

The logo for BN Bank, featuring the text "BN Bank" in white on a red rectangular background.

BN Bank

BN Bank ASA
**INTERIM REPORT
2ND QUARTER | 2012**

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Highlights first half-year to 30 June 2012 BN Bank

(Figures compared with first-half 2011)

- Profit after tax of NOK 66 million (NOK 73 million)
- Profit after tax of core business totalling NOK 99 million (NOK 67 million)
- Return on equity after tax of 4.2 per cent (4.9 per cent)
- Return on equity after tax of core business 6.3 per cent (4.5 per cent)
- Tier 1 capital ratio of 12.2 per cent (11.0 per cent); core tier 1 capital ratio of 10.3 per cent (9.6 per cent)
- 10.3 per cent growth in business lending and 3.8 per cent growth in retail lending in the past 12 months
- SpareBank 1 SMN took over NOK 2.3 billion of the NOK 3.1 billion loan portfolio in Ålesund as of 1 February 2012. BN Bank is now providing guarantees for 60% of the credit risk for this portfolio (referred to as the Guarantee Portfolio). BN Bank's maximum loss is thus down to NOK 443 million, which at the end of first-half 2012 was 1.4 per cent of the Group's total lending.

Financial Ratios

NOK MILLION	NOTE	30.06.12	30.06.11	FULL-YEAR 2011
Summary of results				
Net income from interest and credit commissions		169	186	385
Total other operating income		74	59	103
Total income		243	245	488
Total other operating expense		129	135	234
Operating profit/(loss) before impairment losses		114	110	254
Impairment losses on loans and advances		23	28	62
Profit/(loss) before tax		91	82	192
Computed tax charge		25	21	44
Profit/(loss) for the period, remaining entity		66	61	148
Profitability				
Return on equity	1	4.2 %	4.9 %	5.0 %
Net interest margin	2	0.83 %	0.90 %	0.94 %
Cost-income ratio	3	53.1 %	55.1 %	48.0 %
Balance sheet figures				
Gross lending		31 238	32 758	33 439
Customer deposits		15 763	15 614	15 959
Deposit-to-loan ratio	4	50.5 %	47.7 %	47.7 %
Increase/decrease in lending (gross) last 12 months		-4.6 %	5.4 %	2.6 %
Increase/decrease in deposits last 12 months		1.0 %	-2.8 %	-2.7 %
Average total assets (ATA)	5	40 536	41 251	40 887
Total assets		38 618	40 181	40 722
Balance sheet figures remaining entity including SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt				
Gross lending		47 125	44 051	45 663
Customer deposits		15 763	15 614	15 959
Increase/decrease in lending (gross) last 12 months		7.0 %	8.2 %	8.0 %
Increase/decrease in deposits last 12 months		1.0 %	-2.8 %	-2.7 %
Share of lending funded via deposits		33.4 %	35.4 %	34.9 %
Losses on loans and non-performing loans				
Loss ratio lending	6	0.14 %	0.17 %	0.19 %
Non-performing loans as a percentage of gross lending	7	1.83 %	0.44 %	0.59 %
Other doubtful commitments as a percentage of gross lending	7	1.17 %	2.22 %	2.02 %
Solvency				
Capital adequacy ratio		15.1 %	14.0 %	13.7 %
Tier 1 capital ratio		12.2 %	11.0 %	11.0 %
Tier 1 capital		3 630	3 485	3 644
Capital base		4 507	4 421	4 543
Offices and staffing				
Number of offices		2	2	2
Number of full-time equivalents		107	115	108
Shares				
Earnings per share for period (whole NOK) before discount operations		4.94	4.93	11.39
Earnings per share for period (whole NOK) including discount operations		4.94	5.90	11.86

Notes

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) The figures disclosed include the Guarantee Portfolio

Report of the Directors

Summary of results for the first half-year to 30 June 2012

All figures for the first half-year to 30 June 2012 are compared with the figures for the first half-year to 30 June 2011:

- Growth in lending of NOK 3 074 million in the past 12 months (NOK 3 335 million)
- Profit after tax of NOK 66 million (NOK 73 million).
- Profit after tax of core business totalling NOK 99 million (NOK 67 million).
- Return on equity after tax of 4.2 per cent (4.9 per cent).
- Return on equity after tax of core business 6.3 per cent (4.5 per cent).
- Impairment losses on loans and advances of NOK 23 million (NOK 28 million)
- Tier 1 capital ratio of 12.2 per cent (11.0 per cent)
- Core tier 1 capital ratio of 10.3 per cent (9.6 per cent)

Highlights of First-Half 2012

The comparative figures in parentheses below are the first-half figures as at 30 June 2011.

For the first half of 2012 the BN Bank Group posted a profit after tax of NOK 66 million (NOK 73 million). The core business (retail and business banking) saw an increase in post-tax profit of NOK 32 million, while a negative trend in the Bank's former portfolio in Ålesund pulled profits down by NOK 39 million.

Total income for first-half 2012 was NOK 243 million (NOK 245 million). An increase in the volume of lending and positive changes in the value of financial instruments made a positive contribution to income, but this was pulled down by a decrease in income from the Guarantee Portfolio.

Operating expenses for the first half-year 2012 were NOK 129 million (NOK 135 million). The decrease is attributable to a reduction in marketing costs and sales costs relating to the property Munkegata 21 that arose in the first half of 2011. The cost-income ratio for first-half 2012 was 53 per cent (55 per cent).

Net impairment losses on loans and guarantees in first-half 2012 totalled NOK 23 million (NOK 28 million), including a decrease in collective write-downs of NOK 20 million (increase of NOK 6 million).

Non-performing loans as at 30 June 2012 were 1.83 per cent of gross lending¹ (0.44 per cent).

On a 12-month basis, growth in lending was 7.0 per cent and growth in deposits 1.0 per cent at the end of first-half 2012. Business lending has increased by NOK 3.0 billion, while the volume of retail lending has increased by NOK 0.5 billion in the past 12 months. Loans to SpareBank 1 SMN as a result of the transfer of the Ålesund portfolio have fallen by NOK 0.4 billion in the past 12 months.

In the first half of 2012, BN Bank issued ordinary senior bonds for a total of NOK 6.0 billion in the Norwegian bonds market. The Bank also transferred NOK 1.0 billion and NOK 2.7 billion to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt respectively.

BN Bank's capital adequacy ratio, tier 1 capital ratio and core tier 1 capital ratio are as follows:

FIGURES IN %	Q2 2012	Q1 2012
Capital adequacy ratio	15.1	14.2
Tier 1 capital ratio	12.2	11.5
Core tier 1 capital ratio	10.3	9.7

¹ Gross lending comprises lending in the Group and BN Bank's loan portfolio in Ålesund.

BN Bank's total assets as at 30 June 2012 were NOK 38.6 billion (NOK 40.2 billion). See Note 9 for further details of the capital adequacy ratio.

On 26 January 2012, Oslo District Court gave judgment in the case in which the Icelandic bank Glitnir banki hf, has sued BN Bank ASA for what Glitnir claims was an unlawful offset of about NOK 240 million. According to the judgment, BN Bank ASA was ordered to pay Glitnir NOK 213 million plus interest. The Court found that about NOK 27 million was lawfully offset. In BN Bank's view, the Court has made an error on a key point relating to the largest single item that the offset was made against, but BN Bank has otherwise won on the other, important points. BN Bank has accordingly appealed the judgment to the Borgarting Court of Appeal. As BN Bank has previously reported the offset amount as lost, the judgment has only a limited negative accounting effect for the Bank.

BN Bank has previously entered into an agreement with SpareBank1 SMN for the latter to take over the Bank's Ålesund portfolio. The parties revised the agreement on 1 February 2012, according to which SpareBank1 SMN took over NOK 2.3 billion of the portfolio valued at NOK 3.1 billion. BN Bank is now providing guarantees for 60 per cent of the credit risk for the remaining portfolio (referred to as the Guarantee Portfolio). This has reduced BN Bank's theoretical maximum exposure to NOK 443 million, which was 1.4 per cent of the Bank's total lending at 30 June 2012.

Economic developments

Bank 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 second-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.

Profit performance for Q2 2012

The comparative figures in parentheses below are the first-quarter figures as at 31 March 2012.

For the second quarter of 2012, profit after tax was NOK 29 million (NOK 37 million). This produced a return on equity of 3.7 per cent. The decrease in profit is attributable to a decrease in changes in the value of financial instruments and an increase in impairment losses on loans.

Income

Total income for the second quarter of 2012 was NOK 116 million (NOK 127 million).

