BNkreditt AS

INTERIM REPORT 4th QUARTER | 2011

BN Bank

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Summary of results for Q4 2011

- Profits of NOK 30 million (NOK 18 million Q3 2011).
- Operating expenses totalled NOK 22 million (NOK 23 million Q3 2011).
- Total lending increased with NOK 1,6 billion in Q4 2011 (compared to a decrease of NOK 0.4 billion in Q3 2011).
- Reduction in non-performing loans was 1.25 per cent to 0.73 per cent.
- Impairment losses on loans and advances were NOK 9 million (NOK 11 million in Q3 2011).
- Capital adequacy ratio of 17.7 per cent (18.4 per cent 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		186	1.11 %	194	1.29 %
Total other operating income		77	0.46 %	28	0.19 %
Total income		263	1.57 %	222	1.48 %
Total other operating expense		91	0.54 %	95	0.63 %
Operating profit/(loss) before impairment losses		172	1.03 %	127	0.84 %
Impairment losses on loans and advances		44	0.26 %	53	0.35 %
Profit/(loss) before tax		128	0.76 %	74	0.49 %
Computed tax charge		36	0.21 %	21	0.14 %
Profit/(loss) for the period		92	0.55 %	53	0.35 %
Profitability					
Return on equity	1	3.4 %		2.0 %	
Net interest margin	2	1.11 %		1.36 %	
Cost-income ratio	3	34.6 %		42.8 %	
Balance sheet figures					
Gross lending		17 180		15 342	
Increase/decrease in lending (gross) last 12 months		12.0 %		13.9 %	
Average total assets (ATA)	4	16 775		15 040	
Total assets		17 901		16 120	
Balance sheet figures including SpareBank 1 Næringskreditt AS					
Gross lending		25 443		22 650	
Increase/decrease in lending (gross) last 12 months		12.3 %		5.7 %	
Losses on loans and non-performing loans					
Loss ratio lending	5	0.27 %		0.37 %	
Non-performing loans as a percentage of gross lending		0.73 %		0.44 %	
Other doubtful commitments as a percentage of gross lending		2.30 %		3.51 %	
Solvency					
Capital adequacy ratio		17.7 %		19.5 %	
Tier 1 capital ratio		15.1 %		16.6 %	
Tier 1 capital		2 665		2 629	
Capital base		3 116		3 080	
Offices and staffing					
Number of offices		2		2	
Number of full-time equivalents		50		50	
Shares					
Earnings per share for the period (whole NOK)		15.33		8.83	

Note

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

Directors´ Report

Summary of results for 2011

Bolig- og Næringskreditt AS (BNkreditt) posted a profit after tax of NOK 92 million for the twelve months to 31 December 2011, compared with NOK 53 million for the twelve months to 31 December 2010. The increase in profit is mainly attributable to positive changes in the value of financial instruments.

BNkreditt's funding situation is good, and the Company's capitalisation remains strong.

Non-performing loans accounted for 0.73 per cent of gross lending as at 31 December 2011, which is 0.29 percentage points higher than at the start of the year. A targeted effort is going into reducing non-performing loans.

BNkreditt's total assets stood at NOK 17.9 billion as at 31 December 2011, which is NOK 1.8 billion up on the past 12 months. Loans and advances totalled NOK 17.1 billion as at 31 December, which is NOK 1.8 billion up on the past year. Loans for NOK 8.3 billion had been transferred to SpareBank 1 Næringskreditt as at 31 December 2011. Gross lending, including loans transferred to SpareBank 1 Næringskreditt, has increased by NOK 2.8 billion in the past year.

Operations, objectives and strategy

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

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

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

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

Financial developments

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

The twelve months to 31 December 2011

BNkreditt achieved a profit after tax of NOK 92 million for the twelve months to 31 December 2011, compared with a post-tax profit of NOK 53 million for the twelve months to 31 December 2010.The increase in profit is mainly attributable to positive changes in the value of financial instruments.

Total income for the twelve months to 31 December 2011 was NOK 263 million, compared with NOK 222 million for the twelve months to 31 December 2010. Compared with 2010, positive changes in the value of financial instruments have compensated for a decrease in net interest income and reduced commission from Sparebank 1 Næringskreditt.

