BN Bank ASA

INTERIM REPORT 2nd QUARTER | 2011

BN Bank

Content

Summary of results for Q2 2011

- Good, stable liquidity situation.
- Profit, including divested operations, totalled NOK 56 million (NOK 17 million: Q1 2011).
- Operating expense totalled NOK 73 million (NOK 62 million: Q1 2011).
- Total lending increased by NOK 0.5 billion in Q2 2011 (NOK 1.3 billion: Q1 2011).
- Decrease in non-performing loans from 0.49 per cent to 0.44 per cent.
- A repossessed property was sold resulting in an accounting profit of NOK 9 million.
- Impairment losses on loans NOK -7 million (NOK 35 million: Q1 2011).
- Tier 1 capital ratio of 11.0 per cent (10.9 per cent: 31.3.2011) and capital adequacy ratio of 14.0 per cent (13.8 per cent: 31.3.2011).

Summary of results for 1st Half-Year 2011

- Profit, including divested operations, of NOK 73 million (NOK 41 million: 1st half 2010).
- Return on equity of 4.9 per cent (2.9 per cent: 1st half 2010).
- Growth in lending of NOK 2.5 billion in the past 12 months.

Financial Ratios - Group

NOK MILLION	NOTE	30.06.11	% OF ATA	30.06.10	% OF ATA	FULL YEAR 2010	% OF ATA
Summary of results							
Net income from interest and credit commissions		186	0.90 %	183	0.77 %	380	0.87 %
Total other operating income		59	0.29 %	27	0.11 %	91	0.21 %
Total income		245	1.19 %	210	0.89 %	471	1.08 %
Total other operating expense		135	0.65 %	120	0.51 %	245	0.56 %
Operating profit/(loss) before impairment losses		110	0.53 %	90	0.38 %	226	0.52 %
Impairment losses on loans and advances		28	0.14 %	23	0.10 %	32	0.07 %
Profit/(loss) before tax		82	0.40 %	67	0.28 %	194	0.45 %
Computed tax charge		21	0.10 %	19	0.08 %	52	0.12 %
Profit/(loss) for the period, remaining entity		61	0.30 %	48	0.20 %	142	0.33 %
Profitability							
Return on equity	1	4.90 %		2.90 %		4.80 %	
Net interest margin	2	0.90 %		0.77 %		0.87 %	
Cost-income ratio	3	55.10 %		57.10 %		52.00 %	
Balance sheet figures							
Gross lending		32 758		31 091		32 577	
Customer deposits		15 614		16 065		16 395	
Deposit-to-loan ratio	4	47.70 %		51.70 %		50.30 %	
Increase/decrease in lending (gross) last 12 months		5.40 %		-29.60 %		5.50 %	
Increase/decrease in deposits last 12 months		-2.80 %		7.10 %		5.20 %	
Average total assets (ATA)	5	41 251		47 351		43 552	
Total assets		40 181		42 159		41 228	
Balance sheet figures remaining entity inc. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt							
Gross lending		44 051		40 716		42 269	
Customer deposits		15 614		16 065		16 395	
Increase/decrease in lending (gross) last 12 months		8.20 %		4.00 %		8.90 %	
Increase/decrease in deposits last 12 months		-2.80 %		7.10 %		5.20 %	
Share of lending financed via deposits		35.40 %		39.50 %		38.80 %	
Losses on loans and non-performing loans							
Loss ratio lending	5	0.17 %		0.14 %		0.10 %	
Non-performing loans as a percentage of gross lending	5	0.44 %		1.23 %		0.53 %	
Other doubtful commitments as a percentage of gross lending	5	2.22 %		1.29 %		1.97 %	
Solvency							
Capital adequacy ratio	8	14.00 %		13.80 %		13.90 %	
Tier 1 capital ratio	8	11.00 %		9.70 %		10.80 %	
Tier 1 capital	8	3 485		3 054		3 448	
Capital base	8	4 421		4 357		4 419	
Offices and staffing							
Number of offices		2		2		2	
Number of full-time equivalents	7	115		101		104	
Shares							
Earnings per share for period (whole NOK) before discont. operations		4.93		3.88		11.47	
Earnings per share for period (whole NOK) inc. discont. operations		5.90		3.31		11.39	

Note

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 2nd Quarter

Summary of results for First-Half 2011

Comparative figures are for the first half of 2010.

- Growth in lending of NOK 2.5 billion and NOK 1.1 billion in the corporate and retail markets respectively in the past 12 months.
- Profit before impairment losses of NOK 110 million (NOK 90 million).
- Profit after tax, including divested operations, of NOK 73 million (NOK 41 million).
- Return on equity of 4.9 per cent (2.9 per cent).
- A repossessed property was sold, giving rise to an accounting profit of NOK 9 million.
- Impairment losses on loans and advances of NOK 28 million (NOK 23 million)
- Tier 1 capital ratio of 11.0 per cent (9.7 per cent)

The BN Bank Group posted a profit after tax of NOK 73 million for the first half of 2011, compared with NOK 41 million for the same period of 2010. The increase in profit is mainly attributable to positive changes in the value of financial instruments, increased income and improved results from the Ålesund portfolio (see "Financial developments" for definition).

BN Bank is experiencing a good level of demand for its loan products and saw overall lending rise by a total of NOK 1.8 billion in the first half of 2011. While growth has been highest in corporate lending, there is also good demand for residential mortgage loans following successful marketing campaigns in the second quarter.

The volume of deposits fell by NOK 0.9 billion in the first quarter, although deposits increased by NOK 0.1 billion in the second quarter.

BN Bank's funding situation remains good. In the first half of 2011, the Bank issued ordinary senior bonds in the Norwegian bond market for a total of NOK 5.6 billion.

As at 30 June 2011, BN Bank's capital adequacy was at the same level as at the start of the year. The capital adequacy ratio and tier 1 capital ratio were 14.0 per cent and 11.0 per cent respectively as at 30 June, compared with 13.8 per cent and 9.7 per cent respectively as at 30 June 2010.

BN Bank's total assets stood at NOK 40.2 billion at 30 June 2011, which is NOK 2.0 billion less than at 30 June 2010. The transfer of loans to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt is the most important explanation for the decrease in total assets.

In 2011, the Bank began implementing the new 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.

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. All operations in Ålesund are referred to in this report as the "Ålesund portfolio".

First Half-Year 2011

For the first half of 2011, the BN Bank Group posted a profit after tax of NOK 73 million, compared with NOK 41 million for first-half 2010. Return on equity in the first half of 2011 was 4.9 per cent.

Income for the first half of 2011 totalled NOK 245 million, compared with NOK 210 million for first-half 2010. The increase in total income is mainly attributable to positive changes in the value of financial instruments. Growth in lending to date this year has contributed positively to the increase in total income, while strong competition and increased interest rates have brought about a decrease in lending margins.

Gross lending in managed portfolios has risen by NOK 1.8 billion in the first half of 2011. Lending in the corporate market increased by NOK 1.5 billion, while the volume of lending in the retail market has risen by NOK 0.6 billion in the past half-year. Lending to SpareBank 1 SMN as a result of the transfer of the Ålesund portfolio was down by NOK 0.3 billion in first-half 2011.

Other operating expense to date this year is NOK 15 million up on first-half 2010. The increase in other operating expense is attributable to selling costs relating to the property at Munkegata 21 and costs connected with the implementation of the new strategy adopted by the Board towards the end of 2010.