NOKm	Q2 2012	Q1 2012	CHANGE
Total income	116	127	-11
Margins and volumes on lending/deposits			9
Fees and commission, SpareBank 1 SMN			-5
Share dividend			-2
Return on unrestricted funds (equity)			-2
Value changes, financial instruments			-15
Other			4

An increase in lending and deposit margins and an increase in the volume of lending brought about an increase in total income, although a decrease in changes in the value of financial instruments pulled income down overall.

In second-quarter 2012, changes in the value of financial instruments were NOK 0 million, which is a negative change of NOK 15 million compared with first-quarter 2012. See Note 2 for more information about value changes.

Operating expense

Second-quarter operating expense was NOK 62 million (NOK 67 million).

NOKm	Q2 2012	Q1 2012	CHANGE
Operating expense	62	67	-5
Wages and pension costs			-3
Marketing			-1
Consultancy assistance			-1

The decrease in other operating expense in second-quarter 2012 is largely owing to a reduction in wages and salaries.

The Group's cost-income ratio for second-quarter 2012 was 53 per cent (53 per cent).

Impairment losses and non-performing loans

Impairment losses on loans for the second quarter of 2012 totalled NOK 14 million (NOK 9 million).

Impairment losses on loans in second-quarter 2012 comprised income recognition of NOK 1 million in retail loans, expense recognition of NOK 6 million in corporate loans, and expense recognition of NOK 9 million in the Guarantee Portfolio².

Collective write-downs were down by NOK 1 million in the second quarter.

Individual and collective impairment losses on loans in second-quarter 2012 were as follows:

NOKm	INDIVIDUAL	COLLECTIVE
Corporate	6	0
Retail	-1	0
Guarantee Portfolio	10	-1

Non-performing and doubtful loans, less individual write-downs, totalled NOK 810 million (NOK 640 million) at the end of second-quarter 2012, which is 2.59 per cent (1.84 per cent) of gross lending. This includes non-performing and doubtful loans in the Guarantee Portfolio. See Note 6 for more information.

Loan loss provisions at the end of the second quarter of 2012 totalled NOK 150 million, of which individual write-downs accounted for NOK 84 million and collective write-downs NOK 66 million. Total loan loss provisions at the end of the second quarter were as follows:

	LOAN LOSS PROVISIONS (NOKm)	% OF GROSS LENDING GROUP
Corporate	135	0.43
Retail	14	0.04
Divested portfolio	1	0.00

² BN Bank has provided guarantees for losses in this portfolio.

In addition, provision of NOK 62 million has been made as a financial loss guarantee relating to the Guarantee Portfolio.

Total assets

BN Bank's total assets were NOK 38.6 billion at the end of the second quarter of 2012, which is NOK 1.6 billion down on the past year. The change is mostly attributable to a transfer of loans to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt.

Growth in lending and deposits

Gross lending³ has increased by NOK 3.1 billion, or 7.0 per cent, in the past 12 months. Gross lending totalled NOK 47.1 billion at the end of the second quarter of 2012.

NOKbn	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Gross lending	47.1	45.9	45.7	44.6
Change in the quarter	1.2	0.2	1.1	0.5

Gross lending had the following segmental exposure as at 30 June 2012:

NOKbn	Q2 2012	Q2 2011
Retail	13.9	13.4
Corporate	32.0	29.0
Loans transferred to SpareBank 1 SMN	1.2	1.6

Growth in corporate lending in the past 12 months was NOK 3.0 billion, or 10 per cent, whereas growth in retail lending in the past 12 months was NOK 0.5 billion, or 4 per cent.

Gross lending in the BN Bank Group⁴ as at 30 June 2012 had the following sectoral exposure:

FIGURES IN %	Q2 2012	Q2 2011
Real estate operations	59	50
Retail market	26	33
Financial industry	8	5
Other	7	12

At the end of second-quarter 2012 a loan portfolio of NOK 9.3 billion had been transferred to SpareBank 1 Næringskreditt and a loan portfolio of NOK 6.6 billion to SpareBank 1 Boligkreditt.

Customer deposits have increased by NOK 149 million in the past 12 months. Total deposits stood at NOK 15.8 billion at the end of the second quarter of 2012.

The deposit-to-loan ratio at the end of the second quarter of 2012 was 50.5 per cent, which is 2.8 percentage points higher than as at 30 June 2011.

³ 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.

⁴ Gross lending for the Group is the sum total of corporate and retail lending in BN Bank and loans transferred to SpareBank 1 SMN.

Funding and liquidity

In the second quarter, BN Bank has issued certificates and bonds for a total of NOK 3.7 billion.

The Bank's liquidity portfolio was NOK 6.0 billion at the end of second-quarter 2012.

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 external funding for a period of 12 months. At the end of the second quarter of 2012, this target had been met by a good margin.

Subsidiaries

The BN Bank Group comprises the bank BN Bank ASA and the credit institutions Bolig- og Næringskreditt AS (BNkreditt) and BN Boligkreditt AS (BN Boligkreditt). The Group also includes the real estate company Collection Eiendom AS.

BNkreditt and BN Boligkreditt present separate financial statements in compliance with International Reporting Standards (IFRS). Collection Eiendom presents its 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 second quarter of 2012 the company had a loan portfolio totalling NOK 18.5 billion, compared with NOK 16.1 billion as at 30 June 2011. NOK 9.3 billion in loans had been transferred to SpareBank1 Næringskreditt as at 30 June 2012.

BNkreditt posted a profit after tax of NOK 41 million for the first half of 2012, compared with a post-tax profit of NOK 44 million for the same period last year. The decrease in profit is primarily attributable to a decrease in net income from interest and credit commissions.

Impairment losses on loans and advances totalled NOK 6 million for first-half 2012, compared with NOK 24 million for same period in 2011. Collective write-downs were down by NOK 1 million in first-half 2012 and totalled NOK 41 million, which is 0.22 per cent of gross lending as at 30 June 2012.

BNkreditt had NOK 4.1 billion in bond debt outstanding as at 30 June 2012, compared with NOK 4.3 billion as at 30 June 2011.

BN Bank has provided guarantees that BNkreditt will have a minimum capital adequacy ratio and junior financing of 20 per cent. BNkreditt's capital adequacy ratio and tier 1 capital ratio were, respectively, 15.3 per cent and 13.0 per cent as at 30 June 2012. The amount BN Bank is ceding precedence for in relation to guarantees was NOK 937 million as at 30 June 2012.

BN Boligkreditt AS

BN Boligkreditt is BN Bank's credit institution for issuance of covered bonds. At the end of the first half of 2012 the company had a residential mortgage portfolio totalling NOK 224 million, which is NOK 2.0 billion less than as at 30 June 2011.

The company posted a profit after tax of NOK 6 million for first-half 2012, compared with NOK 11 million for the same period of 2011. The decrease in profit is attributable to a fall in the volume of lending and a decrease in changes in the value of financial instruments.

The company's capital adequacy ratio was 142.7 per cent and the tier 1 capital ratio was 112.1 per cent as at 30 June 2011.

Collection Eiendom AS

Collection Eiendom AS was established in 2010 for the purpose of owning and managing real estate.

Collection Eiendom posted a zero result after tax as at 30 June 2012.

Outlook for BN Bank

BN Bank ASA is well capitalised and the Bank's funding is sound. The Board of Directors are focusing on healthy growth in the Bank's core areas in accordance with the adopted business strategy.

Turbulence in the financial markets is affecting the supply and cost of funding. A continuing rise in the cost of funding may give rise to an increase in lending interest rates and lower growth going forward.

Low costs will be essential to enable the Bank to realise its strategy, and for that reason the Bank will work hard to reduce the overall cost picture in 2012 compared with 2011.

The Board expect to see continuing positive development within BN bank's core business.

