

BN Bank ASA  
INTERIM REPORT Q4 | 2012



## Contents

Financial Ratios - Group .....	3
Report of the Directors .....	4
Consolidated Income Statement - Group .....	11
Consolidated Balance Sheet - Group .....	12
Statement of Changes in Equity - Group .....	13
Statement of Cash Flows - Group .....	14
Notes - Group .....	15
Note 1. Accounting policies .....	16
Note 2. Change in value of financial instruments carried at fair value, gains and losses .....	16
Note 3. Other operating income .....	17
Note 4. Amicable settlement .....	17
Note 5. Other gains and losses .....	17
Note 6. Overview of gross lending in managed portfolio .....	18
Note 7. Impairment losses and write-downs on loans carried at amortised cost and guarantees .....	18
Note 8. Borrowing (funding) .....	21
Note 9. Results of divested operation .....	22
Note 10. Capital adequacy .....	24
Note 11. Contingent liabilities .....	25
Note 12. Contingent outcomes, events after the reporting period .....	25
Note 13. Transfer to SpareBank 1 Næringskreditt .....	25
Note 14. Transfer to SpareBank 1 Boligkreditt .....	26
Note 15. Disclosures concerning operating segments in remaining entity .....	26
Note 16. Income statements for the last five quarters .....	28
Income Statement - Parent Bank .....	29
Balance Sheet - Parent Bank .....	30
Statement of Changes in Equity - Parent Bank .....	31
Statement of Cash Flows - Parent Bank .....	32
Notes - Parent Bank .....	33
Note 1. Accounting policies .....	34
Note 2. Change in value of financial instruments carried at fair value, gains and losses .....	34
Note 3. Other operating income .....	35
Note 4. Amicable settlement .....	35
Note 5. Income from ownership interests in group companies .....	35
Note 6. Overview of gross lending in managed portfolio .....	36
Note 7. Impairment losses and write-downs on loans carried at amortised cost and guarantees .....	36
Note 8. Borrowing (funding) .....	39
Note 9. Results of divested operation .....	41
Note 10. Capital adequacy .....	42
Note 11. Contingent liabilities .....	43
Note 12. Contingent outcomes, events after the reporting period .....	43
Note 13. Transfer to SpareBank 1 Næringskreditt .....	43
Note 14. Transfer to SpareBank 1 Boligkreditt .....	44
Note 15. Income statements for the last five quarters .....	44

## Financial Ratios - Group

NOK MILLION	REFERENCE	31.12.12	31.12.11
<b>Summary of results</b>			
Net income from interest and credit commissions		343	385
Total other operating income		291	103
<b>Total income</b>		<b>634</b>	<b>488</b>
<b>Total other operating expense</b>		<b>262</b>	<b>234</b>
<b>Operating profit/(loss) before impairment losses</b>		<b>372</b>	<b>254</b>
Impairment losses on loans and advances		114	62
<b>Profit/(loss) before tax</b>		<b>258</b>	<b>192</b>
Computed tax charge		72	44
<b>Profit/(loss) for the period, remaining entity</b>		<b>186</b>	<b>148</b>
<b>Profitability</b>			
Return on equity	1)	5.8 %	5.0 %
Net interest margin	2)	0.84 %	0.94 %
Cost-income ratio	3)	41.3 %	48.0 %
<b>Balance sheet figures</b>			
Gross lending		33 305	33 439
Customer deposits		16 910	15 959
Deposit-to-loan ratio	4)	50.8 %	47.7 %
Increase/decrease in lending (gross) last 12 months		-0.4 %	2.6 %
Increase/decrease in deposits last 12 months		6.0 %	-2.7 %
Average total assets (ATA)	5)	40 770	40 887
Total assets		41 732	40 722
<b>Balance sheet figures inc. SpareBank1 Næringskreditt and SpareBank1 Boligkreditt</b>			
Gross lending		49 464	45 663
Customer deposits		16 910	15 959
Increase/decrease in lending (gross) last 12 months		8.3 %	8.0 %
Increase/decrease in deposits last 12 months		6.0 %	-2.7 %
Other lending funded by deposits		34.2 %	34.9 %
<b>Losses on loans and non-performing loans</b>			
Loss ratio lending	6)	0.35 %	0.19 %
Non-performing loans as % of gross lending in Group & Ålesund portfolio	7)	1.19 %	0.59 %
Other doubtful commitments as % of gross lending in Group & Ålesund portfolio	7)	1.57 %	1.87 %
<b>Solvency</b>			
Capital adequacy ratio		15.1 %	13.7 %
Tier 1 capital ratio		12.1 %	11.0 %
Tier 1 capital		3 722	3 644
Capital base		4 637	4 543
<b>Offices and staffing</b>			
Number of offices		2	2
Number of full-time equivalents		114	109
<b>Shares</b>			
Earnings per share for period (whole NOK) before discontinued operations		14.32	11.39
Earnings per share for period (whole NOK) inc. discontinued operations		14.32	11.86
<b>Referanse</b>			

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 2012

The comparative figures in parentheses are for 2011.

- Profit after tax of NOK 186 million (NOK 154 million)
- Profit after tax of core business NOK 214 million (NOK 117 million)
- Return on equity after tax of 5.8 per cent (5.0 per cent)
- Return on equity after tax of core business of 6.6 per cent (3.8 per cent)
- Growth in lending of NOK 3 801 million in the past 12 months (NOK 3 394 million)
- Amicable settlement with former owner Glitnir hf results in income recognition of NOK 117 million before tax
- Impairment losses on loans and advances of NOK 114 million (NOK 62 million) of which NOK 121 million in the Guarantee Portfolio<sup>1</sup>
- Capital adequacy ratio 15.1 per cent (13.7 per cent)
- Tier 1 capital ratio 12.1 per cent (11.0 per cent)
- Core tier 1 capital ratio 10.3 per cent (9.5 per cent)

### Highlights of 2012

The comparative figures in parentheses are for 2011.

For the 12 months to 31 December 2012, the BN Bank Group posted a profit after tax of NOK 186 million (154 million). Lending margins, growth in lending, the amicable settlement with the former owner Glitnir hf and positive changes in the value of financial instruments have all contributed positively, while losses in the Guarantee Portfolio and deposit margins have pulled profits down.

The Bank's core business (the result of the business and retail banking activities) has shown an increase in post-tax profit of NOK 97 million, up from NOK 117 million in 2011 to NOK 214 million in 2012.

