

BNkreditt AS

INTERIM REPORT
3rd QUARTER | **2011**



BN Bank



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Summary of results for Q3 2011

- Resultat på 18 millioner kroner (mot 39 millioner kroner i 2. kvartal 2011).
- Driftskostnader ble 23 millioner kroner (mot 24 millioner kroner i 2. kvartal 2011).
- Totale utlån reduserte med 0,4 milliarder kroner i 3.kvartal 2011 (mot økning 0,8 milliarder kroner i 2. kvartal 2011).
- Økning i misligholdet fra 0,40 prosent til 1,25 prosent.
- Tap på utlån på 11 millioner kroner (mot -9 millioner kroner i 2. kvartal 2011).
- Kapitaldekning på 18,4 prosent (mot 18,2 prosent per 30.6.2011).

Financial Ratios

NOK MILLION	NOTE	FULL YEAR					
		30.09.11	% OF ATA	30.09.10	% OF ATA	2010	% OF ATA
Summary of results							
Net income from interest and credit commissions		137	1.12 %	150	1.37 %	194	1.29 %
Total other operating income		53	0.43 %	31	0.28 %	28	0.19 %
Total income		190	1.56 %	181	1.65 %	222	1.48 %
Total other operating expense		69	0.57 %	68	0.62 %	95	0.63 %
Profit/(loss) before impairment losses		121	0.99 %	113	1.03 %	127	0.84 %
Impairment losses on loans and advances		35	0.29 %	28	0.26 %	53	0.35 %
Pre-tax profit/(loss)		86	0.71 %	85	0.78 %	74	0.49 %
Computed tax charge		24	0.20 %	24	0.22 %	21	0.14 %
Profit/(loss) for the period		62	0.51 %	61	0.56 %	53	0.35 %
Profitability							
Return on equity	1	3.1 %		3.0 %		2.0 %	
Net interest margin	2	1.12 %		1.37 %		1.36 %	
Cost-income ratio	3	36.3 %		37.6 %		42.8 %	
Balance sheet figures							
Gross lending		15 829		14 478		15 342	
Increase/decrease in lending (gross) last 12 months		9.3 %		4.3 %		13.9 %	
Average total assets (ATA)	4	16 250		14 616		15 040	
Total assets		16 587		15 274		16 120	
Balance sheet figures including SpareBank 1 Næringskreditt AS							
Gross lending		23 838		22 269		22 650	
Increase/decrease in lending (gross) last 12 months		7.0 %		4.6 %		5.7 %	
Losses on loans and non-performing loans							
Loss ratio lending	6	0.30 %		0.06 %		0.37 %	
Non-performing loans as a percentage of gross lending		1.25 %		0.30 %		0.44 %	
Other doubtful commitments as a percentage of gross lending		2.22 %		2.39 %		3.51 %	
Solvency							
Capital adequacy ratio	8	18.4 %		20.2 %		19.5 %	
Tier 1 capital ratio		15.7 %		17.2 %		16.6 %	
Tier 1 capital		2 569		2 586		2 629	
Capital base		3 020		3 037		3 080	
Offices and staffing							
Number of offices		2		2		2	
Number of full-time equivalents		50		50		50	
Shares							
Earnings per share for the period (whole NOK)		10.33		10.17		8.83	

Note

- 1) Profit after tax as a percentage of average equity
- 2) Total net interest margin to date this year in relation to average total assets (ATA)
- 3) Total operating expense as a percentage of total operating income
- 4) Average total assets (ATA) are calculated as an average of quarterly total assets and as at 1 January and 31 December
- 5) Net loss as a percentage of average gross lending to date this year



Directors' Report

Summary of results for the nine months to 30 September 2011

The funding situation for Bolig- og Næringskreditt AS (BNkreditt) is good, and the Company's capitalisation remains strong.

BNkreditt posted a profit of NOK 62 million after tax for the nine months to 30 September 2011, compared with a post-tax profit of NOK 61 million for the nine months ended 30 September 2010. Positive changes in the value of financial instruments during the period have compensated for increased losses and reduced net interest margin compared with 2010.

Non-performing loans accounted for 1.25 per cent of gross lending as at 30 September 2011, which is 0.81 percentage points higher than at the start of the year. A targeted effort is going into reducing non-performing loans.

