BN Bank ASA

INTERIM REPORT 3rd QUARTER | 2011

BN Bank

Content

Summary of results for Q3 2011

- Good, stable liquidity situation.
- Profit, including divested operations, totalled NOK 55 million (NOK 56 million: Q2 2011)
- Operating expense totalled NOK 28 million (NOK 73 million: Q2 2011). The decrease is mainly attributable to the sale of the property at Munkegata 21 with a profit of NOK 36 million.
- Total lending increased by NOK 0.5 billion in Q3 2011 (NOK 0.5 billion: Q2 2011)
- Increase in non-performing loans from 0.44 per cent to 0.80 per cent
- BN Bank's former head office in Trondheim (Munkegata 21) was sold during the third quarter at a post-tax profit of NOK 35 million. In the last quarter costs of NOK 7 million to adapt the premises to new tenants' requirements were recognized as expense.
- Impairment losses on loans NOK 16 million (NOK -7 million: Q2 2011)
- Tier 1 capital ratio of 10.9 per cent (11.0 per cent: 30.6.2011) and capital adequacy ratio of 13.8 per cent (14.0 per cent: 30.6.2011)

Summary of results for Q3 2011

- Profit, including divested operations, of NOK 128 million (NOK 83 million: 30.9.2010)
- Return on equity of 5.6 per cent (3.8 per cent: 30.9.2010)
- Growth in lending of NOK 3.3 billion in the past 12 months

Financial Ratios - Group

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		279	0.91 %	278	0.81 %	380	0.87 %
Total other operating income		77	0.25 %	38	0.11 %	91	0.21 %
Total income		356	1.16 %	316	0.92 %	471	1.08 %
Total other operating expense		163	0.53 %	179	0.52 %	245	1.56 %
Operating profit/(loss) before impairment losses		193	0.63 %	137	0.40 %	226	0.52 %
Impairment losses on loans and advances		44	0.14 %	28	0.08 %	32	0.07 %
Profit/(loss) before tax		149	0.48 %	109	0.32 %	194	0.45 %
Computed tax charge		33	0.11 %	30	0.09 %	52	0.12 %
Profit/(loss) for the period, remaining entity		116	0.38 %	79	0.23 %	142	0.33 %
Profitability							
Return on equity	1	5.6 %		3.8 %		4.8 %	
Net interest margin	2	0.91 %		0.81 %		0.87 %	
Cost-income ratio	3	45.8 %		56.6 %		52.0 %	
Balance sheet figures							
Gross lending		33 191		30 877		32 577	
Customer deposits		15 340		15 896		16 395	
Deposit-to-loan ratio	4	46.2 %		51.5 %		50.3 %	
Increase/decrease in lending (gross) last 12 months		7.5 %		-2.5 %		5.5 %	
Increase/decrease in deposits last 12 months		-3.5 %		14.3 %		5.2 %	
Average total assets (ATA)	5	40 996		45 562		43 552	
Total assets		40 905		41 220		41 228	
Balance sheet figures remaining entity including SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt							
Gross lending		44 590		41 337		42 269	
Customer deposits		15 340		15 896		16 395	
Increase/decrease in lending (gross) last 12 months		7.9 %		5.6 %		8.9 %	
Increase/decrease in deposits last 12 months		-3.5 %		6.0 %		5.2 %	
Share of lending financed via deposits		34.4 %		38.5 %		38.8 %	
Losses on loans and non-performing loans							
Loss ratio lending	5	0.18 %		0.12 %		0.10 %	
Non-performing loans as a percentage of gross lending	5	0.80 %		0.88 %		0.53 %	
Other doubtful commitments as a percentage of gross lending	5	1.71 %		1.15 %		1.97 %	
Solvency							
Capital adequacy ratio	8	13.8 %		13.7 %		13.9 %	
Tier 1 capital ratio	8	10.9 %		9.8 %		10.8 %	
Tier 1 capital	8	3 520		3 038		3 448	
Capital base	8	4 442		4 241		4 419	
Offices and staffing							
Number of offices		2		2		2	
Number of full-time equivalents	7	100		103		104	
Shares							
Earnings per share for period (whole NOK) before discont. operations		9.37		6.38		11.47	
Earnings per share for period (whole NOK) inc. discont. operations		10.34		6.70		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 3rd Quarter 2011

Summary of results for the nine months to 30 September 2011

All figures for the nine months to 30 September 2011 are compared with equivalent figures for the nine months to 30 September 2010:

- Growth in lending of NOK 3.3 billion in the past 12 months
- Profit before impairment losses of NOK 193 million (NOK 137 million)
- Profit, including divested operations, after tax of NOK 128 million (NOK 83 million).
- Return on equity after tax of 5.6 per cent (3.8 per cent)
- BN Bank's former head office in Trondheim (Munkegata 21) was sold during the third quarter at a post-tax profit of NOK 35 million. In the last quarter costs of NOK 7 million to adapt the premises to new tenants' requirements were recognised as expense.
- Impairment losses on loans and advances of NOK 44 million (NOK 28 million)
- Tier 1 capital ratio of 10.9 per cent (9.8 per cent)

For the nine months to 30 September 2011 the BN Bank Group posted a profit after tax of NOK 128 million, compared with NOK 83 million for the same period last year. The increase in profit is mainly attributable to positive changes in the value of financial instruments and a profit on the sale of the property at Munkegata 21.

BN Bank is experiencing a good level of demand for its loan products, and saw overall lending rise by a total of NOK 3.3 billion in the past 12 months. Growth is highest in corporate lending, although growth has also been good in residential mortgage loans.

The volume of deposits has fallen by NOK 0.6 billion in the past 12 months.

BN Bank's funding situation is good. To date this year the Bank has had a good supply of funding and as at 30 September 2011 had a maturity structure on its lending that is well adapted to the Bank's size and risk profile.

As at 30 September 2011, the Bank's capital adequacy ratio and tier 1 capital ratio were 13.8 and 10.9 per cent respectively, compared with 13.7 and 9.8 per cent respectively as at 30 September 2010.

The work of implementing BN Bank's new strategy is going according to plan.

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 divestment", 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 collectively in this report as the "Ålesund portfolio".

The nine months to 30 September 2011

For the nine months to 30 September 2011, BN Bank posted a profit after tax of NOK 128 million, compared with NOK 83 million as at 30 September 2010. Profit to date in 2011 has been influenced by the gain on the sale of the property at Munkegata 21. Return on equity after tax as at 30 September 2011 was 5.6 per cent.

Income for the year to 30 September 2011 was NOK 356 million, compared with NOK 316 million for the same period last year. 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 borrowing costs have brought about a decrease in lending margins.

The total growth in lending in the past 12 months of NOK 3.3 billion comprises NOK 2.5 billion in corporate lending and NOK 0.8 billion in retail lending.