Total income for the year was NOK 634 million (NOK 488 million). The rise in profit is attributable to the effects of the amicable settlement with the former owner Glitnir hf, increased lending margins, positive changes in the value of financial instruments and reduced deposit margins.

Operating expense for the year was NOK 262 million (NOK 234 million). The gain on the sale of the Bank's head office<sup>2</sup> in Q3 2011 is the most important reason for the rise in operating expense in 2012. In addition, NOK 11 million in write-downs of intangible assets was recognised as expense in fourth-quarter 2012. Adjusted for these events, cost reductions of NOK 12 million were made compared with 2011. The cost-income ratio for 2012 was 41 per cent (48 per cent).

Net impairment losses on loans and guarantees totalled NOK 114 million (NOK 62 million), of which NOK 121 million were in the Guarantee Portfolio.

Non-performing loans as at 31 December 2012 were 1.19 per cent of gross lending in the Group and the Guarantee Portfolio (0.59 per cent).

On a 12-month basis, there was 8 per cent growth in lending and 6 per cent growth in deposits in 2012. Business lending saw an increase of NOK 2.9 billion, while the volume of retail lending has risen by NOK 1.2 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 0.3 billion in the past 12 months.

In 2012 BN Bank issued certificates and bonds in the Norwegian bonds market for a total of NOK 10.7 billion. The Bank also transferred NOK 1.7 billion and NOK 2.3 billion net to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt respectively during the year. Altogether, the Bank has transferred 32 per cent of business loans and 48 per cent of residential mortgage loans to these two companies.

<sup>1</sup> See page 2 for a definition of the Guarantee Portfolio.

<sup>2</sup> The gain on the sale of the head office was classified as Other operating expense.

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

FIGURES AS %	31.12.12	31.12.11
Capital adequacy ratio	15.1	13.7
Tier 1 capital ratio	12.1	11.0
Core tier 1 capital ratio	10.3	9.5

BN Bank's objective is to have a tier 1 capital ratio of 12.5 per cent and a core tier 1 capital ratio of 10.5 per cent by the end of 2013. In order to satisfy the expected stricter regulatory requirements as to capital adequacy ratio, the Bank is aiming for a core tier 1 capital ratio of 12.5 per cent by the end of 2015.

See Note 10 for more details concerning the capital adequacy ratio and solvency.

BN Bank had total assets of NOK 41.7 billion (NOK 40.7 billion) as at 31 December 2012. Including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Boligkreditt, total assets were NOK 57.8 billion at year-end.

Glitnir banki hf, now Glitnir hf, sued BN Bank ASA in 2011 for unlawful offset relating to claims and counter-claims between the parties declared by BN Bank ASA in November 2009. Oslo District Court gave judgment in the case in January 2011, according to which BN Bank ASA was ordered to pay back Glitnir hf NOK 213 million plus interest. Since the court case there have been negotiations between BN Bank ASA and the Winding Up Board for Glitnir hf. The parties have come to an amicable settlement whereby BN Bank ASA will pay NOK 82 million to Glitnir hf and Glitnir hf accepts offset of the other disputed portion of NOK 135 million. BN Bank ASA has previously reported the greater portion of the claims against Glitnir as a loss. The profit-and-loss effect of the settlement before tax is NOK 117 million recognised as income.

BN Bank has previously sold its portfolio in Ålesund to SpareBank 1 SMN. BN Bank provides guarantees for 60 per cent of the credit risk for parts of this portfolio (known as the "Guarantee Portfolio"). As at 31 December 2012 the Guarantee Portfolio stood at NOK 571 million, of which BN Bank is guaranteeing NOK 343 million. This was 1.0 per cent of the Bank's gross lending at the end of 2012. As at 31 December 2012, total write-downs in the portfolio were NOK 119 million and lower write-downs are expected in the time ahead.

## Accounting policies

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

The fourth-quarter interim financial statements give a true and fair view of the BN Bank Group's assets and liabilities, financial position and performance. The interim financial statements are based on the assumption that the entity is a going concern.

## Profit performance for Q4 2012

The comparative figures in parentheses are the third-quarter figures for 2012.

For the fourth quarter of 2012, BN Bank had a post-tax profit of NOK 82 million (NOK 38 million), producing a return on equity of 9.9 per cent (4.7 per cent). The amicable settlement with Glitnir hf and improved lending margins contributed positively to the result, while write-downs of intangible assets and increased losses in the Guarantee Portfolio pulled profits down.

## Income

Total income for the fourth quarter of 2012 was NOK 264 million (NOK 127 million).

NOKm	Q4 2012	Q3 2012	CHANGE
Total income	264	127	137
Margins and volumes, lending and deposits			11
Charges/fees			9
Settlement Glitnir hf			117
Returns on unrestricted funds (equity)			-2
Other			2

The most important reason for the increase in income in fourth-quarter 2012 compared with third-quarter 2012 is the amicable settlement with Glitnir hf. Increased lending and deposit margins also contributed positively to profits in the fourth quarter of the year.

## Operating expense

Fourth-quarter operating expense was NOK 71 million (NOK 62 million). The change in other operating expense is mostly attributable to the write-down of intangible assets by NOK 11 million.

The cost-income ratio in the fourth quarter of 2012 was 27 per cent (49 per cent). Adjusted for the settlement with Glitnir hf and the write-down of intangible assets, the cost-income ratio was 41 per cent.

## Impairment losses and non-performing loans

Impairment losses on loans in the fourth quarter of 2012 totalled NOK 78 million (NOK 13 million).

Impairment losses on loans in fourth-quarter 2012 comprises NOK 5 million in corporate loans, NOK 75 million in the Guarantee Portfolio, and NOK 1 million recognised as income in retail loans.

Collective write-downs were up by NOK 41 million in the fourth quarter, a change owing to increased provisions in the Guarantee Portfolio.

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

NOKm	INDIVIDUAL	COLLECTIVE
Corporate	5	0
Retail	-2	0
Guarantee Portfolio	34	41

Non-performing and doubtful loans, less individual write-downs, totalled NOK 808 million (NOK 766 million) at the end of fourth-quarter 2012, which is 2.43 per cent (2.30 per cent) of gross lending in the Group and the Guarantee Portfolio. See Note 7 for more information.

