

BN Boligkreditt AS

**INTERIM REPORT  
2ND QUARTER | 2012**

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## Highlights first half-year to 30 June 2012

(Figures compared with first-half 2011)

- Profit after tax of NOK 6 million (NOK 11 million)
- Return on equity after tax of 3.4 per cent (7.7 per cent)
- Impairment losses on loans recognised in income totalling NOK 4 million (NOK 0 million)
- Tier 1 capital ratio of 112.1 per cent (27.6 per cent)
- The balance sheet has been considerably reduced in first-half 2012 as a result of the company's largest borrowings maturing and a change in debtor.

## Financial Ratios

NOK MILLION	NOTE	30.06.12	30.06.11	FULL-YEAR 2011
<b>Summary of results</b>				
Net income from interest and credit commissions		15	23	44
Total other operating income		-7	-4	-2
<b>Total income</b>		<b>8</b>	<b>19</b>	<b>42</b>
<b>Total other operating expense</b>		<b>4</b>	<b>4</b>	<b>6</b>
<b>Operating profit/(loss) before impairment losses</b>		<b>4</b>	<b>15</b>	<b>36</b>
Impairment losses on loans and advances		-4	0	0
<b>Profit/(loss) before tax</b>		<b>8</b>	<b>15</b>	<b>36</b>
Computed tax charge		2	4	10
<b>Profit/(loss) for the period</b>		<b>6</b>	<b>11</b>	<b>26</b>
<b>Profitability</b>				
Return on equity	1	3.4 %	7.7 %	8.9 %
Net interest margin	2	1.24 %	1.29 %	1.48 %
Cost-income ratio	3	50.0 %	21.1 %	14.3 %
<b>Balance sheet figures</b>				
Gross lending		227	2 200	2 008
Increase/decrease in lending (gross) last 12 months		-89.7 %	-41.8 %	-28.0 %
Average total assets (ATA)	4	2 420	3 559	2 982
Total assets		649	2 806	2 727
<b>Losses on loans and non-performing loans</b>				
Loss ratio lending	5	-0.02 %	0.00 %	0.00 %
Non-performing loans as a percentage of gross lending		0.00 %	0.50 %	0.75 %
Other doubtful commitments as a percentage of gross lending		0.00 %	0.00 %	0.00 %
<b>Solvency</b>				
Capital adequacy ratio		142.7 %	35.0 %	39.4 %
Tier 1 capital ratio		112.1 %	27.6 %	31.5 %
Tier 1 capital		278	281	303
Capital base		354	356	379
<b>Shares</b>				
Earnings per share for the period (whole NOK)		13.33	24.44	57.78

### 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) 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

## Report of the Directors

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

BN Boligkreditt AS (BN Boligkreditt) posted a profit after tax of NOK 6 million for the first half-year to 30 June 2012, compared with NOK 11 million for the first half-year to 30 June 2011.

The Company's balance sheet was considerably reduced during the first half of the year as a result of its largest borrowings maturing and a change in debtor.

BN Boligkreditt's funding situation is good, and the Company remains well capitalised.

### Operations, objectives and strategy

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

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

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

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

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

### Economic developments

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

### Profit performance for first-half 2012

BN Boligkreditt recorded a profit after tax of NOK 6 million for the first half of 2012, compared with NOK 11 million for the first half 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.

Net interest income for the first half of 2012 was NOK 15 million, compared with NOK 23 million for first-half 2011.

Operating expense totalled NOK 4 million for first-half 2012, which is on a par with first-half 2011. The Company purchases all its operation management services from BN Bank.

The Company had no non-performing loans as at 30 June 2012, while non-performing loans accounted for 0.75 per cent of gross lending as at 31 December 2011.

NOK 4 million was recognised as income under impairment losses on loans for the first half of 2012. This is owing to a lower volume of lending and a reversal of collective write-downs following the Company's adoption of the Sparebank 1 Consortium's calculation model for retail lending. Collective write-downs amounted to NOK 2 million as at 30 June 2012. Given the low risk attached to the Company's mortgage loan operations, the current loan loss provisions are considered adequate.

## Profit performance for Q2 2012

BN Boligkreditt recorded a post-tax loss of NOK 1 million for the second quarter of 2012, compared with a post-tax profit of NOK 7 million for the first quarter of 2012. The fall in profit is attributable to a decrease in the volume of lending and a decrease in changes in the value of financial instruments.

Net interest income for the second quarter of 2012 totalled NOK 6 million, compared with NOK 9 million for the previous quarter.

Second-quarter operating expense was NOK 2 million, which is on a par with the previous quarter. The Company purchases all its operation management services from BN Bank.

## Balance Sheet

Gross lending as at 30 June 2012 totalled NOK 226 million, which is a decrease of NOK 2.0 billion over the past 12 months.

