BN Bank ASA

INTERIM REPORT 4th QUARTER | 2011

Content

Summary of results for Q4 2011

- Good and stable liquidity situation.
- Profits include discontinued operations for NOK 26 million (NOK 55 million in Q3 2011).
- Operating expenses amounted to NOK 71 million (NOK 28 million in Q3 2011). The Increase in costs is mainly due to the sale of the building in Munkegata 21, in Q3, with a profit of NOK 36 million after taxes.
- Total lending increased with NOK 1.1 billion in Q4 (compared to NOK 0,5 billion in Q3 2011).
- Non-performing loans decreased with 0.8 per cent to 0.59 per cent.
- Impairment losses on loans and advances were NOK 18 million (16 million Q3 2011).
- Tier 1 capital ratio of 11.0 per cent (10.9 per cent: 30.9.2011) and capital adequacy ratio of 13.7 per cent (13.8 per cent: 30.9.2011).

Year 2011

- Profits, including discontinued operations, of NOK 154 million (NOK 141 million in 2010).
- Return on equity of 5.0 per cent (4.8 per cent in 2010).
- Growth in lending of NOK 3.4 billion the past twelve months.

Financial Ratios - Group

NOK MILLION	NOTE	31.12.11	% OF ATA	FULL YEAR 2010	% OF ATA
Summary of results					
Net income from interest and credit commissions		385	0.94 %	380	0.87 %
Total other operating income		103	0.25 %	91	0.21 %
Total income		488	1.19 %	471	1.08 %
Total other operating expense		234	0.57 %	245	0.56 %
Operating profit/(loss) before impairment losses		254	0.62 %	226	0.52 %
Impairment losses on loans and advances		62	0.15 %	32	0.07 %
Profit/(loss) before tax		192	0.47 %	194	0.45 %
Computed tax charge		44	0.11 %	52	0.12 %
Profit/(loss) for the period, remaining entity		148	0.36 %	142	0.33 %
Profitability					
Return on equity	1	5.0 %		4.8 %	
Net interest margin	2	0.94 %		0.87 %	
Cost-income ratio	3	48.0 %		52.0 %	
Balance sheet figures					
Gross lending		33 439		32 577	
Customer deposits		15 959		16 395	
Deposit-to-loan ratio	4	47.7 %		50.3 %	
Increase/decrease in lending (gross) last 12 months		2.6 %		5.5 %	
Increase/decrease in deposits last 12 months		-2.7 %		5.2 %	
Average total assets (ATA)	5	40 887		43 552	
Total assets		40 722		41 228	
Balance sheet figures remaining entity including SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt					
Gross lending		45 663		42 269	
Customer deposits		15 959		16 395	
Increase/decrease in lending (gross) last 12 months		8.0 %		8.9 %	
Increase/decrease in deposits last 12 months		-2.7 %		5.2 %	
Share of lending financed via deposits		34.9 %		38.8 %	
Losses on loans and non-performing loans					
Loss ratio lending	6	0.19 %		0.10 %	
Non-performing loans as a percentage of gross ratio lending	8	0.59 %		0.43 %	
Other doubtful commitments as a percentage of gross lending	8	2.02 %		2.39 %	
Solvency					
Capital adequacy ratio		13.7 %		13.9 %	
Tier 1 capital ratio		11.0 %		10.8 %	
Tier 1 capital		3 644		3 448	
Capital base		4 543		4 419	
Offices and staffing					
Number of offices		2		2	
Number of full-time equivalents	7	108		104	
Shares					
Earnings per share for period (whole NOK) before discont. operations		11.39		11.47	
Earnings per share for period (whole NOK) inc.discont. operations		11.86		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 4th Quarter 2011

Summary of results for 2011

These are the provisional figures for the year.

All figures for the twelve months to 31 December 2011 are compared with the equivalent figures for the twelve months to 31 December 2010.

- Growth in lending of NOK 3.4 billion in the past 12 months
- Profit before impairment losses of NOK 254 million (NOK 226 million)
- Profit after tax, including divested operations, of NOK 154 million (NOK 141 million)
- Return on equity after tax of 5.0 per cent (4.8 per cent)
- BN Bank's former head office in Trondheim (Munkegata 21) was sold at a post-tax profit of NOK 36 million. In addition, costs of NOK 7 million to adapt the premises to the new tenants' requirements were recognised as expense.
- Impairment losses on loans and advances of NOK 62 million (NOK 32 million)
- Tier 1 capital ratio of 11.0 per cent (10.8 per cent). Core Tier 1 capital of 9.5 % (9.4 %).

For the full-year 2011 the BN Bank Group posted a profit after tax of NOK 154 million, compared with NOK 141 million for 2010.

BN Bank is experiencing a good level of demand for its loan products, and saw overall lending rise by a total of NOK 3.4 billion in the past 12 months.

The volume of deposits has fallen by NOK 0.4 billion in the past 12 months. The second half of 2011 saw deposits grow by NOK 350 million.

BN Bank's funding situation is good. As at 31 December 2011 the Bank had a maturity structure on its lending that is well adapted to the Bank's size and risk profile.

BN Bank's capital adequacy ratio and tier 1 capital ratio were 13.7 and 11.0 per cent respectively as at 31 December 2011, compared with 13.9 and 10.8 per cent respectively as at 31 December 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 twelve months to December 2011

For the twelve months to 31 December 2011, the BN Bank Group posted a profit after tax of NOK 154 million, compared with NOK 141 million for 2010. The main reason for the increase in profit is the growth in both corporate and retail lending, improved results in the Ålesund portfolio, and the sale of the property at Munkegata 21.

Return on equity after tax in 2011 was 5.0 per cent, compared with 4.8 per cent in 2010.

Total income for the twelve months to 31 December 2011 was NOK 488 million, compared with NOK 471 million for 2010. The increase in total income is mainly attributable to the growth in lending, no contributions being paid to the Commercial Banks' Guarantee Fund, and increased commission income from the guarantee portfolio vis-à-vis SpareBank 1 SMN. Strong competition and increased borrowing costs have, however, brought about a decrease in lending margins.

The total growth in lending of NOK 3.4 billion in the past 12 months is made up of NOK 3.6 billion in corporate lending and NOK 0.5 billion in retail lending, whereas loans to Sparebank 1 SMN in connection with the purchase of the Bank's portfolio in Ålesund were down by NOK 0.7 billion in the past year.

The volume of deposits has fallen by NOK 0.4 billion in the past 12 months. However, the second half of 2011 saw deposits grow by NOK 350 million. The deposit-to-loan ratio was 48 per cent at year-end, which is down by 2 percentage points from 2010.

Other operating expense for the twelve months to 31 December 2011 totalled 234 million, which is NOK 11 million down on 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. One-off costs sustained in implementing the Bank's new strategy also increased the level of costs in 2011.

Net impairment losses on loans and advances amounted to NOK 62 million for the twelve months to 31 December 2011, compared with NOK 32 million for 2010. The losses in 2011 comprised NOK 35 million in the corporate market (0.11 per cent of gross corporate lending), NOK 1 million in the retail market (0.01 per cent of gross retail lending) and NOK 26 million in that part of the Ålesund portfolio taken over by SpareBank 1 SMN and guaranteed by BN Bank.

