BN Boligkreditt AS

INTERIM REPORT 3rd QUARTER | 2011

BN Bank

Content

Summary of results for Q3 2011

- Profit of NOK 18 million (NOK 39 million: Q2 2011)
- Operating expense totalled NOK 23 million (NOK 24 million: Q2 2011)
- Total lending decreased by NOK 0.4 billion in Q3 2011 (increased by NOK 0.8 billion: Q2 2011)
- Increase in non-performing loans from 0.40 per cent to 1.25 per cent
- Impairment losses on loans NOK 11 million (NOK -9 million: Q2 2011)
- Capital adequacy ratio of 18.4 per cent (18.2 per cent: 30.6.2011)

Financial Ratios

NOK MILLION	NOTE	30.09.11	% OF ATA	30.09.10	% OF ATA	FULL YEAR 2010	% OF ATA
Summary of results							
Net income from interest and credit commissions		34	1.41 %	40	0.84 %	51	0.95 %
Total other operating income		-4	-0.17 %	-17	-0.36 %	-9	-0.17 %
Total income		30	1.25 %	23	0.49 %	42	0.78 %
Total other operating expense		5	0.21 %	16	0.34 %	18	0.33 %
Operatingprofit/(loss) before impairment losses		25	1.04 %	7	0.15 %	24	0.45 %
Impairment losses on loans and advances		-1	-0.04 %	-2	-0.04 %	-2	-0.04 %
Profit/(loss) before tax		26	1.08 %	9	0.19 %	26	0.48 %
Computed tax charge		7	0.29 %	3	0.06 %	7	0.13 %
Profit/(loss) for the period		19	0.79 %	6	0.13 %	19	0.35 %
Profitability							
Return on equity	1	8.9 %		2.7 %		6.4 %	
Net interest margin	2	1.41 %		0.84 %		0.95 %	
Cost-income ratio	2	16.7 %		69.6 %		42.9 %	
Balance sheet figures							
Gross lending		2 140		2 757		2 790	
Increase/decrease in lending (gross) last 12 months		-22.4 %		-59.1 %		-57.2 %	
Average total assets (ATA)	3	3 209		6 314		5 387	
Total assets		2 745		3 860		3 311	
Losses on loans and non-performing loans							
Loss ratio lending	4	0.00 %		-0.05 %		-0.05 %	
Non-performing loans as a percentage of gross lending		0.37 %		0.62 %		0.61 %	
Other doubtful commitments as a percentage of gross lending		0.00 %		0.00 %		0.00 %	
Solvency							
Capital adequacy ratio	6	36.4 %		26.5 %		29.7 %	
Tier 1 capital ratio	6	28.7 %		20.8 %		23.4 %	
Tier 1 capital	6	285		273		282	
Capital base	6	361		348		358	
Shares							
Earnings per share for the period (whole NOK)		42.22		13.33		42.22	

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

Directors´ Report

Summary of results for the nine months to 30 September 2011

BN Boligkreditt AS (BN Boligkreditt) posted a profit of NOK 19 million after tax for the nine months to 30 September 2011, compared with NOK 6 million for the same period of 2010. The increase in profit is mainly attributable to positive changes in the value of financial instruments.

The funding situation for BN Boligkreditt is good, and the Company is well capitalised.

The figure for non-performing loans as a percentage of gross lending is 0.37 per cent, which is 0.24 percentage points lower than at the start of the year. BN Boligkreditt will continue to focus closely on monitoring and following up non-performing loans.

Operations, objectives and strategy

BN Boligkreditt is licensed by the Financial Supervisory Authority of Norway to operate as a mortgage credit institution. BN Boligkreditt is BN Bank's credit institution for the issuance of covered bonds.

The Company's strategy is to issue covered bonds on the basis of BN Bank's well-secured residential mortgage loans and to provide the BN Bank Group with access to this financing instrument. The objective is to facilitate effective and more diversified funding of the Group's businesses.

BN Boligkreditt does not provide loans itself, but procures residential mortgage loans from BN Bank. The Company procures loans that qualify for issuing covered bonds. The maximum amount of loan disbursed at the date of acquisition is 75 per cent loan-to-value ratio. The loan portfolio consists of residential mortgage loans and variable-rate credit lines secured on dwellings.

BN Boligkreditt was established in 2007 and acquired its first loan portfolio in January 2008.

BN Boligkreditt's head office is in Trondheim. The Company's borrowers are geographically spread, but concentrated in the largest Norwegian towns and cities.

Financial developments

BN Boligkreditt presents its financial statements in compliance with International Financial Reporting Standards (IFRS).

Profit performance for the nine months to 30 September 2011

BN Boligkreditt recorded a profit after tax of NOK 19 million for the nine months to 30 September 2011, compared with NOK 6 million for the same period of 2010. The increase in profit is mainly attributable to positive changes in the value of financial instruments.