Debt securities in issue as at 30 June 2012 totalled NOK 243 million, which is NOK 2.0 billion down on the past 12 months.

## Solvency

BN Boligkreditt's capital adequacy ratio as at 30 June 2012 was 142.7 per cent, while the tier 1 capital ratio was 112.1 per cent.

## Outlook

BN Boligkreditt has previously announced that it wishes to transfer its borrowings to SpareBank 1 Boligkreditt. In June 2012, BN Boligkreditt received permission from the bondholders in one of the Company's remaining bond issues to change debtor in favour of SpareBank 1 Boligkreditt. Where the Company's two remaining bond issues are concerned, attendance at the bondholders' meeting was insufficient to secure support for a similar change of debtor.

The Company will seek to hold new bondholders' meetings for these two bond issues in the third quarter of 2012.

Trondheim, 7 August 2012  
The Board of Directors

Svend Lund  
(Chair)

Kjell Fordal  
(Deputy Chair)

Arve Austestad

Kjersti Hovdal

Hege Kristine Kvitsand

Trond Søråas  
(Managing Director)

## Income Statement

NOK MILLION	NOTE	Q2 2012	Q2 2011	30.06.2012	30.06.2011	FULL-YEAR 2011
Interest and similar income		20	26	45	52	101
Interest expense and similar charges		14	15	30	29	57
<b>Net income from interest and credit commissions</b>		<b>6</b>	<b>11</b>	<b>15</b>	<b>23</b>	<b>44</b>
Change in value financial instruments at fair value, gains & losses	2	-6	-3	-7	-4	-2
<b>Total other operating income</b>		<b>-6</b>	<b>-3</b>	<b>-7</b>	<b>-4</b>	<b>-2</b>
Salaries and general administrative expenses		2	2	4	4	6
<b>Total other operating expense</b>		<b>2</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>6</b>
<b>Operating profit/(loss) before impairment losses</b>		<b>-2</b>	<b>6</b>	<b>4</b>	<b>15</b>	<b>36</b>
Impairment losses on loans and advances	4	0	0	-4	0	0
<b>Profit/(loss) before tax</b>		<b>-2</b>	<b>6</b>	<b>8</b>	<b>15</b>	<b>36</b>
Computed tax charge		-1	1	2	4	10
<b>Profit/(loss) for the period</b>		<b>-1</b>	<b>5</b>	<b>6</b>	<b>11</b>	<b>26</b>

## Balance Sheet

NOK MILLION	NOTE	30.06.12	30.06.11	FULL-YEAR 2011
Deferred tax assets		1	1	0
Loans and advances	4, 8	224	2 194	2 002
Financial derivatives		16	22	40
Cash and balances due from credit institutions		408	589	685
<b>Total assets</b>		<b>649</b>	<b>2 806</b>	<b>2 727</b>
Share capital		101	101	101
Share premium		174	174	174
Other reserves	3	7	12	28
<b>Total equity</b>		<b>282</b>	<b>287</b>	<b>303</b>
Subordinated loan capital		76	76	76
Liabilities to credit institutions		47	217	211
Debt securities in issue	5	243	2 219	2 127
Accrued expenses and deferred income		1	7	1
Tax payable		0	0	0
Customer deposits & accounts payable to customers		0	0	0
<b>Total liabilities</b>		<b>367</b>	<b>2 519</b>	<b>2 424</b>
<b>Total equity and liabilities</b>		<b>649</b>	<b>2 806</b>	<b>2 727</b>

Trondheim, 7 August 2012  
The Board of Directors



## Statement of Changes in Equity

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER RESERVES	TOTAL EQUITY
Balance Sheet as at 1 January 2011	101	174	7	282
Group contribution paid to Parent Bank	0	0	-6	-6
Result for the period	0	0	11	11
<b>Balance Sheet as at 30 June 2011</b>	<b>101</b>	<b>174</b>	<b>12</b>	<b>287</b>
Result for the period	0	0	16	16
<b>Balance Sheet as at 31 Dec. 2011</b>	<b>101</b>	<b>174</b>	<b>28</b>	<b>303</b>
Group contribution paid to Parent Bank	0	0	-27	-27
Result for the period	0	0	6	6
<b>Balance Sheet as at 30 June 2012</b>	<b>101</b>	<b>174</b>	<b>7</b>	<b>282</b>