The table below shows the correlation between losses in 2011 and 2010 by business area:

NOK MILLION	2011	2010
Commercial real estate	35	29
Retail market	1	1
Ålesund portfolio	26	38

The results after tax of operations under divestment have been positive by NOK 6 million in 2011. These are the results of that part of the Ålesund operations that have not yet been transferred to SpareBank 1 SMN. As at 31 December 2011, this loan portfolio was valued at NOK 101 million.

For the Ålesund portfolio, the result for the twelve months to 31 December 2011 was a profit after tax of NOK 0 million. By comparison, the result for the Ålesund portfolio for 2010 was a loss of NOK 14 million.

Non-performing loans as a percentage of gross lending have increased by 0.16 percentage points from 31 December 2010 and are now 0.59 per cent of gross lending[1]. Much of the increase in non-performing loans has been in commercial property. BN Bank will continue to maintain a close focus on the quality of the loan portfolio and on monitoring and following up doubtful loans.

[1] Invluded the Ålesundportfolio.

Profit performance for Q4 2011

For the fourth quarter of 2011, the pre-tax profit for the remaining entity (continued operations) was NOK 43 million, compared with NOK 67 million for the third quarter of 2011. Profit after tax for the remaining entity was NOK 26 million, compared with NOK 55 million for third-quarter 2011, giving a return on equity after tax for the fourth quarter of 3.3 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 fourth quarter of 2011, loans for NOK 101 million remain to be transferred out of the original portfolio valued at NOK 4.8 billion. These loans are expected to be converted during the first quarter of 2012. The guarantee portfolio at the end of fourth-quarter 2011 stands at NOK 3.1 billion. The guarantee portfolio was reduced by NOK 0.2 billion in the fourth quarter.

The result after tax for the Ålesund portfolio for the fourth quarter of 2011 was a loss of NOK 3 million. The portfolio also posted a loss, of NOK 3 million, in the third quarter of the year.

Income

Total income for the fourth quarter was NOK 132 million, compared with NOK 111 million for third-quarter 2011.

NOK MILLION	Q4 2011	Q3 2011	CHANGE
Total income	132	111	21
Margins and volumes on lending/deposits			-2
Return on unrestricted funds (equity)			1
Fees/charges			6
One-off accounting effects			8
Sale of interest rate swaps			5
Other			3

The most important reason for the increase in operating income is one-off accounting effects on net interest income and increased fees totalling NOK 14 million.

BN Bank's lending and deposit margins were down by NOK 2 million in fourth-quarter 2011 compared with third-quarter 2011.

BN Bank's unrestricted funds (equity) are invested in short-term debt schemes. Rising interest rates in the fourth quarter of 2011 led to a higher return of NOK 1 million on the investment portfolio compared with third-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. In fourth-quarter 2011, value changes had a negative effect on operating income by NOK 11 million, which is an improvement of NOK 2 million compared with third-quarter 2011. For more information concerning these value changes, see Note 2.

Operating expense

Fourth-quarter operating expense was NOK 71 million, compared with NOK 28 million for third-quarter 2011.

NOK MILLION	Q4 2011	Q3 2011	CHANGE
Operating expense	71	28	43
Profit on sale of Munkegata 21			37
Tenant adaptations Munkegata 21 accrued in Q2-11			8
Other			-2

The most important reason for the increase in other operating expense is that the property at Munkegata 21 was sold in the third quarter of 2011 at a profit of NOK 37 million.

Costs as a percentage of average total assets in the fourth quarter 2011 were 0.70 per cent, compared with 0.28 per cent in third-quarter 2011. Adjusted for the profit on the sale of Munkegata 21, costs as a percentage of average total assets in fourth-quarter 2011 were 0.63 per cent. The number of full-time equivalents as at 31 December 2011 was 108.

Write-downs on loans

Non-performing and doubtful loans, less individual write-downs, totalled NOK 766 million at the close of the fourth quarter of 2011, which is on a par with the previous quarter. This includes non-performing and doubtful loans in the Ålesund portfolio. Non-performing loans accounted for 0.59 per cent of gross lending as at 31 December 2011 (including the Ålesund portfolio), compared with 0.80 per cent as at 30 September 2011. The improvement is attributable to the decrease in non-performing loans on commercial property. 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 18 million in the fourth quarter of 2011, compared with NOK 16 million in third-quarter 2011.

Impairment losses on loans and advances in the Ålesund portfolio totalled NOK 17 million in the fourth quarter of 2011.

Loan loss provisions for the remaining entity totalled NOK 179 million as at 31 December 2011, of which collective write-downs accounted for NOK 85 million, which is 0.25 per cent of gross lending. Individual write-downs as at 31 December 2011 were NOK 94 million. Loan loss provisions for the Ålesund portfolio as at 31 December 2011 totalled NOK 50 million, of which NOK 20 million were collective write-downs and NOK 30 million individual write-downs.

Balance Sheet

BN Bank's total assets stood at NOK 40.7 billion as at 31 December 2011, which is NOK 0.5 billion down on the past 12 months. The change is mainly attributable to the fact that assets classified as held for sale were transferred to SpareBank 1 SMN in the past year.

BN Bank's capital adequacy as at 31 December 2011 was on a par with the start of the year. The capital adequacy ratio and tier 1 capital ratio were 13.7 per cent and 11.0 per cent respectively as at 31 December 2011, compared with 13.9 per cent and 10.8 per cent respectively as at 31 December 2010.

During the past year, loans valued at a total of NOK 2.5 billion were transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Assets classified as held for sale were down by NOK 1 billion on the past 12 months as a consequence of Sparebank 1 SMN having taken over loans in operations under divestment.

Gross lending[2] totalled NOK 45.7 billion as at 31 December 2011, which is NOK 3.4 billion (8 per cent) up on the past year.

NOK BILLION	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Lending*	45.7	44.6	44.1	43.6
Change in the quarter	1.1	0.5	0.5	1.3

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

As at 31 December 2011, a loan portfolio valued at NOK 8.3 billion had been transferred to SpareBank 1 Næringskreditt, while a loan portfolio valued at NOK 4.0 billion had been transferred to SpareBank 1 Boligkreditt.

Segmental breakdown of gross lending as at 31 December 2011:

NOK BILLION	31.12.11	31.09.11
Commercial real estate*	31.2	29.6
Retail market**	13.3	13.3
Loans to SpareBank 1	1.2	1.7

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

The growth in corporate lending in the last quarter was mostly 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 retail lending in the last quarter.

Gross lending in the Group had the following sectoral exposure as at 31 December 2011:

ALL FIGURES IN PER CENT	31.12.11	30.96.11
Real estate operations	54 %	52 %
Retail market	30 %	32 %
Financial industry	4 %	5 %
Other	12 %	11 %

[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.

Deposits totalled NOK 16.0 billion as at 31 December 2011, which is an increase of NOK 619 million in the fourth quarter of 2011. The deposit-to-loan ratio for the remaining entity as at 31 December 2011 was 48 per cent, which is 2 percentage points higher than at the end of the previous quarter.

BN Bank's funding situation remains good. In the fourth quarter, the Bank issued ordinary senior bonds and certificates in the Norwegian bond market for a total of NOK 1.4 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 fourth quarter, this target had been met by a good margin.

