BNkreditt AS

INTERIM REPORT 1st QUARTER | 2011

BN Bank

Contents

Financial Ratios

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		48	1.24 %	51	1.21 %	194	1.29 %
Total other operating income		14	0.36 %	27	0.64 %	28	0.19 %
Total income		62	1.60 %	78	1.85 %	222	1.48 %
Total other operating expense		22	0.57 %	22	0.52 %	95	0.63 %
Operating profit/(loss) before impairment losses		40	1.03 %	56	1.33 %	127	0.84 %
Impairment losses on loans and advances		33	0.85 %	7	0.17 %	53	0.35 %
Pre-tax profit/(loss)		7	0.18 %	49	1.16 %	74	0.49 %
Computed tax charge		2	0.05 %	14	0.33 %	21	0.14 %
Profit/(loss)		5	0.13 %	35	0.83 %	53	0.35 %
Profitability							
Return on equity	1	0.7 %		5.2 %		2.0 %	
Net interest margin	2	1.24 %		1.21 %		1.36 %	
Cost-income ratio	3	35.5 %		28.2 %		42.8 %	
Balance sheet figures							
Gross lending		15 697		14 110		15 342	
Increase/decrease lending (gross) last 12 months		11.2 %		-31.0 %		13.9 %	
Average total assets (ATA)	4	15 494		16 880		15 040	
Total assets		16 438		14 846		16 120	
Balance sheet figures including SpareBank 1 Næringskreditt AS and SpareBank 1 Boligkreditt							
Gross lending		23 425		21 565		22 650	
Increase/decrease lending (gross) last 12 months		8.6 %		3.9 %		5.7 %	
Losses on loans and non-performing loans							
Loss ratio lending	6	0.90 %		0.17 %		0.37 %	
Non-performing loans as percentage of gross lending		0.43 %		0.50 %		0.44 %	
Other doubtful commitments as percentage of gross lending		5.60 %		1.30 %		3.51 %	
Solvency							
Capital adequacy ratio	8	19.2 %		20.8 %		19.5 %	
Tier 1 capital ratio		16.4 %		17.8 %		16.6 %	
Tier 1 capital		2 632		2 651		2 629	
Capital base		3 083		3 102		3 080	
Offices and staffing							
Number of offices		2		2		2	
Number of full-time equivalents		50		50		50	
Shares							
Earnings per share for the period (whole NOK)		0.83		5.83		8.83	

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) Average total assets (ATA) are calculated as an average of quarterly total assets and as at 1 January and 31 December
5) Net loss as a percentage of average gross lending to date this year

Interim Report 1st Quarter

Summary of Q1 to 31 March 2011

The funding situation for Bolig- og Næringskreditt AS (BNkreditt) is good, loan default rates remain unchanged since the turn of the year, and the Company's capitalisation remains strong.

BNkreditt posted a profit of NOK 5 million after tax for the first quarter to 31 March 2011, compared with a loss of NOK 8 million for the fourth quarter of 2010. The increase in profit is mainly attributable to changes in the value of financial instruments.

Loan default rates fell significantly during 2010, with non-performing loans accounting for 0.43 per cent of gross lending as at 31 March 2011. A strong focus on monitoring and following up loans, improved debt servicing capacity among borrowers, and a better general economic outlook, have all contributed to reducing default rates in the past year.

BNkreditt's total assets stood at NOK 16.4 billion as at 31 March 2011, which is NOK 1.6 billion up on the past 12 months. Loans and advances totalled NOK 15.6 billion as at 31 March 2011, which is an increase of NOK 1.6 billion on the past year. As at 31 March 2011, loans for NOK 7.7 billion had been transferred to SpareBank 1 Næringskreditt. Lending, including loans transferred to SpareBank 1 Næringskreditt, has increased by NOK 1.9 billion in the past year.

Operations, objectives and strategy

The primary objective of BNkreditt's operations is to achieve optimum returns on equity within the guidelines of the Company's operations, current laws and other relevant parameters.

The Company aims to achieve this objective by maintaining cost-effective operations and low risk and by marketing a limited range of standardised products. By employing this strategy, BNkreditt shall serve as an attractive alternative in selected customer segments to financial groups offering a broad range of financial products and services.

BNkreditt's operations are nationwide. The Company has its head office in Trondheim and a branch office in Oslo.