Trondheim, 7 August 2012
The Board of Directors

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
(Managing Director)

Income Statement - Group

NOK MILLION	NOTE	GROUP				
		Q2 2012	Q2 2011	30.06.2012	30.06.2011	FULL-YEAR 2011
Interest and similar income		399	398	829	785	1 639
Interest expense and similar charges		314	303	660	599	1 254
Net income from interest and credit commissions		85	95	169	186	385
Change in value of financial instruments at fair value, gains & losses	2	0	10	15	4	-20
Other operating income	3	31	29	59	55	123
Total other operating income		31	39	74	59	103
Salaries and general administrative expenses		52	57	107	108	222
Ordinary depreciation, amortisation and write-downs		5	4	9	8	16
Other operating expense		5	12	13	19	33
Other gains and losses	4	0	0	0	0	-37
Total other operating expense		62	73	129	135	234
Operating profit/(loss) before impairment losses		54	61	114	110	254
Impairment losses on loans and advances	6	14	-7	23	28	62
Profit/(loss) before tax		40	68	91	82	192
Tax		11	17	25	21	44
Profit/(loss) for the period, remaining entity		29	51	66	61	148
Result of operations under divestment	8	0	5	0	12	6
Profit/(loss) for the period including discontinued operations		29	56	66	73	154
Other Comprehensive Income						
Change in value of financial assets available for sale		0	0	0	0	0
Total P&L items recognised in equity		0	0	0	0	0
Total profit/(loss) for the period		29	56	66	73	154

Balance Sheet - Group

NOK MILLION	NOTE	GROUP		
		30.06.12	30.06.11	FULL-YEAR 2011
Deferred tax assets		43	54	43
Intangible assets		21	21	20
Tangible fixed assets	11	22	102	23
Repossessed properties		31	0	0
Loans and advances	5, 6, 12, 13	31 088	32 590	33 260
Prepayments and accrued income		15	78	70
Financial derivatives		721	387	865
Short-term securities investments		5 960	5 333	5 506
Cash and balances due from credit institutions		702	1 147	814
Assets classified as held for sale	8	15	469	121
Total assets		38 618	40 181	40 722
Share capital		668	649	649
Share premium		266	190	190
Retained earnings		2 287	2 235	2 316
Total equity		3 221	3 074	3 155
Subordinated loan capital	7	1 461	1 459	1 451
Liabilities to credit institutions		824	2 046	1 178
Debt securities in issue	7	16 388	16 983	17 950
Accrued expenses and deferred income	6	156	158	131
Other current liabilities		184	125	11
Tax payable		0	0	37
Financial derivatives		620	279	839
Customer deposits & accounts payable to customers		15 763	15 614	15 959
Liabilities classified as held for sale	8	0	443	11
Total liabilities		35 397	37 107	37 567
Total equity and liabilities		38 618	40 181	40 722

Trondheim, 7 August 2012
The Board of Directors

Changes in Equity - Group

NOK MILLION					GROUP
	SHARE CAPITAL	SHARE PREM. RES.	OTHER PAID-UP SHARE CAPITAL	OTHER RESERVES	TOTAL EQUITY
Balance Sheet as at 1 January 2011	619	68	0	2 315	3 002
Dividend paid	0	0	0	-152	-152
Share capital increase	30	122	0	0	152
Result for the period	0	0	0	72	72
Balance Sheet as at 30 June 2011	649	190	0	2 235	3 074
Result for the period	0	0	0	81	81
Balance Sheet as at 31 December 2011	649	190	0	2 316	3 155
Dividend paid	0	0	0	-95	-95
Share capital increase	19	76	0	0	95
Result for the period	0	0	0	66	66
Balance Sheet as at 30 June 2012	668	266	0	2 287	3 221

Trondheim, 7 August 2012
The Board of Directors

Statement of Cash Flows - Group

NOK MILLION	GROUP		
	30.06.12	30.06.11	FULL-YEAR 2011
Cash flows from operating activities			
Interest/commission received and fees received from customers	1 172	955	2 353
Interest/commission paid and fees paid to customers	-52	-45	-433
Interest received on other investments	174	173	300
Interest paid on other loans	-497	-517	-882
Receipts/disbursements (-) on loans to customers	1 995	-193	-1 948
Receipts/payments on customer deposits & accounts payable to customers	-218	-1 258	-1 465
Receipts/payments (-) on liabilities to credit institutions	-520	71	-232
Receipts/payments (-) on securities in issue	-1 624	570	1 395
Receipts on previously written-off debt	2	15	44
Other receipts/payments	25	25	114
Payments to suppliers for goods and services	-52	-79	-152
Payments to employees, pensions and social security expenses	-60	-64	-102
Tax paid	-2	0	-2
Net cash flow from operating activities	343	-347	-1 010
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	22	261	666
Receipts/payments (-) on short-term securities investments	-436	470	285
Proceeds from sale of operating assets etc.	0	25	25
Purchase of operating assets etc.	-41	-45	-65
Proceeds from sale of subsidiaries	0	0	129
Net cash flow from investing activities	-455	711	1 040
Cash flow from financing activities			
Receipts/payments (-) of subordinated loan capital	0	-229	-228
Net cash flow from financing activities	0	-229	-228
Net cash flow for the period	-112	135	-198
Cash and balances due from central banks as at 1 January	814	1 012	1 012
Cash and balances due from central banks at close of period	702	1 147	814

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NOTE 1. ACCOUNTING POLICIES

The first-half interim consolidated financial statements for the period 1 January to 30 June 2012 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 2011.

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

NOK MILLION	GROUP				
	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss ^{1,4}	-1	-2	3	-7	-5
Change in value of currency derivatives obliged to be carried at fair value through profit or loss ²	-17	29	43	-3	-117
Change in value of equity-linked options & equity options oblig. carried at fair value thro profit or loss ¹	0	14	0	11	19
Total change in value of financial instruments obliged to be carried at fair value	-18	41	46	1	-103
Change in value of deposits selected for fair value carrying through profit or loss ⁴	4	3	-1	1	-6
Change in value of borrowings selected for fair value carrying through profit or loss ⁴	9	-19	3	12	-5
Change in value of loans selected for fair value carrying through profit or loss ⁴	-2	10	3	-11	-12
Change in value of short-term financial investments selected for fair value carrying ³	-4	7	13	6	-1
Total change in value of financial instruments selected for fair value carrying	7	1	18	8	-24
Change in value of interest rate derivatives, hedging ⁵	18	27	25	-6	69
Change in value of borrowings, hedged ⁵	-18	-27	-25	6	-70
Total change in value of financial instruments for hedging	0	0	0	0	-1
Total change in value of financial instruments carried at fair value	-11	42	64	9	-128
Realised exchange gains/losses (-) bonds and certificates carried at amortised cost	-6	-5	-9	-8	-10
Exchange gains/losses on borrowings and loans carried at amortised cost ²	17	-27	-40	3	118
Total change in value of financial instruments carried at fair value, gains and losses	0	10	15	4	-20

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 earlier turbulence in the financial markets caused the loss of some contractual counterparties, and it was not possible at the time to replace these hedging transactions. BN Bank is therefore partially exposed to the market development of a limited number of products. Changes in exposure are recognised in profit and loss immediately and as at 30 June 2012 there was no profit-and-loss effect, compared with recognised expense of NOK 2 million for the same period of 2011. NOK 8 million was recognised as expense for full-year 2011.

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 3 million for the period to 30 June 2012, compared with no P&L effect for the period to 30 June 2011. The equivalent figure for full-year 2011 was NOK 1 million recognised as income. Exposure to exchange rate fluctuations is low.

³ Changes in the value of financial investments selected for fair value carrying gave rise to recognised income of NOK 13 million for the period to 30 June 2012, compared with recognised income of NOK 6 million for the same period of 2011. NOK 1 million was recognised as expense for full-year 2011. Turbulence in the financial markets has caused big fluctuations in the value of these investments.

⁴ The net effect of interest rate derivatives obliged to be carried at fair value and changes in the value of financial instruments selected for fair value carrying was recognised income of NOK 8 million for the period to 30 June 2012, compared with recognised income of NOK 8 million for the same period of 2011. NOK 1 million was recognised as expense for full-year 2011.

⁵ From 2010, BN Bank has used fair value hedges for new fixed-rate borrowings and related hedge instruments. The borrowings are hedged 1:1 through external contracts where the principal, interest stream, term and hedging transaction match. It is the interest rate risk that is hedged and the hedging transactions entered into are documented. With fair value hedges, the hedge instrument is accounted for at fair value, and the hedge object is accounted for at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as at 30 June 2012 was positive by NOK 119 million.

⁶ Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 9 million for the period to 30 June 2012 compared with recognised expense of NOK 8 million for the same period of 2011. NOK 10 million was recognised as expense for full-year 2011.

NOTE 3. OTHER OPERATING INCOME

NOK MILLION	GROUP				
	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Guarantee commission	0	5	2	10	22
Net commission income/charges ¹	31	23	54	44	99
Other operating income	0	1	3	1	2
Total other operating income	31	29	59	55	123

¹ Commission income relating to the management of the portfolios in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt totalled NOK 47 million as at 30 June 2012 and NOK 37 million for the same period of 2011. NOK 72 million was recognised as income for full-year 2011.

NOTE 4. OTHER EXPENSE, GAINS AND LOSSES

The building Munkegata 21 was sold and taken over by the new owner on 15 September 2011. An accounting profit of NOK 37 million was reported in Q3 2011.