The volume of deposits has fallen by NOK 0.6 billion in the past 12 months. The deposit-to-loan ratio has fallen by 5 percentage points in the past 12 months.

Other operating expense for the year to 30 September 2011 totalled 163 million, which is NOK 16 million down on 30 September 2010. The main reason for the decrease in other operating expense is the recognition as income of the profit on the sale of the property at Munkegata 21.

Net impairment losses on loans and advances amounted to NOK 44 million for the year to 30 September 2011, compared with NOK 28 million for the same period in 2010. The losses in 2011 comprised NOK 24 million in the corporate market (0.11 per cent of gross lending in the corporate market), NOK 3 million in the retail market (0.03 per cent of gross lending in the retail market) and NOK 17 million in that part of the Ålesund portfolio taken over by SpareBank 1 SMN and guaranteed by BN Bank.

The results of operations under divestment after tax have been positive by NOK 12 million to date this year. 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 to date this year was a profit after tax of NOK 4 million. By comparison, the result for the Ålesund portfolio for the year to 30 September 2010 was a loss of NOK 14 million.

Non-performing loans as a percentage of gross lending were down by 0.08 percentage points from 30 September 2010 and are now 0.80 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.

Profit performance for Q3 2011

For the third quarter of 2011, the pre-tax profit for the remaining entity (continued operations) was NOK 67 million, compared with NOK 68 million for second-quarter 2011. Profit after tax for the remaining entity was NOK 55 million, compared with NOK 51 million for second-quarter 2011, giving a return on equity after tax for the period of 7.2 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 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 third quarter of 2011, loans for NOK 143 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 third-quarter 2011 stands at NOK 3.3 billion.

The result for the Ålesund operations for the third quarter of 2011 was a loss of NOK 1 million. The loss is classified under remaining entity.

Income

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

NOK MILLION	Q3 2011	Q2 2011	CHANGE
Total income	111	134	-23
Margins and volumes on lending/deposits			3
Return on unrestricted funds (equity)			1
Value changes in financial instruments, gains and losses			-23
Other			-4

The most important cause of the decrease in operating income is a negative change in the value of financial instruments, including gains and losses, totalling NOK 23 million.

BN Bank's lending and deposit margins improved during the third quarter 2011 by NOK 3 million compared with second-quarter 2011.

BN Bank's unrestricted funds (equity) are invested in short-term debt schemes. Rising interest rates in the third quarter of 2011 have led to a higher return of NOK 1 million on the investment portfolio compared with 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 third-quarter 2011, value changes had a negative effect on operating income by NOK 13 million, which is a negative change of NOK 23 million compared with second-quarter 2011. For more information concerning these value changes, see Note 2.

[1] Including the Ålesund portfolio

Operating expense

Third-quarter operating expense was NOK 28 million, compared with NOK 73 million for second-quarter 2011.

NOK MILLION	Q3 2011	Q2 2011	CHANGE
Operating expense	28	73	-45
Profit on sale of Munkegata 21			-36
Tenant adaptations Munkegata 21 accrued in Q2-11			-7
Other			-2

The most important reason for the decrease in other operating expense is that the building at Munkegata 21 was sold in the third quarter of 2011 at a profit of NOK 36 million.

In the second quarter of 2011, sales costs of NOK 7 million accrued relating to Munkegata 21.

Costs as a percentage of average total assets in the third quarter 2011 were 0.28 per cent, compared with 0.71 per cent in second-quarter 2011. Adjusted for the profit on the sale of Munkegata 21, costs as a percentage of average total assets in the third quarter 2011 were 0.63 per cent. The number of full-time equivalents as at 30 September 2011 was 100, which is 1 fewer than at the end of the last quarter. The Bank has 12 temporary staff attached to the retail market operations.

Write-downs on loans

Non-performing and doubtful loans, less individual write-downs, totalled NOK 759 million at the close of the third quarter of 2011, which is NOK 49 million down on the previous quarter. This includes non-performing and doubtful loans in the Ålesund portfolio. Non-performing loans accounted for 0.80 per cent of gross lending as at 30 September 2011 (including the Ålesund portfolio), compared with 0.44 per cent as at 30 June 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 6 for further information on non-performing and doubtful loans.

For the remaining entity (continuing operations), impairment losses on loans totalled NOK 16 million in the third quarter 2011, compared with NOK 7 million recognised as income in second-quarter 2011. A previously repossessed property was sold in the second quarter of 2011, giving rise to an accounting profit of NOK 9 million.

Impairment losses on loans and advances in the Ålesund portfolio totalled NOK 8 million which was recognised as expense for the third quarter of 2011.

Loan loss provisions for the remaining entity totalled NOK 172 million as at 30 September 2011, of which collective write-downs accounted for NOK 83 million, which is 0.25 per cent of gross lending. Individual write-downs as at 30 September 2011 were NOK 89 million. Loan loss provisions for the Ålesund portfolio as at 30 September totalled NOK 33 million, of which NOK 13 million were collective write-downs and NOK 20 million individual write-downs.

Balance Sheet

BN Bank's total assets stood at NOK 40.9 billion as at 30 September 2011, which is NOK 0.3 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 September 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 13.8 per cent and 10.9 per cent respectively as at 30 September 2011, compared with 13.7 per cent and 9.8 per cent respectively as at 30 September 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 938 million were transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Assets classified as held for sale were down by NOK 1.3 billion on the past 12 months as a consequence of Sparebank 1 SMN having taken over loans in operations under divestment.

Gross lending[2], including lending in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt, totalled NOK 44.6 billion as at 30 September 2011, which is NOK 3.3 billion (8 per cent) up on the past year.

NOK BILLION	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Lending*	44.6	44.1	43.6	42.3
Change in the quarter	0.5	0.5	1.3	1.0

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

As at 30 September 2011, a loan portfolio valued at NOK 8.0 billion had been transferred to SpareBank 1 Næringskreditt, while a loan portfolio valued at NOK 3.4 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 as at 30 September 2011:

NOK BILLION	30.09.11	30.06.11
Retail market*	13.3	13.4
Commercial real estate**	29.6	29.1
Loans to SpareBank 1	1.7	1.6

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

The growth in corporate lending in the last quarter was in the Oslo region. As a result of competitive interest rates and increased marketing, BN Bank has also seen growth in mortgage lending to retail customers both during the quarter and over the course of the last 12 months. However, a reduction in financing of capital-protected savings products has pulled down the volume of lending in the retail market in the last quarter.

Gross lending in the Group[3] had the following sectoral exposure as at 30 September:

ALL FIGURES IN PER CENT	30.09.11	30.06.11
Real estate operations	52 %	50 %
Retail market	32 %	33 %
Financial industry	5 %	5 %
Other	11 %	12 %

Deposits totalled NOK 15.3 billion as at 30 September 2011, which is a decrease of NOK 275 million in the third quarter 2011. The deposit-to-loan ratio for the remaining entity as at 30 September 2011 was 46 per cent, which is 2 percentage points lower than at the end of the previous quarter.