The fourth-quarter interim financial statements give a true and fair view of the BN Bank Group's assets and liabilities, financial position and performance. The interim 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. At the end of the fourth quarter of 2011 the company had a gross loan portfolio totalling NOK 17.2 billion, compared with NOK 15.8 billion as at 30 September 2011. NOK 8.3 billion in loans had been transferred to SpareBank1 Næringskreditt as at 31 December 2011.

BNkreditt posted a profit after tax of NOK 30 million for fourth-quarter 2011, compared with a post-tax profit of NOK 18 million for third-quarter 2011. The increase in profit is largely attributable to an improvement in net interest income as a result of the growth in lending and positive changes in the value of financial instruments.

Impairment losses on loans and advances totalled NOK 9 million for the fourth quarter of 2011, compared with NOK 11 million for the previous quarter. Individual write-downs were NOK 60 million as at 31 December 2011, while collective write-downs totalled NOK 42 million at the end of the fourth quarter, which is 0.24 per cent of lending.

BNkreditt had NOK 4.5 billion in bond debt outstanding as at 31 December 2011, which is at the same level as at 30 September 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, 17.7 per cent and 15.1 per cent as at 31 December 2011. BN Bank had ceded precedence with respect to its claim for NOK 407 million as at 31 December 2011.

BN Boligkreditt AS

BN Boligkreditt is BN Bank's credit institution for issuance of covered bonds. At the end of the fourth quarter 2011 the company had a residential mortgage portfolio totalling NOK 2.0 billion, which is NOK 133 million less than in the previous quarter. During 2010 and 2011, loans for NOK 4.0 billion have been sold to BN Bank for selling on to SpareBank 1 Boligkreditt.

The company posted a profit after tax of NOK 7 million for fourth-quarter 2011, which is NOK 1 million down on third-quarter 2011.

The company's capital adequacy ratio and tier 1 capital ratio were, respectively, 39.4 per cent and 31.5 per cent as at 31 December 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

The shares in Munkegata 21 were sold during the third quarter of 2011. The sale was reported in BN Bank's consolidated accounts as giving rise to a profit after tax of NOK 36 million.

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.

Collection Eiendom posted a zero result after tax as at 31 December 2011.

Outlook

BN Bank is seeing good 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 still on-going and will continue to affect BN Bank's borrowing costs. Continuing turbulence may impact growth and earnings in the time ahead. BN Bank's funding situation is, however, 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.

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 unemployment, higher interest rates and a significant fall in property prices may, however, impact on the ability of customers to service their debts.

The strategy of developing BN Bank as a cost-effective direct bank serving the retail market, and as a competitive niche player in commercial real estate, will continue. In the Board's opinion, it will provide a sound basis for maintaining and developing BN Bank's values and assets. BN Bank aims to strengthen its position in selected markets, and the Board sees profitable growth opportunities in the Bank's target areas.

As a consequence of extensive regulatory changes, including the Basel III rules, the banking industry is faced with higher requirements in terms of capitalisation, funding and liquidity. Thanks to its good levels of capitalisation and a satisfactory funding situation, BN Bank is well positioned in relation to the new requirements.

The Board of Directors
Trondheim 25 January 2012

Income Statement - Group

NOK MILLION	NOTE	Q4 2011	Q4 2010	31.12.11	GROUP FULL YEAR 2010
Interest and similar income		439	377	1 639	1 465
Interest expense and similar charges		333	275	1 254	1 085
Net income from interest and credit commissions		106	102	385	380
Value change fin.instr. fair value, gains&losses	2	-11	23	-20	-14
Other operating income	3	37	30	123	105
Total other operating income		26	53	103	91
Salaries and general administrative expenses		61	56	222	209
Depreciation, amortisation and write-downs		4	3	16	11
Other operating expense		7	7	33	25
Other gains and losses	4	-1	0	-37	0
Total other operating expense		71	66	234	245
Operating profit/(loss) before impairment losses		61	89	254	226
Impairment losses on loans and advances	6	18	4	62	32
Operating profit/(loss) after impairment losses		43	85	192	194
Profit/(loss) before tax		43	85	192	194
Computed tax charge		11	22	44	52
Profit/(loss) for the period, remaining entity		32	63	148	142
Result of operations under divestment	8	-6	-5	6	-1
Profit/(loss) for period inc. discont. operations		26	58	154	141
Extended Income Statement under IAS 1		0	0	0	0
Change in value of financial assets available for sale		0	0	0	0
Total P&L items recognised in equity		0	0	0	0
Total profit/(loss) for the period		26	58	154	141

Balance Sheet - Group

			GROUP
NOK MILLION	NOTE	31.12.10	21.12.10
Assets			
Deferred tax assets		43	54
Intangible assets		20	16
Own funds lending		0	15
Tangible fixed assets	11	23	80
Repossessed properties		0	15
Loans and advances	5, 6, 12, 13	33 260	32 415
Prepayments and accrued income		70	97
Financial derivatives	16	865	629
Short-term securities investments		5 506	5 791
Cash and balances due from credit institutions		814	1 012
Assets classified as held for sale	8	121	1 104
Total assets		40 722	41 228
Equity and liabilities			
Share capital		649	619
Retain earnings	16	2 506	2 383
Total equity		3 155	3 002
Subordinated loan capital	7	1 451	1 686
Liabilities to credit institutions		1 178	1 975
Debt securities in issue	7	17 950	16 603
Accrued expenses and deferred income	6	131	128
Other current liabilities		11	35
Tax payable		37	2
Financial derivatives	16	839	511
Customer deposits & accounts payable to cust.		15 959	16 395
Liabilities classified as held for sale	8	11	891
Total liabilities		37 567	38 226
Total equity and liabilities		40 722	41 228

The Board of Directors
Trondheim 25 January 2012

Statement of Changes in Equity - Group

NOK MILLION	SHARE CAPITAL	OTHER PAID-UP SHARE CAPITAL	OTHER RESERVES	TOTAL EQUITY
				GROUP
Balance Sheet as at 1 January 2010	619	0	2 242	2 861
Result for the period	0	0	141	141
Balance Sheet as at 31 December 2010	619	0	2 383	3 002
Dividend paid	0	0	-152	-152
Share capital increase	30	122		152
Result for the period	0	0	153	153
Balance Sheet as at 31 December 2011	649	122	2 384	3 155

The Board of Directors
Trondheim 25 January 2012

Statement of Cash Flows - Group

	GROUP	
NOK MILLION	31.12.11	31.12.10
Cash flows from operating activities		
Interest/commission received and fees received from customers	2 353	7 735
Interest/commission paid and fees paid to customers	-433	-442
Interest received on other investments	300	192
Interest paid on other loans	-882	-609
Receipts/disbursements (-) on loans and advances to customers	-1 948	-2 488
Receipts/payments on customer deposits and accounts payable to customers	-1 465	-371
Receipts/payments (-) on liabilities to credit institutions	-232	-5 481
Receipts/payments (-) on securities in issue	1 395	-470
Receipts on written-off debt	44	14
Other receipts/payments	114	-27
Payments to suppliers for goods and services	-152	-161
Payments to employees, pensions and social security expenses	-102	-86
Tax paid	-2	0
Net cash flow from operating activities	-1 010	-2 194
Cash flows from investing activities		
Receipts/payments (-) on receivables from credit institutions	666	-1895
Receipts/payments (-) on short-term securities investments	285	4019
Proceeds from sale of operating assets etc.	25	0
Purchase of operating assets etc.	-65	-31
Proceeds from sale of subsidiaries	129	0
Net cash flow from investing activities	1 040	2 093
Cash flow from financing activities		
Receipts/payments (-) subordinated loan capital	-228	228
Net cash flow from financing activities	-228	228
Net cash flow for the period	-198	127
Cash and balances due from central banks as at 1 January	1 012	885
Cash and balances due from central banks as at 31 December	814	1 012