Net impairment losses on loans and advances amounted to NOK 28 million for the first half of 2011, compared with NOK 23 million for the same period of 2010. First-half losses in 2011 were NOK 10 million in the corporate market (0.07 per cent of gross lending in the corporate market), NOK 6 million in the retail market (0.09 per cent of gross lending in the retail market) and NOK 12 million in that part of the Ålesund portfolio taken over by SpareBank 1 SMN and guaranteed by BN Bank. Total losses in the Ålesund portfolio, including the guarantee portfolio, are NOK 1 million to date this year, compared with NOK 45 million in the same period of 2010.

The results of operations under disposal (divestment) have been positive to date this year by NOK 12 million. These are the results of that part of the Ålesund operations that have not yet been transferred to SpareBank 1 SMN. For the Ålesund portfolio the result for first-half 2011 was a profit after tax of NOK 6 million. By comparison, the result for the Ålesund portfolio for first-half 2010 was a loss of NOK 23 million.

Non-performing loans as a percentage of gross lending were down by 0.09 percentage points in the first half of 2011 and are now 0.44 per cent of gross lending[1]. BN Bank will continue to maintain a close focus on the quality of the loan portfolio and on monitoring and following up doubtful loans.

[1] Including the Ålesund portfolio.

Profit performance for Q2 2011

For the second quarter of 2011, the pre-tax profit for the remaining entity (continued operations) was NOK 68 million, compared with NOK 14 million for first-quarter 2011. Profit after tax for the remaining entity was NOK 51 million, compared with NOK 10 million for first-quarter 2011, giving a return on equity for the period of 6.8 per cent.

The Ålesund operations were transferred to SpareBank 1 SMN in the fourth quarter of 2009, with customer accounts being 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 the second quarter of 2011, loans for NOK 145 million remain to be transferred out of the original portfolio valued at NOK 4.8 billion. These loans are expected to be converted during 2011. The guarantee portfolio at the end of second-quarter 2011 stands at NOK 3.7 billion.

The result for the Ålesund operations for the second quarter of 2011 was a profit of NOK 3 million, of which profit of NOK 5 million is classified as operations under disposal (divestment) and a loss of NOK 2 million is classified under remaining entity.

Income

Total income for the second quarter was NOK 134 million, compared with NOK 111 million for first-quarter 2011.

NOK MILLION	Q2 2011	Q1 2011	CHANGE
Total income	134	111	23
Margins and volumes on lending/deposits			-2
Return on unrestricted funds (equity)			1
Value changes in financial instruments			16
Other			8

Tough competition and pressure on both retail and corporate lending margins in second-quarter 2011 had a negative impact on total income, although an increase in the volume of lending and improved deposit margins pulled revenues up.

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 and second quarter 2011.

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 second-quarter 2011, value changes had a positive effect on operating income of NOK 10 million, which is a positive change of NOK 16 million compared with first-quarter 2011. For more information on value changes, see Note 2.

Operating expense

Second-quarter operating expense was NOK 73 million, compared with NOK 62 million for first-quarter 2011.

NOK MILLION	Q2 2011	Q1 2011	CHANGE
Operating expense	73	62	11
Consultancy costs			3
Tenant adaptations, Munkegata 21			7
Other			1

The property Munkegata 21 was sold in the second quarter of 2011, giving rise to sales costs of NOK 7 million during the quarter.

Costs as a percentage of average total assets in the second quarter 2011 were 0.71 per cent, compared with 0.59 per cent for first-quarter 2011. The number of full-time equivalents at 30 June 2011 was 115, nine more than at the end of the first quarter. The increase in full-time equivalents is owing to the employment of temporary staff in connection with an increased level of activity in retail banking.

Write-downs on loans

Non-performing and doubtful loans, less individual write-downs, totalled NOK 808 million at the close of the second quarter of 2011, which is NOK 469 million down on the previous quarter. This includes non-performing and doubtful loans in the Ålesund portfolio. Non-performing loans accounted for 0.44 per cent of gross lending at 30 June 2011 (including the Ålesund portfolio), compared with 0.49 per cent at 31 March 2011. 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 7 million was recognised as income under impairment losses on loans and advances in second-quarter 2011, compared with NOK 35 million recognised as expense in first-quarter 2011. A previously repossessed property was sold in the second quarter, giving rise to an accounting profit of NOK 9 million.

Impairment losses on loans and advances in the Ålesund portfolio totalled NOK 3 million for the second quarter of 2011.

Loan loss provisions for the remaining entity totalled NOK 169 million at 30 June 2011, of which collective write-downs accounted for NOK 89 million, which is 0.27 per cent of gross lending. Individual write-downs at 30 June 2011 were NOK 80 million. Loan loss provisions for the Ålesund portfolio at 30 June totalled NOK 56 million, of which NOK 9 million were collective write-downs and NOK 47 million individual write-downs.

Balance Sheet

BN Bank's total assets stood at NOK 40.2 billion at 30 June 2011, which is NOK 2.0 billion down on the past 12 months. The change is mainly attributable to a decrease in liquid funds and to the transfer of loan portfolios to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

As at 30 June 2011, BN Bank's capital adequacy was at the same level as at the start of the year. The capital adequacy ratio and tier 1 capital ratio were 14.0 per cent and 11.0 per cent respectively at 30 June 2011, compared with 13.8 per cent and 9.7 per cent respectively at 30 June 2010.

Liquid funds are down by NOK 1.2 billion on the past 12 months, and during this period loans valued at a total of NOK 1.7 billion were transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Assets classified as held for sale were down by NOK 2.1 billion on the past 12 months.

Gross lending[2], including lending in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt, totalled NOK 44.1 billion at 30 June 2011, which is NOK 3.3 billion (8 per cent) up on the past year.

NOK BILLION	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Lending*	44.1	43.6	42.3	41.3
Change in the quarter	0.5	1.3	1.0	0.5

*Including SpareBank 1 Næringskreditt, SpareBank 1 Boligkreditt and loans to SpareBank 1 SMN.

As at 30 June 2011, a loan portfolio valued at NOK 8.1 million had been transferred to SpareBank 1 Næringskreditt, while a loan portfolio valued at NOK 3.2 billion had been transferred to SpareBank 1 Boligkreditt.

[2] 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.

Segmental breakdown of gross lending at 30 June 2011:

NOK BILLION	30.06.11	31.03.11
Retail market*	13.4	13.1
Commercial real estate**	29.1	28.5
Loans to SpareBank 1 SMN	1.6	2.0

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

The 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[3] had the following sectoral exposure at 30 June:

	30.06.11	31.03.11
Real estate operations	50 %	48 %
Retail market	33 %	34 %
Financial industry	5 %	6 %
Other	12 %	12 %

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

Deposits totalled NOK 15.6 billion at 30 June 2011, which is NOK 83 million up on first-quarter 2011. To reverse the negative trend from the first quarter, in the second quarter BN Bank launched marketing campaigns aimed at boosting deposits, which produced good results. The deposit-to-loan ratio for the remaining entity at 30 June 2011 was 48 per cent, which is two percentage points higher than at the end of the first quarter.

BN Bank's funding situation remains good. In the second quarter, the Bank issued ordinary senior bonds in the Norwegian bond market for a total of NOK 3.3 million. The Bank also has access to funding via SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Access to the covered bonds market via these companies will be an important part of the Bank's future funding strategy.