BN Bank's funding situation remains good. In the third quarter, the Bank issued ordinary senior bonds and certificates in the Norwegian bond market for a total of NOK 2.4 billion. 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 third quarter, this target had been met by a good margin.

The third-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.

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 third quarter of 2011 the company had a gross loan portfolio totalling NOK 15.8 billion, compared with NOK 16.1 billion as at 30 June 2011. NOK 8.0 billion in loans had been transferred to SpareBank1 Næringskreditt as at 30 September 2011.

BNkreditt posted a profit after tax of NOK 18 million for third-quarter 2011, compared with a post-tax profit of NOK 39 million for second-quarter 2011. The decrease is attributable to a negative change in impairment losses on loans.

Impairment losses on loans and advances totalled NOK 11 million for the third quarter of 2011, compared with NOK 9 million recognised as income in the previous quarter. The second-quarter recognition of income on impairment losses on loans is attributable to a profit of NOK 9 million on the sale of a previously repossessed property. Individual write-downs were NOK 54 million as at 30 September 2011, while collective write-downs totalled NOK 43 million at the end of the third quarter, which is 0.27 per cent of lending.

BNkreditt had NOK 4.5 billion in bond debt outstanding as at 30 September 2011, compared with NOK 4.3 billion as at 30 June 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, 18.4 per cent and 15.7 per cent as at 30 September 2011. BN Bank had ceded precedence with respect to its claim for NOK 258 million as at 30 September 2011.

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

BN Boligkreditt AS

BN Boligkreditt is BN Bank's credit institution for issuance of covered bonds, and at the end of the third quarter 2011 the company had a residential mortgage portfolio totalling NOK 2.1 billion, which is at the same level as the previous quarter. During 2010 and 2011 to date, loans for NOK 3.4 billion have been sold to BN Bank for selling on to SpareBank 1 Boligkreditt.

The company posted a profit after tax of NOK 8 million for third-quarter 2011, compared with NOK 5 million for second-quarter 2011.

The company's capital adequacy ratio and tier 1 capital ratio were, respectively, 36.4 per cent and 28.7 per cent as at 30 September 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 residential mortgage loans.

Collection Eiendom AS and Munkegata 21 AS

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

The shares in Munkegata 21 were sold during the third quarter of 2011. In BN Bank's consolidated accounts, the sale was reported as giving rise to a profit after tax of NOK 35 million.

Collection Eiendom posted a zero result after tax as at 30 September 2011.

Outlook

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 turbulence in the international financial markets is affecting the price BN Bank has to pay for its borrowing in the Norwegian and foreign markets. This turbulence has increased in the third quarter and may impact on growth and earnings in the time ahead. BN Bank's funding situation is good, and fulfils by a good margin the Board's requirement for the Bank to have sufficient liquid funds to manage without a supply of new funding sources for 12 months.

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 the rest of the year and for 2012 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.

On 15 September, the Board of BN Bank appointed Gunnar Hovland as new Managing Director. He currently has a combined post as Managing Director of Trondheim Kraft and Deputy Managing Director of Fjordkraft. Gunnar Hovland will take up his new post on 1 January 2012.

For the rest of 2011, BN Bank will remain keenly focused on implementing the Bank's new strategy, which was adopted in 2010. In the Board's opinion, it 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 24 October 2011

Income Statement - Group

						GROUP
NOK MILLION	NOTE	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Interest and similar income		415	371	1 200	1 088	1 465
Interest expense and similar charges		322	276	921	810	1 085
Net income from interest and credit commissions		93	95	279	278	380
Value change fin. instr. fair value, gains & losses	2	-13	-16	-9	-37	-14
Other operating income	3	31	27	86	75	105
Total other operating income		18	11	77	38	91
Salaries and general administrative expenses		53	50	161	153	209
Depreciation, amortisation and write-downs		4	3	12	8	11
Other operating expense		7	6	26	18	25
Other gains and losses	4	-36	0	-36	0	0
Total other operating expense		28	59	163	179	245
Operating profit/(loss) before impairment losses		83	47	193	137	226
Impairment losses on loans and advances	6	16	5	44	28	32
Operating profit/(loss) after impairment losses		67	42	149	109	194
Profit/(loss) before tax		67	42	149	109	194
Computed tax charge		12	11	33	30	52
Profit/(loss) for the period, remaining entity		55	31	116	79	142
Result of operations under divestment	8	0	11	12	4	-1
Profit/(loss) for period inc. discont. operations		55	42	128	83	141
Extended Income Statement under IAS 1						
Change in value of 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		55	42	128	83	141

Balance Sheet - Group

				GROUP
NOK MILLION	NOTE	30.09.11	30.09.10	FULL YEAR 2010
Assets				
Deferred tax assets		54	110	54
Intangible assets		19	15	16
Own funds lending		0	15	15
Tangible fixed assets	11	22	73	80
Repossessed properties		0	15	15
Loans and advances	5, 6, 12, 13	33 020	30 727	32 415
Prepayments and accrued income		71	60	97
Financial derivatives	16	507	775	629
Short-term securities investments		5 361	6 538	5 791
Cash and balances due from credit institutions		1 275	1 010	1 012
Assets classified as held for sale	8	576	1 882	1 104
Total assets		40 905	41 220	41 228
Equity and liabilities				
Share capital		649	619	619
Retained earnings	16	2 480	2 325	2 383
Total equity		3 129	2 944	3 002
Subordinated loan capital	7	1 450	1 555	1 686
Liabilities to credit institutions		2 085	2 359	1 975
Debt securities in issue	7	17 650	16 559	16 603
Accrued expenses and deferred income	6	149	159	128
Other current liabilities		118	24	35
Tax payable		0	0	2
Financial derivatives	16	439	614	511
Customer deposits & accounts payable to customers		15 340	15 896	16 395
Liabilities classified as held for sale	8	545	1 110	891
Total liabilities		37 776	38 276	38 226
Total equity and liabilities		40 905	41 220	41 228

The Board of Directors
Trondheim 24 October 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	83	83
Balance Sheet as at 30 September 2010	619	0	2 325	2 944
Result for the period	0	0	58	58
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	128	128
Balance Sheet as at 30 September 2011	649	0	2 480	3 129