BNkreditt's total assets stood at NOK 16.6 billion as at 30 September 2011, which is NOK 1.3 billion up on the past 12 months. Loans and advances totalled NOK 15.7 billion as at 30 September, which is NOK 1.3 billion up on the past year. Loans for NOK 8.0 billion had been transferred to SpareBank 1 Næringskreditt as at 30 September 2011. Lending, including loans transferred to SpareBank 1 Næringskreditt, has increased by NOK 1.5 billion in the past year.

Operations, objectives and strategy

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

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

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

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

Financial developments

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

Profit performance for the nine months to 30 September 2011

BNkreditt achieved a profit of NOK 62 million after tax for the nine months to 30 September 2011, compared with a post-tax profit of NOK 61 million for the same period of 2010. Positive changes in the value of financial instruments during the period have compensated for increased losses and reduced net interest margin compared with 2010.

Total income for the nine months to 30 September 2011 was NOK 190 million, compared with NOK 181 million for the same period of 2010. Compared with last year, a positive change in the value of financial instruments has been counterbalanced by a decrease in net interest margin and reduced commission from Sparebank 1 Næringskreditt.

The transfer of loans to SpareBank 1 Næringskreditt will have a positive effect overall on the Company's income, but will also reduce the amount of net interest income. This is however expected to be com-

compensated for by an increase in other income. BNkredditt receives commission from SpareBank 1 Næringskreditt that is equal to the margin on the loans, and in the nine months to 30 September 2011 received NOK 57 million in commission income, compared with NOK 63 million for the same period of 2010. Loans to the value of NOK 8.0 billion had been transferred to Sparebank 1 Næringskreditt as at 30 September.

BNkredditt's derivatives and some bond borrowings are carried at fair value. Interest rate risk in the Company is low, and fluctuations in interest rates should have a limited net profit-and-loss effect. During periods when interest rate spreads between different instruments develop differently, profit-and-loss effects may arise. For the nine months to 30 September 2011 this gave rise to a negative profit-and-loss effect of NOK 4 million, while the effect for the same period of 2010 was negative by NOK 38 million. These effects will even out in the long term. For more information concerning changes in value, see Note 2.

Other operating expense in the three quarters to 30 September 2011 totalled NOK 69 million, which is on a par with the same period of 2010. BNkredditt purchases all its operation management services from BN Bank.

Non-performing loans accounted for 1.25 per cent of lending as at 30 September 2011, compared with 0.30 per cent at the same date last year. Non-performing and doubtful loans, less individual write-downs, totalled NOK 496 million (3.13 per cent of gross lending) at the end of the third quarter of 2011. The corresponding volumes as at 30 September 2010 were NOK 376 million (2.59 per cent of gross lending). BNkredditt will continue to focus closely on the quality of the portfolio and on monitoring and following up doubtful loan commitments. See Note 6 for more information about non-performing and doubtful loans.

Impairment losses on loans and advances totalled NOK 35 million for the three quarters to 30 September 2011, compared with NOK 28 million for the same period of 2010. Collective write-downs have risen by NOK 4 million in the last 12 months, totalling NOK 43 million as at 30 September 2011, which is 0.27 per cent of gross lending.

Profit performance for Q3 2011

BNkredditt achieved a profit of NOK 18 million after tax for the third quarter of 2011, compared with a post-tax profit of NOK 39 million for the second quarter of 2011. Increased losses and reduced lending margins are the main causes of the decrease in profit.

Total income for third-quarter 2011 was NOK 59 million, compared with NOK 69 million for second-quarter 2011. The decrease in income is mainly attributable to reduced lending margins.

Other operating expenses in the third quarter of 2011 totalled NOK 23 million, which is NOK 1 million less than for second-quarter 2011.

The trend in non-performing loans was negative in the third quarter, and the figure for non-performing loans as a percentage of gross lending as at 30 September was 1.25 per cent, which is an increase of 0.85 percentage points in third-quarter 2011.

Impairment losses on loans and advances in the third quarter totalled NOK 11 million, compared with NOK 9 million recognised as income under impairment losses in second-quarter 2011. The main reason for the income recognised in the second quarter 2011 was the sale of a repossessed property, which gave rise to an accounting profit of NOK 9 million. Collective write-downs were down by NOK 6 million during the quarter and stood at NOK 43 million as at 30 September 2011, which is 0.27 per cent of gross lending.

Balance sheet development

The Company's loan portfolio stood at NOK 15.7 billion as at 30 September 2011, compared with NOK 15.3 billion at the start of the year. Loans for NOK 8.0 billion had been transferred to SpareBank 1 Næringskreditt as at 30 September.