BN Bank's Board of Directors have resolved that the Bank shall at all times have sufficient liquid funds to manage without accessing any new funding for a period of 12 months. At the end of the second quarter, this target figure was 15 months.

The second-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.

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

Subsidiaries

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

Bolig- og Næringskreditt AS

BNkreditt provides low-risk mortgage loans on commercial real estate, and at the end of the second quarter of 2011 the company's loan portfolio totalled NOK 16.1 billion, compared with NOK 15.7 billion at 31 March 2011. As at 30 June 2011, NOK 8.1 billion in loans had been transferred to SpareBank1 Næringskreditt.

BNkreditt posted a profit after tax of NOK 39 million for second-quarter 2011, compared with a post-tax profit of NOK 5 million for first-quarter 2011. The improvement is mainly attributable to a positive change in impairment losses on loans.

NOK 9 million in impairment losses on loans and advances was recognised as income in the second quarter of 2011, compared with NOK 33 million recognised as expense in the first quarter. The second-quarter recognition of income is attributable to an accounting profit of NOK 9 million on the sale of a previously repossessed property. Individual write-downs were NOK 40 million at 30 June 2011, while collective write-downs totalled NOK 49 million at the end of the second quarter, which is 0.30 per cent of lending.

BNkreditt had NOK 4.3 billion in bond debt outstanding at 30 June 2011, compared with NOK 6.0 billion at 31 March 2011.

BN Bank has provided guarantees that BNkreditt will have a minimum capital adequacy ratio or junior financing of 20 per cent. BNkreditt's capital adequacy ratio and tier 1 capital ratio were, respectively, 18.2 per cent and 15.5 per cent at 30 June 2011.

BN Boligkreditt AS

BN Boligkreditt is BN Bank's credit institution for issuance of covered bonds, and at the end of the second quarter 2011 the company had a residential mortgage portfolio totalling NOK 2.2 billion, which is NOK 0.6 billion down on 31 March 2011. During 2010 and early 2011 loans for NOK 3.2 billion were sold to BN Bank for selling on to SpareBank 1 Boligkreditt.

The company posted a profit after tax of NOK 5 million for second-quarter 2011, compared with NOK 6 million for first-quarter 2011.

The company's capital adequacy ratio and tier 1 capital ratio were, respectively, 35.0 per cent and 27.6 per cent at 30 June 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 og 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.

The two companies reported a combined loss after tax of NOK 18 million in their separate interim financial statements (NGAAP) for the first half of 2011. The profit-and-loss effect in the consolidated interim financial statement is a loss of NOK 4 million for first-half 2011 (IFRS).

Outlook

The work done during the past few quarters to adapt operations to BN Bank's new strategy is beginning to have results. BN Bank is seeing satisfactory growth in lending to high-quality customers within both its business areas. Strong competition is exerting pressure on the Bank's margins, but a satisfactory funding situation and strong capitalisation all endow BN Bank with a sound foundation for future profitable 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.

The continuing sovereign debt crisis in several countries may affect BN Bank in the time ahead. BN Bank has no direct exposure to foreign sovereign debt, but the crisis may affect the Bank's funding options. BN Bank's funding situation at the end of the second quarter is, however, good and the Bank has sufficient liquid funds to manage without accessing new funding sources for 15 months.

In June 2011, SpareBank 1 Næringskreditt AS carried out its first issue in the Norwegian bond market of covered bonds secured by commercial loans. The issue was well received and the company will be an important source of funding for the BN Bank Group going forward. It will also contribute to increased future profitability.

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 efficiency measures designed to reduce the cost base. A slight increase in operating costs is, however, expected for 2011 as a result of costs connected with the measures taken by the Bank to adapt operations to its new strategy and to an intensified use of marketing campaigns.

Overall, the quality of the loan portfolio is considered good. BN 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 on the ability of customers to service their debts.

Lisbet K. Nærø announced in the first quarter of 2011 that she wished to resign from her post as Managing Director of BN Bank, and the Deputy Managing Director, Svend Lund, was made Acting Managing Director from 1 July 2011. The Board aims to appoint a new Managing Director during the second half of 2011.

In June, BN Bank sold its former head office premises at Munkegata 21 in Trondheim. This transaction will have effect for accounting purposes in the third quarter of 2011, giving rise to a capital gain in the order of NOK 34 million after tax.

For the rest of 2011, BN Bank will remain 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 9 August 2011

Income Statement - Group

						GROUP
NOK MILLION	NOTE	Q2 2011	Q2 2010	30.06 2011	30.06 2010	FULL YEAR 2010
Interest and similar income		398	358	785	717	1 465
Interest expense and similar charges		303	270	599	534	1 085
Net income from interest and credit commissions		95	88	186	183	380
Value change fin. instr. fair value, gains&losses	2	10	-5	4	-21	-14
Other operating income	3	29	23	55	48	105
Total other operating income		39	18	59	27	91
Salaries and general administrative expenses		57	58	108	103	209
Depreciation, amortisation and write-downs		4	2	8	5	11
Other operating expense		12	4	19	12	25
Total other operating expense		73	64	135	120	245
Operating profit/(loss) before impairment losses		61	42	110	90	226
Impairment losses on loans and advances	5	-7	11	28	23	32
Operating profit/(loss) after impairment losses		68	31	82	67	194
Profit/(loss) before tax		68	31	82	67	194
Tax		17	9	21	19	52
Profit/(loss) for the period, remaining entity		51	22	61	48	142
Result of operations under divestment	7	5	-11	12	-7	-1
Profit/(loss) for period inc. discont. operations		56	11	73	41	141
Extended Income Statement under IAS 1						
Value change in financial assets available for sale		0	0	0	0	0
Total P&L items recognised in equity		0	0	0	0	0
Total profit/(loss) for the period		56	11	73	41	141

Balance Sheet - Group

				GROUP
NOK MILLION	NOTE	30.06.11	30.06.10	FULL YEAR 2010
Assets				
Deferred tax assets		54	110	54
Intangible assets		21	6	16
Own funds lending		0	15	15
Tangible fixed assets	10	102	69	80
Repossessed properties		0	15	15
Loans and advances	4,5,11,12	32 590	30 874	32 415
Prepayments and accrued income		78	282	97
Financial derivatives	15	387	805	629
Short-term securities investments		5 333	6 498	5 791
Cash and balances due from credit institutions		1 147	941	1 012
Assets classified as held for sale	7	469	2 544	1 104
Total assets		40 181	42 159	41 228
Equity and liabilities				
Share capital		649	619	619
Retained earnings	15	2 425	2 283	2 383
Total equity		3 074	2 902	3 002
Subordinated loan capital	6	1 459	1 561	1 686
Liabilities to credit institutions		2 046	2 867	1 975
Debt securities in issue	6	16 983	16 516	16 603
Accrued expenses and deferred income	5	158	113	128
Other current liabilities		125	207	35
Tax payable		0	0	2
Financial derivatives	15	279	732	511
Customer deposits & accounts payable to customers		15 614	16 065	16 395
Liabilities classified as held for sale	7	443	1 196	891
Total liabilities		37 107	39 257	38 226
Total equity and liabilities		40 181	42 159	41 228

The Board of Directors
Trondheim, 9 August 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	41	41
Balance Sheet as at 30 June 2010	619	0	2 283	2 902
Result for the period	0	0	100	100
Balance Sheet as at 31 December 2010	619	0	2 383	3 002
Dividend paid	0	0	-152	-152
Share capital increase	30	0	121	151
Result for the period	0	0	73	73
Balance Sheet as at 30 June 2011	649	0	2 425	3 074