The Board of Directors
Trondheim 24 October 2011

Statement of Cash Flows - Group

			GROUP
NOK MILLION	30.09.11	30.09.10	FULL YEAR 2010
Cash flows from operating activities			
Interest/commission received and fees received from customers	1 547	6 736	7 735
Interest/commission paid and fees paid to customers	-85	-82	-442
Interest received on other investments	180	170	192
Interest paid on other loans	-651	-506	-609
Receipts/disbursements (-) on loans and advances to customers	-751	-830	-2 488
Receipts/payments on customer deposits and accounts payable to customers	-1 782	-1 026	-371
Receipts/payments (-) on liabilities to credit institutions	263	-5 102	-5 481
Receipts/payments (-) on securities in issue	1 027	-575	-470
Receipts on written-off debt	43	5	14
Other receipts/payments	192	-61	-27
Payments to suppliers for goods and services	-118	-120	-161
Payments to employees, pensions and social security expenses	-84	-67	-86
Tax paid	0	0	0
Net cash flow from operating activities	-219	-1 458	-2 194
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	165	-1782	-1 895
Receipts/payments (-) on short-term securities investments	450	3285	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.	-58	-20	-31
Proceeds from sale of subsidiaries	128	0	0
Net cash flow from investing activities	710	1 483	2 093
Cash flow from financing activities			
Receipts/payments (-) subordinated loan capital	-228	100	228
Net cash flow from financing activities	-228	100	228
Net cash flow for the period	263	125	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 September	1 275	1 010	1 012

Notes - Group

NOTE 1. ACCOUNTING POLICIES

The third-quarter interim consolidated 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 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	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Change value int. rate deriv. oblig. carried at fair value thro profit or loss [1, 3, 4]	1	2	-6	34	52
Change value currency deriv. oblig. carried at fair value thro profit or loss [2]	-117	93	-120	25	-252
Change value comb. int.rate&curr.deriv. oblig. carr fair value thro profit/loss [2]	0	0	0	69	70
Change value equity-linked options&equ.options oblig. fair val thro profit/loss [1]	4	0	15	3	3
Total change in value financial instruments obliged to be carried at fair value	-112	95	-111	131	-127
Change in value deposits selected for fair value carrying thro profit or loss [4]	-4	-1	-3	0	-1
Change in value borrowings selected for fair value carrying thro profit or loss [4]	-26	-27	-15	-84	-61
Change in value loans selected for fair value carrying through profit or loss [4]	12	11	1	31	17
Change in value short-term fin. investments selected for fair value carrying [3]	2	15	8	9	4
Total change in value of financial instruments selected for fair value carrying	-16	-2	-9	-44	-41
Change in value of interest rate derivatives, hedging [5]	68	4	61	13	-10
Change in value of borrowings, hedged [5]	-68	-4	-61	-13	10
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	-128	93	-120	87	-168
Realised exch. gains/losses(-) bonds & certificates carried at amortised cost	-1	-11	-9	-21	-20
Realised exch. gains/losses(-) loans & borrowings carried at amortised cost	0	0	0	-1	-1
Exchange gains/losses on borrowings & loans carried at amortised cost [2]	116	-98	120	-102	175
Total change value financial instruments carried at fair value, gains & losses	-13	-16	-9	-37	-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 September 2011 recognised expense totalled NOK 8 million, compared with NOK 3 million for the same period of 2010. Recognised expense for the full year 2010 totalled NOK 6 million.

[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 no profit-and-loss effect for the period to 30 September 2011, compared with recognised expense of NOK 8 million for the period to 30 September 2010. The equivalent figure for the full year 2010 was NOK 7 million recognised as expense. Exposure to exchange rate fluctuations is low.

[3] Changes in the value of financial investments selected for fair value carrying gave rise to recognised expense of NOK 4 million for the period to 30 September 2011, compared with recognised income of NOK 6 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 period to 30 September 2011, compared with recognised expense of NOK 10 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 September 2011 was positive by NOK 45 million.

[6] Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 9 million for the period to 30 September 2011, compared with recognised expense of NOK 22 million for the same period of 2010. Recognised expense for the full year 2010 was NOK 21 million.

NOTE 3. OTHER OPERATING INCOME

NOK MILLION	Q3 2011	Q3 2010	30.09.11	30.09.10	GROUP FULL YEAR 2010
Guarantee commission	5	1	15	-7	-2
Net commission income/charges [1]	25	24	69	73	97
Operating income from real property	1	0	1	0	0
Other operating income	0	2	1	9	10
Total other operating income	**31**	**27**	**86**	**75**	**105**

[1] Commission income relating to the management of the portfolios in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt totalled NOK 55 million as at 30 September 2011 and NOK 64 million for the same period of 2010. Recognised income for the full year 2010 totalled NOK 82 million.

NOTE 4. OTHER EXPENSE, GAINS AND LOSSES

The building Munkegata 21 was sold, and taken over by the new owner on 15 September 2011. An accounting profit of NOK 36 million was reported in Q3 2011.

STATEMENT OF CASH FLOWS (NOK MILLION)	GROUP
Book value of the building at date of sale	91
Debt and other items	-95
Net equity	**-4**
Sale profit to the company	36
Intercompany debt settled	96
Total added upon sale of subsidiary	**128**

NOTE 5. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIOS

NOK MILLION	30.09.11	30.09.10	GROUP FULL YEAR 2010
Loans Corporate Market and Retail Market, Group	31 476	29 110	30 700
Seller's credit	1 716	1 767	1 877
Loans in remaining entity (continuing operations)	**33 192**	**30 877**	**32 577**
Loans transferred to SpareBank 1 Næringskreditt	8 009	7 791	7 308
Loans transferred to SpareBank 1 Boligkreditt	3 389	2 669	2 384
Total loans managed portfolio	**44 590**	**41 337**	**42 269**
Divested portfolio	143	1 330	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, 2010 Annual Report. 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 described here apply to loans carried at amortised cost.

GROUP

NOK MILLION	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Write-offs in excess of prior-year write-downs	3	0	26	69	65
Write-offs on loans without prior write-downs	3	0	8	0	0
Write-offs transferred to divested portfolio	0	8	0	-19	-22
Write-downs for the period:					
Change in collective write-downs	-4	-12	-8	-18	-15
Change in collective write-downs transferred to divested portfolio	-2	7	8	11	11
Total change in collective write-downs	-6	-5	0	-7	-4
Increase in loans with prior-year write-downs	14	15	23	38	35
Provisions against loans without prior write-downs	2	12	14	14	21
Decrease in loans with prior-year write-downs	0	-20	-14	-48	-36
Change in individual write-downs transferred to divested portfolio	0	-5	0	-18	-25
Total change in individual write-downs	16	2	23	-14	-5
Gross impairment losses	16	5	57	29	34
Recoveries on previous write-offs [1]	0	0	13	1	2
Impairment losses	16	5	44	28	32
Revenue recognition of interest on written-down loans	1	-2	6	4	2

