt and BN Boligkreditt in compliance with International Reporting Standards (IFRS). The other companies present their financial statements in accordance with NGAAP. See Note 1 for more information.

### Bolig- og Næringskreditt AS (BNkreditt)

BNkreditt provides low-risk mortgage loans on commercial real estate, and at the end of the first quarter of 2011 the company's loan portfolio totalled NOK 15.6 billion, compared with NOK 15.3 billion as at 31 December 2010. As at 31 March 2011, NOK 7.7 billion in loans had been transferred to SpareBank1 Næringskreditt.

BNkreditt posted a profit after tax of NOK 5 million for first-quarter 2011, compared with a loss after tax of NOK 8 million for fourth-quarter 2010. The improvement is mainly attributable to positive changes in the value of financial instruments.

Impairment losses on loans and advances totalled NOK 33 million for the first quarter of 2011, compared with NOK 25 million in the previous quarter. Individual write-downs were NOK 54 million as at 31 March 2011, while collective write-downs totalled NOK 49 million, which is 0.31 per cent of lending.

BNkreditt had bond debt outstanding for NOK 6.0 billion as at 31 March 2011, compared with NOK 6.3 billion as at 31 December 2010.

BN Bank has provided guarantees that BNkreditt will have a capital adequacy ratio or junior financing of minimum 20 per cent. BNkreditt's capital adequacy ratio and tier 1 capital ratio were 19.2 per cent and 16.4 per cent respectively as at 31 March 2011.

### BN Boligkreditt AS

BN Boligkreditt is BN Bank's credit institution for issuance of covered bonds, and at the end of the first quarter 2011 the company had a residential mortgage portfolio totalling NOK 2.8 billion, which is on a par with December 2010. During 2010 and early 2011 loans for NOK 2.2 billion were sold to BN Bank for selling on to SpareBank 1 Boligkreditt.

The company posted a profit after tax of NOK 6 million for first-quarter 2011, compared with NOK 13 million for the fourth quarter of 2010. The decrease is attributable to negative changes in the value of financial instruments.

The company's capital adequacy ratio and tier 1 capital ratio were, respectively, 29.6 per cent and 23.3 per cent as at 31 March 2011.

BN Bank has entered into an agreement with SpareBank 1 Boligkreditt AS whereby BN Bank will primarily use this company for future financing of home loans.

### Collection Eiendom AS and Munkegata 21 AS

Collection Eiendom was established in 2010 for the purpose of owning and managing real estate. Munkegata 21 was established in 2010 for the purpose of owning and letting BN Bank's former head office property in Trondheim.

Together, the two companies posted a loss after tax of NOK 5 million for first-quarter 2011.

## Outlook

Growing competition in BN Bank's core areas will continue to exert pressure on earnings. However, a satisfactory funding situation, a good-quality loan portfolio and strong capitalisation all endow BN Bank with a sound foundation for future growth in both lending and deposits. The Bank's new strategy is also focused on the importance of increasing other income by selling new products and services.

As a direct bank serving the retail market and as a competitive niche player in commercial real estate, BN Bank will remain highly focused on costs. A slight increase in operating costs is, however, expected for 2011 as the Bank adapts to the new strategy and intensifies its use of marketing campaigns.

Overall, risk in the loan portfolio is considered low. The Bank's commercial real estate portfolio is well diversified with a variety of types of tenant and lease object. The economic downturn, higher interest rates and a significant fall in property prices may, however, impact negatively on the ability of customers to service their debts. The Bank will continue to maintain a close focus on monitoring and following up loans and commitments.

Lisbet K. Nærø has announced to the Board of Directors of BN Bank that she wishes to resign from her post as Managing Director of BN Bank. The Board wishes to thank Nærø for all the hard work she has done and the good results she has achieved whilst head of the Bank. The Board has appointed a committee to begin the work of finding Nærø's successor.

During 2011, BN Bank will be keenly focused on implementing the Bank's new strategy, which in the Board's opinion will provide a sound basis for maintaining and developing BN Bank's values and assets. BN Bank enjoys a good position in selected markets, and the Board sees profitable growth opportunities in the Bank's target areas.

The Board of Directors
Trondheim, 2 May 2011

# Consolidated Income Statement - Group

| NOK MILLION | NOTE | Q1 2011 | Q1 2010 | GROUP<br>FULL YEAR 2010 |
|---|---|---|---|---|
| Interest and similar income | | 387 | 359 | 1 465 |
| Interest expense and similar charges | | 296 | 264 | 1 085 |
| Net income from interest and credit commissions | | 91 | 95 | 380 |
| Value change fin. instr. fair value, gains&losses | 2 | -6 | -15 | -14 |
| Other operating income | 3 | 26 | 24 | 105 |
| Total other operating income | | 20 | 9 | 91 |
| Salaries and general administrative expenses | | 51 | 45 | 209 |
| Depreciation, amortisation and write-downs | | 4 | 3 | 11 |
| Other operating expense | | 7 | 8 | 25 |
| Total other operating expense | | 62 | 56 | 245 |
| Operating profit/(loss) before impairment losses | | 49 | 48 | 226 |
| Impairment losses on loans and advances | 5 | 35 | 12 | 32 |
| Operating profit/(loss) after impairment losses | | 14 | 36 | 194 |
| Profit/(loss) before tax | | 14 | 36 | 194 |
| Tax | | 4 | 10 | 52 |
| Profit/(loss) for the period, remaining entity | | 10 | 26 | 142 |
| Result of operations under divestment | 7 | 7 | 4 | -1 |
| Profit/(loss) for period, inc. discont. operations | | 17 | 30 | 141 |
| | | | | |
| Extended Income Statement under IAS 1 | | | | |
| Value change in financial assets available for sale | | 0 | 0 | 0 |
| Total P&L items recognised in equity | | 0 | 0 | 0 |
| Total profit/(loss) for the period | | 17 | 30 | 141 |

# Consolidated Balance Sheet - Group

| | | | | GROUP |
|---|---|---|---|---|
| NOK MILLION | NOTE | 31.03.11 | 31.03.10 | FULL YEAR 2010 |
| **Assets** | | | | |
| Deferred tax assets | | 54 | 110 | 54 |
| Intangible assets | | 21 | 6 | 16 |
| Own funds lending | | 15 | 15 | 15 |
| Tangible fixed assets | | 91 | 70 | 80 |
| Repossessed properties | | 15 | 15 | 15 |
| Loans and advances | 4, 11, 12 | 33 394 | 31 509 | 32 415 |
| Prepayments and accrued income | | 112 | 75 | 97 |
| Financial derivatives | 15 | 541 | 1 057 | 629 |
| Short-term securities investments | | 5 782 | 7 611 | 5 791 |
| Cash and balances due from credit institutions | | 826 | 893 | 1 012 |
| Assets classified as held for sale | 7 | 586 | 4 188 | 1 104 |
| Total assets | | 41 437 | 45 549 | 41 228 |
| **Equity and liabilities** | | | | |
| Share capital | | 619 | 619 | 619 |
| Retained earnings | | 2 400 | 2 272 | 2 383 |
| Total equity | | 3 019 | 2 891 | 3 002 |
| Subordinated loan capital | 6 | 1 457 | 1 452 | 1 686 |
| Liabilities to credit institutions | 6 | 3 003 | 4 684 | 1 975 |
| Debt securities in issue | 6 | 17 248 | 17 457 | 16 603 |
| Accrued expenses and deferred income | | 126 | 109 | 128 |
| Other current liabilities | | 8 | 22 | 35 |
| Tax payable | | 2 | 0 | 2 |
| Financial derivatives | 15 | 510 | 977 | 511 |
| Customer deposits & accounts payable to customers | | 15 531 | 16 152 | 16 395 |
| Liabilities classified as held for sale | 7 | 533 | 1 805 | 891 |
| Total liabilities | | 38 418 | 42 658 | 38 226 |
| Total equity and liabilities | | 41 437 | 45 549 | 41 228 |

The Board of Directors
Trondheim, 2 May 2011

# Statement of Changes in Equity - Group

| | | | | GROUP |
|---|---|---|---|---|
| NOK MILLION | SHARE CAPITAL | OTHER PAID-UP SHARE CAPITAL | OTHER RESERVES | TOTAL EQUITY |
| Balance Sheet as at 1 January 2010 | 619 | 0 | 2 242 | 2 861 |
| Result for the period | 0 | 0 | 30 | 30 |
| Balance Sheet as at 31 March 2010 | 619 | 0 | 2 272 | 2 891 |
| Result for the period | 0 | 0 | 111 | 111 |
| Balance Sheet as at 31 December 2010 | 619 | 0 | 2 383 | 3 002 |
| Result for the period | 0 | 0 | 17 | 17 |
| Balance Sheet as at 31 March 2011 | 619 | 0 | 2 400 | 3 019 |