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

NOKbn	Q3 2011	Q2 2011	Q1 2011
BN kreditt	15.8	16.1	15.7
SpareBank 1 Næringskreditt	8.0	8.1	7.7
Gross lending	23.8	24.2	23.4

Gross lending, including loans transferred to SpareBank 1 Næringskreditt, has risen by NOK 1.2 billion to date this year. The transfer of loans to SpareBank 1 Næringskreditt will boost the Company's liquidity position, profitability and financial strength. BNkredditt has no ownership interest in Sparebank 1 Næringskreditt.



To strengthen the interests of the existing bond holders in BNkredditt, BN Bank has provided a guarantee that BNkredditt will have a minimum capital adequacy ratio or junior financing of 20 per cent. As at 30 September 2011, BNkredditt had a capital adequacy ratio of 18.4 per cent and a capital base of NOK 3.0 billion. BN Bank had ceded precedence in respect of its accounts receivable with BNkredditt for a total of NOK 258 million as at 30 September. For more information, see Notes 8 and 10.

BNkredditt had NOK 4.5 billion in securities borrowings as at 30 September 2011, which is a decrease of NOK 1.7 billion since the end of 2010. Other interest-bearing debt consists chiefly of debt to the Parent Bank.

Total assets have increased by NOK 0.5 billion to date this year, amounting to NOK 16.6 billion as at 30 September. The increase is attributable to the growth in lending.

Solvency

BNkredditt's capital base was NOK 3 020 million at the end of the period, equivalent to a capital adequacy ratio of 18.4 per cent. Tier 1 capital was NOK 2 569 million, equivalent to a tier 1 capital ratio of 15.7 per cent as at 30 September 2011. Risk-weighted assets were NOK 16 388 million at the same date. The Board deems the Company's capital adequacy to be good.

Outlook

Growing competition in BNkredditt's core areas will continue to exert pressure on earnings. However, a satisfactory funding situation, a good-quality loan portfolio and strong capitalisation all endow the Company with a sound foundation for future growth.

Overall, the quality of the loan portfolio is judged as low. The Company's commercial real estate portfolio is however well diversified with a variety of types of tenant and lease object. The economic downturn, higher interest rates and a significant fall in property prices may impact negatively on borrowers' debt-servicing capacity. BNkredditt will continue to maintain a close focus on monitoring and following up loans and commitments.

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

The continuing sovereign debt crisis in several countries may affect BNkredditt in the time ahead. The Company has no direct exposure to foreign sovereign debt, but the financial turmoil may affect its funding options.

BNkredditt is highly focused on implementing the Company's new business strategy, which was adopted in 2010. In the Board's opinion, it will provide a sound basis for maintaining and developing the Company's values and assets. BNkredditt enjoys a good position in selected markets, and the Board sees profitable growth opportunities in the Company's target areas.

The Board of the Directors
Trondheim, 24 October 2011

Income Statement

NOK MILLION	NOTE	Q3 2011	Q3 2010	30.09.2011	30.09.2010	FULL YEAR 2010
Interest and similar income		190	172	546	464	629
Interest expense and similar charges		149	121	409	314	435
Net income from interest and credit commissions		41	51	137	150	194
Change in value fin. instruments carried at fair value, gains & losses	2	0	-9	-4	-38	-60
Other operating income	3	18	19	57	69	88
Total other operating income		18	10	53	31	28
Salaries and general administrative expenses		18	18	53	52	74
Other operating expense		5	5	16	16	21
Total other operating expense		23	23	69	68	95
Operating profit/(loss) before impairment losses		36	38	121	113	127
Impairment losses on loans and advances	6	11	6	35	28	53
Profit/(loss) before tax		25	32	86	85	74
Computed tax charge		7	9	24	24	21
Profit/(loss) for the period		18	23	62	61	53

Balance Sheet

NOK MILLION	NOTE	30.09.11	30.09.10	FULL YEAR 2010
Deferred tax assets		87	70	49
Reposessed properties		0	15	15
Loans and advances	5, 6, 10	15 732	14 425	15 268
Financial derivatives		120	129	134
Short-term securities investments		525	520	520
Cash and balances due from credit institutions		123	115	134
Total assets		16 587	15 274	16 120
Share capital		600	600	600
Retained earnings	4	2 087	2 086	2 079
Total equity		2 687	2 686	2 679
Subordinated loan capital	7	451	451	451
Liabilities to credit institutions		8 825	5 847	6 629
Debt securities in issue	7	4 543	6 211	6 286
Accrued expenses and deferred income		39	37	14
Financial derivatives		42	42	61
Total liabilities		13 900	12 588	13 441
Total equity and liabilities		16 587	15 274	16 120