The Board of Directors
Trondheim, 9 August 2011

Statement of Cash Flows - Group

NOK MILLION	30.06.11	30.06.10	GROUP FULL YEAR 2010
Cash flows from operating activities			
Interest/commission received and fees received from customers	955	6 747	7 735
Interest/commission paid and fees paid to customers	-45	-52	-442
Interest received on other investments	173	134	192
Interest paid on other loans	-517	-411	-609
Receipts/disbursements (-) on loans and advances to customers	-193	-1 715	-2 488
Receipts/payments on customer deposits and accounts payable to customers	-1 258	-779	-371
Receipts/payments (-) on liabilities to credit institutions	71	-4 599	-5 481
Receipts/payments (-) on securities in issue	570	-619	-470
Receipts on written-off debt	15	5	14
Other receipts/payments	25	-22	-27
Payments to suppliers for goods and services	-79	-80	-161
Payments to employees, pensions and social security expenses	-64	-48	-86
Tax paid	0	0	0
Net cash flow from operating activities	-347	-1 439	-2 194
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	261	-1928	-1 895
Receipts/payments (-) on short-term securities investments	470	3327	4 019
Receipts/payments (-) on long-term securities investments	0	0	0
Proceeds from sale of operating assets etc.	25	0	0
Purchase of operating assets etc.	-45	-4	-31
Proceeds from sale of subsidiaries	0	0	0
Net cash flow from investing activities	711	1 395	2 093
Cash flow from financing activities			
Receipts/payments (-) of subordinated loan capital	-229	100	228
Net cash flow from financing activities	-229	100	228
Net cash flow for the period	135	56	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 30 June	1 147	941	1 012

Notes - Group

NOTE 1. ACCOUNTING POLICIES

The half-yearly interim consolidated financial statements to 30 June 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.

As of 1 January 2011, the Group changed its accounting policy with respect to classifying immediate changes in value and gains/losses on the sale of repossessed properties. We have now elected to carry these under impairment losses on loans and advances since there is a close connection between the repossessed property and the original loan.

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

					GROUP
NOK MILLION	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Change in value int. rate deriv. oblig. carried at fair value thro profit or loss [1,4]	-2	7	-7	32	52
Change in value currency deriv. oblig. carried at fair value thro profit or loss [2]	29	-18	-3	-69	-252
Change value comb. int. rate & curr. deriv. oblig. carried fair value thro profit/loss [2]	0	0	0	69	70
Change value equity-linked options&equity opt. oblig. carried fair value thro profit/loss [1]	14	0	11	3	3
Total change value of financial instruments obliged to be carried at fair value	41	-11	1	35	-127
Change value deposits selected for fair value carrying through profit or loss [4]	3	4	1	1	-1
Change in value borrowings selected for fair value carrying thro profit or loss [4]	-19	-11	12	-56	-61
Change in value loans selected for fair value carrying through profit or loss [4]	10	8	-11	20	17
Change in value short-term fin. investments selected for fair value carrying [3]	7	-10	6	-7	4
Total change in value of financial instruments selected for fair value carrying	1	-9	8	-42	-41
Change in value of interest rate derivatives, hedging [5]	27	9	-6	9	-10
Change in value of borrowings, hedged [5]	-27	-9	6	-9	10
Total change in value of financial instruments for hedging	0	0	0	0	0
Total change in value financial instruments carried at fair value, gains & losses	42	-20	9	-7	-168
Realised exch. gains/losses(-) bonds & certificates carried at amortised cost	-5	-2	-8	-9	-20
Realised exch. gains/losses(-) loans & borrowings carried at amortised cost	0	0	0	-1	-1
Exchange gains/losses on borrowings and loans carried at amortised cost [2]	-27	17	3	-4	175
Total change in value of fin. instruments carried at fair value, gains and losses	10	-5	4	-21	-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 30 June 2011 recognised expense totalled NOK 2 million, compared with NOK 2 million for the first half of 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 3 million for the first half-year to 30 June 2011, compared with recognised expense of NOK 3 million as at 30 June 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 income of NOK 1 million for the first half-year to 30 June 2011, compared with recognised expense of NOK 7 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 12 million for the first half-year to 30 June 2011, compared with recognised income of NOK 1 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 30 June 2011 was negative by NOK 23 million.

[6] Realised gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 8 million for the first half-year to 30 June 2011, compared with recognised expense of NOK 10 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	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Guarantee commission	5	1	10	-7	-2
Net commission income/charges [1]	23	21	44	48	97
Operating income from real property	0	0	0	0	0
Other operating income	1	1	1	7	10
Total other operating income	29	23	55	48	105

[1] Commission income relating to the management of portfolios in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt totalled NOK 37 million as at 30 June 2011 and NOK 44 million for the same period of 2010. Recognised income for the full year 2010 totalled NOK 82 million.

NOTE 4. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIOS

GROUP

NOK MILLION	30.06.11	30.06.10	FULL YEAR 2010
Loans Corporate Market and Retail Market, Group	31 137	29 176	30 700
Seller's credit	1 621	1 915	1 877
Loans in remaining entity (continuing operations)	32 758	31 091	32 577
Loans transferred to SpareBank 1 Næringskreditt	8 065	7 751	7 308
Loans transferred to SpareBank 1 Boligkreditt	3 228	1 874	2 384
Total loans managed portfolio	44 051	40 716	42 269
Divested portfolio	145	1 989	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	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Write-offs in excess of prior-year write-downs	1	5	5	1	65
Write-offs on loans without prior write-downs	0	0	5	0	0
Write-offs transferred to divested portfolio	0	0	0	-6	-22
Write-downs for the period:					
Change in collective write-downs	-8	-8	-4	-7	-15
Change in collective write-downs transferred to divested portfolio	6	7	10	5	11
Total change in collective write-downs	-2	-1	6	-2	-4
Increase in loans with prior-year write-down	12	56	28	92	35
Provisions against loans without prior write-downs	5	10	12	17	21
Decrease in loans with prior-year write-downs	-10	-25	-15	-44	-36
Change in individual write-downs transferred to divested portfolio	0	-34	0	-34	-25
Total change in individual write-downs	7	7	25	31	-5
Gross impairment losses	6	11	41	24	34
Recoveries on previous write-offs [1]	13	0	13	1	2
Impairment losses	-7	11	28	23	32
Revenue recognition of interest on written-down loans	2	3	7	7	2

[1] NOK 9 million relates to the reported profit on the sale of a previously repossessed property in Tromsø in the second quarter of 2011.