The Board of Directors
Trondheim, 2 May 2011

# Statement of Cash Flows - Group

| NOK MILLION | 31.03.2011 | 31.03.2010 | GROUP FULL YEAR 2010 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest/commission received and fees received from customers | 471 | 779 | 7 735 |
| Interest/commission paid and fees paid to customers | -24 | -28 | -442 |
| Interest received on other investments | 22 | 3 | 192 |
| Interest paid on other loans | -120 | -87 | -609 |
| Receipts/disbursements (-) on loans and advances to customers | -650 | 98 | -2 488 |
| Receipts/payments on customer deposits and accounts payable to customers | -1 164 | 133 | -371 |
| Receipts/payments (-) on liabilities to credit institutions | 1 031 | -2 778 | -5 481 |
| Receipts/payments (-) on securities in issue | 623 | 185 | -470 |
| Receipts on written-off debt | 2 | 4 | 14 |
| Other receipts/payments | 2 | 51 | -27 |
| Payments to suppliers for goods and services | -33 | -35 | -161 |
| Payments to employees, pensions and social security expenses | -27 | -20 | -86 |
| Tax paid | 0 | 0 | 0 |
| Net cash flow from operating activities | 133 | -1 695 | -2 194 |
| **Cash flows from investing activities** | | | |
| Receipts/payments (-) on receivables from credit institutions | -92 | -518 | -1 895 |
| Receipts/payments (-) on short-term securities investments | 14 | 2224 | 4 019 |
| Receipts/payments (-) on long-term securities investments | 0 | 0 | 0 |
| Purchase of operating assets etc. | -13 | -3 | -31 |
| Proceeds from sale of subsidiary | 0 | 0 | 0 |
| Net cash flow from investing activities | -91 | 1 703 | 2 093 |
| **Cash flow from financing activities** | | | |
| Receipts/payments (-) of subordinated loan capital | -228 | 0 | 228 |
| Net cash flow from financing activities | -228 | 0 | 228 |
| Net cash flow for the period | -186 | 8 | 127 |
| Cash and balances due from central banks as at 1 January | 1 012 | 885 | 885 |
| Cash and balances due from central banks as at 31 March | 826 | 893 | 1 012 |

# Notes - Group

## NOTE 1. ACCOUNTING POLICIES

The interim consolidated financial statements for the first quarter of 2011 have been prepared in compliance with IFRS, including IAS 34 Interim Financial Reporting. A description of the accounting policies on which the interim consolidated financial statements are based is provided in the Annual Report for 2010.

## NOTE 2. CHANGE IN VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

| | | | GROUP |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Change in value of interest rate derivatives oblig. to be carried at fair value through profit or loss [1, 4] | -5 | 25 | 52 |
| Change in value of currency derivatives oblig. to be carried at fair value through profit or loss [2] | 97 | -74 | -252 |
| Change in value combined int. rate & currency deriv. oblig. carried at fair value through profit or loss [2] | 0 | 69 | 70 |
| Change in value equity-linked options & equity options oblig. carried at fair value through profit or loss [1] | -3 | 3 | 3 |
| Total change in value of financial instruments obliged to be carried at fair value | 89 | 23 | -127 |
| Change in value of deposits selected for fair value carrying through profit or loss [4] | -2 | -3 | -1 |
| Change in value of borrowings selected for fair value carrying through profit or loss [4] | 31 | -45 | -61 |
| Change in value of loans selected for fair value carrying through profit or loss [4] | -21 | 13 | 17 |
| Change in value of short-term financial investments selected for fair value carrying [3] | -1 | 4 | 4 |
| Total change in value of financial instruments selected for fair value carrying | 7 | -31 | -41 |
| Change in value of interest rate derivatives, hedging [5] | -33 | 0 | -10 |
| Change in value of borrowings, hedged [5] | 33 | 0 | 10 |
| Total change in value of financial instruments for hedging | 0 | 0 | 0 |
| Total change in value of financial instruments carried at fair value | 96 | -8 | -168 |
| Realised gains/losses(-) bonds and certificates carried at amortised cost | -3 | -9 | -20 |
| Realised gains/losses(-) loans and borrowings carried at amortised cost | 0 | 0 | -1 |
| Exchange gains/losses borrowings and loans carried at amortised cost [2] | -99 | 2 | 175 |
| Total change in value of financial instruments carried at fair value, gains and losses | -6 | -15 | -14 |

[1] In connection with the sale and/or issue of the structured products, BN Bank has hedged exposure in the form of equity options, equity-linked options and interest rate swap agreements. The turbulence in the financial markets has caused the loss of some contractual counterparties, and it has not been possible to replace these hedging transactions. BN Bank is therefore partially exposed to the market development of a limited number of products. Changes in exposure are recognised in profit and loss immediately, and as at 31 March 2011 recognised expense totalled NOK 4 million, compared with NOK 1 million for the first quarter 2010. Recognised expense for the full year 2010 totalled NOK 6 million. Exposure was considerably reduced in the first quarter of 2009.

[2] Exchange gains/losses on borrowings and loans carried at amortised cost are chiefly attributable to exchange gain/loss effects which arise when borrowing and lending in foreign currencies are translated at the current exchange rate. Forward exchange contracts and combined interest rate and currency derivatives are carried at fair value with changes in value carried through profit or loss. The net foreign exchange effect for the Group was recognised expense of NOK 2 million for the first quarter to 31 March 2011, compared with recognised expense of NOK 3 million as at 31 March 2010. Recognised expense for the full year 2010 was NOK 7 million. Exposure to exchange rate fluctuations is low.

[3] Changes in the value of financial investments selected for fair value carrying gave rise to recognised expense of NOK 1 million for the first quarter to 31 March 2011, compared with recognised income of NOK 4 million for the same period of 2010. Recognised income for the full year 2010 totalled NOK 4 million. Turbulence in the financial markets has caused big fluctuations in the value of these investments.

[4] The net effect of interest rate derivatives obliged to be carried at fair value and changes in the value of financial instruments selected for fair value carrying was recognised income of NOK 4 million for the first quarter to 31 March 2011, compared with recognised expense of NOK 6 million for the same period of 2010. Recognised income for the full year 2010 totalled NOK 16 million.

[5] From 2010, BN Bank has used fair value hedges for new fixed-rate borrowings and related hedge instruments. The borrowings are hedged 1:1 through external contracts where the principal, interest stream, term and hedging transaction match. It is the interest rate risk that is hedged and the hedging transactions entered into are documented. With fair value hedges, the hedge instrument is accounted for at fair value, and the hedge object is accounted for at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as at 31 March 2011 was negative by NOK 47 million.

[6] Realised gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 3 million for the first quarter to 31 March 2011, compared with recognised expense of NOK 9 million for the same period of 2010. Recognised expense for the full year 2010 was NOK 21 million.

## NOTE 3. OTHER OPERATING INCOME

| | | | GROUP |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Guarantee commission | 5 | -8 | -2 |
| Net commission income/charges [1] | 21 | 26 | 97 |
| Operating income from real property | 0 | 0 | 0 |
| Other operating income | 0 | 6 | 10 |
| **Total other operating income** | **26** | **24** | **105** |

[1] Commission income relating to the management of the portfolios in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt totalled NOK 19 million as at 31 March 2011 and NOK 22 million for the same period of 2011. Recognised income for the full year 2010 totalled NOK 82 million.

## NOTE 4. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIOS

| | | | GROUP |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Loans Corporate Market and Retail Market, Group | 31 602 | 31 212 | 30 700 |
| Seller's credit | 1 975 | 507 | 1 877 |
| **Loans in remaining entity (continuing operations)** | **33 577** | **31 719** | **32 577** |
| Loans transferred to SpareBank 1 Næringskreditt | 7 727 | 7 455 | 7 308 |
| Loans transferred to SpareBank 1 Boligkreditt | 2 273 | 0 | 2 384 |
| **Total loans managed portfolio** | **43 577** | **39 174** | **42 269** |
| Divested portfolio | 262 | 3 701 | 665 |

## NOTE 5. IMPAIRMENT LOSSES AND WRITE-DOWNS ON LOANS CARRIED AT AMORTISED COST AND GUARANTEES

The various elements included in impairment losses and write-downs on loans are set out in Note 1 to the Annual Report for 2010. Loans past due more than 3 months are defined as loans not serviced under the loan agreement for 3 months or more. As a first mortgage lender, the Group can however gain access to revenue, either through the courts or by some voluntary solution. Impairment losses and write-downs on loans described in this note apply to loans carried at amortised cost.

| | | | GROUP |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Write-offs in excess of prior-year write-downs | 0 | -4 | 65 |
| Write-offs on loans without prior write-downs | 0 | 0 | 0 |
| Write-offs transferred to divested portfolio | 0 | -6 | -22 |
| Write-downs for the period: | | | |
| Change in collective write-downs | 4 | 1 | -15 |
| Change in collective write-downs transferred to divested portfolio | 4 | -2 | 11 |
| Total change in collective write-downs | 8 | -1 | -4 |
| Increase in loans with prior-year write-downs | 34 | 36 | 35 |
| Provisions against loans without prior write-downs | 3 | 7 | 21 |
| Decrease in loans with prior-year write-downs | -9 | -19 | -36 |
| Change in individual write-downs transferred to divested portfolio | 0 | 0 | -25 |
| Total change in individual write-downs | 28 | 24 | -5 |
| Gross impairment losses | 36 | 13 | 34 |
| Recoveries on previous write-offs | -1 | -1 | -2 |
| Impairment losses | 35 | 12 | 32 |
| Revenue recognition of interest on written-down loans | 5 | 3 | 2 |

| | | | GROUP |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Individual write-downs to cover impairment losses at start of the period | 78 | 114 | 114 |
| Write-offs covered by prior-year individual write-downs | -9 | -13 | -94 |
| Write-downs for the period: | | | |
| Increase in loans with prior-year individual write-downs | 18 | 35 | 29 |
| Write-downs on loans without prior individual write-downs | 4 | 6 | 21 |
| Decrease in loans with prior-year individual write-downs | -15 | -19 | -56 |
| Transferred assets classified as held for sale | 16 | 0 | 64 |
| Individual write-downs to cover impairment losses at end of the period | 92 | 123 | 78 |
| Collective write-downs to cover impairment losses at start of the period | 83 | 87 | 87 |
| Collective write-downs for the period to cover impairment losses | 4 | 1 | -15 |
| Transferred assets classified as held for sale | 4 | -2 | 11 |
| Collective write-downs to cover impairment losses at end of the period | 91 | 86 | 83 |