Statement of cash flows:

GROUP	
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 subsidiary	129

NOTE 5. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIO

GROUP			
NOK MILLION	30.06.12	30.06.11	FULL-YEAR 2011
Loans Corporate Market and Retail Market, Group	30 045	31 137	32 225
Seller's credit	1 193	1 621	1 214
Loans in remaining entity (continuing operations)	31 238	32 758	33 439
Loans transferred to SpareBank 1 Næringskreditt	9 256	8 065	8 263
Loans transferred to SpareBank 1 Boligkreditt	6 631	3 228	3 961
Total loans in managed portfolio	47 125	44 051	45 663
Divested portfolio	92	145	101

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

The various elements included in impairment losses & write-downs on loans are set out in Note 1, 2011 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 access revenue either through the courts or by some voluntary solution. Impairment losses & write-downs described here apply to loans carried at amortised cost and changes in value and gains/losses on the sale of repossessed properties in the current period.

NOK MILLION	GROUP				
	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Write-offs in excess of prior-year write-downs	0	1	0	5	23
Write-offs on loans without prior write-downs	0	0	0	5	8
Write-offs transferred to divested portfolio	0	0	0	0	0
Write-downs for the period:					
Change in collective write-downs	0	-8	-19	-4	2
Change in collective write-downs related to Guarantee Portfolio	-1	0	-1	0	1
Change in collective write-downs transferred to divested portfolio	0	6	0	10	0
Total change in collective write-downs	-1	-2	-20	6	3
Increase in loans with prior-year write-downs ¹	12	12	26	28	28
Provisions against loans without prior write-downs	5	5	19	12	24
Decrease in loans with prior-year write-downs	-2	-10	-2	-15	-9
Change in individual write-downs transferred to divested portfolio	0	0	0	0	0
Total change in individual write-downs	15	7	43	25	43
Gross impairment losses	14	6	23	41	77
Recoveries on previous write-offs ²	0	13	0	13	15
Impairment losses on loans	14	-7	23	28	62
Revenue recognition of interest on written-down loans	1	2	3	7	10

¹ Changes in value relating to repossessed properties totalled NOK 10 million as at 30 June 2012.

² NOK 9 million relates to the reported profit on the sale of a previously repossessed property in Tromsø in the second quarter of 2011.

NOK MILLION	GROUP				
	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Individual write-downs to cover impairment losses at start of the period	85	92	94	78	78
Write-offs covered by prior-year individual write-downs	0	-13	-12	-13	-23
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	1	6	4	13	14
Write-downs on loans without prior individual write-downs	0	2	0	2	15
Decrease in loans with prior-year individual write-downs	-2	-7	-2	-16	-6
Transferred assets classified as held for sale	0	0	0	16	16
Individual write-downs to cover impairment losses at end of the period	84	80	84	80	94
Collective write-downs to cover impairment losses at start of the period	66	91	85	83	83
Collective write-downs for the period to cover impairment losses	0	-8	-19	-4	2
Transferred assets classified as held for sale	0	6	0	10	0
Collective write-downs to cover impairment losses at end of the period	66	89	66	89	85

NOK MILLION	GROUP				
	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Loss provision financial guarantee rel. to Guarantee Portfolio at start of period ¹	46	41	28	26	26
Write-offs covered by prior-year individual write-downs	0	0	0	0	-7
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	5	6	9	13	4
Write-downs on loans without prior individual write-downs	5	3	19	10	9
Decrease in loans with prior-year individual write-downs	0	-5	0	-4	-4
Loss provision financial guarantee rel. to Ålesund portfolio at end of period ¹	56	45	56	45	28
Collective write-downs related to Ålesund portfolio at start of the period	7	0	20	0	19
Collective write-downs for the period to cover losses in Ålesund portfolio	-1	0	-14	0	1
Collective write-downs related to Ålesund portfolio at end of the period ¹	6	0	6	0	20
Individual write-downs related to Ålesund portfolio classified as held for sale	0	2	0	2	2
Collective write-downs related to Ålesund portfolio classified as held for sale	0	9	0	9	0
Total loss provisions related to Ålesund portfolio	62	56	62	56	50

¹ BN Bank has previously entered into an agreement with SpareBank1 SMN for the latter to take over the Ålesund portfolio. The parties revised the agreement on 1 February 2012 according to which SpareBank1 SMN took over NOK 2.3 billion of the portfolio valued at NOK 3.1 billion. BN Bank now provides guarantees for 60% of the credit risk for this portfolio (referred to as the Guarantee Portfolio). The Bank's maximum exposure is thus down to NOK 443 million, which at the end of the second quarter of 2012 was 1.4% of the Bank's total lending. The total provision for losses in the Guarantee Portfolio was NOK 62 million at 30 June 2012. BN Bank will provide guarantees for losses in the Guarantee Portfolio for a period of 3-5 years from the inception of the original agreement. The loss provision is classified under Accrued expenses and deferred income.

Loans past due more than 3 months ¹

NOK MILLION	GROUP		
	30.06.12	30.06.11	FULL-YEAR 2011
Gross principal	583	158	213
Individual write-downs	53	5	40
Net principal	530	153	173

Other loans with individual write-downs ¹

NOK MILLION	GROUP		
	30.06.12	30.06.11	FULL-YEAR 2011
Gross principal	367	732	678
Individual write-downs	87	77	85
Net principal	280	655	593

Loans past due more than 3 months by sector and as a percentage of loans ^{1,2}

GROUP

NOK MILLION	GROSS OUTSTANDING 30.06.12		GROSS OUTSTANDING 30.06.11		GROSS OUTSTANDING 2011	
		%		%		%
Corporate market	508	2.12	70	0.31	126	0.55
Retail market	56	0.77	66	0.65	66	0.71
Ålesund portfolio	19	2.52	22	1.64	21	0.74
Total	583	1.83	158	0.44	213	0.59

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 are calculated on the basis of loans in the remaining entity and the Guarantee Portfolio.

NOTE 7. BORROWING (FUNDING)

Fixed-rate borrowings that are part of index linking are carried in the consolidated balance sheet at amortised cost, while other fixed-rate borrowings are selected for fair value carrying. Floating-rate borrowings are carried at amortised cost.

Debt securities in issue

The BN Bank Group had issued bonds and certificates with a face value of NOK 6 043 million as at 30 June 2012, either as new issues or increases in existing tap issues.

NOK MILLION			GROUP
	CERTIFICATES	BONDS	TOTAL
Net debt (face value) as at 1 January 2012	2 646	15 051	17 697
New issues	0	1 515	1 515
Increase in existing issues	60	730	790
Purchase and maturity of existing issues	-665	-1 491	-2 156
Net debt (face value) as at 31 March 2012	2 041	15 805	17 846
New issues	2 154	800	2 954
Increase in existing issues	0	784	784
Purchase and maturity of existing issues	-1 068	-4 349	-5 417
Net debt (face value) as at 30 June 2012	3 127	13 040	16 167

Subordinated loan capital and perpetual subordinated loan capital securities

The BN Bank Group had issued no perpetual subordinated loan capital securities or subordinated loans as at 30 June 2012.

NOK MILLION			GROUP
	PERPET. SUBORD. LOAN CAP. SEC.	SUBORDINATED LOAN CAPITAL	TOTAL
Net debt (face value) as at 1 January 2012	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 March 2012	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 2012	650	800	1 450

RECOGNISED VALUES

NOK MILLION	GROUP		
	30.06.12	30.06.11	FULL-YEAR 2011
Certificates carried at amortised cost	518	0	1 250
Certificates selected for fair value carrying	2 644	2 020	1 420
Total recognised value of certificates	3 162	2 020	2 670
Bonds carried at amortised cost	8 766	5 554	10 010
Bonds carried at amortised cost (secured debt)	3 111	1 979	2 074
Bonds selected for fair value carrying	1 349	7 430	3 196
Total recognised value of bonds	13 226	14 963	15 280
Total recognised value of debt securities in issue	16 388	16 983	17 950

NOK MILLION	GROUP		
	30.06.12	30.06.11	FULL-YEAR 2011
Perpetual subordinated loan capital securities carried at amortised cost	483	485	482
Perpetual subordinated loan capital securities selected for fair value carrying	175	173	169
Total recognised value of perpetual subordinated loan capital securities	658	658	651
Subordinated loans carried at amortised cost	803	801	800
Subordinated loans selected for fair value carrying	0	0	0
Total recognised value of subordinated loans	803	801	800
Total recognised value of subordinated loans and perpetual subordinated loan capital securities	1 461	1 459	1 451

NOTE 8. RESULTS OF DIVESTED OPERATION

The banking operation in Ålesund, which chiefly comprises business lending, became organisationally subordinate to SpareBank 1 SMN from Q4 2009. As of Q3 2009 inclusive the Ålesund operation has been reported as a discontinued operation under IFRS 5. The split-off from BN Bank began in Q4 2009 and was largely completed in Q2 2012. For this reason there are no P&L effects classified as discontinued operation in 2012.