GROUP

NOK MILLION	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Individual write-downs to cover impairment losses at start of the period	92	123	78	114	114
Write-offs covered by prior-year individual write-downs	-13	0	-13	-13	-94
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	6	58	13	93	29
Write-downs on loans without prior individual write-downs	2	10	2	16	21
Decrease in loans with prior-year individual write-downs	-7	-25	-16	-44	-56
Transferred assets classified as held for sale	0	-34	16	-34	64
Individual write-downs to cover impairment losses at end of the period	80	132	80	132	78
Collective write-downs to cover impairment losses at start of the period	91	86	83	87	87
Collective write-downs for then period to cover impairment losses	-8	-8	-4	-7	-15
Transferred assets classified as held for sale	6	7	10	5	11
Collective write-downs to cover impairment losses at end of the period	89	85	89	85	83

					GROUP
NOK MILLION	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Loss provision financial guarantee Ålesund portfolio at start of period [1]	41	0	26	0	0
Write-offs covered by prior-year individual write-downs	0	0	0	0	0
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	6	0	13	0	26
Write-downs on loans without prior individual write-downs	3	0	10	0	0
Decrease in loans with prior-year individual write-downs	-5	0	-4	0	0
Loss provision financial guarantee Ålesund portfolio at end of period [1]	**45**	**0**	**45**	**0**	**26**
Individual write-down relating to Ålesund portfolio classified as held for sale	2	115	2	115	18
Collective write-downs relating to Ålesund portfolio classified as held for sale	9	26	9	26	19
Total loss provisions relating to Ålesund portfolio	**56**	**141**	**56**	**141**	**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	30.06.11	30.06.10	FULL YEAR 2010
Gross principal	158	440	193
Individual write-downs	5	58	34
Net principal	**153**	**382**	**159**

Other loans with individual write-downs [1]

			GROUP
NOK MILLION	30.06.11	30.06.10	FULL YEAR 2010
Gross principal	732	427	654
Individual write-downs	77	74	63
Net principal	**655**	**353**	**591**

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

						GROUP
NOK MILLION	GROSS OUTSTANDING 30.06.11	%	GROSS OUTSTANDING 30.06.10	%	GROSS OUTSTANDING 2010	%
Corporate market	70	0.31	380	2.24	67	0.30
Retail market	66	0.65	60	0.58	70	0.67
Divested loan portfolio	22	0.64	0	0.00	56	1.53
Total	**158**	**0.44**	**440**	**1.23**	**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 5 570 million as at 30 June 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 (at 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 (at face value) as at 31 March 2011	2 310	14 685	16 995
New issues	1 100	1 725	2 825
Increase in existing issues	0	495	495
Purchase and maturity of existing securities	-1 417	-2 090	-3 507
Net debt (at face value) as at 30 June 2011	1 993	14 815	16 808

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 30 June 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 (at 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 (at face value) as at 31 March 2011	650	800	1 450
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing securities	0	0	0
Net debt (at face value) as at 30 June 2011	650	800	1 450

Recognised values

NOK MILLION	GROUP 30.06.11	30.06.10	FULL YEAR 2010
Certificates carried at amortised cost	0	396	296
Certificates selected for fair value carrying	2 020	3 299	2 863
Total recognised value of certificates	2 020	3 695	3 159
Bonds carried at amortised cost	5 554	6 987	7 185
Bonds selected for fair value carrying	9 409	5 834	6 259
Total recognised value of bonds	14 963	12 821	13 444
Total recognised value of debt securities in issue	16 983	16 516	16 603

NOK MILLION	GROUP 30.06.11	30.06.10	FULL YEAR 2010
Perpetual subordinated loan capital securities carried at amortised cost	485	84	485
Perpetual subordinated loan capital securities selected for fair value carrying	173	173	169
Total recognised value of perpetual subordinated loan capital securities	658	257	654
Subordinated loans carried at amortised cost	801	1 273	1 001
Subordinated loans selected for fair value carrying	0	31	31
Total recognised value of subordinated loans	801	1 304	1 032
Total recognised value of subordinated loans and perpetual subordinated loan capital securities	1 459	1 561	1 686

NOTE 7. RESULTS OF DIVESTED OPERATIONS

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 during the third 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	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Net income from interest and credit commissions	1	9	3	21	35
Total other operating income	0	3	1	5	5
Total other operating expense	0	0	-3	0	5
Total impairment losses on loans and advances	-6	27	-10	36	36
Pre-tax profit/(loss)	7	-15	17	-10	-1
Computed tax charge	2	-4	5	-3	0
Profit/(loss) from discontinued operation after tax	5	-11	12	-7	-1

Statement of cash flows relating to divested operation

					GROUP
NOK MILLION	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Cash flow from operating activities	1	12	7	26	35
Cash flow from investing activities	0	0	0	0	0
Cash flow from financing activities	0	0	0	0	0
Net cash flow for the period	1	12	7	26	35

Specification of results of remaining entity

					GROUP
NOK MILLION	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Net income from interest and credit commissions	95	88	186	183	380
Total other operating income	39	18	59	27	91
Total other operating expense	73	64	135	120	245
Operating profit/(loss) before impairment losses on loans	61	42	110	90	226
Impairment losses on loans and advances	-7	11	28	23	32
Pre-tax profit/(loss) from remaining entity	68	31	82	67	194
Computed tax charge	17	9	21	19	52
Profit/(loss) after tax from remaining entity	51	22	61	48	142

Specification of results of divested operation and guarantee portfolio

			GROUP
NOK MILLION	30.06.2011	30.06.2010	FULL YEAR 2010
Net income from interest and credit commissions	-3	19	25
Total other operating income	10	-6	-1
Total other operating expense	-3	0	5
Total impairment losses on loans and advances	1	45	38
Pre-tax profit/(loss)	9	-32	-19
Computed tax charge	3	-9	-5
Profit/(loss)(from operation under disposal (divestment)	6	-23	-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	30.06.2011	30.06.2010	FULL YEAR 2010
Share capital	649	619	619
Other reserves	2 388	2 286	2 383
Proposed provision for group contribution	0	0	0
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings)[1]	659	257	653
Less:			
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings) that cannot be included[1]	-136	0	-137
Intangible assets	-21	-7	-16
Deferred tax assets	-54	-101	-54
Tier 1 capital[2]	3 485	3 054	3 448
Fixed-term subordinated loan capital	937	1 303	971
Less:			
Fixed-term subordinated loan capital that cannot be included			0
Net Tier 2 capital	937	1 303	971
Total capital base	4 422	4 357	4 419
Risk-weighted assets	31 666	31 600	31 881
Tier 1 capital ratio (%)	11.0	9.7	10.8
Capital adequacy ratio (%)	14.0	13.8	13.9

[1] For more details, see Note 6.

Spesifikasjon av risikovektet balanse

				GROUP
NOK MILLION	30.06.2011		FULL YEAR 2010	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	2 091	0	1 843	0
10 %	1 404	140	1 203	120
20 %	4 985	997	6 405	1 281
35 %	9 939	3 479	9 668	3 384
50 %	658	329	646	323
75 %	681	511	1 120	840
100 %	26 210	26 210	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	45 968	31 666	46 818	31 881
Capital adequacy ratio (%)		14.0		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 sued us individually in the District Court, but the District Court's decision of 8 July 2011 went against them. The total loan commitment involved as at 30 June 2011 was NOK 4 million.

BN Bank also provided loans to finance Artemis structured products. BN Bank is being sued by eight customers, three of whom are limited companies, with the total loan financing as at 30 June 2011 amounting to NOK 146 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, which BN Bank disputes. 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 has contested the claim and is suing BN bank for the offset. Glitnir's winding-up board is also claiming interest amounting to NOK 12 million.

NOTE 10. CONTINGENT OUTCOME, 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.

The building at Munkegata 21 was sold in the second quarter of 2011 and will give rise to an accounting gain in the third quarter. New owners will take over the building in September 2011.