GROUP

| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
|---|---|---|---|
| Provision for loss financial guarantee relating to Ålesund portfolio at start of the period [1] | 26 | 0 | 0 |
| Write-offs covered by prior-year individual write-downs | 0 | 0 | 0 |
| **Write-downs for the period:** | | | |
| Increase in loans with prior-year individual write-downs | 12 | 0 | 26 |
| Write-downs on loans without prior individual write-downs | 3 | 0 | 0 |
| Decrease in loans with prior-year individual write-downs | 0 | 0 | 0 |
| Provision for loss financial guarantee relating to Ålesund portfolio at end of the period [1] | 41 | 0 | 26 |
| Individual write-down relating to Ålesund portfolio classified as held for sale | 2 | 82 | 18 |
| Collective write-downs relating to Ålesund portfolio classified as held for sale | 15 | 32 | 19 |
| Total loss provisions relating to Ålesund portfolio | 58 | 114 | 63 |

[1] BN Bank has entered into an agreement with SpareBank1 SMN to take over the Ålesund portfolio. BN Bank will however provide guarantees for losses in the portfolio for a period of 3-5 years from the agreement's inception. The loss provision is classified under accrued expenses and deferred income.

## Loans past due more than 3 months [1]

GROUP

| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
|---|---|---|---|
| Gross principal | 181 | 287 | 193 |
| Individual write-downs | 7 | 147 | 34 |
| Net principal | 174 | 140 | 159 |

## Other loans with individual write-downs [1]

GROUP

| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
|---|---|---|---|
| Gross principal | 1 190 | 334 | 654 |
| Individual write-downs | 87 | 57 | 63 |
| Net principal | 1 103 | 277 | 591 |

## Loans past due more than 3 months by sector and as a percentage of loans [1, 2]

GROUP

| NOK MILLION | GROSS OUTSTANDING 31.03.11 | % | GROSS OUTSTANDING 31.03.10 | % | GROSS OUTSTANDING 2010 | % |
|---|---|---|---|---|---|---|
| Corporate market | 68 | 0.30 | 207 | 1.06 | 67 | 0.30 |
| Retail market | 78 | 0.72 | 80 | 0.66 | 70 | 0.67 |
| Divested loan portfolio | 35 | 1.02 | 0 | 0.00 | 56 | 1.53 |
| Total | 181 | 0.49 | 287 | 0.79 | 193 | 0.53 |

[1] With regard to disclosures in the notes concerning loans past due (non-performing loans), other loans with individual write-downs, and loans past due by sector and as a percentage of loans, the figures stated include BN Bank's operations in Ålesund, which are otherwise treated as divested operations, and the guarantee portfolio vis-a-vis SpareBank 1 SMN.

[2] Loans past due more than 3 months as a percentage of loans is calculated on the basis of loans in the remaining entity and divested portfolios.

## NOTE 6. BORROWING (FUNDING)

### Debt securities in issue

The BN Bank Group had issued bonds and certificates with a face value of NOK 2 250 million as at 31 March 2011, either as new issues or increases in existing tap issues.

Fixed-rate loans are carried in the consolidated balance sheet at fair value, while variable-rate loans are carried at amortised cost.

GROUP

| NOK MILLION | CERTIFICATES | BONDS | TOTAL |
|---|---|---|---|
| Net debt (face value) as at 1 January 2011 | 3 110 | 13 208 | 16 318 |
| New issues | 0 | 1 735 | 1 735 |
| Increase in existing issues | 0 | 515 | 515 |
| Purchase and maturity of existing securities | -800 | -773 | -1 573 |
| Net debt (face value) as at 31 March 2011 | 2 310 | 14 685 | 16 995 |

### Subordinated loan capital and perpetual subordinated loan capital securities

The BN Bank Group had issued no perpetual subordinated loan capital securities or subordinated loans as at 31 March 2011.

Fixed-rate loans are carried in the consolidated balance sheet at fair value, while variable-rate loans are carried at amortised cost.

GROUP

| NOK MILLION | PERPET. SUBORD. LOAN CAP. SEC. | SUBORDINATED LOAN CAPITAL | TOTAL |
|---|---|---|---|
| Net debt (face value) as at 1 January 2011 | 650 | 1 029 | 1 679 |
| New issues | 0 | 0 | 0 |
| Increase in existing issues | 0 | 0 | 0 |
| Purchase and maturity of existing securities | 0 | -229 | -229 |
| Net debt (face value) as at 31 March 2011 | 650 | 800 | 1 450 |

### Recognised values

GROUP

| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
|---|---|---|---|
| Certificates carried at amortised cost | 0 | 446 | 296 |
| Certificates selected for fair value carrying | 2 363 | 2 226 | 2 863 |
| Total recognised value of certificates | 2 363 | 2 672 | 3 159 |
| Bonds carried at amortised cost | 8 313 | 8 245 | 7 185 |
| Bonds selected for fair value carrying | 6 572 | 6 540 | 6 259 |
| Total recognised value of bonds | 14 885 | 14 785 | 13 444 |
| Total recognised value of debt securities in issue | 17 248 | 17 457 | 16 603 |
| Perpetual subordinated loan capital securities carried at amortised cost | 485 | 84 | 485 |
| Perpetual subordinated loan capital securities selected for fair value carrying | 172 | 172 | 169 |
| Total recognised value of perpetual subordinated loan capital securities | 657 | 256 | 654 |
| Subordinated loans carried at amortised cost | 802 | 1 170 | 1 001 |
| Subordinated loans selected for fair value carrying | -2 | 26 | 31 |
| Total recognised value of subordinated loans | 800 | 1 196 | 1 032 |
| Total recognised value of subordinated loans and perpetual subordinated loan capital securities | 1 457 | 1 452 | 1 686 |

## NOTE 7. RESULTS OF DIVESTED OPERATION

The banking operation in Ålesund, which chiefly comprises lending to the corporate market, became organisationally subordinate to SpareBank 1 SMN from the fourth quarter of 2009. The split-off from BN Bank began in fourth-quarter 2009 and is expected to be completed by the second quarter of 2011. From the third quarter of 2009 inclusive, the Ålesund operation has been reported as a discontinued operation under IFRS 5.

### Specification of results of divested operation

| | GROUP | | |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Net income from interest and credit commissions | 2 | 11 | 35 |
| Total other operating income | 1 | 2 | 5 |
| Total other operating expenser | -3 | 0 | 5 |
| Impairment losses on loans and advances | -4 | 8 | 36 |
| Pre-tax profit/(loss) | 10 | 5 | -1 |
| Computed tax charge | 3 | 1 | 0 |
| Profit/(loss) from discontinued operation after tax | 7 | 4 | -1 |

### Statement of cash flows relating to the divested operation

| | GROUP | | |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Cash flow from operating activities | 6 | 13 | 35 |
| Cash flow from investing activities | 0 | 0 | 0 |
| Cash flow from financing activities | 0 | 0 | 0 |
| Net cash flow for the period | 6 | 13 | 35 |

### Specification of results of remaining entity

| | GROUP | | |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Net income from interest and credit commissions | 91 | 95 | 380 |
| Total other operating income | 20 | 9 | 91 |
| Total other operating expense | 62 | 56 | 245 |
| Operating profit/(loss) before impairment losses | 49 | 48 | 226 |
| Impairment losses on loans and advances | 35 | 12 | 32 |
| Pre-tax profit/(loss) from remaining entity | 14 | 36 | 194 |
| Computed tax charge | 4 | 10 | 52 |
| Profit/(loss) after tax from remaining entity | 10 | 26 | 142 |

Specification of results of divested operation and guarantee portfolio

| | | | GROUP |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Net income from interest and credit commissions | 0 | 11 | 25 |
| Total other operating incomer | 5 | -6 | -1 |
| Total other operating expenser | -3 | 0 | 5 |
| Total impairment losses | 4 | 9 | 38 |
| Pre-tax profit/(loss) | 4 | -4 | -19 |
| Computed tax charge | 1 | -1 | -5 |
| Profit/(loss) from operation under disposal (divestment) | 3 | -3 | -14 |

Other assets and liabilities classified as held for sale

In connection with a loan defaulted on in 2010, BN Bank took over 100% of the shares in a company. BN Bank intends to sell the company on.