P&L effects relating to the Guarantee Portfolio, which are referred to in greater detail in Note 6, are classified under remaining entity.

Specification of results of divested operation

NOK MILLION	GROUP				
	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Net income from interest and credit commissions	0	1	0	3	4
Total other operating income	0	0	0	1	1
Total other operating expense	0	0	0	-3	-3
Total impairment losses on loans and advances	0	-6	0	-10	-1
Pre-tax profit/(loss)	0	7	0	17	9
Computed tax charge	0	2	0	5	3
Profit/(loss) from discontinued operation after tax	0	5	0	12	6

Statement of cash flows related to divested operation

NOK MILLION	GROUP				
	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Cash flow from operating activities	0	1	0	7	8
Cash flow from investing activities	0	0	0	0	0
Cash flow from financing activities	0	0	0	0	0
Net cash flow for the period	0	1	0	7	8

Specification of results of remaining entity

NOK MILLION	GROUP				
	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Net income from interest and credit commissions	85	95	169	186	385
Total other operating income	31	39	74	59	103
Total other operating expense	62	73	129	135	234
Operating profit/(loss) before impairment losses on loans	54	61	114	110	254
Impairment losses on loans and advances	14	-7	23	28	62
Pre-tax profit/(loss) of remaining entity	40	68	91	82	192
Computed tax charge	11	17	25	21	44
Profit/(loss) after tax of remaining entity	29	51	66	61	148

Specification of results of divested operation and the Guarantee Portfolio

MILLIONER KRONER	GROUP		
	30.06.12	30.06.11	FULL-YEAR 2011
Net income from interest and credit commissions	-18	-3	2
Total other operating income	1	10	21
Total other operating expense	0	-3	-3
Total impairment losses on loans and advances	29	1	26
Pre-tax profit/(loss)	-46	9	0
Computed tax charge	-13	3	0
Profit/(loss) of divested operation and Guarantee Portfolio	-33	6	0

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.

NOK MILLION	GROUP		
	30.06.12	30.06.11	FULL-YEAR 2011
Share capital	668	649	649
Other reserves	2 520	2 388	2 506
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings) ¹	658	659	647
Less:			
Perpetual subordinated loan capital (perpetual subord. loan capital borrowings) that cannot be included ¹	-113	-136	-95
Intangible assets	-21	-21	-20
Deferred tax assets	-43	-54	-43
Other deductions in tier 1 capital	-39	0	0
Tier 1 capital	3 630	3 485	3 644
Fixed-term subordinated loan capital	916	937	899
Less:			
Fixed-term subordinated loan capital that cannot be included	0	0	0
Other deductions in tier 2 capital	-39	0	0
Net tier 2 capital	877	937	899
Total capital base	4 507	4 422	4 543
Risk-weighted assets	29 820	31 666	33 171
Tier 1 capital ratio (%)	12.2	11.0	11.0
Capital adequacy ratio (%)	15.1	14.0	13.7

¹ For more details, see Note 7.

Specification of risk-weighted assets

NOK MILLION	GROUP					
	30.06.2012		30.06.2011		FULL-YEAR 2011	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	1 000	0	2 091	0	1 004	0
10 %	2 009	201	1 404	140	1 503	150
20 %	4 984	997	4 985	997	4 725	945
35 %	7 954	2 784	9 939	3 479	9 560	3 346
50 %	0	0	658	329	420	210
75 %	40	30	681	511	345	259
100 %	25 809	25 809	26 210	26 210	28 261	28 261
Investments included in the trading portfolio	0	0	0	0	0	0
Negotiable debt instruments included in the trading portfolio	0	0	0	0	0	0
Total risk-weighted assets	41 796	29 820	45 968	31 666	45 818	33 171
Capital adequacy ratio (%)		15.1		14.0		13.7

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 of the bank's customers then sued the Bank individually in the Oslo District Court, but the Court found in favour of BN Bank on 8 July 2011. The judgment was appealed to Borgarting Court of Appeal. The appeal will be heard in March 2013. The total loan commitment as at 30 June 2012 was NOK 4 million.

BN Bank has also provided loans to finance Artemis structured products. BN Bank is now being sued by six customers, three of whom are limited companies, with the total loan financing on these products amounting to NOK 106 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

On 26 January 2012 Oslo District Court gave judgment in the case in which Glitnir banki hf. had sued BN Bank ASA for what Glitnir claims was an unlawful offset of about NOK 240 million. According to the judgment BN Bank ASA was ordered to pay Glitnir NOK 213 million plus interest. The Court found that about NOK 27 million was lawfully offset. In BN Bank's view the Court has made an error on a key point relating to the largest single item that the offset was made against, but BN Bank has otherwise won on the other, important points. BN Bank has accordingly appealed the judgment to the Borgarting Court of Appeal. As the Bank has previously reported the offset amount as lost, the judgment has only a limited negative accounting effect.

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's bonds have an Aa3 rating from Moody's. 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 consortium banks 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. As at 30 June 2012, the book value of transferred loans was NOK 9.3 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 30 June 2012, BNkreditt's capital adequacy ratio was 15.3 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 937 million as at 30 June 2012.

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 30 June 2012, these guarantees totalled NOK 331 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. The company's bonds have ratings of Aaa and AAA from Moody's and Fitch respectively. 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 30 June 2012, the book value of transferred loans was NOK 6.6 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 IN REMAINING ENTITY

Segment reporting is regularly reviewed with the management. For the remaining entity, the management have chosen to divide up the reporting segments according to the underlying business areas.

NOK MILLION				GROUP
	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 30.06.12
Net income from interest and credit commissions	122	66	-18	169
Change in value of financial instruments carried at fair value	10	5	0	15
Other operating income	49	9	1	59
Total other operating income	58	14	1	74
Salaries and general administrative expenses	-45	-62	0	-107
Ordinary depreciation, amortisation and write-downs	-4	-5	0	-9
Other operating expense	-6	-8	0	-13
Other expense, gains and losses	0	0	0	0
Total other operating expense	-55	-74	0	-130
Operating profit/(loss) before impairment losses	125	5	-17	114
Impairment losses on loans and advances	-7	13	-29	-23
Operating profit/(loss) after impairment losses	119	18	-45	91
Computed tax charge	-34	-4	13	-25
Profit/(loss) for remaining entity after tax	85	14	-33	66

NOK MILLION				GROUP
	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 30.06.12
Lending (gross) including loans in covered bonds companies	32 048	13 884	1 193	47 125
Customer deposits and accounts payable to customers	1 314	14 449	-	15 763

NOK MILLION				GROUP
	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 30.06.12
Net income from interest and credit commissions	135	56	-6	186
Change in value of financial instruments carried at fair value	2	1	0	4
Other operating income	45	1	9	55
Total other operating income	48	2	9	59
Salaries and general administrative expenses	-47	-61	0	-108
Ordinary depreciation, amortisation and write-downs	-4	-4	0	-8
Other operating expense	-10	-9	0	-19
Other expense, gains and losses	0	0	0	0
Total other operating expense	-61	-74	0	-135
Operating profit/(loss) before impairment losses	122	-15	3	110
Impairment losses on loans and advances	-10	-6	-12	-28
Operating profit/(loss) after impairment losses	112	-22	-9	81
Computed tax charge	-30	6	2	-21
Profit/(loss) for remaining entity after tax	82	-15	-7	60

NOK MILLION				GROUP
	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 30.06.12
Lending (gross) including loans in covered bonds companies	29 052	13 378	1 621	44 051
Customer deposits and accounts payable to customers	1 290	14 325	-	15 615