Trondheim, 7 August 2012  
The Board of Directors

## Statement of Cash Flows

NOK MILLION	30.06.12	30.06.11	FULL-YEAR 2011
<b>Cash flows from operating activities</b>			
Interest/commission received and fees received from customers	36	46	85
Interest received on other investments	33	26	18
Interest paid on other loans	-70	-57	-63
Receipts/disbursements (-) on loans and advances to customers	1 777	587	780
Receipts/payments (-) on liabilities to credit institutions	-205	-122	-122
Receipts/payments (-) on securities in issue	-1 847	-364	-476
Other receipts/payments	32	5	0
Payments to suppliers for goods and services	-4	-3	-6
Tax paid	-2	0	-2
<b>Net cash flow from operating activities</b>	<b>-250</b>	<b>118</b>	<b>214</b>
<b>Cash flows from investing activities</b>			
<b>Net cash flow from investing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flow from financing activities</b>			
Dividend/group contribution paid	-27	-5	-5
<b>Net cash flow from financing activities</b>	<b>-27</b>	<b>-5</b>	<b>-5</b>
<b>Net cash flow for the period</b>	<b>-277</b>	<b>113</b>	<b>209</b>
Cash and balances due from central banks as at 1 January	685	476	476
<b>Cash and balances due from central banks at the end of the period</b>	<b>408</b>	<b>589</b>	<b>685</b>

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**NOTE 1. ACCOUNTING POLICIES**

The first-half interim 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 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	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Change in value int. rate deriv. oblig. carried at fair value thro profit/loss	-2	-2	-5	-11	-11
Change in value borrowings selected for fair value carrying thro profit/loss	2	2	6	10	13
<b>Total change in value of financial instruments carried at fair value</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>-1</b>	<b>2</b>
Realised exch. gains/losses (-) bonds & certificates at amortised cost	-6	-3	-8	-3	-4
<b>Total change in value of financial instruments, gains and losses</b>	<b>-6</b>	<b>-3</b>	<b>-7</b>	<b>-4</b>	<b>-2</b>

**NOTE 3. CHANGES IN EQUITY**

The Annual General Meeting has resolved to render group contribution to the Parent Bank of NOK 37 million before tax.

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

The various elements included in impairment losses and write-downs on loans are set out in Note 1 to the Annual Report for 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, the Company can however gain access to revenue.

NOK MILLION	Q2 2012	Q2 2011	30.06.12	30.06.11	FULL-YEAR 2011
Write-offs in excess of prior-year write-downs	0	0	0	0	0
Write-offs on loans without prior write-downs	0	0	0	0	0
<b>Write-downs for the period:</b>					
Change in collective write-downs	0	0	-4	0	0
<b>Total change in collective write-downs</b>	<b>0</b>	<b>0</b>	<b>-4</b>	<b>0</b>	<b>0</b>
Increase in loans with prior-year write-downs	0	0	0	0	
Provisions against loans without prior write-downs	0	0	0	0	
Decrease in loans with prior-year write-downs	0	0	0	0	0
<b>Total change in individual write-downs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Gross impairment losses	0	0	-4	0	0
Recoveries on previous write-offs	0	0	0	0	0
<b>Impairment losses on loans and advances</b>	<b>0</b>	<b>0</b>	<b>-4</b>	<b>0</b>	<b>0</b>
Revenue recognition of interest on written-down loans	0	0	0	0	0

NOK MILLION	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	0	0	0	0	0
Write-offs covered by prior-year individual write-downs	0	0	0	0	0
<b>Write-downs for the period:</b>					
Increase in loans with prior-year individual write-downs	0	0	0	0	0
Write-downs on loans without prior individual write-downs	0	0	0	0	0
Decrease in loans with prior-year individual write-downs	0	0	0	0	0
<b>Individual write-downs to cover impairment losses at end of the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Collective write-downs to cover impairment losses at start of the period	2	6	6	6	6
Collective write-downs for the period to cover impairment losses	0	0	-4	0	0
<b>Collective write-downs to cover impairment losses at end of the period</b>	<b>2</b>	<b>6</b>	<b>2</b>	<b>6</b>	<b>6</b>

## Loans past due more than 3 months

NOK MILLION	30.06.12	30.06.11	FULL-YEAR 2011
Gross principal	0	11	15
Individual write-downs	0	0	0
<b>Net principal</b>	<b>0</b>	<b>11</b>	<b>15</b>

## Other loans with individual write-downs

NOK MILLION	30.06.12	30.06.11	FULL-YEAR 2011
Gross principal	0	0	0
Individual write-downs	0	0	0
<b>Net principal</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

NOK MILLION	GROSS OUTSTANDING 30.06.12	%	GROSS OUTSTANDING 30.06.11	%	GROSS OUTSTANDING 2011	%
Retail market	0	0.00	11	0.50	15	0.75

**NOTE 5. BORROWING (FUNDING)****Debt securities in issue**

The Company had issued no bonds or certificates as at 30 June 2012.