Notes - Group

NOTE 1. ACCOUNTING POLICIES

The fourth-quarter interim consolidated 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 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	Q4 2011	Q4 2010	31.12.11	31.12.10
Change value int. rate deriv. obliged to be carried at fair value thro profit or loss [1,3,4]	2	20	-5	52
Change value currency derivatives obliged to be carried at fair value thro profit or loss [2]	3	-19	-117	-252
Change value combined int.rate & currency deriv. oblig. carried at fair value thro profit or loss [2]	0	0	0	70
Change value equity-linked options & equity options oblig. carried at fair value thro profit or loss [1]	3	0	19	3
Total change in value of financial instruments obliged to be carried at fair value	8	1	-103	-127
Change in value of deposits selected for fair value carrying through profit or loss [4]	-3	0	-6	-1
Change in value of borrowings selected for fair value carrying thro profit or loss [4]	8	21	-5	-61
Change in value of loans selected for fair value carrying through profit or loss [4]	-12	-14	-12	17
Change in value of short-term financial investments selected for fair value carrying [3]	-10	-5	-1	4
Total change in value of financial instruments selected for fair value carrying	-17	2	-24	-41
Change in value of interest rate derivatives, hedging [5]	7	-25	69	-10
Change in value of borrowings, hedged [5]	-7	25	-70	10
Total change in value of financial instruments for hedging	0	0	-1	0
Total change in value of financial instruments carried at fair value	-9	3	-128	-168
Realised exch. gains/losses(-) bonds and certificates carried at amortised cost	-1	0	-10	-20
Realised exch. gains/losses(-) loans and borrowings carried at amortised cost	0	0	0	-1
Exchange gains/losses on borrowings and loans carried at amortised cost [2]	-1	20	118	175
Total change in value of financial instruments carried at fair value, gains and losses	-11	23	-20	-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 at 31 December 2011 recognised expense totalled NOK 8 million, compared with NOK 6 million for the same period of 2010.

[2] Exchange gains/losses on borrowings and loans carried at amortised cost are chiefly attributable to exchange gain/loss effects which arise when borrowing and lending in foreign currencies are translated at the current exchange rate. Forward exchange contracts and combined interest rate and currency derivatives are carried at fair value with changes in value carried through profit or loss. The net foreign exchange effect for the Group was recognised income of NOK 1 million for the period to 31 December 2011, compared with recognised expense of NOK 7 million for the period to 31 December 2010. 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 1 million for the period to 31 December 2011, compared with recognised income of NOK 4 million for the same period of 2010. 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 expense of NOK 1 million for the period to 31 December 2011, compared with recognised expense of NOK 16 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 31 December 2011 was positive by NOK 52 million.

[6] Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 10 million for the period to 31 December 2011 compared with recognised expense of NOK 21 million for the same period of 2010.

NOTE 3. OTHER OPERATING INCOME

				GROUP
NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12.10
Guarantee commission	7	5	22	-2
Net commission income/charges 1	29	24	99	97
Other operating income	1	1	2	10
Total other operating income	**37**	**30**	**123**	**105**

[1] Commission income relating to the management of the portfolios in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt totalled NOK 72 million as at 31 December 2011 and NOK 82 million for the same period of 2010.

NOTE 4. OTHER EXPENSE, GAINS AND LOSSES

The building Munkegata 21 was sold, and taken over by the new owner on15 September 2011. An accounting profit of NOK 37 million was reported in Q3 2011.

	GROUP
STATEMENT OF CASH FLOWS (NOK MILLION)	
Book value of the building at date of sale	91
Debt and other items	-95
Net equity	**-4**
Sale profit to the company	37
Intercompany debt settled	96
Total added upon sale of subsidiary	**129**

NOTE 5. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIOS

		GROUP
NOK MILLION	31.12.11	31.12.10
Loans Corporate Market and Retail Market, Group	32 225	30 700
Seller's credit	1 214	1 877
Loans in remaining entity	33 439	32 577
Loans transferred to SpareBank 1 Næringskreditt	8 263	7 308
Loans transferred to SpareBank 1 Boligkreditt	3 961	2 384
Total loans managed portfolio	**45 663**	**42 269**
Divested portfolio	101	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
Write-offs in excess of prior-year write-downs	0	0	23	65
Write-offs on loans without prior write-downs	0	0	8	0
Write-offs transferred to divested portfolio	0	0	0	-22
Write-downs for the period:				
Change in collective write-downs	2	3	2	-15
Change in collective write-downs relating to Ålesund portfolio	9	0	1	0
Change in collective write-downs transferred to divested portfolio	-8	0	0	11
Total change in collective write-downs	3	3	3	-4
Increase in loans with prior-year write-downs	9	33	28	35
Provisions against loans without prior write-downs	9	4	24	21
Decrease in loans with prior-year write-downs	-2	-25	-9	-36
Change in individual write-downs transferred to divested portfolio	0	-10	0	-25
Total change in individual write-downs	16	2	43	-5
Gross impairment losses	19	5	77	34
Recoveries on previous write-offs [1]	1	1	15	2
Impairment losses on loans and advances	18	4	62	32
Revenue recognition of interest on written-down loans	3	2	10	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
Individual write-downs to cover impairment losses at start of the period	89	71	78	114
Write-offs covered by prior-year individual write-downs	0	-16	-23	-94
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	6	22	14	29
Write-downs on loans without prior individual write-downs	1	4	15	21
Decrease in loans with prior-year individual write-downs	-2	-25	-6	-56
Transferred assets classified as held for sale	0	22	16	64
Individual write-downs to cover impairment losses at end of the period	94	78	94	78
Collective write-downs to cover impairment losses at start of the period	83	80	83	87
Collective write-downs for the period to cover impairment losses	2	3	2	-4
Collective write-downs to cover impairment losses at end of the period	85	83	85	83

GROUP

NOK MILLION	Q3 2011	Q3 2010	30.09.11	30.09.10
Loss provision financial guarantee Ålesund portfolio at start of period 1	20	16	26	0
Write-offs covered by prior-year individual write-downs	0	0	-7	0
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	0	10	4	26
Write-downs on loans without prior individual write-downs	8	0	9	0
Decrease in loans with prior-year individual write-downs	0	0	-4	0
Loss provision financial guarantee Ålesund portfolio at end of period [1]	28	26	28	26
Collective write-downs relating to Ålesund portfolio at start of period	11	19	19	30
Collective write-downs for the period to cover impairment losses in Ålesund portfolio	9	0	1	-11
Collective write-downs relating to Ålesund portfolio at end of period [1]	20	19	20	19
Individual write-down relating to Ålesund portfolio classified as held for sale	2	18	2	18
Total loss provisions relating to Ålesund portfolio	50	63	50	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	31.12.11	31.12.10
Gross principal	213	193
Individual write-downs	40	39
Net principal	173	154

Other loans with individual write-downs [1]

GROUP

NOK MILLION	31.12.11	31.12.10
Gross principal	678	793
Individual write-downs	85	83
Net principal	593	710