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

NOK MILLION	GROUP				
	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Interest and similar income	399	430	439	415	398
Interest expense and similar charges	314	346	333	322	303
Net income from interest and credit commissions	85	84	106	93	95
Change in value of financial instruments carried at fair value, gains and losses	0	15	-11	-13	10
Other operating income	31	28	37	31	29
Total other operating income	31	43	26	18	39
Salaries and general administrative expenses	52	55	61	53	57
Depreciation, amortisation and write-downs	5	4	4	4	4
Other operating expense	5	8	7	7	12
Other expense, gains and losses	0	0	-1	-36	0
Total other operating expense	62	67	71	28	73
Operating profit/(loss) before impairment losses	54	60	61	83	61
Impairment losses on loans and advances	14	9	18	16	-7
Pre-tax profit/(loss)	40	51	43	67	68
Computed tax charge	11	14	11	12	17
Profit/(loss) remaining entity	29	37	32	55	51
Profit/(loss) of operation under divestment after tax	0	0	-6	0	5
Profit/(loss) including divested operation	29	37	26	55	56

Income Statement - Parent Bank

NOK MILLION	NOTE	PARENT BANK				
		Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Interest and similar income		305	275	628	538	1 168
Interest expense and similar charges		265	239	551	471	1 013
Net income from interest and credit commissions		40	36	77	67	155
Change in value of financial instruments at fair value, gains & losses	2	16	11	31	11	-20
Other operating income	3	8	10	21	19	52
Total other operating income		24	21	52	30	32
Salaries and general administrative expenses		33	38	70	72	150
Ordinary depreciation, amortisation and write-downs		5	4	9	8	15
Other operating expense		0	0	3	1	5
Total other operating expense		38	42	82	81	170
Operating profit/(loss) before impairment losses		26	15	47	16	17
Impairment losses on loans and advances	6	14	2	20	4	19
Operating profit/(loss) after impairment losses		12	13	27	12	-2
Income from ownership interests in group companies	4	164	99	164	99	131
Profit/(loss) before tax		176	112	191	111	129
Tax charge		48	43	52	43	40
Profit/(loss) for the period, remaining entity		128	69	139	68	89
Result of operations under divestment	8	0	4	0	12	6
Profit/(loss) for the period, including discontinued operations		128	73	139	80	95
<i>Other Comprehensive Income</i>						
Change in value of financial assets available for sale		0	0	0	0	0
Total P&L items recognised in equity		0	0	0	0	0
Total profit/(loss) for the period		128	73	139	80	95

Balance Sheet - Parent Bank

NOK MILLION	NOTE	PARENT BANK		
		30.06.12	30.06.11	FULL-YEAR 2011
Deferred tax assets		0	0	0
Intangible assets		21	21	20
Ownership interests in group companies		1 877	1 877	1 877
Own funds lending		526	527	527
Tangible fixed assets		22	22	23
Loans and advances	5, 6, 12, 13	12 504	14 625	14 396
Prepayments and accrued income		18	111	70
Financial derivatives		649	284	699
Short-term securities investments		5 437	4 816	4 984
Cash and balances due from credit institutions		12 486	10 781	10 886
Assets classified as held for sale	8	16	470	122
Total assets		33 556	33 534	33 604
Share capital		668	649	649
Share premium		266	190	190
Retained earnings		1 217	1 158	1 173
Total equity		2 151	1 997	2 012
Deferred tax		47	35	1
Subordinated loan capital	7	1 461	1 459	1 451
Liabilities to credit institutions		1 232	3 036	1 864
Debt securities in issue	7	12 006	10 477	11 354
Accrued expenses and deferred income	6	122	116	114
Other current liabilities		185	125	12
Tax payable		0	0	36
Financial derivatives		589	231	790
Customer deposits & accounts payable to cust.		15 763	15 615	15 959
Liabilities classified as held for sale	8	0	443	11
Total liabilities		31 405	31 537	31 592
Total equity and liabilities		33 556	33 534	33 604

Trondheim, 7 August 2012
The Board of Directors

Changes in Equity - Parent bank

NOK MILLION	PARENT BANK				
	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER PAID-UP SHARE CAPITAL	OTHER RESERVES ¹	TOTAL EQUITY
Balance Sheet as at 1 January 2011	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	80	80
Balance Sheet as at 30 June 2011	649	190	282	876	1 997
Result for the period	0	0	0	15	15
Balance Sheet as at 31 Dec. 2011	649	190	282	891	2 012
Dividend paid	0	0	0	-95	-95
Share capital increase	19	76	0	0	95
Result for the period	0	0	0	139	139
Balance Sheet as at 30 June 2012	668	266	282	935	2 151

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

Trondheim, 7 August 2012
The Board of Directors

Statement of Cash Flows - Parent Bank

NOK MILLION	PARENT BANK		
	30.06.12	30.06.11	FULL-YEAR 2011
Cash flows from operating activities			
Interest/commission received and fees received from customers	632	477	1 114
Interest/commission paid and fees paid to customers	-65	-53	-450
Interest received on other investments	113	148	320
Interest paid on other loans	-298	-296	-587
Receipts/disbursements (-) on loans and advances to customers	1 741	99	-488
Receipts/payments on customer deposits & accounts payable to customers	-218	-1 258	-1 465
Receipts/payments (-) on liabilities to credit institutions	-799	585	-21
Receipts/payments(-) on securities in issue and securities buy-back	517	2 845	3 628
Receipts on previously written-off debt	2	6	35
Other receipts/payments	133	39	178
Payments to suppliers for goods and services	-27	-27	-100
Payments to employees, pensions and social security expenses	-40	-46	-65
Tax paid	-81	0	0
Net cash flow from operating activities	1 610	2 519	2 099
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	-1 331	-2 399	-2 374
Receipts/payments (-) on short-term securities investments	-437	470	289
Receipts/payments (-) on long-term securities investments	164	99	99
Purchase of operating assets etc.	-10	-13	-20
Proceeds from sale of subsidiaries	0	0	33
Net cash flow from investing activities	-1 614	-1 843	-1 973
Cash flow from financing activities			
Receipts of subordinated loan capital	0	-228	-228
Net cash flow from financing activities	0	-228	-228
Net cash flow for the period	-4	448	-102
Cash and balances due from central banks as at 1 January *	4	106	106
Cash and balances due from central banks at the end of the period	0	554	4

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

Notes - Parent Bank

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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

NOK MILLION	PARENT BANK				
	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Change in value int. rate deriv. obliged carried at fair value thro profit or loss ^{1,4}	7	1	18	25	17
Change in value currency deriv. obliged carried at fair value thro profit or loss ²	-16	29	42	-3	-117
Change value equity-linked options & equity options oblig. fair val thro profit/loss ¹	0	14	0	11	19
Total change in value of financial instruments obliged to be carried at fair value	-9	44	60	33	-81
Change in value of deposits selected for fair value carrying through profit or loss ⁴	4	3	-1	1	-6
Change in value borrowings selected for fair value carrying through profit or loss ⁴	-6	-26	-19	-30	-61
Change in value of loans selected for fair value carrying through profit or loss ⁴	9	-16	-5	-18	13
Change in value short-term financial investments selected for fair value carrying ³	-4	7	13	6	-1
Total change in value of financial instruments selected for fair value carrying	3	-32	-12	-41	-55
Change in value of interest rate derivatives, hedging ⁵	19	20	27	0	53
Change in value of borrowings, hedged ⁵	-19	-20	-27	0	-54
Total change in value of financial instruments for hedging	0	0	0	0	-1
Total change in value of financial instruments carried at fair value	-6	12	48	-8	-137
Realised exchange gains/losses (-) bonds & certificates at amortised cost ⁶	0	-2	-2	-4	-6
Exchange gains/losses on borrowings and loans carried at amortised cost ²	22	1	-15	23	123
Total change in value financial instruments carried at fair value, gains and losses	16	11	31	11	-20

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 earlier turbulence in the financial markets caused the loss of some contractual counterparties, and it was not possible at the time to replace these hedging transactions. BN Bank is therefore partially exposed to the market development of a limited number of products. Changes in exposure are recognised in profit and loss immediately, and as at 30 June 2012 there was no P&L effect compared with recognised expense of NOK 2 million for the same period of 2011. NOK 8 million was recognised as expense for full-year 2011.

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 3 million for the period to 30 June 2012, compared with no P&L effect for the period to 30 June 2011. The equivalent figure for full-year 2011 was NOK 1 million recognised as income. Exposure to exchange rate fluctuations is low.

³ Change in the value of financial investments selected for fair value carrying gave rise to recognised income of NOK 13 million for the period to 30 June 2012, compared with recognised income of NOK 6 million for the same period of 2011. NOK 1 million was recognised as expense for full-year 2011. Turbulence in the financial markets has caused big fluctuations in the value of these investments.

⁴ The net effect of interest rate derivatives obliged to be carried at fair value and changes in the value of financial instruments selected for fair value carrying was recognised income of NOK 17 million for the period to 30 June 2012, compared with recognised income of NOK 11 million for the same period of 2011. NOK 5 million was recognised as expense for full-year 2011.