## NOTE 8. CAPITAL ADEQUACY

### Process for assessing the capital adequacy requirement

BN Bank has established a strategy and process for risk management and assessment of the capital adequacy requirement and how capital adequacy can be maintained. The collective term for this is ICAAP (Internal Capital Adequacy Assessment Process). Assessing the capital adequacy requirement includes assessing the size, composition and distribution of the capital base adapted to the level of risks that the Bank is or may be exposed to. The assessments are risk-based and forward-looking. Risk areas assessed in addition to the Pillar 1 risks are concentration risk in the credit portfolio, interest rate and foreign exchange risk in the bank portfolio, liquidity risk, market risk, owner's risk and reputation risk. ICAAP is not focused on a single method or a single figure, but presents a set of calculations including different time horizons, confidence levels and assumptions.

| | | | GROUP |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Share capital | 619 | 619 | 619 |
| Other reserves | 2 391 | 2 279 | 2 383 |
| Proposed provision for group contribution | 0 | 0 | 0 |
| Perpetual subordinated loan capital (perpetual subord. loan capital borrowings)[1] | 655 | 253 | 653 |
| Less: | | | |
| Perpetual subordinated loan capital (perpetual subord. loan capital borrowings) that cannot be included[1] | -137 | 0 | -137 |
| Intangible assets | -21 | -6 | -16 |
| Deferred tax assets | -54 | -101 | -54 |
| Tier 1 capital[2] | 3 453 | 3 044 | 3 448 |
| Fixed-term subordinated loan capital | 939 | 1 200 | 971 |
| Less: | | | |
| Fixed-term subordinated loan capital that cannot be included | 0 | 0 | 0 |
| Net tier 2 capital | 939 | 1 200 | 971 |
| Total capital base | 4 392 | 4 244 | 4 419 |
| Risk-weighted assets | 31 812 | 32 569 | 31 881 |
| Tier 1 capital ratio (%) | 10.9 | 9.3 | 10.8 |
| Capital adequacy ratio (%) | 13.8 | 13.0 | 13.9 |

[1] For more details, see Note 6.

### Specification of risk-weighted assets

| | | | | GROUP |
|---|---|---|---|---|
| NOK MILLION | 31.03.2011 | | 31.03.2010 | |
| RISK-WEIGHTING | RECOGNISED AMOUNT | WEIGHTED AMOUNT | RECOGNISED AMOUNT | WEIGHTED AMOUNT |
| 0 % | 1 647 | 0 | 1 843 | 0 |
| 10 % | 1 439 | 144 | 1 203 | 120 |
| 20 % | 6 166 | 1 233 | 6 405 | 1 281 |
| 35 % | 10 190 | 3 567 | 9 668 | 3 384 |
| 50 % | 611 | 306 | 646 | 323 |
| 75 % | 1 046 | 785 | 1 120 | 840 |
| 100 % | 25 778 | 25 778 | 25 933 | 25 933 |
| Investments included in the trading portfolio | 0 | 0 | 0 | 0 |
| Negotiable debt instruments included in the trading portfolio | 0 | 0 | 0 | 0 |
| Total risk-weighted assets | 46 877 | 31 812 | 46 818 | 31 881 |
| Capital adequacy ratio (%) | | 13.8 | | 13.9 |

## NOTE 9. CONTINGENT LIABILITIES

### Sale of structured products

BN Bank was sued in a group action over structured savings products in 2008. BN Bank had been one of several banks financing the products, while other players issued, facilitated and sold the products. In BN Bank's view, it had acted properly and within the limits of good business practice, and that each product and customer should be assessed separately. The loan financing of the products on which the action was founded totalled NOK 117 million as at 31 March 2010. All the court rulings have been in the Bank's favour, based on an assessment of the forms of legal procedure. The conditions for the group action, which included the requirements that there must be "a like or substantially identical actual and legal basis" for the action, and that group litigation is the best form of action, were not fulfilled. The Appeal Committee of the Supreme Court dismissed the opposing parties' appeal in February 2010, having established that group litigation is not appropriate for assessing this type of product. The group action against BN Bank has thus been brought to a conclusion.

Following this ruling, some of our customers are suing us individually in the District Court. The total loan commitment involved as at 31 March 2011 was NOK 4 million.

BN Bank also provided loans to finance Artemis structured products. BN Bank is being sued by seven customers, three of whom are limited companies, with the total loan financing as at 31 March 2011 amounting to NOK 126 million.

In connection with the sale and/or issue of the structured products, BN Bank has hedged exposure in the form of equity options, equity-linked options and interest rate swap agreements. The turbulence in the financial markets in 2008 caused the loss of some contractual counterparties, and it has not been possible to replace all these hedging transactions. The liquidator of one of the contractual counterparties filed a counter-claim in 2011, with which BN Bank does not agree. The outcome is unclear, and litigation is underway. The total claim amounts to NOK 12 million.

### Bankruptcy dividend/offset against Glitnir banki hf, Iceland

BN Bank has filed a claim for NOK 225 million against the assets in liquidation of Glitnir banki hf, Iceland. The bankruptcy dividend is still unclarified and, of the NOK 225 million claim, NOK 205 million was written down in BN Bank's accounts in 2008.

BN Bank has offset the claim, but the winding-up board of Glitnir is expected to contest the offset.

## NOTE 10. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

Apart from the matters mentioned in Note 9 above, there are no assets or liabilities to which contingent outcomes are attached and where those outcomes could have a significant impact on the Group's financial position and results. There were no significant events after the reporting period.

## NOTE 11. TRANSFER TO SPAREBANK 1 NÆRINGSKREDITT

SpareBank 1 Næringskreditt AS was established in 2009 and granted a licence by the Financial Supervisory Authority of Norway to operate as a credit institution. The company is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Boligkreditt AS in Stavanger. The same banks own SpareBank 1 Næringskreditt as own BN Bank. The purpose of the company is to secure for the banks within the consortium a source of stable, long-term financing of commercial real estate at competitive rates. SpareBank 1 Næringskreditt procures loans with mortgages on commercial properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to the company and, as part of the Bank's funding strategy, loans have been transferred from BNkreditt. At the end of March 2011, the book value of transferred loans was NOK 7.7 billion. BN Bank is responsible for managing the transferred loans and BNkreditt receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.
In order to attend to the interests of existing bond holders, in connection with the transfer BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 31 March 2011, BNkreditt's capital adequacy ratio was 19.2 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 128 million as at 31 March 2011.

BN Bank has put up guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt's capital base. BN Bank has also provided guarantees for 3 per cent of the transferred volume of loans. As at 31 March 2011, these guarantees totalled NOK 522 million.

## NOTE 12. TRANSFER TO SPAREBANK 1 BOLIGKREDITT

SpareBank 1 Boligkreditt is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Næringskreditt AS in Stavanger. The purpose of the company is to secure for the banks within the consortium a source of stable, long-term financing of residential mortgage loans at competitive rates. SpareBank 1 Boligkreditt procures loans with mortgages on residential properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to the company and, as part of the Bank's funding strategy, loans were transferred from BN Boligkreditt in Q2 and Q3 2010. At the end of March 2011, the book value of transferred loans was NOK 2.3 billion. BN Bank is responsible for managing the transferred loans and receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

## NOTE 13. DISCLOSURES CONCERNING OPERATING SEGMENTS, REMAINING ENTITY

Segment reporting is regularly reviewed with the management. For the remaining entity (continued operations), the management have chosen to divide up the reporting segments according to the underlying business areas.

| | | | | GROUP |
|---|---|---|---|---|
| NOK MILLION | CORPORATE | RETAIL | GUARANTEE PORTF. SMN | TOTAL 31.03.2011 |
| Net income from interest and credit commissions | 65 | 28 | -2 | 91 |
| Change in value of financial instruments carried at fair value | -4 | -2 | 0 | -6 |
| Other operating income | 21 | 1 | 4 | 26 |
| Total other operating income | 17 | -1 | 4 | 20 |
| Salaries and general administrative expenses | -22 | -30 | 0 | -52 |
| Ordinary depreciation, amortisation and write-downs | -2 | -2 | 0 | -4 |
| Other operating expense | -3 | -3 | 0 | -6 |
| Total other operating expense | -27 | -35 | 0 | -62 |
| Operating profit/(loss) before impairment losses | 55 | -8 | 2 | 49 |
| Impairment losses on loans and advances | -23 | -4 | -8 | -35 |
| Operating profit/(loss) after impairment losses | 32 | -12 | -6 | 14 |
| Computed tax charge | -9 | 3 | 2 | -4 |
| Profit/(loss) for remaining entity after tax | 23 | -9 | -4 | 10 |

| | | | | GROUP |
|---|---|---|---|---|
| NOK MILLION | CORPORATE | RETAIL | GUARANTEE PORTF. SMN | TOTAL 31.03.2011 |
| Lending (gross) including loans in covered bonds companies | 28 551 | 13 050 | 1 975 | 43 577 |
| Customer deposits and accounts payable to customers | 1 206 | 14 325 | 0 | 15 531 |

| | | | | GROUP |
|---|---|---|---|---|
| NOK MILLION | CORPORATE | RETAIL | GUARANTEE PORTF. SMN | TOTAL 31.03.2010 |
| Net income from interest and credit commissions | 59 | 36 | 0 | 95 |
| Change in value of financial instruments carried at fair value | -9 | -6 | -5 | -20 |
| Other operating income | 32 | 1 | -4 | 29 |
| Total other operating income | 23 | -5 | -9 | 9 |
| Salaries and general administrative expenses | -21 | -25 | 0 | -46 |
| Ordinary depreciation, amortisation and write-downs | -2 | -1 | 0 | -3 |
| Other operating expense | -5 | -2 | 0 | -7 |
| Total other operating expense | -28 | -28 | 0 | -56 |
| Operating profit/(loss) before impairment losses | 54 | 3 | -9 | 48 |
| Impairment losses on loans and advances | -11 | -1 | 0 | -12 |
| Operating profit/(loss) after impairment losses | 43 | 2 | -9 | 36 |
| Computed tax charge | -11 | -1 | 2 | -10 |
| Profit/(loss) for remaining entity after tax | 32 | 1 | -7 | 26 |

| | | | | GROUP |
|---|---|---|---|---|
| NOK MILLION | CORPORATE | RETAIL | GUARANTEE PORTF. SMN | TOTAL 31.03.2010 |
| Lending (gross) including loans in covered bonds companies | 26 458 | 12 209 | 507 | 39 174 |
| Customer deposits and accounts payable to customers | 1 005 | 15 147 | 0 | 16 152 |

The Group operates in a geographically limited area and reporting on geographical segments provides little additional information.