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

GROUP

NOK MILLION	GROSS OUTSTANDING 31.12.11	%	GROSS OUTSTANDING 31.12.10	%
Corporate market	126	0.55	67	0.33
Retail market	66	0.71	70	0.67
Divested loan portfolio	21	0.74	56	1.53
Total	213	0.59	193	0.43

[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

BN Bank Group had issued bonds and certificates with a face value of NOK 9 451 million as at 31 December 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 (face value) as at 1 January 2011	3 110	13 208	16 318
New issues	0	1 735	1 735
Increase in existing issues	0	515	515
Purchase and maturity of existing issues	-800	-773	-1 573
Net debt (face value) as at 31 March 2011	2 310	14 685	16 995
New issues	1 100	1 725	2 825
Increase in existing issues	0	495	495
Purchase and maturity of existing issues	-1 417	-2 090	-3 507
Net debt (face value) as at 30 June 2011	1 993	14 815	16 808
New issues	1100	325	1 425
Increase in existing issues	0	1021	1 021
Purchase and maturity of existing issues	-1159	-746	-1 905
Net debt (face value) as at 30 September 2011	1 934	15 415	17 349
New issues	1300	0	1 300
Increase in existing issues	135	0	135
Purchase and maturity of existing issues	-723	-364	-1 087
Net debt (face value) as at 31 December 2011	2 646	15 051	17 697

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 31 December 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 (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 issues	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 issues	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 issues	0	0	0
Net debt (face value) as at 30 September 2011	650	800	1 450
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 December 2011	650	800	1 450

Recognised values

	GROUP	
NOK MILLION	31.12.11	31.12.10
Certificates carried at amortised cost	1 250	296
Certificates selected for fair value carrying	1 420	2 863
Total recognised value of certificates	2 670	3 159
Bonds carried at amortised cost	10 010	7 185
Bonds selected for fair value carrying	5 270	6 259
Total recognised value of bonds	15 280	13 444
Total recognised value of debt securities in issue	17 950	16 603

	GROUP	
NOK MILLION	31.12.11	31.12.10
Perpetual subordinated loan capital securities carried at amortised cost	482	485
Perpetual subordinated loan capital securities selected for fair value carrying	169	169
Total recognised value of perpetual subordinated loan capital securities	651	654
Subordinated loans carried at amortised cost	804	1 001
Subordinated loans selected for fair value carrying	-4	31
Total recognised value of subordinated loans	800	1 032
Total recognised value of subordinated loans and perpetual subordinated loan capital securities	1 451	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 by the first quarter of 2012. 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	Q4 2011	Q4 2010	31.12.11	31.12.10
Net income from interest and credit commissions	0	9	4	35
Total other operating income	0	-1	1	5
Total other operating expense	0	5	-3	5
Total impairment losses on loans and advances	7	10	-1	36
Pre-tax profit/(loss)	-7	-7	9	-1
Computed tax charge	-1	-2	3	0
Profit/(loss) from discontinued operation after tax	-6	-5	6	-1

Statement of cash flows relating to divested operation

				GROUP
NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12.10
Cash flow from operating activities	0	3	8	35
Cash flow from investing activities	0	0	0	0
Cash flow from financing activities	0	0	0	0
Net cash flow for the period	0	3	8	35

Specification of results of remaining entity

				GROUP
NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12.10
Net income from interest and credit commissions	106	102	385	380
Total other operating income	26	53	103	91
Total other operating expense	71	66	234	245
Operating profit/(loss) before impairment losses on loans	61	89	254	226
Impairment losses on loans and advances	18	4	62	32
Pre-tax profit/(loss) from remaining entity	43	85	192	194
Computed tax charge	11	22	44	52
Profit/(loss) after tax from remaining entity	32	63	148	142

Specification of results of divested operation and guarantee portfolio

		GROUP
NOK MILLION	31.12.11	31.12.10
Net income from interest and credit commissions	2	25
Total other operating income	21	-1
Total other operating expense	-3	5
Total impairment losses on loans and advances	26	38
Pre-tax profit/(loss)	0	-19
Computed tax charge	0	-5
Profit/(loss) from operation under divestment	0	-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	31.12.11	31.12.10
Share capital	649	619
Other reserves	2 506	2 383
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings) [1]	647	653
Less:		
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings) that cannot be included [1]	-95	-137
Intangible assets	-20	-16
Deferred tax assets	-43	-54
Tier 1 capital	3 644	3 448
Fixed-term subordinated loan capital	899	971
Less:		
Fixed-term subordinated loan capital that cannot be included	0	0
Net tier 2 capital	899	971
Total capital base	4 543	4 419
Risk-weighted assets	33 171	31 881
Tier 1 capital ratio (%)	11,0	10,8
Capital adequacy ratio (%)	13.7	13.9

[1] For more details, see Note 7.

Specification of risk-weighted assets

				GROUP
NOK MILLION	31.12.2011		FULL YEAR 2010	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	1 004	0	1 843	0
10 %	1 503	150	1 203	120
20 %	4 725	945	6 405	1 281
35 %	9 560	3 346	9 668	3 384
50 %	420	210	646	323
75 %	345	259	1 120	840
100 %	28 261	28 261	25 933	25 933
Investments included in the trading portfolio	0	0	0	0
Negotiable debt instruments included in the trading portfolio	0	0	0	0
Total risk-weighted assets	45 818	33 171	46 818	31 881
Capital adequacy ratio (%)		13.7		13.9

NOTE 10. CONTINGENT LIABILITIES

Sale of structured products

BN Bank was sued in a group action over structured savings products in 2008. The Supreme Court ruled in February 2010 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.

Three customers then sued the Bank individually in the District Court, but the Court's decision of 8 July 2011 went against them. The judgment was appealed to the Borgarting Court of Appeal. The appeal will be heard in March 2013. The total loan commitment involved as at 31 December 2011 was NOK 4 million.

BN Bank has also provided loans to finance Artemis structured products. BN Bank is now being sued by seven customers, three of whom are limited companies, with the total loan financing on these products amounting to NOK 126 million. The amounts in dispute are interest payments.

In connection with the sale and/or issue of the structured products, BN Bank has hedged exposure in the form of equity options, equity-linked options and interest rate swap agreements. The turbulence in the financial markets in 2008 caused the loss of some contractual counterparties, and it has not been possible to replace all these hedging transactions. The liquidator of one of the contractual counterparties filed a counter-claim in 2011, which BN Bank disputes. The outcome is unclear, and litigation is underway. The total claim amounts to NOK 12 million.

Bankruptcy dividend/offset against Glitnir banki hf, Iceland

BN Bank has filed a claim for NOK 225 million against the assets in liquidation of Glitnir banki hf, Iceland. The bankruptcy dividend is still unclarified and, of the NOK 225 million claim, NOK 205 million was written down in BN Bank's accounts in 2008.

BN Bank has offset the claim, but the winding-up board of Glitnir has contested the claim and is suing BN bank for the offset. Glitnir's winding-up board is also claiming interest totalling NOK 12 million.

The court case was ongoing in fourth-quarter 2011 and judgment is expected in first-quarter 2012. As yet it is uncertain what the outcome will be.