BNkreditt provides long-term mortgage loans secured on real property, and in addition offers the Parent Bank's products to the corporate market. These consist of secured lines of credit, building loans, guarantees and deposit/payment facilities. Loans are also offered with security in shares in property companies through BN Bank. BNkreditt's lending business is funded primarily by issuing securities, through Sparebank 1 Næringskreditt as well as intercompany financing.

Financial developments

BNkreditt presents its financial statements in compliance with International Financial Reporting Standards (IFRS). See note 1 for more information.

Profit performance for Q1 2011

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

Total income for first-quarter 2011 was NOK 62 million, compared with NOK 41 million for fourth- quarter 2010. A positive first-quarter trend in the value of financial instruments is the most important reason for the increase, although reduced lending margins have pulled profits down somewhat.

The transfer of loans to SpareBank 1 Næringskreditt will have a positive effect overall on the Company's income, but will also reduce the amount of net interest income. This is however expected to be compensated for by an increase in other income. BNkreditt receives commission from SpareBank 1 Næringskreditt that is equal to the margin on the loans, and in the first quarter received NOK 19 million in commission income. As at 31 March loans had been transferred to the value of NOK 7.7 billion.

BNkreditt's derivatives and some bond borrowings are carried at fair value. Interest rate risk in the Company is low, and fluctuations in interest 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. In first-quarter 2011, this gave rise to a negative effect of NOK 5 million, while the effect in fourth-quarter 2010 was also negative by NOK 22 million. These effects will even out in the long term. For more information concerning changes in value, see Note 2.

Other operating expense in the first quarter of 2011 totalled NOK 22 million, NOK 5 million less than for fourth-quarter 2010. BNkreditt purchases all its operation management services from BN Bank. The Company's cost levels are stable over time.

Loan default rates fell in 2010 and remain low at the end of the first quarter. Non-performing loans accounted for 0.43 per cent of lending as at 31 March 2010, compared with 0.44 per cent as at 31 December 2010. The trend in non-performing loans remained unchanged in the first quarter, while net doubtful loan commitments increased by NOK 321 million in first-quarter 2011. Non-performing and doubtful loans, less individual write-downs, totalled NOK 893 million (5.69 per cent of gross lending) at the end of the first quarter of 2011. At the start of the year the corresponding volumes were NOK 571 million (3.72 per cent of gross lending). BNkreditt will continue to focus closely on the quality of the portfolio and on monitoring and following up doubtful loan commitments. See Note 6 for more information about non-performing and doubtful loans.

Impairment losses on loans and advances totalled NOK 33 million for first-quarter 2011, compared with NOK 25 million for fourth-quarter 2010. Of this total, NOK 23 million in impairment losses was attributable to changes in individual write-downs, while NOK 10 million in impairment losses arose from changes in collective write-downs. Collective write-downs totalled NOK 49 million as at 31 March 2011, which is 0.31 per cent of gross lending.

Balance sheet development

The loan portfolio stood at NOK 15.6 billion as at 31 March 2011, slightly up from NOK 15.3 billion at the end of 2010. As at 31 March, loans for NOK 7.7 billion had been transferred to SpareBank 1 Næringskreditt.

The trend in gross lending, including loans transferred to SpareBank 1 Næringskreditt, is as follows:

NOK BILLION	Q1 2011	Q4 2010
BNkreditt	15,7	15,3
SpareBank 1 Næringskreditt	7,7	7,3
Gross lending	23,4	22,6

Gross lending, including loans transferred to SpareBank 1 Næringskreditt, rose by NOK 0.8 billion in first-quarter 2011.

The transfer of loans to SpareBank 1 Næringskreditt will boost the company's liquidity position, profitability and financial strength. BNkreditt has no ownership interest in the company.

To strengthen the interests of the existing bond holders in BNkreditt, BN Bank has provided a guarantee that BNkreditt will have a capital adequacy ratio or junior financing of minimum 20 per cent. As at 31 March 2011, BNkreditt had a capital adequacy ratio of 19.2 per cent and a capital base of NOK 3.1 billion. BN Bank had ceded precedence in respect of its accounts receivable with BNkreditt for a total of NOK 128 million as at 31 March. For more information, see Notes 8 and 10.

BNkreditt had NOK 6.0 billion in securities borrowings as at 31 March 2011. Other interest-bearing debt consists chiefly of debt to the Parent Bank.

Total assets increased by NOK 0.3 billion during the first quarter, from NOK 16.1 billion at year-end 2010. The increase is attributable to the growth in lending.