Loan loss provisions at the end of the fourth quarter totalled NOK 113 million, of which individual write-downs accounted for NOK 48 million and collective write-downs NOK 65 million. Total loan loss provisions at the end of the fourth quarter were as follows:

	LOAN LOSS PROVISIONS (NOKm)	% OF GROSS LENDING, GROUP
Corporate	99	0.39
Retail	14	0.17

In addition, provision of NOK 119 million has been made as a financial loss guarantee relating to the Guarantee Portfolio. This is 35 per cent of the guaranteed amount.

### Total assets

BN Bank's total assets stood at NOK 41.7 billion at the end of the fourth quarter of 2012, which is NOK 1.0 billion up on the past 12 months. The change is attributable to an increase in the investment portfolio and an increase in lending volume.

### Growth in lending and deposits

Gross managed lending<sup>3</sup> has risen by NOK 3.8 billion, or 8 per cent, in the past 12 months. Gross managed loans totalled NOK 49.5 billion at the end of fourth-quarter 2012.

NOKbn	31.12.12	31.12.11
Gross lending	49.5	45.7
Change in the year	3.8	3.4

Gross managed lending had the following segmental exposure as at 31 December 2012:

NOKbn	31.12.12	31.12.11
Retail	14,5	13,3
Corporate	34,1	31,2
Loans transferred to SpareBank 1 SMN	0,9	1,2

<sup>3</sup> Gross managed 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.

Growth in corporate lending in the past 12 months was NOK 2.9 billion, or 9 per cent, while growth in retail lending in the past 12 months was NOK 1.2 billion, or 9 per cent.

Gross lending in the BN Bank Group<sup>4</sup> had the following sectoral exposure:

FIGURES IN %	31.12.12	31.12.11
Real estate operations	62	54
Retail market	27	30
Financial industry	3	4
Other	8	12

At the end of fourth-quarter 2012 a loan portfolio of NOK 9.9 billion had been transferred to SpareBank 1 Næringskreditt and a loan portfolio of NOK 6.2 billion to SpareBank 1 Boligkreditt.

Customer deposits have increased by NOK 1.0 billion in the past 12 months. Total deposits stood at NOK 16.9 billion at the end of the fourth quarter of 2012.

The deposit-to-loan ratio at the end of fourth-quarter 2012 was 50.8 per cent, which is a 3.1 percentage-point increase in the past 12 months.

## Funding and liquidity

In the fourth quarter, BN Bank issued certificates and bonds for a total of NOK 2.0 billion.

The Bank's liquidity portfolio was NOK 6.1 billion at the end of fourth-quarter 2012.

BN Bank's target is to have at all times sufficient liquid funds to manage without accessing any new external funding for a period of 12 months. At the end of the fourth quarter, 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 Financial Reporting Standards (IFRS). Collection Eiendom presents its financial statements in compliance with NGAAP. See Note 1 for more information.

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



### **Bolig- og Næringskreditt AS (BNkreditt)**

BNkreditt provides low-risk mortgage loans on commercial real estate. At the end of the fourth quarter of 2012 the company had a gross loan portfolio totalling NOK 18.2 billion, compared with NOK 17.2 billion as at 31 December 2011. A loan portfolio for NOK 9.9 billion had been transferred to SpareBank1 Næringskreditt as at 31 December 2012.

BNkreditt posted a profit after tax of NOK 110 million for the year to 31 December 2012, compared with a post-tax profit of NOK 92 million for full-year 2011. The increase in profit is primarily attributable to a decrease in impairment losses on loans.

Impairment losses on loans totalled NOK 4 million for the year to 31 December 2012, compared with NOK 44 million for full-year 2011. Collective write-downs were down by NOK 6 million for the year to 31 December 2012 and totalled NOK 36 million, which is 0.20 per cent of gross lending in the company as at 31 December 2012.

BNkreditt had NOK 4.2 billion in bond debt outstanding as at 31 December 2012, compared with NOK 4.5 billion as at 31 December 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, 16.4 per cent and 14.0 per cent as at 31 December 2012. The amount BN Bank is ceding precedence for in relation to guarantees was NOK 676 million as at 31 December 2012.

### **BN Boligkreditt AS**

BN Boligkreditt was BN Bank's credit institution for issuance of covered bonds. As at 31 December 2012 all borrowings and lending had been transferred to SpareBank 1 Boligkreditt and the company is being wound up.

The company posted a post-tax profit of NOK 7 million for the year to 31 December 2012, compared with NOK 26 million for full-year 2011. The decrease is attributable to a fall in the volume of lending and a decrease in changes in the value of financial instruments.

### **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 for 2012.

## Outlook for BN Bank

In the autumn of 2012, the Board of Directors resolved to revise the business strategy of BN Bank ASA among other things owing to higher capital adequacy ratio requirements. While the main elements of the established strategy remain fixed, stricter requirements in relation to maintaining solvency will give rise to lower growth and require the Bank to increase earnings in the time ahead.

The Bank has in the past two years shown a good improvement in profitability within the core business. The Board expects to see this trend strengthen further and will focus on pursuing healthy profitability in accordance with the adopted strategy.

Low costs will be essential to enable BN Bank to realise its strategy, and the Bank has therefore initiated a cost-cutting programme aimed at reducing annual costs considerably in 2013.

To take account of the demanding market conditions in shipping, in the fourth quarter of 2012 the Bank increased the group-wise provisions in the Guarantee Portfolio by NOK 41 million. A number of market participants and analysts believe that we are approaching the bottom of this market, and the Bank expects to see low losses in the Guarantee Portfolio in 2013.

Despite the fact that a great deal of uncertainty has been removed, the state of the international economy is still very serious. The Norwegian economy is also being negatively impacted, primarily through more challenging conditions for parts of our export industry. However, strong government finances, low unemployment and low interest rates are still contributing to a high rate of growth in activity. All this indicates low risk of losses within the Bank's business areas.