## NOTE 14. CONSOLIDATED INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

| | | | | | GROUP |
|---|---|---|---|---|---|
| NOK MILLION | Q1 2011 | Q4 2010 | Q3 2010 | Q2 2010 | Q1 2010 |
| Interest and similar income | 387 | 377 | 371 | 358 | 359 |
| Interest expense and similar charges | 296 | 275 | 276 | 270 | 264 |
| Net income from interest and credit commissions | 91 | 102 | 95 | 88 | 95 |
| Change in value of financial instruments carried at fair value, gains & losses | -6 | 22 | -16 | -5 | -15 |
| Other operating income | 26 | 31 | 27 | 23 | 24 |
| Total other operating income | 20 | 53 | 11 | 18 | 9 |
| Salaries and general administrative expenses | 51 | 56 | 50 | 58 | 45 |
| Depreciation, amortisation and write-downs | 4 | 3 | 3 | 2 | 3 |
| Other operating expense | 7 | 7 | 6 | 4 | 8 |
| Total other operating expense | 62 | 66 | 59 | 64 | 56 |
| Operating profit/(loss) before impairment losses | 49 | 89 | 47 | 42 | 48 |
| Impairment losses on loans and advances | 35 | 4 | 5 | 11 | 12 |
| Profit/(loss) before tax | 14 | 85 | 42 | 31 | 36 |
| Computed tax charge | 4 | 22 | 11 | 9 | 10 |
| Profit/(loss) remaining entity | 10 | 63 | 31 | 22 | 26 |
| Profit/(loss) from operation under disposal (divestment) | 7 | -5 | 11 | -11 | 4 |
| Profit/(loss) including divested operation | 17 | 58 | 42 | 11 | 30 |

## NOTE 15. ADJUSTMENT OF OPENING BALANCE SHEET AS AT 1 JANUARY 2010

BN Bank's derivatives and most other financial instruments with a maturity of more than one year are reported at fair value. Financial instruments traded in an active market are valued at observed market prices. Financial instruments that are not traded in an active market are assessed using valuation techniques. Valuation techniques are based on recent transactions between independent parties, reference to instruments with approximately the same content, or discounted cash flows. As far as possible, valuations are based on externally observed parameter values.

BN Bank adopted IFRS at the start of 2007, and these valuation techniques were established at that time in collaboration with the Bank's auditors, PwC.

In the second half of 2010 it was discovered that the valuation technique on a specific financial instrument was based on assumptions that chiefly overvalued the instrument. As at 1 January 2010 and 1 January 2009 this overvaluation was estimated net at NOK 23 million after tax in the Group, of which NOK 5 million relates to the Parent Bank. The Bank therefore wrote down the value of the instrument and the equity by this amount as at 1 January 2010 and 1 January 2009 in accordance with IAS 8, as an adjustment in the second half-year viewed in isolation was deemed significant. BN Bank is for that reason obliged to present the restated balance sheet as at 1 January 2009 and 31 December 2009 both for the Group and the Parent Bank.

# Income Statement - Parent Bank

| NOK MILLION | NOTE | Q1 2011 | Q1 2010 | PARENT BANK FULL YEAR 2010 |
|---|---|---|---|---|
| Interest and similar income | | 263 | 195 | 902 |
| Interest expense and similar charges | | 232 | 165 | 767 |
| Net income from interest and credit commissions | | 31 | 30 | 135 |
| Change value fin. instr. fair value, gains&losses | 2 | 0 | -16 | 55 |
| Other operating income | 3 | 9 | 4 | 34 |
| Total other operating income | | 9 | -12 | 89 |
| Salaries and general administrative expenses | | 34 | 28 | 134 |
| Depreciation, amortisation and write-downs | | 4 | 3 | 10 |
| Other operating expense | | 1 | 2 | 7 |
| Total other operating expense | | 39 | 33 | 151 |
| Operating profit/(loss) before impairment losses | | 1 | -15 | 73 |
| Impairment losses on loans and advances | 6 | 2 | 6 | -19 |
| Operating profit/(loss) after impairment losses | | -1 | -21 | 92 |
| Income from ownership int. group companies | 4 | 0 | 0 | 117 |
| Profit/(loss) before tax | | -1 | -21 | 209 |
| Computed tax charge | | 0 | -6 | 56 |
| Profit/(loss) for the period, remaining entity | | -1 | -15 | 153 |
| Result of operations under disposal (divestm.) | 8 | 8 | 4 | -1 |
| Profit/(loss) for period inc. discont. operation | | 7 | -11 | 152 |
| | | | | |
| Extended Income Statement under IAS 1 | | | | |
| Change in value financial assets available for sale | | 0 | 0 | 0 |
| Total P&L items recognised in equity | | 0 | 0 | 0 |
| Total profit/(loss) for the period | | 7 | -11 | 152 |

# Balance Sheet - Parent Bank

| | | | | PARENT BANK |
|---|---|---|---|---|
| NOK MILLION | NOTE | 31.03.11 | 31.03.10 | FULL YEAR 2010 |
| **Assets** | | | | |
| Deferred tax assets | | 6 | 68 | 6 |
| Intangible assets | | 21 | 6 | 16 |
| Ownership interests in group companies | | 1 877 | 1 877 | 1 877 |
| Own funds lending | | 542 | 541 | 542 |
| Tangible fixed assets | | 22 | 70 | 22 |
| Loans and advances | 6 | 15 313 | 12 885 | 14 702 |
| Prepayments and accrued income | | 168 | 75 | 148 |
| Financial derivatives | 14 | 380 | 795 | 444 |
| Short-term securities investments | | 5 265 | 7 093 | 5 274 |
| Cash and balances due from credit institutions | | 7 893 | 6 200 | 7 504 |
| Assets classified as held for sale | 8 | 587 | 4 188 | 1 105 |
| Total assets | | 32 074 | 33 798 | 31 640 |
| **Equity and liabilities** | | | | |
| Share capital | | 619 | 619 | 619 |
| Retained earnings | | 1 305 | 1 135 | 1 298 |
| Total equity | | 1 924 | 1 754 | 1 917 |
| Subordinated loan capital | 7 | 1 457 | 1 452 | 1 686 |
| Liabilities to credit institutions | 7 | 3 441 | 5 635 | 2 451 |
| Debt securities in issue | 7 | 8 649 | 6 001 | 7 702 |
| Accrued expenses and deferred income | 6 | 107 | 79 | 111 |
| Other current liabilities | | 7 | 22 | 37 |
| Financial derivatives | 14 | 424 | 898 | 450 |
| Customer deposits & accounts payable to cust. | | 15 532 | 16 152 | 16 395 |
| Liabilities classified as held for sale | 8 | 533 | 1 805 | 891 |
| Total liabilities | | 30 150 | 32 044 | 29 723 |
| Total equity and liabilities | | 32 074 | 33 798 | 31 640 |

The Board of Directors
Trondheim, 2 May 2011

# Statement of Changes in Equity - Parent Bank

PARENT BANK

| NOK MILLION | SHARE CAPITAL | SHARE PREMIUM RESERVE | OTHER PAID-UP SHARE CAPITAL | OTHER RESERVES [1] | TOTAL EQUITY |
|---|---|---|---|---|---|
| Balance Sheet as at 1 January 2010 | 619 | 68 | 282 | 795 | 1 764 |
| Result for the period | 0 | 0 | 0 | -11 | -11 |
| Balance Sheet as at 31 March 2010 | 619 | 68 | 282 | 784 | 1 753 |
| | | | | | |
| Result for the period | 0 | 0 | 0 | 164 | 164 |
| Balance Sheet as at 31 Dec. 2010 | 619 | 68 | 282 | 948 | 1 917 |
| | | | | | |
| Group contribution received from subsidiaries | | | | | |
| Result for the period | 0 | 0 | 0 | 7 | 7 |
| Balance Sheet as at 31 March 2011 | 619 | 68 | 282 | 955 | 1 924 |

[1] The reserve for unrealised gains is included in Other Reserves. Provision of NOK 196 million was made as at 31 December 2010.