The transfer of loans to SpareBank 1 Næringskreditt will have a positive effect overall on the Company's income. BNkreditt receives commission from SpareBank 1 Næringskreditt that is equal to the margin on the loans. In the twelve months to 31 December 2011, the Company received NOK 75 million in commission income, as against NOK 82 million for the year to 31 December 2010. Loans to the value of NOK 8.3 billion had been transferred to Sparebank 1 Næringskreditt as at 31 December.

BNkreditt's derivatives and some bond borrowings are carried at fair value. Interest rate risk in the Company is low, and fluctuations in interest rates should have a limited net profit-and-loss effect. During periods when interest rate spreads between different instruments develop differently, profit-and-loss effects may arise. For the twelve months to 31 December 2011 this gave rise to a positive profit-and-loss effect of NOK 1 million, while the effect for the same period of 2010 was negative by NOK 60 million. These effects will even out in the long term. For more information concerning changes in value, see Note 2.

Other operating expense in the twelve months to 31 December 2011 totalled NOK 91 million, which is NOK 4 million down on 2010. BNkreditt purchases all its operation management services from BN Bank.

Non-performing loans accounted for 0.73 per cent of gross lending as at 31 December 2011, compared with 0.44 per cent at the same date in 2010. Non-performing and doubtful loans, less individual write-downs, totalled NOK 462 million (2.69 per cent of gross lending) at the end of the fourth quarter of 2011. The corresponding volumes as at 31 December 2010 were NOK 571 million (3.72 per cent of gross lending). BNkreditt will continue to focus closely on the quality of the portfolio and on monitoring and following up doubtful loan commitments. See Note 6 for more information about non-performing and doubtful loans.

Impairment losses on loans and advances totalled NOK 44 million for the twelve months to 31 December 2011, compared with NOK 53 million for full-year 2010. Collective write-downs have risen by NOK 3 million in the last 12 months, totalling NOK 42 million as at 31 December 2011, which is 0.24 per cent of gross lending.

Profit performance for Q4 2011

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

Total income for fourth-quarter 2011 was NOK 73 million, compared with NOK 59 million for third-quarter 2011. The increase in total income is attributable to increased lending volumes and positive changes in the value of financial instruments.

Other operating expenses in the fourth quarter of 2011 totalled NOK 22 million, which is NOK 1 million less than for third-quarter 2011.

There was a positive trend in non-performing loans in the fourth quarter, with non-performing loans as a percentage of gross lending standing at 0.73 per cent at 31 December, which is a decrease of 0.52 percentage points from third-quarter 2011.

Impairment losses on loans and advances totalled NOK 9 million in the fourth quarter of 2011, compared with NOK 11 million for third quarter 2011. Collective write-downs decreased by NOK 1 million during the quarter and stood at NOK 42 million as at 31 December 2011, which is 0.24 per cent of gross lending.

Balance sheet development

The Company's loan portfolio totalled NOK 17.1 billion as at 31 December, compared with NOK 15.3 billion at the start of the year. Loans for NOK 8.3 billion had been transferred to SpareBank 1 Næringskreditt as at 31 December.

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

NOKbn	Q4 2011	Q3 2011	Q2 2011
BN kreditt	17.2	15.8	16.1
SpareBank 1 Næringskreditt	8.3	8.0	8.1
Gross lending	25.5	23.8	24.2

Gross lending, including loans transferred to SpareBank 1 Næringskreditt, has risen by NOK 2.8 billion in 2011. The transfer of loans to SpareBank 1 Næringskreditt is boosting the Company's liquidity position, profitability and financial strength. BNkreditt has no ownership interest in Sparebank 1 Næringskreditt.

To strengthen the interests of the existing bond holders in BNkreditt, BN Bank has provided a guarantee that BNkreditt will have a minimum capital adequacy ratio or junior financing of 20 per cent. As at 31 December 2011, BNkreditt had a capital adequacy ratio of 17.7 per cent and a capital base of NOK 3.1 billion. BN Bank had ceded precedence in respect of its accounts receivable with BNkreditt for a total of NOK 407 million as at 31 December. For more information, see Notes 8 and 10.

BNkreditt had NOK 4.5 billion in securities borrowings at the end of December 2011, which is a decrease of NOK 1.8 billion since the end of 2010. Other interest-bearing debt consists chiefly of debt to the Parent Bank.