Trondheim, 29 January 2013  
The Board of Directors of BN Bank ASA

Finn Haugan  
(Chair)

Tore Medhus  
(Deputy Chair)

Stig Arne Engen

Harald Gaupen

Helene Jebsen Anker

Kristin Undheim

Anita Finserås Bretun  
(Employee Representative)

Ella Skjørestad

Gunnar Hovland  
(Managing Director)

## Consolidated Income Statement - Group

NOK MILLION	NOTE	GROUP			
		Q4 2012	Q4 2011	31.12.12	31.12.11
Interest and similar income		391	439	1 614	1 639
Interest expense and similar charges		306	333	1 271	1 254
<b>Net income from interest and credit commissions</b>		<b>85</b>	<b>106</b>	<b>343</b>	<b>385</b>
Value change fin instr fair val, gains&losses	2	9	-11	29	-20
Other operating income	3	53	37	145	123
Amicable settlement	4	117	0	117	0
<b>Total other operating income</b>		<b>179</b>	<b>26</b>	<b>291</b>	<b>103</b>
Salaries and general administrative expenses		46	61	203	222
Ord. depreciation, amortisation & write-downs		17	4	31	16
Other operating expense		8	7	28	33
Other gains and losses	5	0	-1	0	-37
<b>Total other operating expense</b>		<b>71</b>	<b>71</b>	<b>262</b>	<b>234</b>
<b>Operating profit/(loss) before impairment losses</b>		<b>193</b>	<b>61</b>	<b>372</b>	<b>254</b>
Impairment losses on loans & advances	7	78	18	114	62
<b>Operating profit/(loss) after impairment losses</b>		<b>115</b>	<b>43</b>	<b>258</b>	<b>192</b>
Tax charge		33	11	72	44
<b>Profit/(loss) for the period, remaining entity</b>		<b>82</b>	<b>32</b>	<b>186</b>	<b>148</b>
Result of operations under divestment	9	0	-6	0	6
<b>Profit/(loss) for period inc. discount. operations</b>		<b>82</b>	<b>26</b>	<b>186</b>	<b>154</b>
Other Comprehensive Income					
Change in value financial assets available for sale		0	0	0	0
<b>Total P&amp;L items recognised in equity</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total profit/(loss) for the period</b>		<b>82</b>	<b>26</b>	<b>186</b>	<b>154</b>

## Consolidated Balance Sheet - Group

NOK MILLION	NOTE	GROUP	
		31.12.12	31.12.11
Deferred tax assets		41	43
Intangible assets		10	20
Tangible fixed assets		18	23
Repossessed properties		29	0
Loans and advances	6, 7, 13, 14	33 193	33 260
Prepayments and accrued income		52	70
Financial derivatives		759	865
Short-term securities investments		6 135	5 506
Cash and balances due from credit institutions		1 495	814
Assets classified as held for sale	9	0	121
<b>Total assets</b>		<b>41 732</b>	<b>40 722</b>
Share capital		668	649
Share premium		266	190
Retained earnings		2 407	2 316
<b>Total equity</b>		<b>3 341</b>	<b>3 155</b>
Subordinated loan capital	8	1 613	1 451
Liabilities to credit institutions		519	1 178
Debt securities in issue	8	18 369	17 950
Accrued expense and deferred income	7	194	131
Other current liabilities		82	11
Tax payable		71	37
Financial derivatives		633	839
Customer deposits & accounts payable to cust.		16 910	15 959
Liabilities classified as held for sale	9	0	11
<b>Total liabilities</b>		<b>38 391</b>	<b>37 567</b>
<b>Total equity and liabilities</b>		<b>41 732</b>	<b>40 722</b>

Trondheim, 29 January 2013

The Board of Directors of BN Bank ASA

## Statement of Changes in Equity - Group

NOK MILLION						GROUP
	SHARE-CAPITAL	SHARE PREM. RESERVE	OTHER PAID-UP SHARE CAPITAL	OTHER EGENKAPITAL	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	153	153	
<b>Balance Sheet as at 31 December 2011</b>	<b>649</b>	<b>190</b>	<b>0</b>	<b>2 316</b>	<b>3 155</b>	
Dividend paid	0	0	0	-95	-95	
Share capital increase	19	76	0	0	95	
Result for the period	0	0	0	186	186	
<b>Balance Sheet as at 31 December 2012</b>	<b>668</b>	<b>266</b>	<b>0</b>	<b>2 407</b>	<b>3 341</b>	

Trondheim, 29 January 2013

The Board of Directors of BN Bank ASA

## Statement of Cash Flows - Group

NOK MILLION	31.12.12	31.12.11
<b>GROUP</b>		
<b>Cash flows from operating activities</b>		
Interest/commission received and fees received from customers	1 850	2 353
Interest/commission paid and fees paid to customers	-455	-433
Interest received on other investments	283	300
Interest paid on other loans	-804	-882
Receipts/disbursements (-) on loans to customers	-561	-1 948
Receipts/payments on customer deposits & accounts payable to customers	1 211	-1 465
Receipts/payments (-) on liabilities to credit institutions	-962	-232
Receipts/payments (-) on securities in issue	338	1 395
Receipts on previously written-off debt	7	44
Other receipts/payments	184	114
Payments to suppliers for goods and services	-110	-152
Payments to employees, pensions and social security expenses	-105	-102
Tax paid	-34	-2
<b>Net cash flow from operating activities</b>	<b>842</b>	<b>-1 010</b>
<b>Cash flows from investing activities</b>		
Receipts/payments (-) on receivables from credit institutions	304	666
Receipts/payments (-) on short-term securities investments	-577	285
Proceeds from sale of operating assets etc.	0	25
Purchase of operating assets etc.	-44	-65
Proceeds from sale of subsidiaries	0	129
<b>Net cash flow from investing activities</b>	<b>-317</b>	<b>1 040</b>
<b>Cash flow from financing activities</b>		
Receipts/payments (-) of subordinated loan capital	156	-228
<b>Net cash flow from financing activities</b>	<b>156</b>	<b>-228</b>
<b>Net cash flow for the period</b>	<b>681</b>	<b>-198</b>
Cash and balances due from credit institutions as at 1 January	814	1 012
<b>Cash and balances due from credit institutions at close of period</b>	<b>1 495</b>	<b>814</b>

## Notes - Group

Note 1. Accounting policies.....	16
Note 2. Change in value of financial instruments carried at fair value, gains and losses.....	16
Note 3. Other operating income .....	17
Note 4. Amicable settlement .....	17
Note 5. Other gains and losses .....	17
Note 6. Overview of gross lending in managed portfolio.....	18
Note 7. Impairment losses and write-downs on loans carried at amortised cost and guarantees.....	18
Note 8. Borrowing (funding).....	21
Note 9. Results of divested operation .....	22
Note 10. Capital adequacy.....	24
Note 11. Contingent liabilities .....	25
Note 12. Contingent outcomes, events after the reporting period .....	25
Note 13. Transfer to SpareBank 1 Næringskreditt.....	25
Note 14. Transfer to SpareBank 1 Boligkreditt.....	26
Note 15. Disclosures concerning operating segments in remaining entity .....	26
Note 16. Income statements for the last five quarters .....	28