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 December 2011, the book value of transferred loans was NOK 8.3 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 31 December 2011, BNkreditt's capital adequacy ratio was 17.7 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 407 million as at 31 December 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. As at 31 December 2011, these guarantees totalled NOK 409 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 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 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 31.12.2011
Net income from interest and credit commissions	260	126	-2	0	385
Change in value of financial instruments carried at fair value	-13	-7	0	0	-20
Other operating income	104	0	20	0	123
Total other operating income	91	-7	20	0	103
Salaries and general administrative expenses	-96	-126	0	0	-222
Ordinary depreciation, amortisation and write-downs	-7	-9	0	0	-16
Other operating expense	-15	-18	0	0	-33
Other expense, gains and losses	0	0	0	37	37
Total other operating expense	-118	-152	0	37	-234
Operating profit/(loss) before impairment losses	233	-33	18	37	254
Impairment losses on loans and advances	-35	-1	-26	0	-62
Operating profit/(loss) after impairment losses	197	-34	-8	37	192
Computed tax charge	-55	10	2	-1	-44
Profit/(loss) for remaining entity after tax	142	-25	-6	36	148

					GROUP
NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	MUNKEGT. 21	TOTAL 31.12.2011
Lending (gross) including loans in covered bonds companies	31 164	13 286	0	0	44 450
Customer deposits and accounts payable to customers	1 576	14 383	0	0	15 959

				GROUP
NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 31.12.2010
Net income from interest and credit commissions	214	175	-9	380
Change in value of financial instruments carried at fair value	-9	-5	0	-14
Other operating income	108	4	-7	105
Total other operating income	99	-1	-7	91
Salaries and general administrative expenses	-92	-117	0	-209
Ordinary depreciation, amortisation and write-downs	-6	-5	0	-11
Other operating expense	-15	-11	0	-25
Total other operating expense	-113	-133	0	-245
Operating profit/(loss) before impairment losses	200	42	-16	226
Impairment losses on loans and advances	-29	0	-3	-32
Operating profit/(loss) after impairment losses	170	42	-19	194
Computed tax charge	-46	-11	5	-52
Profit/(loss) for remaining entity after tax	124	30	-13	142

				GROUP
NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 31.12.2010
Lending (gross) including loans in covered bonds companies	27 580	12 815	0	40 392
Customer deposits and accounts payable to customers	1 293	15 102	0	16 395

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	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Interest and similar income	439	415	398	387	377
Interest expense and similar charges	333	322	303	296	275
Net income from interest and credit commissions	106	93	95	91	102
Change in value if financial instruments carried at fair value, gains and losses	-11	-13	10	-6	23
Other operating income	37	31	29	26	30
Total other operating income	26	18	39	20	53
Salaries and general administrative expenses	61	53	57	51	56
Depreciation, amortisation and write-downs	4	4	4	4	3
Other operating expense	7	7	12	7	7
Other expense, gains and losses	-1	-36	0	0	0
Total other operating expense	71	28	73	62	66
Operating profit/(loss) before impairment losses	61	83	61	49	89
Impairment losses on loans and advances	18	16	-7	35	4
Pre-tax profit/(loss)	43	67	68	14	85
Computed tax charge	11	12	17	4	22
Profit/(loss) remaining entity	32	55	51	10	63
Profit/(loss) from operation under divestment	-6	0	5	7	-5
Profit/(loss) including divested operation	26	55	56	17	58

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	Q4 2011	Q4 2010	31.12.11	31.12.10
IInterest and similar income		324	254	1 168	902
Interest expense and similar charges		278	207	1 013	767
Net income from interest and credit commissions		46	47	155	135
Value change fin. instr fair value gains/losses	2	-18	38	-20	55
Other operating income	3	20	12	52	34
Total other operating income		2	50	32	89
Salaries and general administrative expenses		42	33	150	134
Depreciation, amortisation and write-downs		4	2	15	10
Other operating expense		1	5	5	7
Total other operating expense		47	40	170	151
Operating profit/(loss) before impairment losses		1	57	17	73
Impairment losses on loans and advances	6	10	-20	19	-19
Operating profit/(loss) after impairment losses		-9	77	-2	92
Income from ownership int. group companies	4	0	0	131	117
Profit/(loss) before tax		-9	77	129	209
Computed tax charge		-3	19	40	56
Profit/(loss) for the period, remaining entity		-6	58	89	153
Result of operations under divestment	8	-6	-5	6	-1
Profit/(loss) for period, inc. discont. operations		-12	53	95	152
Extended Income Statement under IAS 1					
Change in value financial assets available for sale		0	0	0	0
Total P&L items recognised in equity		0	0	0	0
Total profit/(loss) for the period		-12	53	95	152

Balance Sheet - Parent Bank

		PARENT BANK	
NOK MILLION	NOTE	31.12.11	31.12.10
Deferred tax assets		0	6
Intangible assets		20	16
Ownership interests in group companies		1 877	1 877
Own funds lending		527	542
Tangible fixed assets		23	22
Loans and advances	5, 6, 12, 13	14 396	14 702
Prepayments and accrued income		70	148
Financial derivatives	15	699	444
Short-term securities investments		4 984	5 274
Cash and balances due from credit institutions		10 886	7 504
Assets classified as held for sale	8	122	1 105
Total assets		33 604	31 640
Share capital		649	619
Retained earnings	15	1 363	1 298
Total equity		2 012	1 917
Deferred tax		1	0
Subordinated loan capital	7	1 451	1 686
Liabilities to credit institutions		1 864	2 451
Debt securities in issue	7	11 354	7 702
Accrued expenses and deferred income	6	114	111
Other current liabilities		12	37
Tax payable		36	0
Financial derivatives	15	790	450
Customer deposits and accounts payable to cust.		15 959	16 395
Liabilities classified as held for sale	8	11	891
Total liabilities		31 592	29 723
Total equity and liabilities		33 604	31 640

The Board of Directors
Trondheim, 25 January 2012

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	152	152
Balance Sheet as at 31 Dec. 2010	**619**	**68**	**282**	**948**	**1 917**
Dividend paid	0	0	0	-152	-152
Share capital increase	30	122	0	0	152
Result for the period	0	0	0	95	95
Balance Sheet as at 31 Dec. 2011	**649**	**190**	**282**	**891**	**2 012**

[1] The reserve for unrealised gains is included in Other reserves. Provision of NOK 193 million had been made as at 31 December 2011.

The Board of Directors
Trondheim, 25 January 2012

Statement of Cash Flows - Parent Bank

	PARENT BANK	
NOK MILLION	31.12.2011	31.12.2010
Cash flows from operating activities		
Interest/commission received and fees received from customers	1 114	2 983
Interest/commission paid and fees paid to customers	-450	-470
Interest received on other investments	320	290
Interest paid on other loans	-587	-280
Receipts/disbursements (-) on loans and advances to customers	-488	-602
Receipts/payments on customer deposits & accounts payable to customers	-1 465	-370
Receipts/payments (-) on liabilities to credit institutions	-21	-6 339
Receipts/payments(-) on securities in issue & securities buy-back	3 628	2 761
Receipts on written-off debt	35	7
Other receipts/payments	178	-95
Payments to suppliers for goods and services	-100	-109
Payments to employees, pensions and social security expenses	-65	-45
Tax paid	0	0
Net cash flow from operating activities	2 099	-2 269
Cash flows from investing activities		
Receipts/payments (-) on receivables from credit institutions	-2 374	-2 031
Receipts/payments (-) on short-term securities investments	289	4 018
Receipts/payments (-) on long-term securities investments	99	117
Proceeds from sale of operating assets etc.	0	58
Purchase of operating assets etc.	-20	-30
Proceeds from sale of subsidiaries	33	0
Net cash flow from investing activities	-1 973	2 132
Cash flow from financing activities		
Receipts of subordinated loan capital	-228	228
Net cash flow from financing activities	-228	228
Net cash flow for the period	-102	91
Cash and balances due from central banks as at 1 January *	106	15
Cash and balances due from central banks as at 31 December	4	106

* In the Parent Bank's case, cash and balances consist of deposits in Norges Bank and the Parent Bank's cash in hand.