Total assets have increased by NOK 1.8 billion to date this year, amounting to NOK 17.9 billion as at 31 December. The increase is attributable to the growth in lending.

Solvency

BNkreditt's capital base was NOK 3 116 million at the end of the period, equivalent to a capital adequacy ratio of 17.7 per cent. Tier 1 capital was NOK 2 665 million, equivalent to a tier 1 capital ratio of 15.1 per cent as at 31 December 2011. Risk-weighted assets were NOK 17 613 million at the same date. The Board deems the Company's capital adequacy to be good.

Outlook

The turbulence in the international financial markets is still on-going and will continue to affect BNkreditt's borrowing costs. Continuing turbulence may impact growth and earnings in the time ahead.

However, a satisfactory funding situation, a good-quality loan portfolio, and strong capitalisation, all endow the Company with a sound foundation for future growth.

Overall, the risk in the loan portfolio is judged as low. The Company'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 impact negatively on borrowers' debt-servicing capacity. BNkreditt will go on maintaining a close focus on monitoring and following up loans and commitments.

A priority area for BNkreditt will continue to be to make full use of the possibilities for issuing covered bonds through SpareBank 1 Næringskreditt AS.

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

The Board of the Directors
Trondheim, 5 January 2012

Income Statement

NOK MILLION	NOTE	Q4 2011	Q4 2010	31.12.11	31.12.10
Interest and similar income		202	165	748	629
Interest expense and similar charges		153	121	562	435
Net income from interest and credit commissions		49	44	186	194
Change in value fin. instruments carried at fair value, gains & losses	2	5	-22	1	-60
Other operating income	3	19	19	76	88
Total other operating income		24	-3	77	28
Salaries and general administrative expenses		17	22	70	74
Other operating expense		5	5	21	21
Total other operating expense		22	27	91	95
Operating profit/(loss) before impairment losses		51	14	172	127
Impairment losses on loans and advances	6	9	25	44	53
Profit/(loss) before tax		42	-11	128	74
Computed tax charge		12	-3	36	21
Profit/(loss) for the period		30	-8	92	53

Balance Sheet

NOK MILLION	NOTE	31.12.11	31.12.10
Deferred tax assets		53	49
Repossessed properties		0	15
Loans and advances	5, 6, 10	17 078	15 268
Financial derivatives		125	134
Short-term securities investments		525	520
Cash and balances due from credit institutions		120	134
Total assets		17 901	16 120
Share capital		600	600
Retained earnings	4	2 117	2 079
Total equity		2 717	2 679
Subordinated loan capital	7	451	451
Liabilities to credit institutions		10 194	6 629
Debt securities in issue	7	4 473	6 286
Accrued expenses and deferred income		16	14
Tax payable		1	0
Financial derivatives		49	61
Total liabilities		15 184	13 441
Total equity and liabilities		17 901	16 120

The Board of the 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	600	1 000	0	1 082	2 682
Group contribution paid to Parent Bank	0	0	0	-56	-56
Result for the period	0	0	0	53	53
Balance Sheet as at 31 Dec. 2010	600	1 000	0	1 079	2 679
Group contribution paid to Parent Bank	0	0	0	-98	-98
Group contrib. rec'vd from Parent Bank	0	0	44	0	44
Result for the period	0	0	0	92	92
Balance Sheet as at 31 Dec. 2011	600	1 000	44	1 073	2 717

Boar of the Directors
Trondheim, 25 January 2012

Statement of Cash Flows

NOK MILLION	31.12.11	31.12.10
Cash flows from operating activities		
Interest/commission received and fees received from customers	1 062	4 501
Interest received on other investments	22	-14
Interest paid on other loans	-593	-423
Receipts/disbursements (-) on loans and advances to customers	-1 701	-5 435
Receipts/payments (-) on liabilities to credit institutions	3 120	1 362
Receipts/payments (-) on securities in issue	-1 758	242
Receipts on written-off debt	9	6
Other receipts/payments	-57	-11
Payments to suppliers for goods and services	-49	-49
Payments to employees, pensions and social security expenses	-37	-41
Net cash flow from operating activities	18	138
Cash flows from investing activities		
Receipts/payments (-) on short-term securities investments	-4	0
Proceeds from sale of operating assets etc.	25	0
Receipts/payments (-) on long-term securities investments?	0	0
Net cash flow from investing activities	21	0
Cash flow from financing activities		
Dividend/group contribution paid	-53	-56
Net cash flow from financing activities	-53	-56
Net cash flow for the period	-14	82
Cash and balances due from central banks as at 1 January	134	52
Cash and balances due from central banks as at 31 December	120	134

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.