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 June 2011, the book value of transferred loans was NOK 8.1 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 30 June 2011, BNkreditt's capital adequacy ratio was 18.2 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 290 million as at 30 June 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 30 June 2011, these guarantees totalled NOK 527 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 2010 and 2011. At the end of June 2011, the book value of transferred loans was NOK 3.2 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 30.06.2011
Net income from interest and credit commissions	135	56	-6	186
Change in value of financial instruments carried at fair value	2	1	0	4
Other operating income	45	1	9	55
Total other operating income	48	2	9	59
Salaries and general administrative expenses	-47	-61	0	-108
Ordinary depreciation, amortisation and write-downs	-4	-4	0	-8
Other operating expense	-10	-9	0	-19
Total other operating expense	-61	-74	0	-135
Operating profit/(loss) before impairment losses	122	-15	3	110
Impairment losses on loans and advances	-10	-6	-12	-28
Operating profit/(loss) after impairment losses	112	-22	-9	81
Computed tax charge	-30	6	2	-21
Profit/(loss) for remaining entity after tax	82	-15	-7	60

				GROUP
NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 30.06.2011
Lending (gross) including loans in covered bonds companies	29 052	13 378	1 621	44 051
Customer deposits and accounts payable to customers	1 290	14 325	0	15 615

				GROUP
NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 30.06.2010
Net income from interest and credit commissions	107	77	-1	183
Change in value of financial instruments carried at fair value	-11	-8	0	-19
Other operating income	56	2	-12	46
Total other operating income	45	-6	-12	27
Salaries and general administrative expenses	-47	-56	0	-103
Ordinary depreciation, amortisation and write-downs	-3	-2	0	-5
Other operating expense	-8	-5	0	-12
Total other operating expense	-57	-63	0	-120
Operating profit/(loss) before impairment losses	95	8	-13	90
impairment losses on loans and advances	-13	-1	-9	-23
Operating profit/(loss) after impairment losses	82	8	-22	67
Computed tax charge	-23	-2	6	-19
Profit/(loss) for remaining entity after tax	59	5	-16	48

				GROUP
NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 30.06.2010
Lending (gross) including loans in covered bonds companies	26 527	12 274	1 915	40 716
Customer deposits and accounts payable to customers	859	15 206	0	16 065

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	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Interest and similar income	398	387	377	371	358
Interest expense and similar charges	303	296	275	276	270
Net income from interest and credit commissions	95	91	102	95	88
Change in value of financial instruments carried at fair value, gains & losses	10	-6	22	-16	-5
Other operating income	29	26	31	27	23
Total other operating income	39	20	53	11	18
Salaries and general administrative expenses	57	51	56	50	58
Depreciation, amortisation and write-downs	4	4	3	3	2
Other operating expense	12	7	7	6	4
Total other operating expense	73	62	66	59	64
Operating profit/(loss) before impairment losses	61	49	89	47	42
Impairment losses on loans and advances	-7	35	4	5	11
Pre-tax profit/(loss)	68	14	85	42	31
Computed tax charge	17	4	22	11	9
Profit/(loss) remaining entity	51	10	63	31	22
Profit/(loss) from operation under disposal (divestment)	5	7	-5	11	-11
Profit/(loss) including divested operation	56	17	58	42	11

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 for both the Group and the Parent Bank.

Income Statement - Parent Bank

						PARENT BANK
NOK MILLION	NOTE	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Interest and similar income		275	218	538	413	902
Interest expense and similar charges		239	192	471	357	767
Net income from interest and credit commissions		36	26	67	56	135
Change value fin instr fair value, gains&losses	2	11	22	11	5	55
Other operating income	3	10	7	19	12	34
Total other operating income		21	29	30	17	89
Salaries and general administrative expenses		38	40	72	68	134
Depreciation, amortisation and write-downs		4	2	8	5	10
Other operating expense		0	0	1	2	7
Total other operating expense		42	42	81	75	151
Operating profit/(loss) before impairment losses		15	13	16	-2	73
Impairment losses on loans and advances	6	2	-2	4	4	-19
Operating profit/(loss) after impairment losses		13	15	12	-6	92
Income from ownership int. group companies	4	99	117	99	117	117
Profit/(loss) before tax		112	132	111	111	209
Computed tax charge tax		43	37	43	31	56
Profit/(loss) for the period, remaining entity		69	95	68	80	153
Result of operations under disposal (divestm.)	8	4	-11	12	-7	-1
Profit/(loss) for period inc. discont. operation		73	84	80	73	152
Extended Income Statement under IAS 1						
Change in value financial assets available for sale		0	0	0	0	0
Total P&L items recognised in equity		0	0	0	0	0
Total profit/(loss) for the period		73	84	80	73	152

Balance Sheet - Parent Bank

				PARENT BANK
NOK MILLION	NOTE	30.06.11	30.06.10	FULL YEAR 2010
Assets				
Deferred tax assets		0	35	6
Intangible assets		21	6	16
Ownership interests in group companies		1 877	1 877	1 877
Own funds lending		527	542	542
Tangible fixed assets		22	69	22
Loans and advances	5, 6, 12, 13	14 625	13 760	14 702
Prepayments and accrued income		111	282	148
Financial derivatives	15	284	634	444
Short-term securities investments		4 816	5 980	5 274
Cash and balances due from credit institutions		10 781	5 983	7 504
Assets classified as held for sale	8	470	2 544	1 105
Total assets		33 534	31 712	31 640
Gjeld og egenkapital				
Share capital		649	619	619
Retained earnings	15	1 348	1 219	1 298
Total equity		1 997	1 838	1 917
Deferred tax		35	0	0
Subordinated loan capital	7	1 459	1 561	1 686
Liabilities to credit institutions		3 036	3 506	2 451
Debt securities in issue	7	10 477	6 740	7 702
Accrued expenses and deferred income	6	116	79	111
Other current liabilities		125	28	37
Financial derivatives	15	231	699	450
Customer deposits & accounts payable to cust.		15 615	16 065	16 395
Liabilities classified as held for sale	8	443	1 196	891
Total liabilities		31 537	29 874	29 723
Total equity and liabilities		33 534	31 712	31 640

The Board of Directors
Trondheim, 9 August 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	73	73
Balance Sheet as at 30 June 2010	619	68	282	868	1 837
Result for the period	0	0	0	80	80
Balance Sheet as at 31 Dec. 2010	619	68	282	948	1 917
Dividend paid	0	0	0	-152	-152
Share capital increase	30	122	0	0	152
Result for the period	0	0	0	80	80
Balance Sheet as at 30 June 2011	649	190	282	876	1 997

[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, 9 August 2011

Statement of Cash Flows - Parent Bank

			PARENT BANK
NOK MILLION	30.06.2011	30.06.2010	FULL YEAR 2010
Cash flows from operating activities			
Interest/commission received and fees received from customers	477	2 143	2 983
Interest/commission paid and fees paid to customers	-53	-68	-470
Interest received on other investments	148	165	290
Interest paid on other loans	-296	-163	-280
Receipts/disbursements (-) on loans and advances to customers	99	-161	-602
Receipts/payments on customer deposits & accounts payable to customers	-1 258	-779	-370
Receipts/payments (-) on liabilities to credit institutions	585	-5 294	-6 339
Receipts/payments(-) on securities in issue and securities buy-back	2 845	1 548	2 761
Receipts on written-off debt	6	5	7
Other receipts/payments	39	-32	-95
Payments to suppliers for goods and services	-27	-55	-109
Payments to employers, pensions and social security expenses	-46	-29	-45
Tax paid	0	0	0
Net cash flow from operating activities	2 519	-2 720	-2 269
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	-2 399	-831	-2 031
Receipts/payments (-) on short-term securities investments	470	3 327	4 018
Receipts/payments (-) on long-term securities investments	99	117	117
Proceeds from sale of operating assets etc.	0	0	58
Purchase of operating assets etc.	-13	-4	-30
Proceeds from sale of subsidiaries	0	0	0
Net cash flow from investing activities	-1 843	2 609	2 132
Cash flow from financing activities			
Receipts of subordinated loan capital	-228	100	228
Net cash flow from financing activities	-228	100	228
Net cash flow for the period	448	-11	91
Cash and balances due from central banks as at 1 January *	106	15	15
Cash and balances due from central banks as at 30 June	554	4	106