The Board of Directors
Trondheim, 2 May 2011

# Statement of Cash Flows - Parent Bank

| | | | PARENT BANK |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| **Cash flows from operating activities** | | | |
| Interest/commission received and fees received from customers | 283 | 947 | 2 983 |
| Interest/commission paid and fees paid to customers | -28 | -37 | -470 |
| Interest received on other investments | 24 | 31 | 290 |
| Interest paid on other loans | -79 | -6 | -280 |
| Receipts/disbursements (-) on loans and advances to customers | -280 | -1 383 | -602 |
| Receipts/payments on customer deposits & accounts payable to customers | -1 164 | 133 | -370 |
| Receipts/payments (-) on liabilities to credit institutions | 994 | -3 160 | -6 339 |
| Receipts/payments(-) on securities in issue and securities buy-back | 903 | 978 | 2 761 |
| Receipts on written-off debt | 2 | 4 | 7 |
| Other receipts/payments | -5 | 44 | -95 |
| Payments to suppliers for goods and services | -18 | -22 | -109 |
| Payments to employees, pensions and social security expenses | -19 | -10 | -45 |
| Tax paid | 0 | 0 | 0 |
| Net cash flow from operating activities | 613 | -2 481 | -2 269 |
| **Cash flows from investing activities** | | | |
| Receipts/payments (-) on receivables from credit institutions | -487 | 246 | -2 031 |
| Receipts/payments (-) on short-term securities investments | 14 | 2 223 | 4 018 |
| Receipts/payments (-) on long-term securities investments | 0 | 4 | 117 |
| Proceeds from sale of operating assets etc. | 0 | 0 | 58 |
| Purchase of operating assets etc. | -9 | 0 | -30 |
| Proceeds from sale of subsidiaries | 0 | 0 | 0 |
| Net cash flow from investing activities | -482 | 2 473 | 2 132 |
| **Cash flow from financing activities** | | | |
| Receipts of subordinated loan capital | -228 | 0 | 228 |
| Net cash flow from financing activities | -228 | 0 | 228 |
| Net cash flow for the period | -97 | -8 | 91 |
| Cash and balances due from central banks as at 1 January * | 106 | 15 | 15 |
| Cash and balances due from central banks as at 31 March | 9 | 7 | 106 |

* In the case of the Parent Bank, cash and balances consist of deposits in Norges Bank and the Parent Bank's cash in hand.

# Notes - Parent Bank

## NOTE 1. ACCOUNTING POLICIES

See the description for the Group's interim consolidated financial statements. The same accounting policies apply for the Parent Bank.

## NOTE 2. CHANGE IN VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE, GAINS AND LOSSES

| | | | PARENT BANK |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss [1, 4] | 25 | 8 | 52 |
| Change in value of currency derivatives obliged to be carried at fair value through profit or loss [2] | 97 | -62 | -252 |
| Change in value of combined int. rate & currency deriv. obliged carried at fair value through profit or loss [2] | 0 | 69 | 69 |
| Change in value equity-linked options & equity options obliged carried at fair value through profit or loss [1] | -3 | 3 | 3 |
| Total change in value of financial instruments obliged to be carried at fair value | 119 | 18 | -128 |
| Change in value of deposits selected for fair value carrying through profit or loss [4] | -2 | -3 | -1 |
| Change in value of borrowings selected for fair value carrying through profit or loss [4] | -4 | -37 | -82 |
| Change in value of loans selected for fair value carrying through profit or loss [4] | -2 | 20 | 105 |
| Change in value of short-term financial investments selected for fair value carrying [3] | -1 | 4 | 4 |
| Total change in value of financial instruments selected for fair value carrying | -9 | -16 | 26 |
| Change in value of interest rate derivatives, hedging [5] | -20 | 0 | -9 |
| Change in value of borrowings, hedged [5] | 20 | 0 | 9 |
| Total change in value of financial instruments for hedging | 0 | 0 | 0 |
| Total change in value of financial instruments carried at fair value | 110 | 2 | -102 |
| Realised gains/losses(-) bonds and certificates carried at amortised cost [6] | -3 | -4 | -7 |
| Realised gains/losses(-) borrowings and loans carried at amortised cost [6] | 0 | -10 | -10 |
| Exchange gains/losses borrowings and loans carried at amortised cost [2] | -107 | -4 | 174 |
| Total change in value of financial instruments carried at fair value, gains and losses | 0 | -16 | 55 |

[1] In connection with the sale and/or issue of the structured products, BN Bank has hedged exposure in the form of equity options, equity-linked options and interest rate swap agreements. The turbulence in the financial markets has caused the loss of some contractual counterparties, and it has not been possible to replace these hedging transactions. BN Bank is therefore partially exposed to the market development of a limited number of products. Changes in exposure are recognised in profit and loss immediately, and as at 31 March 2011 recognised expense totalled NOK 4 million, compared with NOK 1 million for the first quarter 2010. Recognised expense for the full year 2010 totalled NOK 6 million. Exposure was considerably reduced in the first quarter of 2009.

[2] Exchange gains/losses on borrowings and loans carried at amortised cost are chiefly attributable to exchange gain/loss effects which arise when borrowing and lending in foreign currencies are translated at the current exchange rate. Forward exchange contracts and combined interest rate and currency derivatives are carried at fair value with changes in value carried through profit or loss. The net foreign exchange effect for the Group was recognised expense of NOK 2 million for the first quarter to 31 March 2011, compared with recognised expense of NOK 3 million as at 31 March 2010. Recognised expense for the full year 2010 was NOK 7 million. Exposure to exchange rate fluctuations is low.

[3] Changes in the value of financial investments selected for fair value carrying gave rise to recognised expense of NOK 1 million for the first quarter to 31 March 2011, compared with recognised income of NOK 4 million for the same period of 2010. Recognised income for the full year 2010 totalled NOK 4 million. Turbulence in the financial markets has caused big fluctuations in the value of these investments.

[4] The net effect of interest rate derivatives obliged to be carried at fair value and changes in the value of financial instruments selected for fair value carrying was recognised income of NOK 10 million for the first quarter to 31 March 2011, compared with recognised expense of NOK 2 million for the same period of 2010.

[5] From 2010, BN Bank has used fair value hedges for new fixed-rate borrowings and related hedge instruments. The borrowings are hedged 1:1 through external contracts where the principal, interest stream, term and hedging transaction match. It is the interest rate risk that is hedged and the hedging transactions entered into are documented. With fair value hedges, the hedge instrument is accounted for at fair value, and the hedge object is accounted for at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as at 31 March 2011 was negative by NOK 39 million.

[6] Realised gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 3 million for the first quarter to 31 March 2011, compared with recognised expense of NOK 14 million for the same period of 2010. Recognised expense for the full year 2010 was NOK 17 million.

## NOTE 3. OTHER OPERATING INCOME

| | | | PARENT BANK |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Guarantee commission | 5 | -8 | -2 |
| Net commission income/charges | 3 | 4 | 16 |
| Operating income from real property | 0 | 0 | 0 |
| Other operating income | 1 | 8 | 20 |
| Total other operating income | 9 | 4 | 34 |

## NOTE 4. INCOME FROM OWNERSHIP INT. IN GROUP COMPANIES

The Annual General Meeting of the subsidiaries BNkreditt AS and BN Boligkreditt AS have resolved to render group contribution of, respectively, NOK 98 million and NOK 5 million before tax to cover prior-year losses. The Parent Bank has in addition returned group contribution of NOK 45 million to the subsidiary BNkreditt.

## NOTE 5. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIOS

| | | | PARENT BANK |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Loans Corporate Market and Retail Market, Group | 13 412 | 12 514 | 12 906 |
| Seller's credit | 1 975 | 507 | 1 877 |
| Loans in remaining entity | 15 387 | 13 021 | 14 783 |
| Loans transferred to SpareBank1 Boligkreditt | 2 273 | 0 | 2 384 |
| Total loans inc. loans transf. to SpareBank 1 Boligkreditt | 17 660 | 13 021 | 17 167 |
| Divested portfolio | 262 | 3 701 | 665 |

## NOTE 6. IMPAIRMENT LOSSES AND WRITE-DOWNS ON LOANS CARRIED AT AMORTISED COST AND GUARANTEES

The various elements included in impairment losses and write-downs on loans are set out in Note 1 to the Annual Report for 2010. Loans past due more than 3 months are defined as loans not serviced under the loan agreement for 3 months or more. As a first mortgage lender, BN Bank can however gain access to revenue, either through the courts or by some voluntary solution. Impairment losses and write-downs on loans described in this note apply to loans carried at amortised cost.

