BN Boligkreditt AS

INTERIM REPORT 4th QUARTER | 2011

BN Bank

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Summary of results for Q4 2011

•Profits of NOK 7 million (NOK 8 million in Q3 2011).

•Operating expenses totaled NOK 1 million (NOK 1 million in Q3 2011).

Financial Ratios

NOK MILLION	NOTE	31.12.11	% OF ATA	31.12.10	% OF ATA
Summary of results					
Net income from interest and credit commissions		44	1.48 %	51	0.95 %
Total other operating income		-2	-0.07 %	-9	-0.17 %
Total income		42	1.41 %	42	0.78 %
Total other operating expense		6	0.20 %	18	0.33 %
Operating profit/(loss) before impairment losses		36	1.21 %	24	0.45 %
Impairment losses on loans and advances		0	0.00 %	-2	-0.04 %
Profit/(loss) before tax		36	1.21 %	26	0.48 %
Computed tax charge		10	0.34 %	7	0.13 %
Profit/(loss) for the period		26	0.87 %	19	0.35 %
Profitability					
Return on equity	1	8.9 %		6.4 %	
Net interest margin	2	1.48 %		0.95 %	
Cost-income ratio	3	14.3 %		42.9 %	
Balance sheet figures					
Gross lending		2 008		2 790	
Increase/decrease in lending (gross) last 12 months		-28.0 %		-57.2 %	
Average total assets (ATA)	4	2 982		5 387	
Total assets		2 727		3 311	
Losses on loans and non-performing loans					
Loss ratio lending	5	0.00 %		-0.05 %	
Non-performing loans as a percentage of gross lending		0.75 %		0.61 %	
Other doubtful commitments as a percentage of gross lending		0.00 %		0.00 %	
Solvency					
Capital adequacy ratio		39.4 %		29.7 %	
Tier 1 capital ratio		31.5 %		23.4 %	
Tier 1 capital		303		282	
Capital base		379		358	
Shares					
Earnings per share for the period (whole NOK)		57.78		42.22	

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

Directors´ Report

Summary of results for 2011

BN Boligkreditt AS (BN Boligkreditt) posted a profit after tax of NOK 26 million for the twelve months to 31 December 2011, compared with NOK 19 million for the twelve months to 31 December 2010. The increase in profit is mainly attributable to a decrease in other operating expense and positive changes in the value of financial instruments.

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

As at 31 December 2011, the figure for non-performing loans as a percentage of gross lending is 0.75 per cent, which is 0.14 percentage points higher than at the start of the year. BN Boligkreditt will continue to focus closely on monitoring and following up non-performing loans.

Operations, objectives and strategy

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

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

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

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

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

Financial developments

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

The twelve months to 31 December 2011

BN Boligkreditt recorded a profit after tax of NOK 26 million for the twelve months to 31 December 2011, compared with NOK 19 million for the twelve months to 31 December 2010. The increase in profit is mainly attributable to a decrease in other operating expense and positive changes in the value of financial instruments.

Net interest income for the twelve months to 31 December 2011 was NOK 44 million, compared with NOK 51 million for the twelve months to 31 December 2010. Net interest income was pulled down by a lower volume of lending and falling lending margins.

The Company's derivatives and some bond borrowings are carried at fair value. Interest rate risk in the Company is low, and fluctuations in interest rates should have a limited net profit-and-loss effect. During periods when interest rate spreads between different instruments develop differently, profit-and-loss effects may arise. As at 31 December 2011, this gave rise to a negative profit-and-loss effect of NOK 2 million, while the profit-and-loss effect for the twelve months to 31 December 2010 was negative by NOK 9 million. These effects will even out in the long term.

Operating expense totalled NOK 6 million for the twelve months to 31 December 2011, which is a decrease of NOK 12 million compared with full-year 2010. The Company purchases all its operation management services from BN Bank, and falling lending volumes mean a decrease in operating expense.

Non-performing loans as a percentage of gross lending increased by 0.14 percentage points during the past 12 months, and the figure now stands at 0.75 per cent as at 31 December 2011.

Impairment losses on loans in the twelve months to 31 December 2011 totalled NOK 0 million. Collective write-downs amounted to NOK 6 million in total at year-end, which is 0.30 per cent of gross lending. Given the low risk attached to the Company's mortgage loan operations, the current loan loss provisions are considered adequate.