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

Solvency

BNkreditt's capital base was NOK 3 083 million at the end of the period, equivalent to a capital adequacy ratio of 19.2 per cent. Tier 1 capital was NOK 2 632 million, equivalent to a tier 1 capital ratio of 16.4 per cent as at 31 March 2011. Risk-weighted assets were NOK 16 052 million at the same date. The Board deems the Company's capital adequacy to be good.

Outlook

Growing competition in BNkreditt'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 the Company with a sound foundation for future growth.

Overall, risk in the loan portfolio is considered to be low. The Company'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 impact negatively on borrowers' debt-servicing capacity. BNkreditt will continue to maintain a close focus on monitoring and following up loans and commitments.

A priority area for BNkreditt will be to make full use of the possibilities for issuing covered bonds.

During 2011, BN Bank will be highly 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

Income Statement

NOK MILLION	NOTE	Q1 2011	Q1 2010	FULL YEAR 2010
Interest and similar income		172	143	629
Interest expense and similar charges		124	92	435
Net income from interest and credit commissions		48	51	194
Change in value financial instruments at fair value, gains and losses	2	-5	-1	-60
Other operating income	3	19	28	88
Total other operating income		14	27	28
Salaries and general administrative expenses		17	17	74
Other operating expense		5	5	21
Total other operating expense		22	22	95
Operating profit/(loss) before impairment losses		40	56	127
Impairment losses on loans and advances	6	33	7	53
Profit/(loss) before tax		7	49	74
Computed tax charge		2	14	21
Profit/(loss) for the period		5	35	53

Balance Sheet

NOK MILLION	NOTE	31.03.11	31.03.10	FULL YEAR 2010
Assets				
Deferred tax assets		49	48	49
Repossessed properties		15	15	15
Loans and advances	6, 10	15 595	14 044	15 268
Financial derivatives		106	145	134
Short-term securities investments		520	520	520
Cash and balances due from credit institutions		153	74	134
Total assets		16 438	14 846	16 120
Equity and liabilities				
Share capital		600	600	600
Retained earnings	4	2 084	2 117	2 079
Total equity		2 684	2 717	2 679
Subordinated loan capital	7	451	451	451
Liabilities to credit institutions		7 223	5 353	6 629
Debt securities in issue	7	5 979	6 220	6 286
Accrued expenses and deferred income		15	26	14
Financial derivativesr		86	79	61
Total liabilities		13 754	12 129	13 441
Total equity and liabilities		16 438	14 846	16 120

The Board of Directors
Trondheim, 2 May 2011

Statement of Changes in Equity

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER PAID-UP SHARE CAPITAL	OTHER RESERVES	TOTAL EQUITY
Balance Sheet as at 1 January 2010	600	1 000	0	1 082	2 682
Result for the period	0	0	0	35	35
Balance Sheet as at 31 March 2010	**600**	**1 000**	**0**	**1 117**	**2 717**
Group contribution paid to Parent Bank	0	0	0	-56	-56
Result for the period	0	0	0	18	18
Balance Sheet as at 31 Dec. 2010	**600**	**1 000**	**0**	**1 079**	**2 679**
Result for the period	0	0	0	5	5
Balance Sheet as at 31 March 2011	**600**	**1 000**	**0**	**1 084**	**2 684**

The Board of Directors
Trondheim, 2 May 2011

Statement of Cash Flows

NOK MILLION	31.03.2011	31.03.2010	FULL YEAR 2010
Cash flows from operating activities			
Interest/commission received and fees received from customers	143	-259	4 501
Interest received on other investments	19	-10	-14
Interest paid on other loans	-108	-55	-423
Receipts/disbursements (-) on loans and advances to customers	-244	-152	-5 435
Receipts/payments (-) on liabilities to credit institutions	503	384	1 362
Receipts/payments (-) on securities in issue	-280	0	242
Receipts on written-off debt	0	0	6
Other receipts/payments	7	8	-11
Payments to suppliers for goods and services	-12	-12	-49
Payments to employees, pensions and social security expenses	-9	-10	-41
Net cash flow from operating activities	19	-106	138
Cash flows from investing activities			
Receipts/payments (-) on short-term securities investments	0	128	0
Net cash flow from investing activities	0	128	0
Cash flow from financing activities			
Dividend/group contribution paid	0	0	-56
Net cash flow from financing activities	0	0	-56
Net cash flow for the period	19	22	82
Cash and balances due from central banks as at 1 January	134	52	52
Cash and balances due from central banks as at 31 March	153	74	134

Notes

NOTE 1. ACCOUNTING POLICIES

The interim 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 financial statements are based is provided in the Annual Report for 2010.