* In the Parent Bank's case, 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	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Change in value int. rate deriv. obliged carried fair value thro profit or loss [1, 4]	1	-3	25	5	52
Change in value currency deriv. obliged carried fair value thro profit or loss [2]	29	-17	-3	-69	-252
Change value comb. int.rate & curr.deriv. oblig carried fair value thro P/L [2]	0	0	0	69	69
Change value equity-linked opt & equity opt. oblig carried fair value thro P/L [1]	14	0	11	3	3
Total change in value of financial instruments obliged to be carried at fair value	44	-20	33	8	-128
Change in value of deposits selected for fair value carrying thro profit or loss [4]	3	3	1	1	-1
Change in value borrowings selected for fair value carrying thro profit or loss [4]	-26	-15	-30	-53	-82
Change in value of loans selected for fair value carrying through profit or loss [4]	-16	51	-18	72	105
Change in value short-term financial investm. selected for fair value carrying [3]	7	-10	6	-7	4
Total change in value of financial instruments selected for fair value carrying	-32	29	-41	13	26
Change in value of interest rate derivatives, hedging [5]	20	1	0	1	-9
Change in value of borrowings, hedged [5]	-20	-1	0	-1	9
Total change in value of financial instruments for hedging	0	0	0	0	0
Total change in value of financial instruments carried at fair value	12	9	-8	21	-102
Realised exch. gains/losses(-) bonds & certificates at amortised cost [6]	-2	-1	-4	-4	-7
Realised exch. gains/losses(-) loans & borrowings carried at amortised cost [6]	0	0	0	-11	-10
Exchange gains/losses on borrowings and loans carried at amortised cost [2]	1	14	23	-1	174
Total change in value financial instruments carried at fair value, gains&losses	11	22	11	5	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 30 June 2011 recognised expense totalled NOK 2 million, compared with NOK 2 million for the second 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. There was no net foreign exchange effect for the Group as at 30 June 2011, compared with recognised expense of NOK 3 million for the second quarter to 30 June 2011. Recognised expense for the full year 2010 was NOK 7 million. Exposure to exchange rate fluctuations is low.

[3] Chang in the value of financial investments selected for fair value carrying gave rise to recognised expense of NOK 1 million for the second quarter to 30 June 2011, compared with recognised income of NOK 7 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 16 million for the second quarter to 30 June 2011, compared with recognised expense of NOK 32 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 30 June 2011 was negative by NOK 22 million.

[6] Realised gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 4 million as at 30 June 2011, compared with recognised expense of NOK 15 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	2. KV 2011	2. KV 2010	30.06.11	30.06.10	FULL YEAR 2010
Guarantee commission	5	1	10	-7	-2
Net commission income/charges	3	0	6	4	16
Other operating income	2	6	3	15	20
Total other operating income	10	7	19	12	34

NOTE 4. INCOME FROM OWNERSHIP INTERESTS 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 136 million and NOK 8 million before tax to cover prior-year losses. The Parent Bank has in addition returned group contribution of NOK 44 million to the subsidiary BNkreditt.

The Parent Bank's Annual General Meeting also resolved to pay a dividend of NOK 152 million. A corresponding capital increase of NOK 152 million was adopted at an Extraordinary General Meeting of the Parent Bank.

NOTE 5. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIOS

			PARENT BANK
NOK MILLION	30.06.2011	30.06.2010	FULL YEAR 2010
Loans Corporate Market and Retail Market	13 078	11 977	12 906
Seller's credit	1 620	1 915	1 877
Loans in remaining entity	14 698	13 892	14 783
Loans transferred to SpareBank1 Boligkreditt	3 228	1 874	2 384
Total loans inc. loans transf. to SpareBank 1 Boligkreditt	17 926	15 766	17 167
Divested portfolio	145	1 989	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	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Write-offs in excess of prior-year write-downs	1	5	1	1	38
Write-offs on loans without prior write-downs	0	0	0	0	0
Write-offs transferred to divested operation	0	0	0	-6	-22
Write-downs for the period:					
Change in collective write-downs	-8	-6	-14	-10	-13
Change in collective write-downs transferred to divested operation	6	7	10	5	11
Total change in collective write-downs	-2	1	-4	-5	-2
Increase in loans with prior-year write-downs	9	41	16	76	12
Provisions against loans without prior write-downs	3	9	10	16	7
Decrease in loans with prior-year write-downs	-5	-24	-15	-43	-25
Change in individual write-downs transferred to divested operation	0	-34	0	-34	-25
Total change in individual write-downs	7	-8	11	15	-31
Gross impairment losses	6	-2	8	5	-17
Recoveries on previous write-offs	4	0	4	1	2
Impairment losses on loans and advances	2	-2	4	4	-19
Revenue recognition on written-down loans	1	2	2	5	-4

PARENT BANK

NOK MILLION	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Individual write-downs to cover impairment losses at start of the period	38	102	43	93	93
Write-offs covered to prior-year individual write-downs	0	0	-9	-13	-88
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	3	43	3	78	12
Write-downs on loans without prior-year individual write-downs	0	9	0	15	7
Decrease in loans with prior-year individual write-downs	-1	-23	-13	-42	-45
Transferred assets classified as held for sale	0	-34	16	-34	64
Individual write-downs to cover impairment losses at end of the period	40	97	40	97	43
Collective write-downs to cover impairment losses at start of the period	36	34	38	40	40
Collective write-downs for the period to cover impairment losses	-8	-6	-14	-10	-13
Transferred assets classified as held for sale	6	7	10	5	11
Collective write-downs to cover impairment losses at end of the period	34	35	34	35	38

PARENT BANK

NOK MILLION	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Loss provision financial guarantee relating to Ålesund portf. at start of period [1]	41	0	26	0	0
Write-offs covered by prior-year individual write-downs	0	0	0	0	0
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	6	0	13	0	26
Write-downs on loans without prior individual write-downs	3	0	10	0	0
Decrease in loans with prior-year individual write-downs	-5	0	-4	0	0
Loss provision financial guarantee relating to Ålesund portf. at end of period [1]	45	0	45	0	26
Individual write-down relating to Ålesund portfolio classified as held for sale	2	115	2	115	18
Collective write-downs relating to Ålesund portfolio classified as held for sale	9	26	9	26	19
Total loss provisions relating to Ålesund portfolio	56	141	56	141	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]

PARENT BANK

NOK MILLION	30.06.2011	30.06.2010	FULL YEAR 2010
Gross principal	82	339	110
Individual write-downs	5	36	34
Net principal	77	303	76

Other loans with individual write-downs [1]

PARENT BANK

NOK MILLION	30.06.2011	30.06.2010	FULL YEAR 2010
Gross principal	239	228	115
Individual write-downs	37	61	28
Net principal	202	167	87