Notes - Parent Bank

NOTE 1. ACCOUNTING POLICIES

See the description for the Group's interim consolidated financial statements. The same accounting policies apply for the Parent Bank.

NOTE 2. CHANGE IN VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE, GAINS AND LOSSES

	PARENT BANK			
NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12 .10
Change in value int. rate deriv. obliged to be carried at fair value through profit or loss [1,3,4]	9	38	17	52
Change in value currency deriv. obliged to be carried at fair value through profit or loss [2]	3	-19	-117	-252
Change in value combined int.rate & curr. deriv. oblig. carried at fair value thro profit or loss [2]	0	0	0	69
Change in value equity-linked opt. & equity opt. oblig. carried at fair value thro profit or loss [1]	3	0	19	3
Total change in value of financial instruments obliged to be carried at fair value	15	19	-81	-128
Change in value of deposits selected for fair value carrying through profit or loss [4]	-3	0	-6	-1
Change in value of borrowings selected for fair value carrying through profit or loss [4]	-7	-7	-61	-82
Change in value of loans selected for fair value carrying through profit or loss [4]	-11	-8	13	105
Change in value of short-term financial investments selected for fair value carrying [3]	-10	-5	-1	4
Total change in value of financial instruments selected for fair value carrying	-31	-20	-55	26
Change in value of interest rate derivatives, hedging [5]	6	-15	53	-9
Change in value of borrowings, hedging [5]	-6	15	-54	9
Total change in value of financial instruments for hedging	0	0	-1	0
Total change in value of financial instruments carried at fair value	-16	-1	-137	-102
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost [6]	-1	-2	-6	-7
Realised exchange gains/losses(-) loans and borrowings carried at amortised cost [6]	0	0	0	-10
Exchange gains/losses on borrowings and loans carried at amortised cost [2]	-1	41	123	174
Total change in value of financial instruments carried at fair value, gains and losses	-18	38	-20	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 31 December 2011 recognised expense totalled NOK 8 million, compared with NOK 6 million for the same period of 2010.

[2] Exchange gains/losses on borrowings and loans carried at amortised cost are chiefly attributable to exchange gain/loss effects which arise when borrowing and lending in foreign currencies are translated at the current exchange rate. Forward exchange contracts and combined interest rate and currency derivatives are carried at fair value with changes in value carried through profit or loss. The net foreign exchange effect for the Group was recognised income of NOK 1 million for the period to 31 December 2011, compared with recognised expense of NOK 7 million for the period to 31 December 2010. 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 1 million for the period to 31 December 2011, compared with recognised income of NOK 4 million for the same period of 2010. 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 expense of NOK 5 million for the period to 31 December 2011, compared with recognised income of NOK 81 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 31 December 2011 was positive by NOK 31 million.

[6] Realised gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 6 million as at 31 December 2011, compared with recognised expense of NOK 17 million for the same period of 2010.

NOTE 3. OTHER OPERATING INCOME

			PARENT BANK	
NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12.10
Guarantee commission	7	5	22	-2
Net commission income/charges	11	5	23	16
Other operating income	2	2	7	20
Total other operating income	20	12	52	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.

The shares in the company Munkegata 21 AS were sold during the third quarter, resulting in an accounting profit of NOK 33 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	31.12.2011	31.12.2010
Loans Corporate Market and Retail Market	13 253	12 906
Seller's credit	1 214	1 877
Loans in remaining entity	14 467	14 783
Loans transferred to SpareBank1 Boligkreditt	3 961	2 384
Total loans inc. loans transferred to SpareBank 1 Boligkreditt	18 428	17 167
Divested portfolio	101	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	Q4 2011	Q4 2010	31.12.11	31.12.10
Write-offs in excess of prior-year write-downs	0	0	19	38
Write-offs on loans without prior write-downs	0	0	0	0
Write-offs transferred to divested operation	0	0	0	-22
Write-downs for the period:				
Change in collective write-downs	3	3	-1	-13
Change in collective write-downs relating to Ålesund portfolio	9	0	1	0
Change in collective write-downs transferred to divested operation	-8	0	0	11
Total change in collective write-downs	4	3	0	-2
Increase in loans with prior-year write-downs	1	12	7	12
Provisions against loans without prior write-downs	8	1	9	7
Decrease in loans with prior-year write-downs	-2	-25	-10	-25
Change in individual write-downs transferred to divested operation	0	-10	0	-25
Total change in individual write-downs	7	-22	6	-31
Gross impairment losses	11	-19	25	-17
Recoveries on previous write-offs	1	1	6	2
Impairment losses on loans and advances	10	-20	19	-19
Revenue recognition on written-down loans	0	-1	2	-4

PARENT BANK

NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12.10
Individual write-downs to cover impairment losses at start of period	35	57	43	93
Write-offs covered by prior-year individual write-downs	0	-16	-19	-88
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	1	4	3	12
Write-downs on loans without prior-year individual write-downs	0	1	0	7
Decrease in loans with prior-year individual write-downs	-2	-25	-9	-45
Transferred assets classified as held for sale	0	22	16	64
Individual write-downs to cover impairment losses at end of period	34	43	34	43
Collective write-downs to cover impairment losses at start of period	34	35	38	40
Collective write-downs for the period to cover impairment losses	3	3	-1	-2
Collective write-downs to cover impairment losses at end of period	37	38	37	38

PARENT BANK

NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12.10
Loss provision financial guarantee relating to Ålesund portfolio at start of period [1]	20	16	26	0
Write-offs covered by prior-year individual write-downs	0	0	-7	0
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	0	10	4	26
Write-downs on loans without prior-year individual write-downs	8	0	9	0
Decrease in loans with prior-year individual write-downs	0	0	-4	0
Loss provision financial guarantee relating to Ålesund portfolio at end of period [1]	28	26	28	26
Collective write-downs relating to Ålesund portfolio at start of period	11	19	19	30
Collective write-downs for the period to cover losses in Ålesund portfolio	9	0	1	-11
Collective write-downs relating to Ålesund portfolio at end of period [1]	20	19	20	19
Individual write-down relating to Ålesund portfolio classified as held for sale	2	18	2	18
Total loss provision relating to Ålesund portfolio	50	63	50	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	31.12.2011	31.12.2010
Gross principal	73	110
Individual write-downs	14	39
Net principal	59	71

Other loans with individual write-downs [1]

PARENT BANK

NOK MILLION	31.12.2011	31.12.2010
Gross principal	282	254
Individual write-downs	51	48
Net principal	231	206