Net interest income for the nine months to 30 September 2011 was NOK 34 million, compared with NOK 40 million for the same period of 2010. Net interest income was pulled down slightly by a lower volume of lending and falling lending margins.

At the end of the third quarter of 2011, other operating income had increased by NOK 13 million compared with 2010. The Company's derivatives and some bond borrowings are carried at fair value. Interest rate risk in the Company is low, and fluctuations in interest rates should have a limited net profit-and-loss effect. During periods when interest rate spreads between different instruments develop differently, profit-and-loss effects may arise. As at 30 September 2011, this gave rise to a negative profit-and-loss effect of NOK 4 million, while the profit-and-loss effect for the same period of 2010 was negative by NOK 17 million. These effects will even out in the long term.

Operating expense totalled NOK 5 million for the three quarters to 30 September 2011, which is a decrease of NOK 11 million compared with the same period of 2010. The Company purchases all its operation management services from BN Bank.

Non-performing loans as a percentage of gross lending fell by 0.24 percentage points during the nine months to 30 September 2011, and the figure now stands at 0.37 per cent.

There were no impairment losses on loans in the nine months to 30 September 2011. Collective write-downs totalled NOK 5 million as at 30 September, which is 0.23 per cent of gross lending. Given the low risk attached to the Company's mortgage loan operations, the current loan loss provisions are considered adequate.

Balance Sheet

The loan portfolio stood at NOK 2.1 billion as at 30 September 2011, compared with NOK 2.8 billion at the end of the third quarter of 2010. During the past year, a loan portfolio valued at NOK 0.7 billion was sold to BN Bank to be sold on to SpareBank 1 Boligkreditt. The book value of transferred loans as at 30 September 2011 was NOK 3.4 billion.

As a result of borrowings falling due, debt was reduced by NOK 4.6 billion in 2010. The bond debt was further reduced by NOK 460 million in the three quarters to 30 September 2011. The prices of the Company's remaining bonds are competitive.

Solvency

BN Boligkreditt's capital base at the end of the period was NOK 361 million, giving a capital adequacy ratio of 36.4 per cent. Tier 1 capital was NOK 285 million, giving a tier 1 capital ratio of 28.7 per cent as at 30 September 2011. Risk-weighted assets were NOK 991 million at the same date. The Board of Directors deems the relationship between BN Boligkreditt AS' capital adequacy and relevant risks to be satisfactory.

Outlook

A satisfactory funding situation, a good-quality loan portfolio and strengthened capitalisation all help make BN Boligkreditt well positioned to face any future challenges. Risk in the loan portfolio is considered low, and the Company will remain highly focused on monitoring and following up loans and commitments.

A priority area for BN Boligkreditt will be to make full use of the possibilities for issuing covered bonds. The work will continue to determine whether further developing and coordinating the operations of BN Boligkreditt and Sparebank 1 Boligkreditt can help strengthen the funding of BN Bank's operations.

The Board of Directors
Trondheim, 24 October 2011

Income Statement

NOK MILLION	NOTE	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Interest and similar income		24	33	76	143	170
Interest expense and similar charges		13	22	42	103	119
Net income from interest and credit commissions		11	11	34	40	51
Change in value financial instruments at fair value, gains & losses	2	0	-20	-4	-17	-9
Total other operating income		0	-20	-4	-17	-9
Salaries and general administrative expenses		1	2	5	16	18
Total other operating expense		1	2	5	16	18
Operating profit/(loss) before impairment losses		10	-11	25	7	24
Impairment losses on loans and advances	4	-1	1	-1	-2	-2
Profit/(loss) before tax		11	-12	26	9	26
Computed tax charge		3	-3	7	3	7
Profit/(loss) for the period		8	-9	19	6	19

Balance Sheet

NOK MILLION	NOTE	30.09.11	30.09.10	FULL YEAR 2010
Deferred tax assets		1	5	0
Loans and advances	4, 8	2 135	2 751	2 784
Financial derivatives	10	36	44	51
Cash and balances due from credit institutions		573	1 072	476
Total assets		2 745	3 872	3 311
Share capital		101	101	101
Retained earnings	3, 10	194	168	181
Total equity		295	269	282
Deferred tax		0	0	1
Subordinated loan capital		76	76	76
Liabilities to credit institutions		206	910	332
Debt securities in issue	5	2 158	2 614	2 618
Accrued expenses and deferred income		10	3	0
Tax payable		0	0	2
Total liabilities		2 450	3 603	3 029
Total equity and liabilities		2 745	3 872	3 311