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

GROUP

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	80	132	78	114	114
Write-offs covered by prior-year individual write-downs	-3	-125	-23	-77	-94
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	12	5	14	26	29
Write-downs on loans without prior individual write-downs	2	12	13	14	21
Decrease in loans with prior-year individual write-downs	-2	-29	-9	-48	-56
Transferred assets classified as held for sale	0	76	16	42	64
Individual write-downs to cover impairment losses at end of the period	89	71	89	71	78
Collective write-downs to cover impairment losses at start of the period	89	85	83	87	87
Collective write-downs for the period to cover impairment losses	-4	-12	-8	-18	-15
Transferred assets classified as held for sale	-2	7	8	11	11
Collective write-downs to cover impairment losses at end of the period	83	80	83	80	83

GROUP

NOK MILLION	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Loss provision financial guarantee Ålesund portfolio at start of period [1]	45	0	26	0	0
Write-offs covered by prior-year individual write-downs	-27	0	-7	0	0
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	2	16	4	16	26
Write-downs on loans without prior individual write-downs	0	0	1	0	0
Decrease in loans with prior-year individual write-downs	0	0	-4	0	0
Loss provision financial guarantee Ålesund portfolio at end of period [1]	20	16	20	16	26
Individual write-down relating to Ålesund portfolio classified as held for sale	2	40	2	40	18
Collective write-downs relating to Ålesund portfolio classified as held for sale	11	19	11	19	19
Total loss provisions relating to Ålesund portfolio	33	75	33	75	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	30.09.11	30.09.10	FULL YEAR 2010
Gross principal	281	291	193
Individual write-downs	35	58	34
Net principal	246	233	159

Other loans with individual write-downs [1]

GROUP

NOK MILLION	30.09.11	30.09.10	FULL YEAR 2010
Gross principal	569	371	654
Individual write-downs	56	53	63
Net principal	513	318	591

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

GROUP

NOK MILLION	GROSS OUTSTANDING 30.09.11	%	GROSS OUTSTANDING 30.09.10	%	GROSS OUTSTANDING 2010	%
Corporate market	200	0.93	74	0.38	67	0.30
Retail market	61	0.62	67	0.69	70	0.67
Divested loan portfolio	20	0.58	150	3.85	56	1.53
Total	281	0.80	291	0.88	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 7. BORROWING (FUNDING)

Debt securities in issue

The BN Bank Group had issued bonds and certificates with a face value of NOK 8 016 million as at 30 September 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
Increasing 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
Increasing 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
New issues	1100	325	1 425
Increasing in existing issues	0	1021	1 021
Purchase and maturity of existing securities	-1159	-746	-1 905
Net debt (at face value) as at 30 September 2011	1 934	15 415	17 349

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

Recognised values

			GROUP
NOK MILLION	30.09.11	30.09.10	FULL YEAR 2010
Certificates carried at amortised cost	1 104	396	296
Certificates selected for fair value carrying	842	3 495	2 863
Total recognised value of certificates	1 946	3 891	3 159
Bonds carried at amortised cost	10 227	6 850	7 185
Bonds selected for fair value carrying	5 477	5 818	6 259
Total recognised value of bonds	15 704	12 668	13 444
Total recognised value of debt securities in issue	17 650	16 559	16 603

			GROUP
NOK MILLION	30.09.11	30.09.10	FULL YEAR 2010
Perpetual subordinated loan capital securities carried at amortised cost	482	85	485
Perpetual subordinated loan capital securities selected for fair value carrying	166	166	169
Total recognised value of perpetual subordinated loan capital securities	648	251	654
Subordinated loans carried at amortised cost	802	1 273	1 001
Subordinated loans selected for fair value carrying	0	31	31
Total recognised value of subordinated loans	802	1 304	1 032
Total recognised value of subordinated loans and perpetual subordinated loan capital securities	1 450	1 555	1 686

NOTE 8. 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	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Net income from interest and credit commissions	1	6	4	26	35
Total other operating income	0	0	1	6	5
Total other operating expense	0	0	-3	0	5
Total impairment losses on loans and advances	2	-10	-8	26	36
Pre-tax profit/(loss)	-1	16	16	6	-1
Computed tax charge	-1	5	4	2	0
Profit/(loss) from discontinued operation after tax	0	11	12	4	-1

Statement of cash flows relating to divested operation

					GROUP
NOK MILLION	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Cash flow from operating activities	1	6	8	32	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	6	8	32	35

Specification of results of remaining entity

					GROUP
NOK MILLION	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Net income from interest and credit commissions	93	95	279	278	380
Total other operating income	54	3	113	30	91
Total other operating expense	64	59	199	179	245
Operating profit/(loss) before impairment losses on loans	83	39	193	129	226
Impairment losses on loans and advances	16	5	44	28	32
Pre-tax profit/(loss) from remaining entity	67	34	149	101	194
Computed tax charge	12	9	33	28	52
Profit/(loss) after tax from remaining entity	55	25	116	73	142

Specification of results of divested operation and guarantee portfolio

			GROUP
NOK MILLION	30.09.11	30.09.10	FULL YEAR 2010
Net income from interest and credit commissions	-3	22	25
Total other operating income	14	-6	-1
Total other operating expense	-3	0	5
Total impairment losses on loans and advances	9	35	38
Pre-tax profit/(loss)	5	-19	-19
Computed tax charge	2	-5	-5
Profit/(loss) from operation under divestment	3	-14	-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 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.

			GROUP
NOK MILLION	30.09.11	30.09.10	FULL YEAR 2010
Share capital	649	619	619
Other reserves	2 416	2 290	2 383
Proposed provision for group contribution	0	0	0
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings)[1]	647	251	653
Less:			
Perpet. subord. loan cap. (perpet. subord. loan cap. borrowings) that cannot be included [1]	-119	0	-137
Intangible assets	-19	-15	-16
Deferred tax assets	-54	-107	-54
Tier 1 capital2	3 520	3 038	3 448
Fixed-term subordinated loan capital	922	1 203	971
Less:			
Fixed-term subordinated loan capital that cannot be included	0	0	0
Net tier 2 capital	922	1 203	971
Total capital base	4 442	4 241	4 419
Risk-weighted assets	32 193	30 883	31 881
Tier 1 capital ratio (%)	10.9	9.8	10.8
Capital adequacy ratio (%)	13.8	13.7	13.9

[1] For more details, see Note 7.

Specification of risk-weighted assets

				GROUP
NOK MILLION	30.09.2011		FULL YEAR 2010	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	1 541	0	1 843	0
10 %	1 394	139	1 203	120
20 %	5 888	1 178	6 405	1 281
35 %	9 998	3 499	9 668	3 384
50 %	312	156	646	323
75 %	415	311	1 120	840
100 %	26 909	26 909	25 933	25 933
Investments included in the trading portfolio	0	0	0	0
Negotiable debt instruments included in the trading portfolio	0	0	0	0
Total risk-weighted assets	46 457	32 193	46 818	31 881
Capital adequacy ratio (%)		13.8		13.9

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 brought to a conclusion.