The Board of the Directors
Trondheim, 24 October 2011

Statement of Changes in Equity

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER PAID-UP SHARE CAPITAL	OTHER RESERVES	TOTAL EQUITY
Balance Sheet as at 1 January 2010	600	1 000	0	1 082	2 682
Group contribution paid to Parent Bank	0	0	0	-56	-56
Result for the period	0	0	0	61	61
Balance Sheet as at 30 Sept. 2010	600	1 000	0	1 087	2 687
Result for the period	0	0	0	-8	-8
Balance Sheet as at 31 Dec. 2010	600	1 000	0	1 079	2 679
Group contribution paid to Parent Bank	0	0	0	-98	-98
Group contrib. rec'vd from Parent Bank	0	0	44	0	44
Result for the period	0	0	0	62	62
Balance Sheet as at 30 Sept. 2011	600	1 000	44	1 043	2 687

Boar of the Directors
Trondheim, 24 October 2011

Statement of Cash Flows

NOK MILLION	30.09.2011	30.09.2010	FULL YEAR 2010
Cash flows from operating activities			
Interest/commission received and fees received from customers	842	4 602	4 501
Interest received on other investments	20	-1	-14
Interest paid on other loans	-427	-300	-423
Receipts/disbursements (-) on loans and advances to customers	-464	-4 910	-5 435
Receipts/payments (-) on liabilities to credit institutions	1 873	652	1 362
Receipts/payments (-) on securities in issue	-1 712	130	242
Receipts on written-off debt	9	0	6
Other receipts/payments	-55	12	-11
Payments to suppliers for goods and services	-37	-37	-49
Payments to employees, pensions and social security expenses	-28	-29	-41
Net cash flow from operating activities	21	119	138
Cash flows from investing activities			
Receipts/payments (-) on short-term securities investments	-4	0	0
Proceeds from sale of operating assets etc.	25	0	0
Net cash flow from investing activities	21	0	0
Cash flow from financing activities			
Dividend/group contribution paid	-53	-56	-56
Net cash flow from financing activities	-53	-56	-56
Net cash flow for the period	-11	63	82
Cash and balances due from central banks as at 1 January	134	52	52
Cash and balances due from central banks as at 30 September	123	115	134

Notes

NOTE 1. ACCOUNTING POLICIES

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

As of 1 January 2011, the Company 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, GAINS AND LOSSES

NOK MILLION	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Change in value interest rate derivatives oblig carried at fair value thro profit or loss ¹	16	-5	-6	19	1
Total change in value of financial instruments obliged to be carried at fair value	16	-5	-6	19	1
Change in value of borrowings selected for fair value carrying through profit or loss ¹	1	1	31	-4	17
Change in value of loans selected for fair value carrying through profit or loss ¹	-30	-30	-24	-81	-87
Total change in value of financial instruments selected for fair value carrying	-29	-29	7	-85	-70
Change in value of interest rate derivatives, hedging ³	20	0	14	8	-1
Change in value of borrowings, hedged ³	-20	0	-14	-8	1
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	-13	-34	1	-66	-69
Realised exch. gains/losses(-) bonds and certificates carried at amortised cost ⁴	0	0	0	-2	-1
Realised exch. gains/losses(-) loans and borrowings carried at amortised cost ⁴	0	0	0	9	9
Exchange gains/losses on borrowings and loans carried at amortised cost ²	13	25	-5	21	1
Total change in value of financial instruments carried at fair value, gains and losses	0	-9	-4	-38	-60

¹ The profit-and-loss effect as at 30 September 2011 comprises mainly expense recognition of interest rate hedging instruments and related hedge objects (fixed-rate loans and borrowings) totalling NOK 3 million and similar expense recognition of NOK 45 million for the same period of 2010. This effect is owing to changes in the fair value of financial instruments relating to the change in credit risk.

² Exchange gains/losses on borrowings and loans carried at amortised cost are chiefly attributable to exchange gain/loss effects which arise when borrowing and lending in foreign currencies are translated at the current exchange rate. Forward exchange contracts and combined interest rate and currency derivatives are carried at fair value with changes in value carried through profit or loss. Exposure to exchange rate fluctuations is low.