The Board of Directors
Trondheim, 24 October 2011

Statement of Changes in Equity

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER PAID-UP SHARE CAPITAL	OTHER RESERVES	TOTAL EQUITY
Balance Sheet as at 1 January 2010	101	174	0	16	291
Group contribution paid to Parent Bank	0	0	0	-28	-28
Result for the period	0	0	0	6	6
Balance Sheet as at 30 Sept. 2010	101	174	0	-6	269
Result for the period	0	0	0	13	13
Balance Sheet as at 31 Dec. 2010	101	174	0	7	282
Group contribution paid to Parent Bank	0	0	0	-6	-6
Result for the period	0	0	0	19	19
Balance Sheet as at 30 Sept. 2011	101	174	0	20	295

The Board of Directors
Trondheim, 24 October 2011

Statement of Cash Flows

NOK MILLION	30.09.2011	30.09.2010	FULL YEAR 2010
Cash flows from operating activities			
Interest/commission received and fees received from customers	66	129	151
Interest received on other investments	20	21	5
Interest paid on other loans	-58	-131	-122
Receipts/disbursements (-) on loans and advances to customers	647	3 750	3 717
Receipts/payments on customer deposits and accounts payable to customers	0	0	-1
Receipts/payments (-) on liabilities to credit institutions	-122	703	103
Receipts/payments (-) on securities in issue	-439	-3 459	-3 473
Other receipts/payments	-7	-1230	-1 192
Payments to suppliers for goods and services	-5	-16	-18
Net cash flow from operating activities	102	-233	-830
Cash flows from investing activities			
Net cash flow from investing activities	0	0	0
Cash flow from financing activities			
Dividend/group contribution paid	-5	-28	-28
Net cash flow from financing activities	-5	-28	-28
Net cash flow for the period	97	-261	-858
Cash and balances due from central banks as at 1 January	476	1 333	1 334
Cash and balances due from central banks as at 30 September	573	1 072	476

The Board of Directors
Trondheim, 24 October 2011

Notes

NOTE 1. ACCOUNTING POLICIES

The third-quarter interim financial statements for the nine months to 30 September 2011 have been prepared in compliance with IFRS, including IAS 34 Interim Financial Reporting. A description of the accounting policies on which the interim financial statements are based is provided in the Annual Report for 2010.

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

NOK MILLION	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Change in value int. rate deriv. obliged carried at fair value thro profit/loss	3	-4	-8	0	0
Change in value borrowings selected for fair value carrying thro profit/loss	-2	-6	8	-4	4
Total change in value of financial instruments carried at fair value	1	-10	0	-4	4
Realised exch. gains/losses(-) bonds & certificates at amortised cost	-1	-10	-4	-13	-13
Total change in value of financial instruments	0	-20	-4	-17	-9

NOTE 3. CHANGES IN EQUITY

The Annual General Meeting has resolved to render group contribution to the Parent Bank of NOK 8 million before tax.

NOTE 4. IMPAIRMENT LOSSES AND WRITE-DOWNS ON LOANS CARRIED AT AMORTISED COST

The various elements included in impairment losses and write-downs on loans are set out in Note 1 to the Annual Report for 2010. Loans past due more than 3 months are defined as loans not serviced under the loan agreement for 3 months or more. As a first mortgage lender, the Company can however gain access to revenue.

NOK MILLION	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Write-offs in excess of prior-year write-downs	0	0	0	0	0
Write-offs on loans without prior write-downs	0	0	0	0	0
Write-downs for the period:					
Change in collective write-downs	-1	1	-1	-2	-2
Total change in collective write-downs	-1	1	-1	-2	-2
Increase in loans with prior-year write-downs	0	0	0	0	0
Provisions against loans without prior write-downs	0	0	0	0	0
Decrease in loans with prior-year write-downs	0	0	0	0	0
Total change in individual write-downs	0	0	0	0	0
Gross impairment losses	-1	1	-1	-2	-2
Recoveries on previous write-offs	0	0	0	0	0
Impairment losses on loans and advances	-1	1	-1	-2	-2
Revenue recognition of interest on written-down loans	0	0	0	0	0

NOK MILLION	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Individual write-downs to cover impairment losses at start of the period	0	0	0	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	0	0	0	0	0
Write-downs on loans without prior individual write-downs	0	0	0	0	0
Decrease in loans with prior-year individual write-downs	0	0	0	0	0
Individual write-downs to cover impairment losses at end of the period	0	0	0	0	0
Collective write-downs to cover impairment losses at start of the period	6	5	6	8	8
Collective write-downs for the period to cover impairment losses	-1	1	-1	-2	-2
Collective write-downs to cover impairment losses at end of the period	5	6	5	6	6

Loans past due more than 3 months

NOK MILLION	30.09.2011	30.09.2010	FULL YEAR 2010
Gross principal	8	17	17
Individual write-downs	0	0	0
Net principal	8	17	17

Other loans with individual write-downs

NOK MILLION	30.09.2011	30.09.2010	FULL YEAR 2010
Gross principal	0	0	0
Individual write-downs	0	0	0
Net principal	0	0	0