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

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]	-21	14	1
Total change in value of financial instruments obliged to be carried at fair value	-21	14	1
Change in value of deposits selected for fair value carrying through profit or loss	0	0	0
Change in value of borrowings selected for fair value carrying through profit or loss [1]	27	-9	17
Change in value of lending selected for fair value carrying through profit or loss [1]	-19	-7	-87
Total change in value of financial instruments selected for fair value carrying	8	-16	-70
Change in value of interest rate derivatives, hedging [3]	-13	0	-1
Change in value of borrowings, hedged [3]	13	0	1
Total change in value of financial instruments for hedging	0	0	0
Total change in value of financial instruments carried at fair value	-13	-2	-69
Realised gains/losses(-) bonds and certificates carried at amortised cost [4]	0	-2	-1
Realised gains/losses(-) borrowings and loans carried at amortised cost [4]	0	9	9
Exchange gains/losses borrowings and loans carried at amortised cost [2]	8	-6	1
Total change in value of financial instruments carried at fair value, gains and losses	-5	-1	-60

1 The profit-and-loss effect as at 31 March 2011 comprises mainly expense recognition of interest rate hedging instruments and related hedge objects (fixed-rate loans and borrowings) totalling NOK 3 million and similar expense recognition of NOK 59 million for 2010. This effect is owing to changes in the fair value of financial instruments relating to the change in credit risk.

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. Exposure to exchange rate fluctuations is low.

3 From 2010, BNkreditt 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 8 million.

4 Realised gains/losses on bonds, certificates and borrowings carried at amortised cost had no P&L effect as at 31 March 2011, compared with income recognition of NOK 7 million for the same period of 2010. NOK 8 million was recognised as income for the full year 2010.

NOTE 3. OTHER OPERATING INCOME

NOK MILLION	31.03.2011	31.03.2010	FULL YEAR 2010
Net commission income/charges [1]	19	22	82
Other operating income	0	6	6
Total other operating income	19	28	88

[1] Consists in its entirety of commission income for managing the portfolio of SpareBank 1 Næringskreditt AS.

NOTE 4. CHANGES IN EQUITY

The Annual General Meeting has resolved to render group contribution to the Parent Bank of NOK 98 million before tax.

NOTE 5. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIO

NOK MILLION	31.03.2011	31.03.2010	FULL YEAR 2010
Gross lending	15 698	14 110	15 342
Loans transferred to SpareBank 1 Næringskreditt	7 727	7 455	7 308
Total loans managed portfolio	23 425	21 565	22 650

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

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 Company 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.

NOK MILLION	31.03.2011	31.03.2010	FULL YEAR 2010
Write-offs in excess of prior-year write-downs	0	0	27
Write-offs on loans without prior write-downs	0	0	0
Write-downs for the period:			
Change in collective write-downs	10	6	0
Total change in collective write-downs	10	6	0
Increase in loans with prior-year write-downs	19	1	23
Provisions against loans without prior write-downs	4	0	14
Decrease in loans with prior-year write-downs	0	-11	
Total change in individual write-downs	23	1	26
Gross impairment losses	33	7	53
Recoveries on previous write-offs	0	0	0
Impairment losses	33	7	53
Revenue recognition of interest on written-down loans	4	1	6

NOK MILLION	31.03.2011	31.03.2010	FULL YEAR 2010
Individual write-downs to cover impairment losses at start of the period	35	21	21
Write-offs covered by prior-year individual write-downs	0	0	-6
Write-downs for the period:			
Increase in loans with prior-year individual write-downs	15	0	17
Write-downs on loans without prior-year individual write-downs	4	0	14
Decrease in loans with prior-year individual write-downs	0	0	-11
Individual write-downs to cover impairment losses at end of the period	54	21	35
Collective write-downs to cover impairment losses at start of the period	39	39	39
Collective write-downs for the period to cover impairment losses	10	6	0
Collective write-downs to cover impairment losses at end of the period	49	45	39

Loans past due more than 3 months

NOK MILLION	31.03.2011	31.03.2010	FULL YEAR 2010
Gross principal	68	71	67
Individual write-downs	0	10	0
Net principal	68	61	67

Other loans with individual write-downs

NOK MILLION	31.03.2011	31.03.2010	FULL YEAR 2010
Gross principal	879	183	539
Individual write-downs	54	11	35
Net principal	825	172	504

Loans past due more than 3 months by sector and as a percentage of loans

NOK MILLION	GROSS OUTSTANDING 31.03.11	%	GROSS OUTSTANDING 31.03.10	%	GROSS OUTSTANDING 2010	%
Corporate market	68	0.43	71	0.50	67	0.44

NOTE 7. BORROWING (FUNDING)

Debt securities in issue

The Company had issued no bonds or certificates 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.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (face value) as at 1 January 2011	557	5 551	6 108
Net issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing securities	0	-280	-280
Net debt (face value) as at 31 March 2011	557	5 271	5 828

Subordinated loan capital and perpetual subordinated loan capital securities

The Company 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.