**NOTE 1. ACCOUNTING POLICIES**

The fourth-quarter interim consolidated financial statements for the period 1 January to 31 December 2012 have been prepared in compliance with IFRS, including IAS 34 Interim Financial Reporting. A description of the accounting policies on which the 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			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Change in value of interest rate derivatives obliged to be carried at fair value thro profit or loss <sup>1,4</sup>	-1	2	4	-5
Change in value of currency derivatives obliged to be carried at fair value through profit or loss <sup>2</sup>	-22	3	54	-117
Change in value equity-linked options & equity options oblig. carried at fair value thro profit or loss <sup>1</sup>	5	3	5	19
<b>Total change in value of financial instruments obliged to be carried at fair value</b>	<b>-18</b>	<b>8</b>	<b>63</b>	<b>-103</b>
Change in value of deposits selected for fair value carrying through profit or loss <sup>4</sup>	1	-3	-12	-6
Change in value of borrowings selected for fair value carrying through profit or loss <sup>4</sup>	-8	8	-42	-5
Change in value of loans selected for fair value carrying through profit or loss <sup>4</sup>	8	-12	38	-12
Change in value of short-term financial investments selected for fair value carrying <sup>3</sup>	6	-10	45	-1
<b>Total change in value of financial instruments selected for fair value carrying</b>	<b>7</b>	<b>-17</b>	<b>29</b>	<b>-24</b>
Change in value of interest rate derivatives, hedging <sup>5</sup>	10	7	64	69
Change in value of borrowings, hedged <sup>5</sup>	-10	-7	-64	-70
<b>Total change in value of financial instruments for hedging</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>
<b>Total change in value of financial instruments carried at fair value</b>	<b>-11</b>	<b>-9</b>	<b>92</b>	<b>-128</b>
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost	-1	-1	-11	-10
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost	-1	0	-1	0
Exchange gains/losses on borrowings and loans carried at amortised cost <sup>2</sup>	22	-1	-51	118
<b>Total change in value of financial instruments carried at fair value, gains and losses</b>	<b>9</b>	<b>-11</b>	<b>29</b>	<b>-20</b>

<sup>1</sup> 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 in 2012 NOK 5 million was recognised as income, compared with NOK 8 million recognised as expense for full-year 2011.

<sup>2</sup> 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 2012, compared with NOK 1 million recognised as income for full-year 2011. Exposure to exchange rate fluctuations is low.

<sup>3</sup> Change in the value of financial investments selected for fair value carrying gave rise to recognised income of NOK 45 million for 2012, compared with recognised expense of NOK 1 million for full-year 2011. Turbulence in the financial markets has caused big fluctuations in the value of these investments.

<sup>4</sup> The net effect of interest rate derivatives obliged to be carried at fair value and changes in the value of financial instruments selected for fair value carrying was recognised expense of NOK 12 million for 2012, compared with NOK 1 million recognised as expense for full-year 2011.

<sup>5</sup> From 2010, BN Bank has used fair value hedges for new fixed-rate borrowings and related hedge instruments. The borrowings are hedged 1:1 through external contracts where the principal, interest stream, term and hedging transaction match. It is the interest rate risk that is hedged and the hedging transactions entered into are documented. With fair value hedges, the hedge instrument is accounted for at fair value, and the hedge object is accounted for at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as at 31 December 2012 was positive by NOK 192 million.

<sup>6</sup> Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 12 million for 2012, compared with recognised expense of NOK 10 million for full-year 2011.



## NOTE 3. OTHER OPERATING INCOME

NOK MILLION	GROUP			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Guarantee commission	0	7	1	22
Net commission income/charges <sup>1</sup>	53	29	140	99
Other operating income	0	1	4	2
<b>Total other operating income</b>	<b>53</b>	<b>37</b>	<b>145</b>	<b>123</b>

<sup>1</sup> Commission income relating to the management of the portfolios in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt totalled NOK 127 million in 2012 and NOK 72 million for full-year 2011.

## NOTE 4. AMICABLE SETTLEMENT

**Amicable settlement with Glitnir banki hf, Iceland**

Glitnir banki hf, now Glitnir hf, sued BN Bank ASA in 2011 for what Glitnir claimed was an unlawful offset of about NOK 240 million relating to claims and counter-claims between the parties declared by BN Bank ASA in November 2009. Oslo District Court gave judgment in the case in January 2012, according to which BN Bank ASA was ordered to pay back Glitnir hf approximately NOK 213 million plus interest.

Since the court case there have been negotiations between BN Bank ASA and the Winding Up Board for Glitnir hf. The parties have now come to an amicable settlement whereby BN Bank ASA will pay NOK 81.8 million to Glitnir hf and Glitnir hf accepts offset of the other disputed portion of about NOK 135.2 million.

BN Bank ASA has previously reported the greater portion of the claims against Glitnir which were used for offset as a loss and not as settled by means of offset. The P&L effect of the amicable settlement before tax will therefore be NOK 117 million recognised as income.

**Structured products**

In connection with the sale and/or issue of 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 disputed. This counter-claim lapsed in the fourth quarter of 2012 and the position is now reversed, such that BN Bank now has a claim against the debtor in liquidation of NOK 0.6 million.

## NOTE 5. OTHER 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

NOK MILLION	GROUP
Book value of the building at date of sale	91
Debt and other items	-95
<b>Net equity</b>	<b>-4</b>
Sale profit to the company	37
Intercompany debt settled	96
<b>Total added upon sale subsidiary</b>	<b>129</b>

## NOTE 6. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIO

NOK MILLION	GROUP	
	31.12.12	31.12.11
Loans Corporate Market and Retail Market, Group	32 394	32 225
Seller's credit	911	1 214
<b>Loans in remaining entity (continuing operations)</b>	<b>33 305</b>	<b>33 439</b>
Loans transferred to SpareBank 1 Næringskreditt	9 919	8 263
Loans transferred to SpareBank 1 Boligkreditt	6 240	3 961
<b>Total loans in managed portfolio</b>	<b>49 464</b>	<b>45 663</b>
Divested portfolio	13	101

## NOTE 7. 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			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Write-offs in excess of prior-year write-downs	0	0	20	23
Write-offs on loans without prior write-downs	0	0	0	8
Write-offs transferred to divested portfolio	0	0	0	0
<b>Write-downs for the period:</b>				
Change in collective write-downs	0	2	-20	2
Change in collective write-downs related to Guarantee Portfolio	41	9	40	1
Change in collective write-downs transferred to divested portfolio	0	-8	0	0
<b>Total change in collective write-downs</b>	<b>41</b>	<b>3</b>	<b>20</b>	<b>3</b>
Increase in loans with prior-year write-downs <sup>1</sup>	7	9	26	28
Provisions against loans without prior write-downs	33	9	68	24
Decrease in loans with prior-year write-downs	-1	-2	-18	-9
Change in individual write-downs transferred to divested portfolio	0	0	0	0
<b>Total change in individual write-downs</b>	<b>39</b>	<b>16</b>	<b>76</b>	<b>43</b>
Gross impairment losses	80	19	116	77
Recoveries on previous write-offs <sup>2</sup>	2	1	2	15
<b>Impairment losses on loans and advances</b>	<b>78</b>	<b>18</b>	<b>114</b>	<b>62</b>
Revenue recognition on written-down loans	2	3	6	10

<sup>1</sup> Changes in value relating to repossessed properties totalled NOK 10 million as at 31 December 2012.