⁵ From 2010, BN Bank has used fair value hedges for new fixed-rate borrowings and related hedge instruments. The borrowings are hedged 1:1 through external contracts where the principal, interest stream, term and hedging transaction match. It is the interest rate risk that is hedged and the hedging transactions entered into are documented. With fair value hedges, the hedge instrument is accounted for at fair value, and the hedge object is accounted for at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as at 30 June 2012 was positive by NOK 89 million.

⁶ Realised exchange gains/losses on bonds, certificates & borrowings carried at amortised cost gave rise to recognised expense of NOK 2 million for the period to 30 June 2012 compared with recognised expense of NOK 4 million for the same period of 2011. NOK 6 million was recognised as expense for full-year 2011.

NOTE 3. OTHER OPERATING INCOME

NOK MILLION	PARENT BANK				
	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Guarantee commission	0	5	2	10	22
Net commission income/charges ¹	6	3	12	6	23
Other operating income	2	2	7	3	7
Total other operating income	8	10	21	19	52

¹ Commission income relating to the management of the portfolios in SpareBank 1 Boligkreditt totalled NOK 6 million as at 30 June 2012, while there was recognised expense of NOK 1 million for the same period of 2011. For full-year 2011 NOK 3 million was recognised as income.

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 128 million and NOK 37 million before tax to cover prior-year losses.

NOTE 5. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIO

NOK MILLION	PARENT BANK		
	30.06.12	30.06.11	FULL-YEAR 2011
Loans Corporate Market and Retail Market	11 278	13 078	13 253
Seller's credit	1 193	1 620	1 214
Loans in remaining entity	12 471	14 698	14 467
Loans transferred to SpareBank1 Boligkreditt	6 631	3 228	3 961
Total loans inc. loans transferred to SpareBank 1 Boligkreditt	19 102	17 926	18 428
Divested portfolio	92	145	101

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 2011. 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 and changes in value and gains/losses on the sale of repossessed properties in the current period.

NOK MILLION	PARENT BANK				
	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Write-offs in excess of prior-year write-downs	0	1	0	1	19
Write-offs on loans without prior write-downs	0	0	0	0	0
Write-offs transferred to divested operation	0	0	0	0	0
Write-downs for the period:					
Change in collective write-downs	4	-8	-14	-14	-1
Change in collective write-downs related to Guarantee Portfolio	-1	0	-1	0	1
Change in collective write-downs transferred to divested operation	0	6	0	10	0
Total change in collective write-downs	3	-2	-15	-4	0
Increase in loans with prior-year write-downs ¹	7	9	18	16	7
Provisions against loans without prior write-downs	5	3	19	10	9
Decrease in loans with prior-year write-downs	-1	-5	-2	-15	-10
Change in individual write-downs transferred to divested operation	0	0	0	0	0
Total change in individual write-downs	11	7	35	11	6
Gross impairment losses	14	6	20	8	25
Recoveries on previous write-offs	0	4	0	4	6
Impairment losses on loans and advances	14	2	20	4	19
Revenue recognition of interest on written-down loans	0	1	0	2	2

¹ Changes in value relating to repossessed properties totalled NOK 5 million as at 30 June 2012.

NOK MILLION	PARENT BANK				
	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Individual write-downs to cover impairment losses at start of the period	35	38	34	43	43
Write-offs covered by prior-year individual write-downs	0	0	0	-9	-19
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	2	3	4	3	3
Write-downs on loans without prior-year individual write-downs	0	0	0	0	0
Decrease in loans with prior-year individual write-downs	-1	-1	-2	-13	-9
Transferred assets classified as held for sale	0	0	0	16	16
Individual write-downs to cover impairment losses at end of the period	36	40	36	40	34
Collective write-downs to cover impairment losses at start of the period	19	36	37	38	38
Collective write-downs for the period to cover impairment losses	4	-8	-14	-14	-1
Transferred assets classified as held for sale	0	6	0	10	0
Collective write-downs to cover impairment losses at end of the period	23	34	23	34	37

NOK MILLION	PARENT BANK				
	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Loss provision financial guarantee relating to Guarantee Portf. at start of period ¹	46	41	28	26	26
Write-offs covered by prior-year individual write-downs	0	0	0	0	-7
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	5	6	9	13	4
Write-downs on loans without prior-year individual write-downs	5	3	19	10	9
Decrease in loans with prior-year individual write-downs	0	-5	0	-4	-4
Loss provision financial guarantee relating to Guarantee Portfolio at end of period ¹	56	45	56	45	28
Collective write-downs relating to Ålesund portfolio at start of the period	7	0	20	0	19
Collective write-downs for the period to cover losses in Ålesund portfolio	-1	0	-14	0	1
Collective write-downs relating to Ålesund portfolio at end of the period ¹	6	0	6	0	20
Individual write-downs relating to Ålesund portfolio classified as held for sale	0	2	0	2	2
Collective write-downs relating to Ålesund portfolio classified as held for sale	0	9	0	9	0
Total loss provisions relating to Ålesund portfolio	62	56	62	56	50

¹ BN Bank has previously entered into an agreement with SpareBank1 SMN for the latter to take over the Ålesund portfolio. The parties revised the agreement on 1 February 2012 according to which SpareBank1 SMN took over NOK 2.3 billion of the portfolio valued at NOK 3.1 billion. BN Bank now provides guarantees for 60% of the credit risk for this portfolio ("Guarantee Portfolio"). The Bank's maximum exposure is thus down to NOK 443 million, which at the end of second-quarter 2012 was 1.4% of the Bank's total lending. The total provision for losses in the Guarantee Portfolio was NOK 62 million at 30 June 2012. BN Bank will provide guarantees for losses in the Guarantee Portfolio for a period of 3-5 years from the inception of the original agreement. The loss provision is classified under Accrued expenses and deferred income.

Loans past due more than 3 months ¹

NOK MILLION	PARENT BANK		
	30.06.12	30.06.11	FULL-YEAR 2011
Gross principal	138	82	73
Individual write-downs	16	5	14
Net principal	122	77	59

Other loans with individual write-downs ¹

NOK MILLION	PARENT BANK		
	30.06.12	30.06.11	FULL-YEAR 2011
Gross principal	303	239	282
Individual write-downs	76	37	51
Net principal	227	202	231

Loans past due more than 3 months by sector and as a percentage of loans ^{1,2}

NOK MILLION	GROSS OUTSTANDING 30.06.12		GROSS OUTSTANDING 30.06.11		GROSS OUTSTANDING 2011	
		%		%		%
Corporate Market	63	1.16	5	0.07	0	0.00
Retail Market	56	0.80	55	0.69	51	0.70
Ålesund portfolio	19	2.52	22	0.64	21	0.74
Total	138	1.04	82	0.45	72	0.82

PARENT BANK

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 the Guarantee Portfolio.

NOTE 7. BORROWING (FUNDING)

Fixed-rate borrowings that are part of index linking are carried in the balance sheet at amortised cost, while other fixed-rate borrowings are selected for fair value carrying. Floating-rate borrowings are carried at amortised cost.

Debt securities in issue

The Parent Bank had issued bonds and certificates with a face value of NOK 4 778 million as at 30 June 2012, either as new issues or increases in existing tap issues.

NOK MILLION	PARENT BANK		
	CERTIFICATES	BONDS	TOTAL
Net debt (face value) as at 1 January 2012	2 646	8 615	11 261
New issues	0	1 515	1 515
Increase in existing issues	60	165	225
Purchase and maturity of existing issues	-665	-651	-1 316
Net debt (face value) as at 31 March 2012	2 041	9 644	11 685
New issues	1 954	300	2 254
Increase in existing issues	0	784	784
Purchase and maturity of existing issues	-1 068	-1 795	-2 863
Net debt (face value) as at 30 June 2012	2 927	8 933	11 860

Subordinated loan capital and perpetual subordinated loan capital securities

The Parent Bank had issued no perpetual subordinated loan capital securities or subordinated loans as at 30 June 2012.