Fixed-rate borrowings are carried in the balance sheet at fair value, while floating-rate borrowings are carried at amortised cost.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (face value) as at 1 January 2012	0	2 076	2 076
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-505	-505
<b>Net debt (face value) as at 31 March 2012</b>	<b>0</b>	<b>1 571</b>	<b>1 571</b>
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-1 343	-1 343
<b>Net debt (face value) as at 30 June 2012</b>	<b>0</b>	<b>228</b>	<b>228</b>

**Recognised values**

NOK MILLION	30.06.12	30.06.11	FULL-YEAR 2011
Bonds carried at amortised cost	0	1 392	1 318
Bonds selected for fair value carrying	243	827	809
<b>Total recognised value of bonds</b>	<b>243</b>	<b>2 219</b>	<b>2 127</b>
<b>Total recognised value of debt securities in issue</b>	<b>243</b>	<b>2 219</b>	<b>2 127</b>

## NOTE 6. CAPITAL ADEQUACY

## Process for assessing the capital adequacy requirement

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

NOK MILLION	30.06.12	30.06.11	FULL-YEAR 2011
Share capital	101	101	101
Other reserves	178	180	202
Less:			
Deferred tax assets	-1	0	0
<b>Tier 1 capital</b>	<b>278</b>	<b>281</b>	<b>303</b>
Fixed-term subordinated loan capital	76	76	76
Less:			
Deferred tax assets	0	-1	0
Fixed-term subordinated loan capital that cannot be included	0	0	0
<b>Net tier 2 capital</b>	<b>76</b>	<b>75</b>	<b>76</b>
<b>Total capital base</b>	<b>354</b>	<b>356</b>	<b>379</b>
Risk-weighted assets	248	1 018	962
Tier 1 capital ratio (%)	112.1	27.6	31.5
<b>Capital adequacy ratio (%)</b>	<b>142.7</b>	<b>35.0</b>	<b>39.4</b>

## 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
<b>RISK-WEIGHTING</b>						
0 %	0	0	0	0	0	0
10 %	0	0	0	0	0	0
20 %	426	85	622	124	722	144
35 %	233	82	2 243	785	2 060	721
50 %	0	0	0	0	0	0
75 %	0	0	0	0	0	0
100 %	81	81	109	109	97	97
Investments included in the trading portfolio	0	0	0	0	0	0
Negotiable debt instruments inc. in trading portfolio	0	0	0	0	0	0
<b>Total risk-weighted assets</b>	<b>740</b>	<b>248</b>	<b>2 974</b>	<b>1 018</b>	<b>2 879</b>	<b>962</b>
<b>Capital adequacy ratio (%)</b>		<b>142.7</b>		<b>35.0</b>		<b>39.4</b>



**NOTE 7. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD**

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

**NOTE 8. TRANSFER TO SPAREBANK 1 BOLIGKREDITT**

SpareBank 1 Boligkreditt is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Næringskreditt AS in Stavanger. The purpose of the company is to secure for the banks within the consortium a source of stable, long-term financing of residential mortgage loans at competitive rates. The company's bonds have a rating 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 9. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS**

NOK MILLION	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Interest and similar income	20	25	25	24	26
Interest expense and similar charges	14	16	15	13	15
<b>Net income from interest and credit commissions</b>	<b>6</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>11</b>
Change in value of financial instruments at fair value, gains and losses	-6	-1	2	0	-3
<b>Total other operating income</b>	<b>-6</b>	<b>-1</b>	<b>2</b>	<b>0</b>	<b>-3</b>
Salaries and general administrative expenses	2	2	1	1	2
<b>Total other operating expense</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>Operating profit/(loss) before impairment losses</b>	<b>-2</b>	<b>6</b>	<b>11</b>	<b>10</b>	<b>6</b>
Impairment losses on loans and advances	0	-4	1	-1	0
<b>Profit/(loss) before tax</b>	<b>-2</b>	<b>10</b>	<b>10</b>	<b>11</b>	<b>6</b>
Computed tax charge	-1	3	3	3	1
<b>Profit/(loss) for the period</b>	<b>-1</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>5</b>



To the Board of Directors of BN Boligkreditt AS

## Report on Review of Interim Financial Information

### *Introduction*

We have reviewed the accompanying balance sheet of BN Boligkreditt AS 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 Company's first-half interim financial statements for the period 1 January to 30 June 2012 have been prepared in compliance with IAS 34 Interim Financial Reporting and that the disclosures in the 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 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 in the next accounting period.

Trondheim, 7 August 2012  
The Board of Directors

Svend Lund  
(Chair)

Kjell Fordal  
(Deputy Chair)

Arve Austestad

Kjersti Hovdal

Hege Kristine Kvitsand

Trond Søråas  
(Managing Director)

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