Following this ruling, three customers sued us individually in the District Court, but the District Court's decision of 8 July 2011 went against them. The judgment has now been appealed to the Borgarting Court of Appeal. The total loan commitment involved as at 30 September 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 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.

Dividende/motregning mot Glitnir banki hf, Island

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 September 2011, the book value of transferred loans was NOK 8.0 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 September 2011, BNkreditt's capital adequacy ratio was 18.4 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 258 million as at 30 September 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 September 2011, these guarantees totalled NOK 500 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 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 14. 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	MUNKEGT. 21	TOTAL 30.09.2011
Net income from interest and credit commissions	192	94	-7	0	279
Change in value of financial instruments carried at fair value	-6	-3	0	0	-9
Other operating income	72	1	13	0	86
Total other operating income	66	-2	13	0	77
Salaries and general administrative expenses	-71	-91	0	0	-162
Ordinary depreciation, amortisation and write-downs	-6	-6	0	0	-12
Other operating expense	-12	-14	0	0	-26
Other expense, gains and losses	0	0	0	36	36
Total other operating expense	-88	-111	0	36	-163
Operating profit/(loss) before impairment losses	170	-19	6	36	193
Impairment losses on loans and advances	-24	-3	-17	0	-44
Operating profit/(loss) after impairment losses	146	-22	-11	36	149
Computed tax charge	-40	6	2	-1	-33
Profit/(loss) for remaining entity after tax	106	-16	-8	35	116

					GROUP
NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	MUNKEGT. 21	TOTAL 30.09.2011
Lending (gross) including loans in covered bonds companies	29 634	13 244	1 712	0	44 590
Customer deposits and accounts payable to customers	1 154	14 186	0	0	15 340

				GROUP
NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 30.09.2010
Net income from interest and credit commissions	153	129	-4	278
Change in value of financial instruments carried at fair value	-22	-12	0	-34
Other operating income	80	3	-11	72
Total other operating income	58	-9	-11	38
Salaries and general administrative expenses	-69	-85	0	-153
Ordinary depreciation, amortisation and write-downs	-5	-3	0	-8
Other operating expense	-11	-7	0	-18
Total other operating expense	-84	-95	0	-179
Operating profit/(loss) before impairment losses	128	25	-16	137
Impairment losses on loans and advances	-17	-2	-9	-28
Operating profit/(loss) after impairment losses	111	23	-25	109
Computed tax charge	-31	-5	7	-29
Profit/(loss) for remaining entity after tax	80	18	-18	79

				GROUP
NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 30.09.2010
Lending (gross) including loans in covered bonds companies	27 123	12 447	1 767	41 337
Customer deposits and accounts payable to customers	928	14 968	0	15 896

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

NOTE 15. CONSOLIDATED INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

					GROUP
NOK MILLION	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Interest and similar income	415	398	387	377	371
Interest expense and similar charges	322	303	296	275	276
Net income from interest and credit commissions	93	95	91	102	95
Change in value financial instruments carried at fair value, gains and losses	-13	10	-6	22	-16
Other operating income	31	29	26	31	27
Total other operating income	18	39	20	53	11
Salaries and general administrative expenses	53	57	51	56	50
Depreciation, amortisation and write-downs	4	4	4	3	3
Other operating expense	7	12	7	7	6
Other expense, gains and losses	-36	0	0	0	0
Total other operating expense	28	73	62	66	59
Operating profit/(loss) before impairment losses	83	61	49	89	47
Impairment losses on loans and advances	16	-7	35	4	5
Pre-tax profit/(loss)	67	68	14	85	42
Computed tax charge	12	17	4	22	11
Profit/(loss) remaining entity	55	51	10	63	31
Profit/(loss) from operation under divestment	0	5	7	-5	11
Profit/(loss) including divested operation	55	56	17	58	42

NOTE 16. 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 largely 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 important. 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	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Interest and similar income		306	235	844	648	902
Interest expense and similar charges		264	203	735	560	767
Net income from interest and credit commissions		42	32	109	88	135
Value change fin. instr. fair value, gains/losses	2	-13	12	-2	17	55
Other operating income	3	13	10	32	22	34
Total other operating income		0	22	30	39	89
Salaries and general administrative expenses		36	33	108	101	134
Depreciation, amortisation and write-downs		3	3	11	8	10
Other operating expense		3	0	4	2	7
Total other operating expense		42	36	123	111	151
Operating profit/(loss) before impairment losses		0	18	16	16	73
Impairment losses on loans and advances	6	5	-3	9	1	-19
Operating profit/(loss) after impairment losses		-5	21	7	15	92
Income from ownership int. group companies	4	32	0	131	117	117
Profit/(loss) before tax		27	21	138	132	209
Computed tax charge		0	6	43	37	56
Profit/(loss) for the period, remaining entity		27	15	95	95	153
Result of operations under divestment	8	0	11	12	4	-1
Profit/(loss) for period, inc. discont. operations		27	26	107	99	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		27	26	107	99	152

Balance Sheet - Parent Bank

		PARENT BANK		
NOK MILLION	NOTE	30.09.11	30.09.10	FULL YEAR 2010
Deferred tax assets		0	35	6
Intangible assets		19	15	16
Ownership interests in group companies		1 877	1 877	1 877
Own funds lending		526	542	542
Tangible fixed assets		22	73	22
Loans and advances	5, 6, 12, 13	15 369	14 490	14 702
Prepayments and accrued income		72	59	148
Financial derivatives	15	351	601	444
Short-term securities investments		4 839	6 020	5 274
Cash and balances due from credit institutions		9 974	6 713	7 504
Assets classified as held for sale	8	576	1 882	1 105
Total assets		33 625	32 307	31 640
Share capital		649	619	619
Retained earnings	15	1 375	1 245	1 298
Total equity		2 024	1 864	1 917
Deferred tax		35	0	0
Subordinated loan capital	7	1 450	1 555	1 686
Liabilities to credit institutions		2 665	3 431	2 451
Debt securities in issue	7	10 952	7 738	7 702
Accrued expenses and deferred income	6	99	118	111
Other current liabilities		118	23	37
Financial derivatives	15	397	572	450
Customer deposits & accounts payable to cust.		15 340	15 896	16 395
Liabilities classified as held for sale	8	545	1 110	891
Total liabilities		31 601	30 443	29 723
Total equity and liabilities		33 625	32 307	31 640

The Board of Directors
Trondheim, 24 October 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	796	1 765
Result for the period	0	0	0	99	99
Balance Sheet as at 30 September 2010	619	68	282	895	1 864
Result for the period	0	0	0	53	53
Balance Sheet as at 31 December 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	107	107
Balance Sheet as at 30 September 2011	649	190	282	903	2 024