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

NOK MILLION	GROSS OUTSTANDING 30.09.11	%	GROSS OUTSTANDING 30.09.10	%	GROSS OUTSTANDING 2010	%
Retail market	8	0.37	17	0.62	17	0.61

NOTE 5. BORROWING (FUNDING)

Debt securities in issue

The Company had issued no bonds or certificates as at 30 September 2011.
Fixed-rate borrowings are carried in the balance sheet at fair value, while variable-rate borrowings are carried at amortised cost.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (face value) as at 1 January 2011	0	2 553	2 553
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 31 March 2011	0	2 553	2 553
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-365	-365
Net debt (face value) as at 30 June 2011	0	2 188	2 188
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-75	-75
Net debt (face value) as at 30 September 2011	0	2 113	2 113

Recognised values

NOK MILLION	30.09.2011	30.09.2010	FULL YEAR 2010
Bonds carried at amortised cost	1 317	1 757	1 757
Bonds selected for fair value carrying	841	857	861
Total recognised value of bonds	2 158	2 614	2 618
Total recognised value of debt securities in issue	2 158	2 614	2 618

NOTE 6. CAPITAL ADEQUACY

Process for assessing the capital adequacy requirement

The capital adequacy requirements for BN Boligkreditt are part of the overall assessments made by BN Bank's Board of Directors for the entire Group.

NOK MILLION	30.09.2011	30.09.2010	FULL YEAR 2010
Share capital	101	101	101
Other reserves	185	172	181
Less:			
Deferred tax assets	-1	-1	0
Tier 1 capital	285	272	282
Fixed-term subordinated loan capital	76	76	76
Less:			
Fixed-term subordinated loan capital that cannot be included	0	0	0
Net tier 2 capital	76	76	76
Total capital base	361	348	358
Risk-weighted assets	991	1 313	1 206
Tier 1 capital ratio (%)	28.7	20.7	23.4
Capital adequacy ratio (%)	36.4	26.5	29.7

Specification of risk-weighted assets

NOK MILLION		30.09.2011		FULL YEAR 2010
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	0	0	0	0
10 %	0	0	0	0
20 %	609	122	543	109
35 %	2 185	765	2 826	989
50 %	0	0	0	0
75 %	0	0	0	0
100 %	104	104	108	108
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	2 898	991	3 477	1 206
Capital adequacy ratio (%)		36.4		29.7

NOTE 7. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

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

NOTE 8. 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 September 2011, the book value of transferred loans was NOK 3.4 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 9. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

NOK MILLION	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Interest and similar income	24	26	26	27	33
Interest expense and similar charges	13	15	14	16	22
Net income from interest and credit commissions	11	11	12	11	11
Change in value of financial instruments at fair value, gains & losses	0	-3	-1	8	-20
Total other operating income	0	-3	-1	8	-20
Salaries and general administrative expenses	1	2	2	2	2
Other operating expense	0	0	0	0	0
Total other operating expense	1	2	2	2	2
Operating profit/(loss) before impairment losses	10	6	9	17	-11
Impairment losses on loans and advances	-1	0	0	0	1
Operating profit/(loss) after impairment losses	11	6	9	17	-12
Profit/(loss) before tax	11	6	9	17	-12
Computed tax charge	3	1	3	4	-3
Profit/(loss) for the period	8	5	6	13	-9

NOTE 10. ADJUSTMENT OF OPENING BALANCE SHEET AS AT 1 JANUARY 2010

BN Boligkreditt'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 Boligkreditt adopted IFRS at the start of 2007, and these valuation techniques were established at that time in collaboration with the Company'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 18 million after tax. The Company 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 important. BN Boligkreditt is for that reason obliged to present the restated balance sheet as at 1 January 2009 and 31 December 2009.

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

We certify that, to the best of our belief, the Company's third-quarter interim financial statements for the period 1 January to 30 September 2011 have been prepared in compliance with IAS 34 Interim Financial Reporting, and that the disclosures in the interim financial statements give a true and fair view of the Company's assets, liabilities, financial position and performance as a whole.

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

Trondheim, 24 October 2011
The Board of Directors of BN Boligkreditt AS

Arve Austestad	Lisbet K. Nærø (Chair)	Svend Lund (General Manager)
Tove Kolbjørnsen Kulseng	Lars Bjarne Tvete	Kjell Fordal (Deputy Chair)

Auditor`s Report

PricewaterhouseCoopers AS
Brattørkaia 17 B
NO-7492 Trondheim
Telefon 02316

To the Board of Directors of BN Boligkreditt AS

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying balance sheet of BN Boligkreditt AS as of 30 September 2011 and the related statements of income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

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

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

Conclusion

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

Trondheim, 24. October 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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