<sup>2</sup> As at 30 September 2011, there was a book profit of NOK 9 million relating to the sale of a previously repossessed property in Tromsø.

NOK MILLION	GROUP			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Individual write-downs to cover impairment losses at start of period	41	89	94	78
Write-offs covered by prior-year individual write-downs	0	0	-40	-23
<b>Write-downs for the period:</b>				
Increase in loans with prior-year individual write-downs	8	6	12	14
Write-downs on loans without prior individual write-downs	0	1	0	15
Decrease in loans with prior-year individual write-downs	-1	-2	-18	-6
Transferred assets classified as held for sale	0	0	0	16
<b>Individual write-downs to cover impairment losses at end of period</b>	<b>48</b>	<b>94</b>	<b>48</b>	<b>94</b>
Collective write-downs to cover impairment losses at start of period	65	83	85	83
Collective write-downs for the period to cover impairment losses	0	2	-20	2
Transferred assets classified as held for sale	0	0	0	0
<b>Collective write-downs to cover impairment losses at end of period</b>	<b>65</b>	<b>85</b>	<b>65</b>	<b>85</b>

NOK MILLION	GROUP			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Loss provision financial guarantee rel. to Guarantee Portfolio at start of period <sup>1</sup>	45	20	28	26
Write-offs covered by prior-year individual write-downs	-7	0	-27	-7
<b>Write-downs for the period:</b>				
Increase in loans with prior-year individual write-downs	1	0	3	4
Write-downs on loans without prior individual write-downs	33	8	68	9
Decrease in loans with prior-year individual write-downs	0	0	0	-4
<b>Loss provision financial guarantee rel. to Guarantee Portfolio at end of period <sup>1</sup></b>	<b>72</b>	<b>28</b>	<b>72</b>	<b>28</b>
Collective write-downs related to Guarantee Portfolio at start of period	6	11	20	19
Collective write-downs for the period to cover losses in Guarantee Portfolio	41	9	27	1
<b>Collective write-downs related to Guarantee Portfolio at end of period <sup>1</sup></b>	<b>47</b>	<b>20</b>	<b>47</b>	<b>20</b>
Individual write-downs related to Guarantee Portfolio classified as held for sale	0	2	0	2
Collective write-downs related to Guarantee Portfolio classified as held for sale	0	0	0	0
<b>Total loss provisions related to Guarantee Portfolio <sup>1</sup></b>	<b>119</b>	<b>50</b>	<b>119</b>	<b>50</b>

<sup>1</sup> 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 now provides guarantees for 60% of the credit risk for this portfolio (referred to as the Guarantee Portfolio) of NOK 571 million. The Bank's maximum exposure is thus down to NOK 343 million, which at the end of the fourth quarter of 2012 was 1.0% of the Bank's total lending. The total provision for losses in the Guarantee Portfolio was NOK 119 million at 31 December 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 <sup>1,2</sup>

NOK MILLION	GROUP	
	31.12.12	31.12.11
Gross principal	404	213
Individual write-downs	3	40
<b>Net principal</b>	<b>401</b>	<b>173</b>

Other loans with individual write-downs <sup>1</sup>

NOK MILLION	GROUP	
	31.12.12	31.12.11
Gross principal	524	678
Individual write-downs	117	85
<b>Net principal</b>	<b>407</b>	<b>593</b>

Loans past due more than 3 months by sector and as a percentage of loans <sup>1,2</sup>

NOK MILLION	GROSS OUTSTANDING		GROSS OUTSTANDING	
	31.12.12	%	31.12.11	%
Corporate Market	341	1.36	126	0.55
Retail Market	63	0.77	66	0.71
Guarantee Portfolio	0	0.00	21	0.74
<b>Total</b>	<b>404</b>	<b>1.19</b>	<b>213</b>	<b>0.59</b>

<sup>1</sup> 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.

<sup>2</sup> 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 8. 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 10 361 million as at 31 December 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
<b>Net debt (face value) as at 31 March 2012</b>	<b>2 041</b>	<b>15 805</b>	<b>17 846</b>
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
<b>Net debt (face value) as at 30 June 2012</b>	<b>3 127</b>	<b>13 040</b>	<b>16 167</b>
New issues	400	325	725
Increase in existing issues	0	1 868	1 868
Purchase and maturity of existing issues	-783	-471	-1 254
<b>Net debt (face value) as at 30 September 2012</b>	<b>2 744</b>	<b>14 762</b>	<b>17 506</b>
New issues	900	650	1 550
Increase in existing issues	175	0	175
Purchase and maturity of existing issues	-585	-585	-1 170
<b>Net debt (face value) as at 31 December 2012</b>	<b>3 234</b>	<b>14 827</b>	<b>18 061</b>

**Subordinated loan capital and perpetual subordinated capital securities**

The BN Bank Group had issued subordinated loans for NOK 300 million as at 31 December 2012.