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

The Board of Directors
Trondheim, 24 October 2011

Statement of Cash Flows - Parent Bank

		PARENT BANK	
NOK MILLION	30.09.2011	30.09.2010	FULL YEAR 2010
Cash flows from operating activities			
Interest/commission received and fees received from customers	570	1 920	2 983
Interest/commission paid and fees paid to customers	-97	-103	-470
Interest received on other investments	184	220	290
Interest paid on other loans	-419	-217	-280
Receipts/disbursements (-) on loans and advances to customers	-519	-180	-602
Receipts/payments on customer deposits & accounts payable to customers	-1 782	-1 026	-370
Receipts/payments (-) on liabilities to credit institutions	367	-5 363	-6 339
Receipts/payments (-) on securities in issue and securities buy-back	3 178	2 754	2 761
Receipts on written-off debt	34	5	7
Other receipts/payments	257	-81	-95
Payments to suppliers for goods and services	-77	-82	-109
Payments to employees, pensions and social security expenses	-57	-38	-45
Tax paid	0	0	0
Net cash flow from operating activities	1 639	-2 191	-2 269
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	-2 084	-1 300	-2 031
Receipts/payments (-) on short-term securities investments	454	3 285	4 018
Receipts/payments (-) on long-term securities investments	99	116	117
Proceeds from sale of operating assets etc.	0	0	58
Purchase of operating assets etc.	-14	-20	-30
Proceeds from sale of subsidiaries	32	0	0
Net cash flow from investing activities	-1 513	2 081	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	-102	-10	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 September	4	5	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	Q3 2011	Q3 2010	30.09.11	30.09 .10	FULL YEAR 2010
Change in value int. rate deriv. obliged carried fair value thro profit or loss [1, 3, 4]	-18	10	8	15	52
Change in value currency deriv. obliged carried fair value thro profit or loss [2]	-117	93	-120	25	-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]	4	0	15	3	3
Total change in value of financial instruments obliged to be carried at fair value	-131	103	-97	112	-128
Change in value deposits selected for fair value carrying thro profit or loss [4]	-4	-1	-3	0	-1
Change in value borrowings selected for fair value carrying thro profit or loss [4]	-25	-23	-55	-76	-82
Change in value of loans selected for fair value carrying thro profit or loss [4]	43	41	24	112	105
Change in value short-term financial investm. selected for fair value carrying [3]	2	15	9	9	4
Total change in value of financial instruments selected for fair value carrying	16	32	-25	45	26
Change in value of interest rate derivatives, hedging [5]	48	4	47	5	-9
Change in value of borrowings, hedged [5]	-48	-4	-47	-5	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	-115	135	-122	157	-102
Realised exch. gains/losses(-) bonds & certificates carried at amortised cost [6]	0	-1	-5	-6	-7
Realised exch. gains/losses(-) loans & borrowings carried at amortised cost [6]	0	0	0	-10	-10
Exchange gains/losses on borrowings and loans carried at amortised cost [2]	102	-123	125	-124	174
Total change in value financial instruments carried at fair value, gains & losses	-13	11	-2	17	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 September 2011 recognised expense totalled NOK 8 million, compared with NOK 3 million for the same period of 2010. Recognised expense for the full year 2010 totalled NOK 6 million.

[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 no profit-and-loss effect for the period to 30 September 2011, compared with recognised expense of NOK 8 million for the period to 30 September 2010. The equivalent figure for the full year 2010 was NOK 7 million recognised as expense. Exposure to exchange rate fluctuations is low.

[3] Change in the value of financial investments selected for fair value carrying gave rise to recognised expense of NOK 4 million for the period to 30 September 2011, compared with recognised income of NOK 6 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 15 million for the period to 30 September 2011, compared with recognised income of NOK 38 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 September 2011 was positive by NOK 26 million.

[6] Realised gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 5 million as at 30 September 2011, compared with recognised expense of NOK 16 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	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Guarantee commission	5	1	15	-6	-2
Net commission income/charges	7	6	12	10	16
Other operating income	1	3	5	18	20
Total other operating income	13	10	32	22	34

NOTE 4. INCOME FROM OWNERSHIP INTERESTS IN GROUP COMPANIES

The Annual General Meetings 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.

Shares in the company Munkegata 21 AS were sold during the third quarter, resulting in an accounting profit of NOK 36 million.

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	30.09.2011	30.09.2010	FULL YEAR 2010
Loans Corporate Market and Retail Market	13 723	12 815	12 906
Seller's credit	1 716	1 767	1 877
Loans in remaining entity	15 439	14 582	14 783
Loans transferred to SpareBank1 Boligkreditt	2 140	2 757	2 384
Total loans inc loans. transf. to SpareBank 1 Boligkreditt	17 579	17 339	17 167
Divested portfolio	143	1 330	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	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Write-offs in excess of prior-year write-downs	3	-11	22	42	38
Write-offs on loans without prior write-downs	0	0	0	0	0
Write-offs transferred to divested operation	0	8	0	-19	-22
Write-downs for the period:					
Change in collective write-downs	3	-7	-12	-16	-13
Change in collective write-downs transferred to divested operation	-2	7	8	11	11
Total change in collective write-downs	1	0	-4	-5	-2
Increase in loans with prior-year write-downs	2	15	6	35	12
Provisions against loans without prior write-downs	0	1	1	3	7
Decrease in loans with prior-year write-downs	-1	-11	-12	-36	-25
Change in individual write-downs transferred to divested operation	0	-5	0	-18	-25
Total change in individual write-downs	1	0	-5	-16	-31
Gross impairment losses	5	-3	13	2	-17
Recoveries on previous write-offs	0	0	4	1	2
Impairment losses on loans and advances	5	-3	9	1	-19
Revenue recognition on written-down loans	0	-5	7	3	-4

PARENT BANK

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	40	97	43	93	93
Write-offs covered by prior-year individual write-downs	-3	-103	-19	-71	-88
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	0	5	2	26	12
Write-downs on loans without prior-year individual write-downs	0	1	0	3	7
Decrease in loans with prior-year individual write-downs	-2	-19	-7	-36	-45
Transferred assets classified as held for sale	0	76	16	42	64
Individual write-downs to cover impairment losses at end of the period	35	57	35	57	43
Collective write-downs to cover impairment losses at start of the period	34	35	38	40	40
Collective write-downs for the period to cover impairment losses	2	-7	-12	-16	-13
Transferred assets classified as held for sale	-2	7	8	11	11
Collective write-downs to cover impairment losses at end of the period	34	35	34	35	38