| | PARENT BANK | | |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Write-offs in excess of prior-year write-downs | 0 | -4 | 38 |
| Write-offs on loans without prior write-downs | 0 | 0 | 0 |
| Write-offs transferred to divested operation | 0 | -6 | -22 |
| Write-downs for the period: | | | |
| Change in collective write-downs | -6 | -4 | -13 |
| Change in collective write-downs transferred to divested operation | 4 | -2 | 11 |
| Total change in collective write-downs | -2 | -6 | -2 |
| Increase in loans with prior-year write-downs | 15 | 35 | 12 |
| Provisions against loans without prior write-downs | 3 | 7 | 7 |
| Decrease in loans with prior-year write-downs | -13 | -19 | -25 |
| Change in individual write-downs transferred to divested operation | 0 | 0 | -25 |
| Total change in individual write-downs | 5 | 23 | -31 |
| Gross impairment losses | 3 | 7 | -17 |
| Recoveries on previous write-offs | -1 | -1 | -2 |
| Impairment losses | 2 | 6 | -19 |
| Revenue recognition of interest on written-down loans | 1 | 3 | -4 |

| | PARENT BANK | | |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Individual write-downs to cover impairment losses at start of the period | 43 | 93 | 93 |
| Write-offs covered by prior-year individual write-downs | -9 | -13 | -88 |
| Write-downs for the period: | | | |
| Increase in loans with prior-year individual write-downs | 3 | 35 | 12 |
| Write-downs on loans without prior-year individual write-downs | 0 | 6 | 7 |
| Decrease in loans with prior-year individual write-downs | -15 | -19 | -45 |
| Transferred assets classified as held for sale | 16 | 0 | 64 |
| Individual write-downs to cover impairment losses at end of the period | 38 | 102 | 43 |
| Collective write-downs to cover impairment losses at start of the period | 38 | 40 | 40 |
| Collective write-downs for the period to cover impairment losses | -6 | -4 | -13 |
| Transferred assets classified as held for sale | 4 | -2 | 11 |
| Collective write-downs to cover impairment losses at end of the period | 36 | 34 | 38 |

| NOK MILLION | 31.03.2011 | 31.03.2010 | PARENT BANK FULL YEAR 2010 |
|---|---|---|---|
| Provision for loss financial guarantee relating to Ålesund portfolio at start of the period [1] | 26 | 0 | 0 |
| Write-offs covered by prior-year individual write-downs | 0 | 0 | 0 |
| **Write-downs for the period:** | | | |
| Increase in loans with prior-year individual write-downs | 12 | 0 | 26 |
| Nedskrivning på engasjementer uten tidligere individuelle nedskrivninger | 3 | 0 | 0 |
| Write-downs on loans without prior individual write-downs | 0 | 0 | 0 |
| Provision for loss financial guarantee relating to Ålesund portfolio at end of the period [1] | 41 | 0 | 26 |
| Individual write-down relating to Ålesund portfolio classified as held for sale | 2 | 82 | 18 |
| Collective write-downs relating to Ålesund portfolio classified as held for sale | 15 | 32 | 19 |
| Total loss provisions relating to Ålesund portfolio | 58 | 114 | 63 |

[1] BN Bank has entered into an agreement with SpareBank1 SMN to take over the Ålesund portfolio. BN Bank will however provide guarantees for losses in the portfolio for a period of 3-5 years from the agreement's inception. The loss provision is classified under accrued expenses and deferred income.

## Loans past due more than 3 months [1]

| NOK MILLION | 31.03.2011 | 31.03.2010 | PARENT BANK FULL YEAR 2010 |
|---|---|---|---|
| Gross principal | 68 | 191 | 110 |
| Individual write-downs | 7 | 137 | 34 |
| Net principal | 61 | 54 | 76 |

## Other loans with individual write-downs [1]

| NOK MILLION | 31.03.2011 | 31.03.2010 | PARENT BANK FULL YEAR 2010 |
|---|---|---|---|
| Gross principal | 296 | 151 | 115 |
| Individual write-downs | 34 | 46 | 28 |
| Net principal | 262 | 105 | 87 |

## Loans past due more than 3 months by sector and as a percentage of loans [1, 2]

PARENT BANK

| NOK MILLION | GROSS OUTSTANDING 31.03.11 | % | GROSS OUTSTANDING 31.03.10 | % | GROSS OUTSTANDING 2010 | % |
|---|---|---|---|---|---|---|
| Corporate market | 0 | 0.00 | 136 | 0.02 | 0 | 0.00 |
| Retail market | 66 | 0.83 | 55 | 0.92 | 54 | 0.71 |
| Divested loan portfolio | 2 | 0.06 | 0 | 0.00 | 56 | 1.53 |
| Total | 68 | 0.36 | 193 | 1.09 | 110 | 0.60 |

[1] With regard to disclosures in the notes concerning loans past due (non-performing loans), other loans with indiv

[2] Loans past due more than 3 months as a percentage of loans is calculated on the basis of loans in the remaining entity and divested portfolios.

## NOTE 7. BORROWING (FUNDING)

### Debt securities in issue

The Parent Bank had issued bonds & certificates with a face value of NOK 2 250 million at 31 March 2011, as new issues or increases in existing tap issues.
Fixed-rate loans are carried in the balance sheet at fair value, while variable-rate loans are carried at amortised cost.

PARENT BANK

| NOK MILLION | CERTIFICATES | BONDS | TOTAL |
|---|---|---|---|
| Net debt (face value) as at 1 January 2011 | 2 553 | 5 104 | 7 657 |
| New issues | 0 | 1 735 | 1 735 |
| Increase in existing issues | 0 | 515 | 515 |
| Purchase and maturity of existing securities | -800 | -493 | -1 293 |
| Net debt (face value) as at 31 March 2011 | 1 753 | 6 861 | 8 614 |

### Subordinated loan capital and perpetual subordinated loan capital securities

The Parent Bank had not issued perpetual subordinated loan capital securities or subordinated loans as at 31 March 2011.
Fixed-rate loans are carried in the balance sheet at fair value, while variable-rate loans are carried at amortised cost.

PARENT BANK

| NOK MILLION | PERPET. SUBORD. LOAN CAP. SEC. | SUBORDINATED LOAN CAPITAL | TOTAL |
|---|---|---|---|
| Net debt (face value) as at 1 January 2011 | 650 | 1 029 | 1 679 |
| New issues | 0 | 0 | 0 |
| Increase in existing issues | 0 | 0 | 0 |
| Purchase and maturity of existing securities | 0 | -229 | -229 |
| Net debt (face value) as at 31 March 2011 | 650 | 800 | 1 450 |

### Recognised values

PARENT BANK

| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
|---|---|---|---|
| Certificates carried at amortised cost | 0 | 445 | 296 |
| Certificates carried at fair value | 1 792 | 1 794 | 2 296 |
| Total recognised value of certificates | 1 792 | 2 239 | 2 592 |
| Bonds carried at amortised cost | 4 845 | 2 829 | 3 575 |
| Bonds selected for fair value carrying | 2 012 | 933 | 1 535 |
| Total recognised value of bonds | 6 857 | 3 762 | 5 110 |
| Total recognised value of debt securities in issue | 8 649 | 6 001 | 7 702 |
| Perpetual subordinated loan capital securities carried at amortised cost | 485 | 84 | 485 |
| Perpetual subordinated loan capital securities carried at fair value | 172 | 172 | 169 |
| Total recognised value of perpetual subordinated loan capital securities | 657 | 256 | 654 |
| Subordinated loans carried at amortised cost | 802 | 1 170 | 1 001 |
| Subordinated loans selected for fair value carrying | -2 | 26 | 31 |
| Total recognised value of subordinated loans | 800 | 1 196 | 1 032 |
| Total recognised value of subordinated loans and perpetual subordinated loan capital securities | 1 457 | 1 452 | 1 686 |

## NOTE 8. RESULTS OF DIVESTED OPERATION

The banking operation in Ålesund, which chiefly comprises lending to the corporate market, became organisationally subordinate to SpareBank 1 SMN from the fourth quarter of 2009. The split-off from BN Bank began in fourth-quarter 2009 and is expected to be completed by the second quarter of 2011. From the third quarter of 2009 inclusive, the Ålesund operation has been reported as a discontinued operation under IFRS 5.

### Specification of results of divested operation

| | PARENT BANK | | |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Net income from interest and credit commissions | 2 | 11 | 35 |
| Total other operating income | 1 | 2 | 5 |
| Total other operating expense | -3 | 0 | 5 |
| Total impairment losses on loans and advances | -4 | 8 | 36 |
| Pre-tax profit/(loss) | 10 | 5 | -1 |
| Computed tax charge | 3 | 1 | 0 |
| Profit/(loss) from discontinued operation after tax | 7 | 4 | -1 |

### Specification of results of remaining entity

| | PARENT BANK | | |
|---|---|---|---|
| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
| Net income from interest and credit commissions | 31 | 30 | 29 |
| Total other operating income | 9 | -12 | 235 |
| Total other operating expense | 39 | 33 | 173 |
| Operating profit/(loss) before impairment losses | 1 | -15 | 91 |
| Impairment losses on loans and advances | 2 | 6 | 15 |
| Pre-tax profit/(loss) from remaining entity | -1 | -21 | 76 |
| Income from ownership interests in group companies | 0 | 0 | 384 |
| Pre-tax profit/(loss) | -1 | -21 | 460 |
| Computed tax charge | 0 | -6 | 131 |
| Profit/(loss) after tax from remaining entity | -1 | -15 | 329 |

### Other assets classified as held for sale

In connection with a loan defaulted on in 2010, BN Bank took over 100% of the shares in a company. BN Bank intends to sell the company on.

## NOTE 9. CAPITAL ADEQUACY

### Process for assessing the capital adequacy requirement

BN Bank has established a strategy and process for risk management and assessment of the capital adequacy requirement and how capital adequacy can be maintained. The collective term for this is ICAAP (Internal Capital Adequacy Assessment Process). Assessing the capital adequacy requirement includes assessing the size, composition and distribution of the capital base adapted to the level of risks that the Bank is or may be exposed to. The assessments are risk-based and forward-looking. Risk areas assessed in addition to the Pillar 1 risks are concentration risk in the credit portfolio, interest rate and foreign exchange risk in the bank portfolio, liquidity risk, market risk, owner's risk and reputation risk. ICAAP is not focused on a single method or a single figure, but presents a set of calculations including different time horizons, confidence levels and assumptions.