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

Recognised values

NOK MILLION	31.03.2011	31.03.2010	FULL YEAR 2010
Certificates carried at amortised cost	0	0	0
Certificates carried at fair value	571	433	567
Total recognised value of certificates	571	433	567
Bonds carried at amortised cost	1 710	1 896	1 853
Bonds selected for fair value carrying	3 698	3 891	3 866
Total recognised value of bonds	5 408	5 787	5 719
Total recognised value of debt securities in issue	5 979	6 220	6 286
Subordinated loans carried at amortised cost	451	451	451
Subordinated loans selected for fair value carrying	0	0	0
Total recognised value of subordinated loans	451	451	451

NOTE 8. CAPITAL ADEQUACY

Process for assessing the capital adequacy requirement

The capital adequacy assessments for BNkreditt are part of the overall assessments made by the Board of Directors of BN Bank for the entire Group.

NOK MILLION	31.03.2011	31.03.2010	FULL YEAR 2010
Share capital	600	600	600
Other reserves	2 081	2 099	2 079
Proposed provision for group contribution	0	0	0
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings)	0	0	0
Less:			
Intangible assets	0	0	0
Deferred tax assets	-49	-48	-49
Tier 1 capital	2 632	2 651	2 630
Fixed-term subordinated loan capital [1]	451	451	451
Less:			
Fixed-term subordinated loan capital that cannot be included	0	0	0
Net tier 2 capital	451	451	451
Total capital base	3 083	3 102	3 081
Risk-weighted assets	16 052	14 886	15 818
Tier 1 capital ratio (%)	16.4	17.8	16.6
Capital adequacy ratio (%)	19.2	20.8	19.5

[1] For more details, see Note 7.

Specification of risk-weighted assets

NOK MILLION	31.03.2011		31.03.2010	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	0	0	0	0
10 %	0	0	0	0
20 %	752	150	756	151
35 %	365	128	362	127
50 %	0	0	0	0
75 %	0	0	0	0
100 %	15 774	15 774	15 540	15 540
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	16 891	16 052	16 658	15 818
Capital adequacy ratio (%)		19.2		19.5

NOTE 9. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

There are no assets or liabilities to which contingent outcomes are attached and where those outcomes could have a significant impact on the Company's financial position and results. There were no significant events after the reporting period.

NOTE 10. 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.

NOTE 11. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

NOK MILLION	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Interest and similar income	172	165	172	149	143
Interest expense and similar charges	124	121	121	101	92
Net income from interest and credit commissions	48	44	51	48	51
Change in value of financial instruments at fair value, gains & losses	-5	-22	-9	-28	-1
Other operating income	19	19	19	22	28
Total other operating income	14	-3	10	-6	27
Salaries and general administrative expenses	17	22	18	17	17
Other operating expense	5	5	5	6	5
Total other operating expense	22	27	23	23	22
Operating profit/(loss) before impairment losses	40	14	38	19	56
Impairment losses on loans and advances	33	25	6	15	7
Profit/(loss) before tax	7	-11	32	4	49
Computed tax charge	2	-3	9	1	14
Profit/(loss) for the period	5	-8	23	3	35

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

We certify that, to the best of our belief, the Company's interim financial statements for the period 1 January to 31 March 2011 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 Company's assets, liabilities, financial position and performance as a whole.

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 in the next accounting period.

Trondheim, 2 May 2011
The Board of Directors of Bolig- og Næringskreditt AS

Lisbet K. Nærø
Chair

Kjell Fordal
Deputy Chair

Arve Austestad

Lars Bjarne Tvete

Tove Kolbjørnsen Kulseng

Svend Lund
(General Manager)

Auditor`s Report

PricewaterhouseCoopers AS
Brattørkaia 17 B
NO-7492 Trondheim
Telefon 02316

To the Board of Directors of Bolig- og Næringskreditt AS

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed balance sheet of Bolig- og Næringskreditt AS as of 31 March 2011 and the related 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 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 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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