NOK MILLION	GROUP		TOTAL
	PERPET. SUBORD. CAP. SEC.	SUBORDINATED LOAN CAPITAL	
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
<b>Net debt (face value) as at 31 March 2012</b>	<b>650</b>	<b>800</b>	<b>1 450</b>
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
<b>Net debt (face value) as at 30 June 2012</b>	<b>650</b>	<b>800</b>	<b>1 450</b>
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
<b>Net debt (face value) as at 30 September 2012</b>	<b>650</b>	<b>800</b>	<b>1 450</b>
New issues	0	300	300
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-145	-145
<b>Net debt (face value) as at 31 December 2012</b>	<b>650</b>	<b>955</b>	<b>1 605</b>

## Recognised values

NOK MILLION	GROUP	
	31.12.12	31.12.11
Certificates carried at amortised cost	0	1 250
Certificates selected for fair value carrying	3 285	1 420
<b>Total recognised value of certificates</b>	<b>3 285</b>	<b>2 670</b>
Bonds carried at amortised cost	10 028	10 010
Bonds carried at amortised cost (secured debt)	3 932	2 074
Bonds selected for fair value carrying	1 124	3 196
<b>Total recognised value of bonds</b>	<b>15 084</b>	<b>15 280</b>
<b>Total recognised value of debt securities in issue</b>	<b>18 369</b>	<b>17 950</b>

NOK MILLION	GROUP	
	31.12.12	31.12.11
Perpetual subordinated capital securities carried at amortised cost	482	482
Perpetual subordinated capital securities selected for fair value carrying	172	169
<b>Total recognised value of perpetual subordinated capital securities</b>	<b>654</b>	<b>651</b>
Subordinated loans carried at amortised cost	959	804
Subordinated loans selected for fair value carrying	0	-4
<b>Total recognised value of subordinated loans</b>	<b>959</b>	<b>800</b>
<b>Total recognised value of subordinated loans and perpetual subordinated capital securities</b>	<b>1 613</b>	<b>1 451</b>

## NOTE 9. 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 7, are classified under remaining entity.

## Specification of results of divested operation

NOK MILLION	GROUP			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Net income from interest and credit commissions	0	0	0	4
Total other operating income	0	0	0	1
Total other operating expense	0	0	0	-3
Total impairment losses on loans and advances	0	7	0	-1
<b>Pre-tax profit/(loss)</b>	<b>0</b>	<b>-7</b>	<b>0</b>	<b>9</b>
Computed tax charge	0	-1	0	3
<b>Profit/(loss) from discontinued operation</b>	<b>0</b>	<b>-6</b>	<b>0</b>	<b>6</b>

## Statement of cash flows related to divested operation

NOK MILLION	GROUP			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Cash flow from operating activities	0	0	0	8
Cash flow from investing activities	0	0	0	0
Cash flow from financing activities	0	0	0	0
<b>Net cash flow for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>

## Specification of results of remaining entity

NOK MILLION	GROUP			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Net income from interest and credit commissions	85	106	343	385
Total other operating income	179	26	291	103
Total other operating expense	71	71	262	234
<b>Operating profit/(loss) before impairment losses on loans</b>	<b>193</b>	<b>61</b>	<b>372</b>	<b>254</b>
Impairment losses on loans and advances	78	18	114	62
<b>Pre-tax profit/(loss) of remaining entity</b>	<b>115</b>	<b>43</b>	<b>258</b>	<b>192</b>
Computed tax charge	33	11	72	44
<b>Profit/(loss) after tax of remaining entity</b>	<b>82</b>	<b>32</b>	<b>186</b>	<b>148</b>

## Specification of results of divested operation and Guarantee Portfolio

NOK MILLION	GROUP	
	31.12.12	31.12.11
Net income from interest and credit commissions	-35	2
Total other operating income	0	21
Total other operating expense	0	-3
Total impairment losses on loans and advances	121	26
<b>Pre-tax profit/(loss)</b>	<b>-156</b>	<b>0</b>
Computed tax charge	-44	0
<b>Profit/(loss) of divested operation and Guarantee Portfolio</b>	<b>-112</b>	<b>0</b>

## 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 sold the company on in the second quarter of 2012.

**NOTE 10. 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	
	31.12.12	31.12.11
Share capital	668	649
Other reserves	2 673	2 506
Perpetual subordinated loan capital (perpetual subordinated capital securities borrowings) <sup>1</sup>	553	647
<b>Less:</b>		
Perpetual subordinated loan capital (perpetual subord. capital securities borrowings) that cannot be included <sup>1</sup>	-121	-95
Intangible assets	-10	-20
Deferred tax assets	-41	-43
Other deductions in tier 1 capital	0	0
<b>Tier 1 capital</b>	<b>3 722</b>	<b>3 644</b>
Fixed-term subordinated loan capital	915	899
<b>Less:</b>		
Fixed-term subordinated loan capital that cannot be included	0	0
Other deductions in tier 2 capital	0	0
<b>Net tier 2 capital</b>	<b>915</b>	<b>899</b>
<b>Total capital base</b>	<b>4 637</b>	<b>4 543</b>
Risk-weighted assets	30 923	33 171
Tier 1 capital ratio (%)	12,1	11,0
<b>Capital adequacy ratio (%)</b>	<b>15,1</b>	<b>13,7</b>

<sup>1</sup> For more details, see Note 8.

**Specification of risk-weighted assets**

NOK MILLION	GROUP			
	31.12.12		31.12.11	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	1 486	0	1 004	0
10 %	2 094	209	1 503	150
20 %	5 056	1 011	4 725	945
35 %	9 289	3 251	9 560	3 346
50 %	3	2	420	210
75 %	91	68	345	259
100 %	26 381	26 381	28 261	28 261
Investments included in the trading portfolio	0	0	0	0
Negotiable debt instruments included in the trading portfolio	0	0	0	0
<b>Total risk-weighted assets</b>	<b>44 400</b>	<b>30 923</b>	<b>45 818</b>	<b>33 171</b>
<b>Capital adequacy ratio (%)</b>		<b>15.1</b>		<b>13.7</b>



## NOTE 11. CONTINGENT LIABILITIES

### Sale of structured products

In 2008, BN Bank was sued in a group action over structured savings products. 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 31 December 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.

## NOTE 12. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

Apart from the matters mentioned in Note 11 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 13. TRANSFER TO SPAREBANK 1 NÆRINGSKREDITT

SpareBank 1 Næringskreditt AS was established in 2009 and is licensed 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. BN Bank has a 9.58% shareholding in the company as at 31 December 2012. 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 31 December 2012, the book value of transferred loans was NOK 9.9 billion. BN Bank is responsible for managing the transferred loans and BNkreditt receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

In order to attend to the interests of existing bond holders, in connection with the transfer BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 31 December 2012, BNkreditt's capital adequacy ratio was 16.4 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 676 million as at 31 December 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 31 December 2012, these guarantees totalled NOK 165 million.