³ From 2010, BNKreditt has used fair value hedges for new fixed-rate borrowings and related hedge instruments. The borrowings are hedged 1:1 through external contracts where the principal, interest stream, term and hedging transaction match. It is the interest rate risk that is hedged and the hedging transactions entered into are documented. With fair value hedges, the hedge instrument is accounted for at fair value, and the hedge object is accounted for at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as at 30 September 2011 was positive by NOK 19 million.

⁴ Realised gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to no P&L effect as at 30 September 2011, compared with income recognition of NOK 7 million for the same period of 2010. NOK 8 million was recognised as income for the full year 2010.

NOTE 3. OTHER OPERATING INCOME

NOK MILLION	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Net commission income/charges ¹	18	19	57	63	82
Other operating income	0	0	0	6	6
Total other operating income	18	19	57	69	88

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

NOTE 4. CHANGES IN EQUITY

The Annual General Meeting has resolved to render group contribution to the Parent Bank of NOK 136 million before tax. In addition, the Company has received NOK 44 million without tax effect from the Parent Bank.

NOTE 5. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIO

NOK MILLION	30.09.11	30.09.10	FULL YEAR 2010
Gross lending	15 829	14 478	15 342
Loans transferred to SpareBank 1 Næringskreditt	8 009	7 791	7 308
Total loans managed portfolio	23 838	22 269	22 650

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

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

NOK MILLION	Q3 2011	Q3 2010	30.09.11	30.09.10	FULL YEAR 2010
Write-offs in excess of prior-year write-downs	0	11	4	27	27
Write-offs on loans without prior-year write-downs	3	0	8	0	0
Write-downs for the period:					
Change in collective write-downs	-6	-6	4	0	0
Total change in collective write-downs	-6	-6	4	0	0
Increase in loans with prior-year write-downs	12	0	17	0	23
Provisions against loans without prior-year write-downs	2	10	13	11	14
Decrease in loans with prior-year write-downs	0	-9	-2	-10	-11
Total change in individual write-downs	14	1	28	1	26
Gross impairment losses	11	6	44	28	53
Recoveries on previous write-offs ¹	0	0	9	0	0
Impairment losses on loans and advances	11	6	35	28	53
Revenue recognition of interest on written-down loans	1	1	5	3	6

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

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	35	35	21	21
Write-offs covered by prior-year individual write-downs	0	-22	-4	-6	-6
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	12	0	12	0	17
Write-downs on loans without prior individual write-downs	2	11	13	11	14
Decrease in loans with prior-year individual write-downs	0	-10	-2	-12	-11
Individual write-downs to cover impairment losses at end of the period	54	14	54	14	35
Collective write-downs to cover impairment losses at start of the period	49	45	39	39	39
Collective write-downs for the period to cover impairment losses	-6	-6	4	0	0
Collective write-downs to cover impairment losses at end of the period	43	39	43	39	39



Loans past due more than 3 months

NOK MILLION	30.09.11	30.09.10	FULL YEAR 2010
Gross principal	198	44	67
Individual write-downs	32	0	0
Net principal	166	44	67

Other loans with individual write-downs

NOK MILLION	30.09.11	30.09.10	FULL YEAR 2010
Gross principal	352	346	539
Individual write-downs	22	14	35
Net principal	330	332	504

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

NOK MILLION	GROSS		GROSS		GROSS	
	OUTSTANDING 30.09.11	%	OUTSTANDING 30.09.10	%	OUTSTANDING 2010	%
Corporate market	198	1.25	44	0.30	67	0.44

NOTE 7. BORROWINGS (FUNDING)**Debt securities in issue**

The Company had issued bonds and certificates with a face value of NOK 253 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.

NOK MILLION	30.09.2011	30.09.2010	FULL YEAR 2010
Net debt (face value) as at 1 January 2011	557	5 551	6 108
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-280	-280
Net debt (face value) as at 31 March 2011	557	5 271	5 828
New issues	0	0	0
Increase in existing issues	0	50	50
Purchase and maturity of existing issues	-557	-1 121	-1 678
Net debt (face value) as at 30 June 2011	0	4 200	4 200
New issues	0	0	0
Increase in existing issues	0	203	203
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 30 September 2011	0	4 403	4 403

Subordinated loan capital and perpetual subordinated loan capital securities

The Company 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.