PARENT BANK

NOK MILLION	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Loss provision financial guarantee relating to Ålesund portf. at start of period [1]	45	0	26	0	0
Write-offs covered by prior-year individual write-downs	-27	0	-7	0	0
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	2	16	4	16	26
Write-downs on loans without prior-year individual write-downs	0	0	1	0	0
Decrease in loans with prior-year individual write-downs	0	0	-4	0	0
Loss provision financial guarantee relating to Ålesund portf. at end of period [1]	20	16	20	16	26
Individual write-down relating to Ålesund portfolio classified as held for sale	2	40	2	40	18
Collective write-downs relating to Ålesund portfolio classified as held for sale	11	19	11	19	19
Total loss provisions relating to Ålesund portfolio	33	75	33	75	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	30.09.2011	30.09.2010	FULL YEAR 2010
Gross principal	75	230	110
Individual write-downs	3	58	34
Net principal	72	172	76

Other loans with individual write-downs [1]

PARENT BANK

NOK MILLION	30.09.2011	30.09.2010	FULL YEAR 2010
Gross principal	217	25	115
Individual write-downs	34	39	28
Net principal	183	-14	87

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

PARENT BANK

NOK MILLION	GROSS OUTSTANDING 30.09.11	%	GROSS OUTSTANDING 30.09.10	%	GROSS OUTSTANDING 2010	%
Corporate Market	2	0.03	31	0.64	0	0.00
Retail Market	53	0.69	49	0.70	54	0.71
Divested loan portfolio	20	0.58	150	3.85	56	1.53
Total	75	0.40	230	1.46	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 7 763 million as at 30 September 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
New issues	1 100	325	1 425
Increase in existing issues	0	818	818
Purchase and maturity of existing securities	-1 159	-671	-1 830
Net debt (face value) as at 30 September 2011	1 934	8 899	10 833

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 September 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
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 September 2011	650	800	1 450

Recognised values

NOK MILLION	PARENT BANK 30.09.2011	30.09.2010	FULL YEAR 2010
Certificates carried at amortised cost	1 104	396	296
Certificates carried at fair value	842	2 932	2 296
Total recognised value of certificates	1 946	3 328	2 592
Bonds carried at amortised cost	7 290	3 238	3 575
Bonds selected for fair value carrying	1 716	1 172	1 535
Total recognised value of bonds	9 006	4 410	5 110
Total recognised value of debt securities in issue	10 952	7 738	7 702
Perpetual subordinated loan capital securities carried at amortised cost	482	85	485
Perpetual subordinated loan capital securities carried at fair value	166	166	169
Total recognised value of perpetual subordinated loan capital securities	648	251	654
Subordinated loans carried at amortised cost	802	1 273	1 001
Subordinated loans selected for fair value carrying	0	31	31
Total recognised value of subordinated loans	802	1 304	1 032
Total recognised value of subordinated loans and perpetual subordinated loan capital securities	1 450	1 555	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	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Net income from interest and credit commissions	1	6	4	26	35
Total other operating income	0	0	1	6	5
Total other operating expense	0	0	-3	0	5
Impairment losses on loans and advances	2	-10	-8	26	36
Pre-tax profit/(loss)	-1	16	16	6	-1
Computed tax charge	-1	5	4	2	0
Profit/(loss) after tax from discontinued operation	0	11	12	4	-1

Specification of results of remaining entity

	PARENT BANK				
NOK MILLION	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Net income from interest and credit commissions	42	32	109	88	135
Total other operating income	0	22	30	39	89
Total other operating expense	42	36	123	111	151
Operating profit/(loss) before impairment losses	0	18	16	16	73
Impairment losses on loans and advances	5	-3	9	1	-19
Pre-tax profit/(loss) from remaining entity	-5	21	7	15	92
Income from ownership interests in group companies	32	0	131	117	117
Pre-tax profit/(loss)	27	21	138	132	209
Computed tax charge	0	6	43	37	56
Profit/(loss) after tax from remaining entity	27	15	95	95	153

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	30.09.2011	30.09.2010	FULL YEAR 2010
Share capital	649	619	619
Other reserves	1 321	1 195	1 298
Proposed provision for group contribution	0	0	0
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings)[1]	647	250	654
Less:			
Perpetual subordinated loan capital (perpet. subord. loan capital borrowings) that cannot be included [1]	-303	0	-320
Intangible assets	-19	-15	-16
Deferred tax assets	0	-35	-6
Tier 1 capital	2 295	2 014	2 229
Fixed-term subordinated loan capital	1 586	1 203	1 154
Less:			
Fixed-term subordinated loan capital that cannot be included	-610	-321	-206
Net tier 2 capital	976	882	948
Total capital base	3 271	2 896	3 177
Risk-weighted assets	19 031	18 197	17 935
Tier 1 capital ratio (%)	12.1	11.1	12.4
Capital adequacy ratio (%)	17.2	15.9	17.7

[1] For more details, see Note 7.

Spesifikasjon av risikovektet balanse

PARENT BANK

NOK MILLION	30.09.2011		30.09.2010	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	1 541	0	1 843	0
10 %	1 394	139	1 203	120
20 %	14 713	2 943	13 194	2 639
35 %	7 403	2 591	7 196	2 519
50 %	311	156	641	321
75 %	416	312	1 120	840
100 %	12 890	12 890	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	38 668	19 031	36 693	17 935
Capital adequacy ratio (%)		17.2		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 brought to an end.

Following this ruling, three customers sued us individually in the District Court, but the District Court's decision of 8 July 2011 went against them. The judgment has now been appealed to the Borgarting Court of Appeal. The total loan commitment involved as at 30 September 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 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, Island

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 September 2011, the book value of transferred loans was NOK 8.0 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 September 2011, BNkreditt's capital adequacy ratio was 18.4 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 258 million as at 30 September 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 September 2011, these guarantees totalled NOK 500 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 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 14. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

PARENT BANK

NOK MILLION	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Interest and similar income	306	275	263	254	235
Interest expense and similar charges	264	239	232	207	203
Net income from interest and credit commissions	42	36	31	47	32
Change in value of financial instruments carried at fair value, gains & losses	-13	11	0	38	136
Other operating income	13	10	9	12	-114
Total other operating income	0	21	9	50	22
Salaries and general administrative expenses	36	38	34	33	33
Depreciation, amortisation and write-downs	3	4	4	2	3
Other operating expense	3	0	1	5	0
Total other operating expense	42	42	39	40	36
Operating profit/(loss) before impairment losses	0	15	1	57	18
Impairment losses on loans and advances	5	2	2	-20	-3
Operating profit/(loss) after impairment losses	-5	13	-1	77	21
Income from ownership interests in group companies	32	99	0	0	0
Pre-tax profit/(loss)	27	112	-1	77	21
Computed tax charge	0	43	0	19	6
Profit/(loss) for the period, remaining entity	27	69	-1	58	15
Profit/(loss) from operation under divestment	0	4	8	-5	11
Profit/(loss) including divested operation	27	73	7	53	26

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

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

Trondheim, 24 October 2011
The Board of Directors of BN Bank ASA

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 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 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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