NOK MILLION	PERPET SUBORD. LOAN SUBORDINATED		TOTAL
	CAP. SEC.	LOAN CAPITAL	
Net debt (face value) as at 1 January 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 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

Recognised values

NOK MILLION	PARENT BANK		
	30.06.12	30.06.11	FULL-YEAR 2011
Certificates carried at amortised cost	518	0	1 250
Certificates carried at fair value	2 444	2 020	1 420
Total recognised value of certificates	2 962	2 020	2 670
Bonds carried at amortised cost	7 018	6 598	7 073
Bonds carried at amortised cost (secured debt)	1 805	1 245	1 300
Bonds selected for fair value carrying	221	614	311
Total recognised value of bonds	9 044	8 457	8 684
Total recognised value of debt securities in issue	12 006	10 477	11 354
Perpetual subordinated loan capital securities carried at amortised cost	483	485	482
Perpetual subordinated loan capital securities carried at fair value	175	173	169
Total recognised value of perpetual subordinated loan capital securities	658	658	651
Subordinated loans carried at amortised cost	803	801	800
Subordinated loans selected for fair value carrying	0	0	0
Total recognised value of subordinated loans	803	801	800
Total recognised value of subordinated loans and perpetual subordinated loan capital securities	1 461	1 459	1 451

NOTE 8. RESULTS OF DIVESTED OPERATION

The banking operation in Ålesund, which chiefly comprises business lending, became organisationally subordinate to SpareBank 1 SMN from Q4 2009. As of Q3 2009 inclusive the Ålesund operation has been reported as a discontinued operation under IFRS 5. The split-off from BN Bank began in Q4 2009 and was largely completed in Q2 2012. For this reason there are no P&L effects classified as discontinued operation in 2012.

P&L effects relating to the Guarantee Portfolio, which are referred to in greater detail in Note 6, are classified under remaining entity.

Specification of results of divested operation

NOK MILLION	PARENT BANK				
	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Net interest and credit commissions	0	1	0	3	4
Total other operating income	0	0	0	1	1
Total other operating expense	0	0	0	-3	-3
Impairment losses on loans and advances	0	-6	0	-10	-1
Pre-tax profit/(loss)	0	7	0	17	9
Computed tax charge	0	2	0	5	3
Profit/(loss) of discontinued operation after tax	0	5	0	12	6

Specification of results of remaining entity

NOK MILLION	Q2 2012	Q2 2011	30.06.12	30.06.11	PARENT BANK
					FULL-YEAR 2011
Net interest and credit commissions	40	36	77	67	155
Total other operating income	24	21	52	30	32
Total other operating expense	38	42	82	81	170
Operating profit/(loss) before impairment losses	26	15	47	16	17
Impairment losses on loans and advances	14	2	20	4	19
Pre-tax profit/(loss) of remaining entity	12	13	27	12	-2
Income from ownership interests in group companies	164	99	164	99	131
Pre-tax profit/(loss)	176	112	191	111	129
Computed tax charge	48	43	52	43	40
Profit/(loss) after tax of remaining entity	128	69	139	68	89

Other assets classified as held for sale

In connection with a loan defaulted on in 2010, BN Bank took over 100% of the shares in a company. BN Bank intends to sell the company on.

NOTE 9. CAPITAL ADEQUACY

Process for assessing the capital adequacy requirement

BN Bank has established a strategy and process for risk management and assessment of the capital adequacy requirement and how capital adequacy can be maintained. The collective term for this is ICAAP (Internal Capital Adequacy Assessment Process). Assessing the capital adequacy requirement includes assessing the size, composition and distribution of the capital base adapted to the level of risks that the Bank is or may be exposed to. The assessments are risk-based and forward-looking. Risk areas assessed in addition to the Pillar 1 risks are concentration risk in the credit portfolio, interest rate and foreign exchange risk in the bank portfolio, liquidity risk, market risk, owner's risk and reputation risk. ICAAP is not focused on a single method or a single figure, but presents a set of calculations including different time horizons, confidence levels and assumptions.

NOK MILLION	PARENT BANK		
	30.06.12	30.06.11	FULL-YEAR 2011
Share capital	668	838	649
Other reserves	1 413	1 119	1 363
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings) ¹	658	659	647
Less:			
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings) that cannot be included ¹	-302	-318	-296
Intangible assets	-21	-21	-20
Deferred tax assets	0	0	0
Other deductions in tier 1 capital	-39	0	0
Tier 1 capital	2 377	2 277	2 343
Fixed-term subordinated loan capital	1 104	1 119	1 100
Less:			
Fixed-term subordinated loan capital that cannot be included	-94	-151	-104
Other deductions in tier 2 capital	-39	0	0
Net tier 2 capital	971	968	996
Total subordinated loan capital	3 348	3 245	3 339
Risk-weighted assets	17 470	18 220	19 131
Tier 1 capital ratio (%)	13.6	12.5	12.2
Capital adequacy ratio (%)	19.2	17.8	17.5

¹ For more details, see Note 7.

Specification of risk-weighted assets

NOK MILLION	30.06.2012		30.06.2011		FULL-YEAR 2011	
	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	1 000	0	2 091	0	1 004	0
10 %	2 009	201	1 404	140	1 504	150
20 %	16 700	3 340	14 746	2 949	14 915	2 983
35 %	7 225	2 529	7 283	2 549	6 986	2 445
50 %	0	0	633	317	419	210
75 %	40	30	681	511	345	259
100 %	11 370	11 370	11 754	11 754	13 084	13 084
Investments included in the trading portfolio	0	0	0	0	0	0
Negotiable debt instruments included in the trading portfolio	0	0	0	0	0	0
Total risk-weighted assets	38 344	17 470	38 592	18 220	38 257	19 131
Capital adequacy ratio (%)		19.2		17.8		17.5

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 of the bank's customers then sued the Bank individually in the Oslo District Court, but the Court found in favour of BN Bank on 8 July 2011. The judgment was appealed to Borgarting Court of Appeal. The appeal will be heard in March 2013. The total loan commitment as at 30 June 2012 was NOK 4 million.

BN Bank has also provided loans to finance Artemis structured products. BN Bank is now being sued by six customers, three of whom are limited companies, with the total loan financing on these products amounting to NOK 106 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

On 26 January 2012 Oslo District Court gave judgment in the case in which Glitnir banki hf. had sued BN Bank ASA for what Glitnir claims was an unlawful offset of about NOK 240 million. According to the judgment BN Bank ASA was ordered to pay Glitnir NOK 213 million plus interest. The Court found that about NOK 27 million was lawfully offset. In BN Bank's view the Court has made an error on a key point relating to the largest single item that the offset was made against, but BN Bank has otherwise won on the other, important points. BN Bank has accordingly appealed the judgment to the Borgarting Court of Appeal. As the Bank has previously reported the offset amount as lost, the judgment has only a limited negative accounting effect.

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's bonds have an Aa3 rating from Moody's. 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 consortium banks 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. As at 30 June 2012, the book value of transferred loans was NOK 9.3 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 30 June 2012, BNkreditt's capital adequacy ratio was 15.3 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 937 million as at 30 June 2012.

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 30 June 2012, these guarantees totalled NOK 331 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. The company's bonds have ratings of Aaa and AAA from Moody's and Fitch respectively. 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 30 June 2012, the book value of transferred loans was NOK 6.6 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

NOK MILLION	Q2 2012	Q2 2011	30.06.12	30.06.11	PARENT BANK
					FULL-YEAR 2011
Interest and similar income	305	323	324	306	275
Interest expense and similar charges	265	286	278	264	239
Net interest and credit commissions	40	37	46	42	36
Change in value of financial instruments at fair value, gains and losses	16	15	-18	-13	11
Other operating income	8	13	20	13	10
Total other operating income	24	28	2	0	21
Salaries and general administrative expenses	33	37	42	36	38
Depreciation, amortisation and write-downs	5	4	4	3	4
Other operating expense	0	3	1	3	0
Total other operating expense	38	44	47	42	42
Operating profit/(loss) before impairment losses	26	21	1	0	15
Impairment losses on loans and advances	14	6	10	5	2
Operating profit/(loss) after impairment losses	12	15	-9	-5	13
Income from ownership interests in group companies	164	0	0	32	99
Pre-tax profit/(loss)	176	15	-9	27	112
Computed tax charge	48	4	-3	0	43
Profit/(loss) remaining entity	128	11	-6	27	69
Profit/(loss) from operation under divestment	0	0	-6	0	4
Profit/(loss) including divested operation	128	11	-12	27	73



To the Board of Directors of BN Bank ASA

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying interim financial information of BN Bank ASA, which comprise the financial statements of the group and the financial statements of the parent company. The financial statements of the group and the financial statements of the parent company comprise balance sheet as of 30. June 2012 and the related statements of income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with standards on auditing adopted by Den Norske Revisorforening, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Trondheim, 7. August 2012

PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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

We certify that, to the best of our knowledge and belief, the first-half interim financial statements for the period 1 January to 30 June 2012 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 knowledge and belief, the first-half 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, 7 August 2012
The Board of Directors

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
(Managing Director)

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