NOK MILLION	PERPET. SUBORD. LOAN CAP. SEC.	SUBORDINATED LOAN CAPITAL	TOTAL
Net debt (face value) as at 1 January 2011	0	450	450
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 31 March 2011	0	450	450
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 30 June 2011	0	450	450
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 30 September 2011	0	450	450

Recognised values

NOK MILLION	30.09.2011	30.09.2010	FULL YEAR 2010
Certificates carried at amortised cost	0	0	0
Certificates carried at fair value	0	563	567
Total recognised value of certificates	0	563	567
Bonds carried at amortised cost	1 620	1 856	1 853
Bonds selected for fair value carrying	2 923	3 792	3 866
Total recognised value of bonds	4 543	5 648	5 719
Total recognised value of debt securities in issue	4 543	6 211	6 286
Subordinated loans carried at amortised cost	451	451	451
Subordinated loans selected for fair value carrying	0	0	0
Total recognised value of subordinated loans	451	451	451

NOTE 8. CAPITAL ADEQUACY

Process for assessing the capital adequacy requirement

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

NOK MILLION	30.09.2011	30.09.2010	FULL YEAR 2010
Share capital	600	600	600
Other reserves	2 056	2 056	2 079
Proposed provision for group contribution	0	0	0
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings)	0	0	0
Less:			
Intangible assets	0	0	0
Deferred tax assets	-87	-70	-49
Tier 1 capital	2 569	2 586	2 630
Fixed-term subordinated loan capital ¹	451	451	451
Less:			
Net tier 2 capital	451	451	451
Total capital base	3 020	3 037	3 081
Risk-weighted assets	16 388	15 022	15 818
Tier 1 capital ratio (%)	15.7	17.2	16.6
Capital adequacy ratio (%)	18.4	20.2	19.5

¹ For more details, see Note 7.

Specification of risk-weighted assets

NOK MILLION	30.09.2011		FULL YEAR 2010	
	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
RISK-WEIGHTING				
0 %	0	0	0	0
10 %	0	0	0	0
20 %	703	141	756	151
35 %	470	165	362	127
50 %	0	0	0	0
75 %	0	0	0	0
100 %	16 083	16 083	15 540	15 540
Investments included in the trading portfolio	0	0	0	0
Negotiable debt instruments included in the trading portfolio	0	0	0	0
Total risk-weighted assets	17 256	16 388	16 658	15 818
Capital adequacy ratio (%)		18.4		19.5

NOTE 9. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

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

NOTE 10. TRANSFER TO SPAREBANK 1 NÆRINGSKREDITT

SpareBank 1 Næringskreditt AS was established in 2009 and granted a licence by the Financial Supervisory Authority of Norway to operate as a credit institution. The company is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Boligkreditt AS in Stavanger. The same banks own SpareBank 1 Næringskreditt as own BN Bank. The purpose of the company is to secure for the banks within the consortium a source of stable, long-term financing of commercial real estate at competitive rates. SpareBank 1 Næringskreditt procures loans with mortgages on commercial properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to the company and, as part of the Bank's funding strategy, loans have been transferred from BNkreditt. At the end of 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 11. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

NOK MILLION	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Interest and similar income	190	184	172	165	172
Interest expense and similar charges	149	136	124	121	121
Net income from interest and credit commissions	41	48	48	44	51
Change in value of financial instruments carried at fair value, gains and losses	0	1	-5	-22	-9
Other operating income	18	20	19	19	19
Total other operating income	18	21	14	-3	10
Salaries and general administrative expenses	18	18	17	22	18
Other operating income	5	6	5	5	5
Total other operating income	23	24	22	27	23
Operating profit/(loss) before impairment losses	36	45	40	14	38
Impairment losses on loans and advances	11	-9	33	25	6
Profit/(loss) before tax	25	54	7	-11	32
Computed tax charge	7	15	2	-3	9
Profit/(loss) for the period	18	39	5	-8	23



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

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

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

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

Arve Austestad

Lisbet K. Nærø
(Chair)

Svend Lund
(General Manager)

Tove Kolbjørnsen Kulseng

Lars Bjarne Tvete

Kjell Fordal
(Deputy Chair)

Revisors beretning



PricewaterhouseCoopers AS
Brattørkaia 17 B
NO-7492 Trondheim
Telefon 02316

To the Board of Directors of Bolig- og Næringskreditt AS

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying balance sheet of Bolig- og Næringskreditt AS as of 30. September 2011 and the related statements of income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this 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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