As of 1 January 2011, the Company changed its accounting policy with respect to classifying immediate changes in value and gains/losses on the sale of repossessed properties. We have now elected to carry these under impairment losses on loans and advances since there is a close connection between the repossessed property and the original loan.

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

NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12.10
Change in value of interest rate derivatives oblig. carried at fair value through profit or loss [1]	-4	-17	-11	1
Total change in value of financial instruments obliged to be carried at fair value	-4	-17	-11	1
Change in value of borrowings selected for fair value carrying through profit or loss [1]	11	20	42	17
Change in value of loans selected for fair value carrying through profit or loss [1]	-2	-6	-25	-87
Total change in value of financial instruments selected for fair value carrying	9	14	17	-70
Change in value of interest rate derivatives, hedging [3]	1	-10	16	-1
Change in value of borrowings, hedged [3]	-1	10	-16	1
Total change in value of financial instruments for hedging	0	0	0	0
Total change in value of financial instruments carried at fair value	5	-3	6	-69
Realised exch. gains/losses(-) bonds and certificates carried at amortised cost [4]	0	2	0	-1
Realised exch. gains/losses(-) loans and borrowings carried at amortised cost [4]	0	0	0	9
Exchange gains/losses on borrowings and loans carried at amortised cost [2]	0	-21	-5	1
Total change in value of financial instruments carried at fair value, gains and losses	5	-22	1	-60

[1] The profit-and-loss effect in 2011 comprises mainly expense recognition of interest rate hedging instruments and related hedge objects (fixed-rate loans and borrowings) totalling NOK 1 million and similar expense recognition of NOK 59 million for the same period of 2010. This effect is owing to changes in the fair value of financial instruments relating to the change in credit risk.

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

[3] From 2010, BNkreditt has used fair value hedges for new fixed-rate borrowings and related hedge instruments. The borrowings are hedged 1:1 through external contracts where the principal, interest stream, term and hedging transaction match. It is the interest rate risk that is hedged and the hedging transactions entered into are documented. With fair value hedges, the hedge instrument is accounted for at fair value, and the hedge object is accounted for at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as at 31 December 2011 was positive by NOK 20 million.

[4] Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to no P&L effect in 2011, compared with income recognition of NOK 8 million in 2010.

NOTE 3. OTHER OPERATING INCOME

NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12.10
Net commission income/charges [1]	19	19	76	82
Other operating income	0	0	0	6
Total other operating income	**19**	**19**	**76**	**88**

[1] Commission income from managing the portfolio for SpareBank 1 Næringskreditt totalled NOK 75 million as at 31 December 2011 and NOK 82 million for the same period of 2010.

NOTE 4. CHANGES IN EQUITY

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

NOTE 5. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIO

NOK MILLION	31.12.11	31.12.10
Gross lending	17 180	15 342
Loans transferred to SpareBank 1 Næringskreditt	8 263	7 308
Total loans managed portfolio	**25 443**	**22 650**

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

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

NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12.10
Write-offs in excess of prior-year write-downs	0	0	4	27
Write-offs on loans without prior-year write-downs	0	0	8	0
Write-downs for the period:				
Change in collective write-downs	-1	0	3	0
Total change in collective write-downs	-1	0	3	0
Increase in loans with prior-year write-downs	9	22	26	23
Provisions against loans without prior-year write-downs	1	3	14	14
Decrease in loans with prior-year write-downs	0	0	-2	-11
Total change in individual write-downs	10	25	38	26
Gross impairment losses	9	25	53	53
Recoveries on previous write-offs [1]	0	0	9	0
Impairment losses on loans and advances	9	25	44	53
Revenue recognition of interest on written-down loans	3	3	8	6

[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.