Profit performance for Q4 2011

BN Boligkreditt posted a profit after tax of NOK 7 million for the fourth quarter of 2011, compared with a post-tax profit of NOK 8 million for the third quarter of 2011.

Total income for fourth-quarter 2011 was NOK 12 million, compared with NOK 11 million for third-quarter 2011. The increase in total income is attributable to positive changes in the value of financial instruments.

In fourth-quarter 2011 other expense totalled NOK 1 million, which is on a par with third-quarter 2011.

There was a negative trend in non-performing loans in the fourth quarter, and as at 31 December non-performing loans as a percentage of gross lending was 0.75 per cent, which is an increase of 0.38 percentage points from the third quarter of 2011.

Impairment losses on loans totalled NOK 1 million for the fourth quarter of 2011, compared with NOK 1 million recognised as income in third-quarter 2011. Collective write-downs increased by NOK 1 million during the quarter and stood at NOK 6 million as at 31 December 2011, which is 0.30 per cent of gross lending.

Balance Sheet

The loan portfolio stood at NOK 2.0 billion as at 31 December 2011, compared with NOK 2.8 billion at the end of 2010.

As a result of borrowings falling due, debt was reduced by NOK 4.6 billion in 2010. In 2011 the bond debt was further reduced by NOK 491 million. The prices of the Company's remaining bonds are competitive.

Solvency

BN Boligkreditt's capital base at the end of the period was NOK 379 million, giving a capital adequacy ratio of 39.4 per cent. Tier 1 capital was NOK 303 million, giving a tier 1 capital ratio of 31.5 per cent as at 31 December 2011. Risk-weighted assets were NOK 962 million at the same date. The Board of Directors deems the relationship between BN Boligkreditt AS' capital adequacy and relevant risks to be satisfactory.

Outlook

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

The work will continue to determine whether further developing and coordinating the operations of BN Boligkreditt and Sparebank 1 Boligkreditt can help strengthen the funding of BN Bank's operations.

The Board of Directors
Trondheim, 25 January 2012

Income Statement

NOK MILLION	NOTE	Q4 2011	Q4 2010	31.12.11	31.12.10
Net income from interest and similar income		25	27	101	170
Interest expense and similar charges		15	16	57	119
Net income from interest and credit commissions		10	11	44	51
Change in value of financial instruments at fair value, gains & losses	2	2	8	-2	-9
Total other operating income		2	8	-2	-9
Salaries and general administrative expenses		1	2	6	18
Total other operating expense		1	2	6	18
Operating profit/(loss) before impairment losses		11	17	36	24
Impairment losses on loans and advances	4	1	0	0	-2
Profit/(loss) before tax		10	17	36	26
Computed tax charge		3	4	10	7
Profit/(loss) for the period		7	13	26	19

Balance Sheet

NOK MILLION	NOTE	31.12.2011	31.12.2010
Loans and advances	4, 8	2 002	2 784
Financial derivatives	10	40	51
Cash and balances due from credit institutions		685	476
Total assets		2 727	3 311
Share capital		101	101
Retained earnings	3, 10	202	181
Total equity		303	282
Deferred tax		9	1
Subordinated loan capital		76	76
Liabilities to credit institutions		211	332
Debt securities in issue	5	2 127	2 618
Accrued expenses and deferred income		1	0
Tax payable		0	2
Total liabilities		2 424	3 029
Total equity and liabilities		2 727	3 311

The Board of Directors
Trondheim, 25 January 2012

Statement of Changes in Equity

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER PAID-UP SHARE CAPITAL	OTHER RESERVES	TOTAL EQUITY
Balance Sheet as at 1 January 2010	101	174	0	16	291
Group contribution paid to Parent Bank	0	0	0	-28	-28
Result for the period	0	0	0	19	19
Balance Sheet as at 31 Dec. 2010	101	174	0	7	282
Group contribution paid to Parent Bank	0	0	0	-6	-6
Result for the period	0	0	0	27	27
Balance Sheet as at 31 Dec. 2011	101	174	0	28	303