PARENT BANK

| NOK MILLION | 31.03.2011 | 31.03.2010 | FULL YEAR 2010 |
|---|---|---|---|
| Share capital | 619 | 619 | 619 |
| Other reserves | 1 301 | 1 139 | 1 298 |
| Proposed provision for group contribution | 0 | 0 | 0 |
| Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings) [1] | 654 | 253 | 654 |
| Less: | | | |
| Perpetual subord. loan capital (perpetual subord. loan cap. borrowings) that cannot be included [1] | -321 | 0 | -320 |
| Intangible assets | -21 | -6 | -16 |
| Deferred tax assets | -6 | -67 | -6 |
| Tier 1 capital[2] | 2 226 | 1 938 | 2 229 |
| Fixed-term subordinated loan capital | 1 123 | 1 200 | 1 154 |
| Less: | | | |
| Fixed-term subordinated loan capital that cannot be included | -176 | -356 | -206 |
| Net tier 2 capital | 947 | 844 | 948 |
| Total capital base | 3 173 | 2 782 | 3 177 |
| Risk-weighted assets | 18 097 | 18 761 | 17 935 |
| Tier 1 capital ratio (%) | 12.3 | 10.3 | 12.4 |
| Capital adequacy ratio (%) | 17.5 | 14.8 | 17.7 |

[1] For more details, see Note 7.

### Specification of risk-weighted assets

PARENT BANK

| NOK MILLION | 31.03.2011 | | 31.03.2010 | |
|---|---|---|---|---|
| RISK-WEIGHTING | RECOGNISED AMOUNT | WEIGHTED AMOUNT | RECOGNISED AMOUNT | WEIGHTED AMOUNT |
| 0 % | 1 646 | 0 | 1 843 | 0 |
| 10 % | 1 439 | 144 | 1 203 | 120 |
| 20 % | 13 452 | 2 690 | 13 194 | 2 639 |
| 35 % | 7 481 | 2 618 | 7 196 | 2 519 |
| 50 % | 611 | 306 | 641 | 321 |
| 75 % | 1 046 | 785 | 1 120 | 840 |
| 100 % | 11 554 | 11 554 | 11 496 | 11 496 |
| Investments included in the trading portfolio | 0 | 0 | 0 | 0 |
| Negotiable debt instruments included in the trading portfolio | 0 | 0 | 0 | 0 |
| Total risk-weighted assets | 37 229 | 18 097 | 36 693 | 17 935 |
| Capital adequacy ratio (%) | | 17.5 | | 17.7 |

## NOTE 10. CONTINGENT LIABILITIES

### Sale of structured products

BN Bank was sued in a group action over structured savings products in 2008. BN Bank had been one of several banks financing the products, while other players issued, facilitated and sold the products. In BN Bank's view, it had acted properly and within the limits of good business practice, and that each product and customer should be assessed separately. The loan financing of the products on which the action was founded totalled NOK 117 million as at 31 March 2010. All the court rulings have been in BN Bank's favour, based on an assessment of the forms of legal procedure. The conditions for the group action, which included the requirements that there must be "a like or substantially identical actual and legal basis" for the action, and that group litigation is the best form of action, were not fulfilled. The Appeal Committee of the Supreme Court dismissed the opposing parties' appeal in February 2010, having established that group litigation is not appropriate for assessing this type of product. The group action against BN Bank has thus been brought to a conclusion.

Following this ruling, some of our customers are suing us individually in the District Court. The total loan commitment involved as at 31 March 2011 was NOK 4 million.

BN Bank also provided loans to finance Artemis structured products. BN Bank is being sued by seven customers, three of whom are limited companies, with the total loan financing as at 31 March 2011 amounting to NOK 126 million.

In connection with the sale and/or issue of the structured products, BN Bank has hedged exposure in the form of equity options, equity-linked options and interest rate swap agreements. The turbulence in the financial markets in 2008 caused the loss of some contractual counterparties, and it has not been possible to replace all these hedging transactions. The liquidator of one of the contractual counterparties filed a counter-claim in 2011, with which BN Bank does not agree. The outcome is unclear, and litigation is underway. The total claim amounts to NOK 12 million.

### Bankruptcy dividend/offset against Glitnir banki hf, Iceland

BN Bank has filed a claim for NOK 225 million against the assets in liquidation of Glitnir banki hf, Iceland. The bankruptcy dividend is still unclarified and, of the NOK 225 million claim, NOK 205 million was written down in BN Bank's accounts in 2008.

BN Bank has offset the claim, but the winding-up board of Glitnir is expected to contest the offset.

## NOTE 11. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

Apart from the matters mentioned in Note 10 above, there are no assets or liabilities to which contingent outcomes are attached and where those outcomes could have a significant impact on the Group's financial position and results. There were no significant events after the reporting period.

## NOTE 12. TRANSFER TO SPAREBANK 1 NÆRINGSKREDITT

SpareBank 1 Næringskreditt AS was established in 2009 and granted a licence by the Financial Supervisory Authority of Norway to operate as a credit institution. The company is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Boligkreditt AS in Stavanger. The same banks own SpareBank 1 Næringskreditt as own BN Bank. The company's purpose is to secure for the consortium banks a source of stable, long-term financing of commercial real estate at competitive rates. SpareBank 1 Næringskreditt procures loans with mortgages on commercial properties and issues covered bonds within the applicable regulations established in 2007. As part of the consortium, BN Bank may transfer loans to the company and, as part of the Bank's funding strategy, loans have been transferred from BNkreditt. At the end of March 2011, the book value of transferred loans was NOK 7.7 billion. BN Bank is responsible for managing the transferred loans and BNkreditt receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

To attend to the interests of existing bond holders, in connection with the transfer BN Bank guaranteed BNkreditt's capital adequacy ratio of at least 20 per cent at all times. Should it fall below 20 per cent, the Parent Bank will cede precedence on accounts receivable with BNkreditt and/or provide a guarantee. BNkreditt's capital adequacy ratio at 31 March 2011 was 19.2 per cent. The Parent Bank had ceded precedence for NOK 128 million as at 31 March 2011.

BN Bank has put up guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt's capital base. BN Bank has also provided guarantees for 3 per cent of the transferred volume of loans. As at 31 March 2011, these guarantees totalled NOK 522 million.

## NOTE 13. TRANSFER TO SPAREBANK 1 BOLIGKREDITT

SpareBank 1 Boligkreditt is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Næringskreditt AS in Stavanger. The purpose of the company is to secure for the banks within the consortium a source of stable, long-term financing of residential mortgage loans at competitive rates. SpareBank 1 Boligkreditt procures loans with mortgages on residential properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to the company and, as part of the Bank's funding strategy, loans were transferred from BN Boligkreditt in Q2 and Q3 2010. At the end of March 2011, the book value of transferred loans was NOK 2.3 billion. BN Bank is responsible for managing the transferred loans and receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

## NOTE 14. ADJUSTMENT OF OPENING BALANCE SHEET AS AT 1 JANUARY 2010

BN Bank's derivatives and most other financial instruments with a maturity of more than one year are reported at fair value. Financial instruments traded in an active market are valued at observed market prices. Financial instruments that are not traded in an active market are assessed using valuation techniques. Valuation techniques are based on recent transactions between independent parties, reference to instruments with approximately the same content, or discounted cash flows. As far as possible, valuations are based on externally observed parameter values.

BN Bank adopted IFRS at the start of 2007, and these valuation techniques were established at that time in collaboration with the Bank's auditors, PwC.

In the second half of 2010 it was discovered that the valuation technique on a specific financial instrument was based on assumptions that chiefly overvalued the instrument. As at 1 January 2010 and 1 January 2009 this overvaluation was estimated net at NOK 23 million after tax in the Group, of which NOK 5 million relates to the Parent Bank. The Bank therefore wrote down the value of the instrument and the equity by this amount as at 1 January 2010 and 1 January 2009 in accordance with IAS 8, as an adjustment in the second half-year viewed in isolation was deemed significant. BN Bank is for that reason obliged to present the restated balance sheet as at 1 January 2009 and 31 December 2009 both for the Group and the Parent Bank.

# Statement in accordance with the Norwegian Securities Trading Act, section 5-6

We certify that, to the best of our belief, the interim financial statements for the period 1 January to 31 March 2011 for the Company and for the Group have been prepared in compliance with IAS 34 Interim Financial Reporting, and that the disclosures in the interim financial statements give a true and fair view of the assets, liabilities, financial position and performance as a whole of the Company and of the Group.

To the best of our belief, the interim financial statements give a true and fair view of important events during the accounting period and their effect on the interim accounts, and a description of the most significant risks and uncertainty factors facing the Company and the Group in the next accounting period.

The Board of Directors
Trondheim, 2 May 2011

Finn Haugan
(Chair)

Tore Medhus
(Deputy Chair)

Stig Arne Engen

Harald Gaupen

Helene Jebsen Anker

Kristin Undheim

Anita Finserås Bretun
(Employee Representative)

Ella Skjørestad

Lisbet K. Nærø
(Managing Director)

# Auditor`s Report

**PricewaterhouseCoopers AS**
Brattørkaia 17 B
NO-7492 Trondheim
Telefon 02316

To the Board of Directors of BN Bank ASA

## Report on Review of Interim Financial Information

*Introduction*

We have reviewed the accompanying consolidated condensed balance sheet of BN Bank ASA as of 31 March 2011 and the related consolidated condensed statements of income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".. Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with standards on auditing adopted by Den Norske Revisorforening, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Trondheim, 2 May 2011
**PricewaterhouseCoopers AS**

Rune Kenneth S. Lædre
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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