NOK MILLION	Q4 2011	Q4 2010	31.12.11	31.12.10
Individual write-downs to cover impairment losses at start of period	54	14	35	21
Write-offs covered by prior-year individual write-downs	0	0	-4	-6
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	5	18	17	17
Write-downs on loans without prior individual write-downs	1	3	14	14
Decrease in loans with prior-year individual write-downs	0	0	-2	-11
Individual write-downs to cover impairment losses at end of period	60	35	60	35
Collective write-downs to cover impairment losses at start of period	43	39	39	39
Collective write-downs for the period to cover impairment losses	-1	0	3	0
Collective write-downs to cover impairment losses at end of period	42	39	42	39

Loans past due more than 3 months

NOK MILLION	31.12.11	31.12.10
Gross principal	126	67
Individual write-downs	26	0
Net principal	100	67

Other loans with individual write-downs

NOK MILLION	31.12.11	31.12.10
Gross principal	396	539
Individual write-downs	34	35
Net principal	362	504

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	%
Corporate market	126	0.73	67	0.44

NOTE 7. BORROWINGS (FUNDING)

Debt securities in issue

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

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (face value) as at 1 January 2011	557	5 551	6 108
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-280	-280
Net debt (face value) as at 31 March 2011	557	5 271	5 828
New issues	0	0	0
Increase in existing issues	0	50	50
Purchase and maturity of existing issues	-557	-1 121	-1 678
Net debt (face value) as at 30 June 2011	0	4 200	4 200
New issues	0	0	0
Increase in existing issues	0	203	203
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 30 September 2011	0	4 403	4 403
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-43	-43
Net debt (face value) as at 31 December 2011	0	4 360	4 360

Subordinated loan capital and perpetual subordinated loan capital securities

The Company 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.

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

Recognised values

NOK MILLION	31.12.2011	31.12.2010
Certificates carried at amortised cost	0	0
Certificates carried at fair value	0	567
Total recognised value of certificates	0	567
Bonds carried at amortised cost	1 621	1 853
Bonds selected for fair value carrying	2 852	3 866
Total recognised value of bonds	4 473	5 719
Total recognised value of debt securities in issue	4 473	6 286
Subordinated loans carried at amortised cost	451	451
Subordinated loans selected for fair value carrying	0	0
Total recognised value of subordinated loans	451	451

NOTE 8. CAPITAL ADEQUACY

Process for assessing the capital adequacy requirement

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

NOK MILLION	31.12.2011	31.12.2010
Share capital	600	600
Other reserves	2 118	2 079
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings)	0	0
Less:		
Intangible assets	0	0
Deferred tax assets	-53	-49
Tier 1 capital	2 665	2 630
Fixed-term subordinated loan capital [1]	451	451
Less:		
Fixed-term subordinated loan capital that cannot be included	0	0
Net tier 2 capital	451	451
Total capital base	3 116	3 081
Risk-weighted assets	17 613	15 818
Tier 1 capital ratio (%)	15.1	16.6
Capital adequacy ratio (%)	17.7	19.5

[1] For more details, see Note 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 %	706	141	756	151
35 %	562	197	362	127
50 %	0	0	0	0
75 %	0	0	0	0
100 %	17 275	17 275	15 540	15 540
Investments included in the trading portfolio	0	0	0	0
Negotiable debt instruments included in the trading portfolio	0	0	0	0
Total risk-weighted assets	18 543	17 613	16 658	15 818
Capital adequacy ratio (%)		17.7		19.5

NOTE 9. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

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

NOTE 10. TRANSFER TO SPAREBANK 1 NÆRINGSKREDITT

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

NOK MILLION	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Interest and similar income	202	190	184	172	165
Interest expense and similar charges	153	149	136	124	121
Net income from interest and credit commissions	49	41	48	48	44
Change in value of financial instruments carried at fair value, gains and losses	5	0	1	-5	-22
Other operating income	19	18	20	19	19
Total other operating income	24	18	21	14	-3
Salaries and general administrative expenses	17	18	18	17	22
Other operating income	5	5	6	5	5
Total other operating income	22	23	24	22	27
Operating profit/(loss) before impairment losses	51	36	45	40	14
Impairment losses on loans and advances	9	11	-9	33	25
Profit/(loss) before tax	42	25	54	7	-11
Computed tax charge	12	7	15	2	-3
Profit/(loss) for the period	30	18	39	5	-8

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 Bolig- og Næringskreditt AS

Svend Lund
(Chair)

Kjell Fordal
(Deputy Chair)

Arve Austestad

Lars Bjarne Tvete

Tove Kolbjørnsen Kulseng

Trond Søraas
(Managing Director)

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