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

PARENT BANK

NOK MILLION	GROSS OUTSTANDING 30.06.11	%	GROSS OUTSTANDING 30.06.10	%	GROSS OUTSTANDING 2010	%
Corporate market	5	0.07	129	1.77	0	0.00
Retail market	55	0.69	45	0.68	54	0.71
Divested loan portfolio	22	0.64	0	0.00	56	1.53
Total	82	0.45	174	0.94	110	0.60

[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 7. BORROWING (FUNDING)

Debt securities in issue

The Parent Bank had issued bonds and certificates with a face value of NOK 5 520 million as at 30 June 2011, either 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
New issues	1 100	1 725	2 825
Increase in existing issues	0	445	445
Purchase and maturity of existing securities	-860	-604	-1 464
Net debt (face value) as at 30 June 2011	1 993	8 427	10 420

Subordinated loan capital and perpetual subordinated loan capital securities

The Parent Bank had issued no perpetual subordinated loan capital securities or subordinated loans as at 30 June 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
New 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 30 June 2011	650	800	1 450

Recognised values

		PARENT BANK	
NOK MILLION	30.06.2011	30.06.2010	FULL YEAR 2010
Certificates carried at amortised cost	0	396	296
Certificates carried at fair value	2 020	2 335	2 296
Total recognised value of certificates	2 020	2 731	2 592
Bonds carried at amortised cost	6 598	2 854	3 575
Bonds selected for fair value carrying	1 859	1 155	1 535
Total recognised value of bonds	8 457	4 009	5 110
Total recognised value of debt securities in issue	10 477	6 740	7 702
Perpetual subordinated loan capital securities carried at amortised cost	485	84	485
Perpetual subordinated loan capital securities carried at fair value	173	173	169
Total recognised value of perpetual subordinated loan capital securities	658	257	654
Subordinated loans carried at amortised cost	801	1 273	1 001
Subordinated loans selected for fair value carrying	0	31	31
Total recognised value of subordinated loans	801	1 304	1 032
Total recognised value of subordinated loans and perpetual subordinated loan capital securities	1 459	1 561	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 third 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	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Net income from interest and credit commissions	1	9	3	21	35
Total other operating income	0	3	1	5	5
Total other operating expense	0	0	-3	0	5
Total impairment losses on loans and advances	-6	27	-10	36	36
Pre-tax profit/(loss)	7	-15	17	-10	-1
Computed tax charge	2	-4	5	-3	0
Profit/(loss) from discontinued operation after tax	5	-11	12	-7	-1

Specification of results of remaining entity

PARENT BANK

NOK MILLION	Q2 2011	Q2 2010	30.06.11	30.06.10	FULL YEAR 2010
Net income from interest and credit commissions	36	26	67	56	29
Total other operating income	21	29	30	17	235
Total other operating expense	42	42	81	75	173
Operating profit/(loss) before impairment losses	15	13	16	-2	91
Impairment losses on loans and advances	2	-2	4	4	15
Pre-tax profit/(loss) from remaining entity	13	15	12	-6	76
Income from ownership interests in group companies	99	117	99	117	384
Pre-tax profit/(loss)	112	132	111	111	460
Computed tax charge	43	37	43	31	131
Profit/(loss) after tax from remaining entity	69	95	68	80	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	30.06.2011	30.06.2010	FULL YEAR 2010
Share capital	838	619	619
Other reserves	1 119	1 187	1 298
Proposed provision for group contribution	0		0
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings)[1]	659	257	654
Less:			
Perpetual subordinated loan capital (perpetual subord. loan cap. borrowings) that cannot be included [1]	-318	0	-320
Intangible assets	-21	-33	-16
Deferred tax assets	0	-6	-6
Tier 1 capital [2]	2 277	2 024	2 229
Fixed-term subordinated loan capital	1 119	1 304	1 154
Less:			
Fixed-term subordinated loan capital that cannot be included	-151	-420	-206
Net tier 2 capital	968	884	948
Total capital base	3 245	2 908	3 177
Risk-weighted assets	18 220	18 711	17 935
Tier 1 capital ratio (%)	12.5	10.8	12.4
Capital adequacy ratio (%)	17.8	15.5	17.7

[1] 1 For more details, see Note 7.

Specification of risk-weighted assets

				PARENT BANK
NOK MILLION	30.06.2011		30.06.2010	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	2 091	0	1 843	0
10 %	1 404	140	1 203	120
20 %	14 746	2 949	13 194	2 639
35 %	7 283	2 549	7 196	2 519
50 %	633	317	641	321
75 %	681	511	1 120	840
100 %	11 754	11 754	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	38 592	18 220	36 693	17 935
Capital adequacy ratio (%)		17.8		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 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 concluded.

Following this ruling, some of our customers sued us individually in the District Court, but the District Court's decision of 8 July 2011 went against them. The total loan commitment involved as at 30 June 2011 was NOK 4 million.

BN Bank also provided loans to finance Artemis structured products. BN Bank is being sued by eight customers, three of whom are limited companies, with the total loan financing as at 30 June 2011 amounting to NOK 130 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, which BN Bank disputes. 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 has contested the claim and is suing BN bank for the offset. Glitnir's winding-up board is also claiming interest amounting to NOK 12 million.

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 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 June 2011, the book value of transferred loans was NOK 8.1 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 30 June 2011, BNkreditt's capital adequacy ratio was 18.2 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 290 million as at 30 June 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 30 June 2011, these guarantees totalled NOK 527 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 2010 and 2011. At the end of June 2011, the book value of transferred loans was NOK 3.2 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. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

PARENT BANK

NOK MILLION	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Interest and similar income	275	263	254	235	218
Interest expense and similar charges	239	232	207	203	192
Net income from interest and credit commissions	36	31	47	32	26
Change in value of financial instruments carried at fair value, gains & losses	11	0	38	136	22
Other operating income	10	9	12	-114	7
Total other operating income	21	9	50	22	29
Salaries and general administrative expenses	38	34	33	33	40
Depreciation, amortisation and write-downs	4	4	2	3	2
Other operating expense	0	1	5	0	0
Total other operating expense	42	39	40	36	42
Operating profit/(loss) before impairment losses	15	1	57	18	13
Impairment losses on loans and advances	2	2	-20	-3	-2
Operating profit/(loss) after impairment losses	13	-1	77	21	15
Income from ownership interests in group companies	99	0	0	0	117
Profit/(loss) before tax	112	-1	77	21	132
Computed tax charge	43	0	19	6	37
Profit/(loss) for the period, remaining entity	69	-1	58	15	95
Profit/(loss) from operation under disposal (divestment)	4	8	-5	11	-11
Profit/(loss) including divested operation	73	7	53	26	84

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 for both 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 half-yearly interim financial statements for the period 1 January to 30 June 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 half-yearly 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 half-yearly financial statements give a true and fair view of important events during the accounting period and their effect on the half-yearly accounts, and a description of the most significant risks and uncertainty factors facing the Company and the Group in the next accounting period.

Trondheim, 9 August 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	Svend Lund (Acting Man. Director)

Auditor`s Report

pwc

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 interim financial information of BN Bank ASA, which comprise the financial statements of the group and the financial statements of the parent company. The financial statements of the group and the financial statements of the parent company comprise balance sheet as of 30 June 2011 and the related statements of income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this 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 interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Trondheim, 9 August 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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