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

PARENT BANK

NOK MILLION	GROSS OUTSTANDING 31.12.10	%	GROSS OUTSTANDING 31.12.10	%
Corporate Market	0	0.00	0	0.00
Retail Market	51	0.70	54	0.71
Divested loan portfolio	21	0.74	56	1.53
Total	72	0.82	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

TThe Parent Bank had issued bonds and certificates with a face value of NOK 9 198 million as at 31 December 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 issues	-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 issues	-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 issues	-1 159	-671	-1 830
Net debt (face value) as at 30 September 2011	1 934	8 899	10 833
New issues	1 300	0	1 300
Increase in existing issues	135	0	135
Purchase and maturity of existing issues	-723	-284	-1 007
Net debt (face value) as at 31 December 2011	2 646	8 615	11 261

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 31 December 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 issues	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 issues	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 issues	0	0	0
Net debt (face value) as at 30 September 2011	650	800	1 450
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 December 2011	650	800	1 450

Recognised values

	PARENT BANK	
NOK MILLION	31.12.2011	31.12.2010
Certificates carried at amortised cost	1 250	296
Certificates carried at fair value	1 420	2 296
Total recognised value of certificates	2 670	2 592
Bonds carried at amortised cost	7 073	3 575
Bonds selected for fair value carrying	1 611	1 535
Total recognised value of bonds	8 684	5 110
Total recognised value of debt securities in issue	11 354	7 702
Perpetual subordinated loan capital securities carried at amortised cost	482	485
Perpetual subordinated loan capital securities carried at fair value	169	169
Total recognised value of perpetual subordinated loan capital securities	651	654
Subordinated loans carried at amortised cost	804	1 001
Subordinated loans selected for fair value carrying	-4	31
Total recognised value of subordinated loans	800	1 032
Total recognised value of subordinated loans and perpetual subordinated loan capital securities	1 451	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	Q4 2011	Q4 2010	31.12.11	31.12.10
Net income from interest and credit commissions	0	9	4	35
Total other operating income	0	-1	1	5
Total other operating expense	0	5	-3	5
Impairment losses on loans and advances	7	10	-1	36
Pre-tax profit/(loss)	-7	-7	9	-1
Computed tax charge	-1	-2	3	0
Profit/(loss) after tax from discontinued operation	-6	-5	6	-1

Specification of results of remaining entity

	PARENT BANK			
NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12.10
Net income from interest and credit commissions	46	47	155	135
Total other operating income	2	50	32	89
Total other operating expense	47	40	170	151
Operating profit/(loss) before impairment losses	1	57	17	73
Impairment losses on loans and advances	10	-20	19	-19
Pre-tax profit/(loss) from remaining entity	-9	77	-2	92
Income from ownership interests in group companies	0	0	131	117
Pre-tax profit/(loss)	-9	77	129	209
Computed tax charge	-3	19	40	56
Profit/(loss) after tax from remaining entity	-6	58	89	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

BBN 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	31.12.2011	31.12.2010
Share capital	649	619
Other reserves	1 363	1 298
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings) [1]	647	654
Less:		
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings) that cannot be included [1]	-296	-320
Intangible assets	-20	-16
Deferred tax assets	0	-6
Tier 1 capital2	2 343	2 229
Fixed-term subordinated loan capital	1 100	1 154
Less:		
Fixed-term subordinated loan capital that cannot be included	-104	-206
Net tier 2 capital	996	948
Total capital base	3 339	3 177
Risk-weighted assets	19 131	17 935
Tier 1 capital ratio (%)	12.2	12.4
Capital adequacy ratio (%)	17.5	17.7

[1] For more details, see Note 7.

Spesifikasjon av risikovektet balanse

	PARENT BANK			
NOK MILLION	31.12.2011		31.12 .2010	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	1 004	0	1 843	0
10 %	1 504	150	1 203	120
20 %	14 915	2 983	13 194	2 639
35 %	6 986	2 445	7 196	2 519
50 %	419	210	641	321
75 %	345	259	1 120	840
100 %	13 084	13 084	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	0	19 131	36 693	17 935
Capital adequacy ratio (%)		17.5		17.7

NOTE 10. CONTINGENT LIABILITIES

Sale of structured products

BN Bank was sued in a group action over structured savings products in 2008. The Supreme Court ruled in February 2010 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.

Three customers then sued the Bank individually in the District Court, but the Court's decision of 8 July 2011 went against them. The+B35 judgment was appealed to the Borgarting Court of Appeal. The appeal will be heard in March 2013. The total loan commitment involved as at 31 December 2011 was NOK 4 million.

BN Bank has also provided loans to finance Artemis structured products. BN Bank is now being sued by seven customers, three of whom are limited companies, with the total loan financing on these products amounting to NOK 126 million. The amounts in dispute are interest payments.

In connection with the sale and/or issue of the structured products, BN Bank has hedged exposure in the form of equity options, equity-linked options and interest rate swap agreements. The turbulence in the financial markets in 2008 caused the loss of some contractual counterparties, and it has not been possible to replace all these hedging transactions. The liquidator of one of the contractual counterparties filed a counter-claim in 2011, which BN Bank disputes. The outcome is unclear, and litigation is underway. The total claim amounts to NOK 12 million.

Bankruptcy dividend/offset against Glitnir banki hf, Iceland

BN Bank has filed a claim for NOK 225 million against the assets in liquidation of Glitnir banki hf, Iceland. The bankruptcy dividend is still unclarified and, of the NOK 225 million claim, NOK 205 million was written down in BN Bank's accounts in 2008.

BN Bank has offset the claim, but the winding-up board of Glitnir has contested the claim and is suing BN bank for the offset. Glitnir's winding-up board is also claiming interest totalling NOK 12 million.

The court case was ongoing in fourth-quarter 2011 and judgment is expected in first-quarter 2012. As yet it is uncertain what the outcome will be.

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.

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 December 2011, the book value of transferred loans was NOK 8.3 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 31 December 2011, BNkreditt's capital adequacy ratio was 17.7 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 407 million as at 31 December 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. As at 31 December 2011, these guarantees totalled NOK 409 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 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 14. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

PARENT BANK

NOK MILLION	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Interest and similar income	324	306	275	263	254
Interest expense and similar charges	278	264	239	232	207
Net income from interest and credit commissions	46	42	36	31	47
Change in value of financial instruments carried at fair value, gains and losses	-18	-13	11	0	38
Other operating income	20	13	10	9	12
Total other operating income	2	0	21	9	50
Salaries and general administrative expenses	42	36	38	34	33
Depreciation, amortisation and write-downs	4	3	4	4	2
Other operating expense	1	3	0	1	5
Total other operating expense	47	42	42	39	40
Operating profit/(loss) before impairment losses	1	0	15	1	57
Impairment losses on loans and advances	10	5	2	2	-20
Operating profit/(loss) after impairment losses	-9	-5	13	-1	77
Income from ownership interests in group companies	0	32	99	0	0
Pre-tax profit/(loss)	-9	27	112	-1	77
Computed tax charge	-3	0	43	0	19
Profit/(loss) for the period, remaining entity	-6	27	69	-1	58
Profit/(loss) from operation under divestment	-6	0	4	8	-5
Profit/(loss) including divested operation	-12	27	73	7	53

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 fourth-quarter interim financial statements for the period 1 January to 31 December 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 fourth-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, 25 January 2012
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	Gunnar Hovland (Acting Man. Director)

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