The Board of Directors
Trondheim, 25 January 2012

Statement of Cash Flows

NOK MILLION	31.12.2011	31.12.2010
Cash flows from operating activities		
Interest/commission received and fees received from customers	85	151
Interest received on other investments	18	5
Interest paid on other loans	-63	-122
Receipts/disbursements (-) on loans and advances to customers	780	3 717
Receipts/payments on customer deposits and accounts payable to customers	0	-1
Receipts/payments (-) on liabilities to credit institutions	-122	103
Receipts/payments (-) on securities in issue	-476	-3 473
Other receipts/payments	0	-1 192
Payments to suppliers for goods and services	-6	-18
Tax paid	-2	-18
Net cash flow from operating activities	214	-848
Cash flows from investing activities		
Net cash flow from investing activities	0	0
Cash flow from financing activities		
Dividend/group contribution paid	-5	-28
Net cash flow from financing activities	-5	-28
Net cash flow for the period	209	-876
Cash and balances due from central banks as at 1 January	476	1 334
Cash and balances due from central banks as at 31 December	685	458

The Board of Directors
Trondheim, 25 January 2012

Notes

NOTE 1. ACCOUNTING POLICIES

The fourth-quarter interim financial statements for the twelve months to 31 December 2011 have been prepared in compliance with IFRS, including IAS 34 Interim Financial Reporting. A description of the accounting policies on which the interim financial statements are based is provided in the Annual Report for 2010.

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

NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12.10
Change in value interest rate derivatives obliged carried at fair value thro profit or loss	-3	0	-11	0
Change in value borrowings selected for fair value carrying through profit or loss	5	8	13	4
Total change in value of financial instruments carried at fair value	2	8	2	4
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost	0	0	-4	-13
Total change in value of financial instruments	2	8	-2	-9

NOTE 3. CHANGES IN EQUITY

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

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

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

NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12.10
Write-offs in excess of prior-year write-downs	0	0	0	0
Write-offs on loans without prior write-downs	0	0	0	0
Write-downs for the period:				
Change in collective write-downs	1	0		-2
Total change in collective write-downs	**1**	**0**	**0**	**-2**
Increase in loans with prior-year write-downs	0	0	0	0
Provisions against loans without prior write-downs	0	0	0	0
Decrease in loans with prior-year write-downs	0	0	0	0
Total change in individual write-downs	**0**	**0**	**0**	**0**
Gross impairment losses	1	0	0	-2
Recoveries on previous write-offs	0	0	0	0
Impairment losses on loans and advances	**1**	**0**	**0**	**-2**
Revenue recognition of interest on written-down loans	0	0	0	0

NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12.10
Individual write-downs to cover impairment losses at start of period	0	0	0	0
Write-offs covered by prior-year individual write-downs	0	0	0	0
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	0	0	0	0
Write-downs on loans without prior individual write-downs	0	0	0	0
Decrease in loans with prior-year individual write-downs	0	0	0	0
Individual write-downs to cover impairment losses at end of period	**0**	**0**	**0**	**0**
Collective write-downs to cover impairment losses at start of period	5	6	6	8
Collective write-downs for the period to cover impairment losses	1	0	0	-2
Collective write-downs to cover impairment losses at end of period	**6**	**6**	**6**	**6**

Loans past due more than 3 months

NOK MILLION	31.12.2011	31.12.2010
Gross principal	14	17
Individual write-downs	0	0
Net principal	14	17

Other loans with individual write-downs

NOK MILLION	31.12.2011	31.12.2010
Gross principal	0	0
Individual write-downs	0	0
Net principal	0	0

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

NOK MILLION	GROSS OUTSTANDING 31.12.11	%	GROSS OUTSTANDING 31.12.10	%
Retail market	15	0.75	17	0.61

NOTE 5. BORROWING (FUNDING)

Debt securities in issue

The Company had issued no bonds or certificates as at 31 December 2011.
Fixed-rate borrowings are carried in the balance sheet at fair value, while variable-rate borrowings are carried at amortised cost.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (face value) as at 1 January 2011	0	2 553	2 553
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 31 March 2011	0	2 553	2 553
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-365	-365
Net debt (face value) as at 30 June 2011	0	2 188	2 188
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-75	-75
Net debt (face value) as at 30 September 2011	0	2 113	2 113
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-37	-37
Net debt (face value) as at 31 December 2011	0	2 076	2 076

Recognised values

NOK MILLION	31.12.2011	31.12.2010
Bonds carried at amortised cost	1 318	1 757
Bonds selected for fair value carrying	809	861
Total recognised value of bonds	2 127	2 618
Total recognised value of debt securities in issue	2 127	2 618

NOTE 6. CAPITAL ADEQUACY

Process for assessing the capital adequacy requirement

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

NOK MILLION	31.12.2011	31.12.2010
Share capital	101	101
Other reserves	202	181
Less:		
Deferred tax assets	0	0
Tier 1 capital	303	282
Fixed-term subordinated loan capital	76	76
Less:		
Fixed-term subordinated loan capital that cannot be included	0	0
Net tier 2 capital	76	76
Total capital base	379	358
Risk-weighted assets	962	1 206
Tier 1 capital ratio (%)	31.5	23.4
Capital adequacy ratio (%)	39.4	29.7

Specification of risk-weighted assets

NOK MILLION	31.12.2011		FULL YEAR 2010	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	0	0	0	0
10 %	0	0	0	0
20 %	722	144	543	109
35 %	2 060	721	2 826	989
50 %	0	0	0	0
75 %	0	0	0	0
100 %	97	97	108	108
Investments included in the trading portfolio	0	0	0	0
Negotiable debt instruments included in the trading portfolio	0	0	0	0
Total risk-weighted assets	2 879	962	3 477	1 206
Capital adequacy ratio (%)		39.4		29.7

NOTE 7. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

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

NOTE 8. TRANSFER TO SPAREBANK 1 BOLIGKREDITT

SpareBank 1 Boligkreditt is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Næringskreditt AS in Stavanger. The purpose of the company is to secure for the banks within the consortium a source of stable, long-term financing of residential mortgage loans at competitive rates. SpareBank 1 Boligkreditt procures loans with mortgages on residential properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to the company and, as part of the Bank's funding strategy, loans were transferred from BN Boligkreditt in 2010 and 2011. At the end of December 2011, the book value of transferred loans was NOK 4.0 billion. BN Bank is responsible for managing the transferred loans and receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

NOTE 9. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

NOK MILLION	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Interest and similar income	25	24	26	26	27
Interest expense and similar charges	15	13	15	14	16
Net income from interest and credit commissions	10	11	11	12	11
Change in value of financial instruments at fair value, gains and losses	2	0	-3	-1	8
Total other operating income	2	0	-3	-1	8
Salaries and general administrative expenses	1	1	2	2	2
Total other operating expense	1	1	2	2	2
Operating profit/(loss) before impairment losses	11	10	6	9	17
Impairment losses on loans and advances	1	-1	0	0	0
Profit/(loss) before tax	10	11	6	9	17
Computed tax charge	3	3	1	3	4
Profit/(loss) for the period	7	8	5	6	13

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

BN Boligkreditt's derivatives and most other financial instruments with a maturity of more than one year are reported at fair value. Financial instruments traded in an active market are valued at observed market prices. Financial instruments that are not traded in an active market are assessed using valuation techniques. Valuation techniques are based on recent transactions between independent parties, reference to instruments with approximately the same content, or discounted cash flows. As far as possible, valuations are based on externally observed parameter values.

BN Boligkreditt adopted IFRS at the start of 2007, and these valuation techniques were established at that time in collaboration with the Company's auditors, PwC.

In the second half of 2010 it was discovered that the valuation technique on a specific financial instrument was based on assumptions that chiefly overvalued the instrument. As at 1 January 2010 and 1 January 2009 this overvaluation was estimated net at NOK 18 million after tax. The Company therefore wrote down the value of the instrument and the equity by this amount as at 1 January 2010 and 1 January 2009 in accordance with IAS 8, as an adjustment in the second half-year viewed in isolation was deemed important. BN Boligkreditt is for that reason obliged to present the restated balance sheet as at 1 January 2009 and 31 December 2009.

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

We certify that, to the best of our belief, the Company's fourth-quarter interim financial statements for the period 1 January to 31 December 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 fourth-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, 25 January 2012
The Board of Directors of BN Boligkreditt AS

Kjell Fordal (Deputy Chair)	Svend Lund (Chair)	Trond Søraas (Managing Director)
Tove Kolbjørnsen Kulseng	Lars Bjarne Tvete	Arve Austestad

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