**NOTE 14. 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 SpareBank 1 Boligkreditt and, as part of the Bank's funding strategy, loans have been transferred to the company. At 31 December 2012, the book value of transferred loans was NOK 6.2 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 15. 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	AMICABLE SETTLEMENT	TOTAL 31.12.12
<b>Net income from interest and credit commissions</b>	<b>247</b>	<b>131</b>	<b>-35</b>	<b>0</b>	<b>343</b>
Change in value of financial instruments carried at fair value	19	10	0	0	29
Other operating income	121	24	0	0	145
Amicable settlement	0	0	0	117	117
<b>Total other operating income</b>	<b>140</b>	<b>34</b>	<b>0</b>	<b>117</b>	<b>291</b>
Salaries and general administrative expenses	-84	-119	0	0	-203
Ordinary depreciation, amortisation and write-downs	-8	-22	0	0	-30
Other operating expense	-14	-15	0	0	-29
Other gains and losses	0	0	0	0	0
<b>Total other operating expense</b>	<b>-106</b>	<b>-156</b>	<b>0</b>	<b>0</b>	<b>-262</b>
<b>Operating profit/(loss) before impairment losses</b>	<b>281</b>	<b>9</b>	<b>-35</b>	<b>117</b>	<b>372</b>
<b>Impairment losses on loans and advances</b>	<b>-5</b>	<b>12</b>	<b>-121</b>	<b>0</b>	<b>-114</b>
<b>Operating profit/(loss) after impairment losses</b>	<b>276</b>	<b>21</b>	<b>-156</b>	<b>117</b>	<b>258</b>
<b>Computed tax charge</b>	<b>-78</b>	<b>-5</b>	<b>44</b>	<b>-33</b>	<b>-72</b>
<b>Profit/(loss) for remaining entity after tax</b>	<b>198</b>	<b>16</b>	<b>-112</b>	<b>84</b>	<b>186</b>

NOK MILLION	GROUP				
	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	AMICABLE SETTLEMENT	TOTAL 31.12.12
Lending (gross) including loans in covered bonds companies	34 097	14 456	911	0	49 464
Customer deposits and accounts payable to customers	1 477	15 433	0	0	16 910

NOK MILLION					GROUP
	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	MUNKEGT. 21	TOTAL 31.12.11
<b>Net income from interest and credit commissions</b>	<b>260</b>	<b>126</b>	<b>-2</b>	<b>0</b>	<b>385</b>
Change in value of financial instruments carried at fair value	-13	-7	0	0	-20
Other operating income	104	0	20	0	123
<b>Total other operating income</b>	<b>91</b>	<b>-7</b>	<b>20</b>	<b>0</b>	<b>103</b>
Salaries and general administrative expenses	-96	-126	0	0	-222
Ordinary depreciation, amortisation and write-downs	-7	-9	0	0	-16
Other operating expense	-15	-18	0	0	-33
Other gains and losses	0	0	0	37	37
<b>Total other operating expense</b>	<b>-118</b>	<b>-152</b>	<b>0</b>	<b>37</b>	<b>-234</b>
<b>Operating profit/(loss) before impairment losses</b>	<b>233</b>	<b>-33</b>	<b>18</b>	<b>37</b>	<b>254</b>
<b>Impairment losses on loans and advances</b>	<b>-35</b>	<b>-1</b>	<b>-26</b>	<b>0</b>	<b>-62</b>
<b>Operating profit/(loss) after impairment losses</b>	<b>197</b>	<b>-34</b>	<b>-8</b>	<b>37</b>	<b>192</b>
<b>Computed tax charge</b>	<b>-55</b>	<b>10</b>	<b>2</b>	<b>-1</b>	<b>-44</b>
<b>Profit/(loss) for remaining entity after tax</b>	<b>142</b>	<b>-25</b>	<b>-6</b>	<b>36</b>	<b>148</b>

NOK MILLION					GROUP
	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	MUNKEGT. 21	TOTAL 31.12.11
Lending (gross) including loans in covered bonds companies	31 163	13 286	1 214	0	45 663
Customer deposits and accounts payable to customers	1 576	14 383	0	0	15 959

The Group operates in a geographically limited area and reporting on geographical segments provides little additional information.

## NOTE 16. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

	GROUP				
NOK MILLION	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Interest and similar income	391	394	399	430	439
Interest expense and similar charges	306	305	314	346	333
<b>Net income from interest and credit commissions</b>	<b>85</b>	<b>89</b>	<b>85</b>	<b>84</b>	<b>106</b>
Change in value of financial instruments carried at fair value, gains and losses	9	5	0	15	-11
Other operating income	53	33	31	28	37
Amicable settlement	117	0	0	0	0
<b>Total other operating income</b>	<b>179</b>	<b>38</b>	<b>31</b>	<b>43</b>	<b>26</b>
Salaries and general administrative expenses	46	50	52	55	61
Depreciation, amortisation and write-downs	17	5	5	4	4
Other operating expense	8	7	5	8	7
Other gains and losses	0	0	0	0	-1
<b>Total other operating expense</b>	<b>71</b>	<b>62</b>	<b>62</b>	<b>67</b>	<b>71</b>
<b>Operating profit / (loss) before impairment losses</b>	<b>193</b>	<b>65</b>	<b>54</b>	<b>60</b>	<b>61</b>
Impairment losses on loans and advances	78	13	14	9	18
<b>Pre-tax profit/(loss)</b>	<b>115</b>	<b>52</b>	<b>40</b>	<b>51</b>	<b>43</b>
Computed tax charge	33	14	11	14	11
<b>Profit/(loss) remaining entity</b>	<b>82</b>	<b>38</b>	<b>29</b>	<b>37</b>	<b>32</b>
Profit/(loss) from discontinued operations	0	0	0	0	-6
<b>Profit / (loss) for period inc discontinued operations</b>	<b>82</b>	<b>38</b>	<b>29</b>	<b>37</b>	<b>26</b>

## Income Statement - Parent Bank

NOK MILLION	NOTE	PARENT BANK			
		Q4 2012	Q4 2011	31.12.12	31.12.11
Interest and similar income		307	324	1 249	1 168
Interest expense and similar charges		268	278	1 086	1 013
<b>Net income from interest and credit commissions</b>		<b>39</b>	<b>46</b>	<b>163</b>	<b>155</b>
Value change fin instr fair val, gains&losses	2	14	-18	50	-20
Other operating income	3	20	20	49	52
Amicable settlement	4	117	0	117	0
<b>Total other operating income</b>		<b>151</b>	<b>2</b>	<b>216</b>	<b>32</b>
Salaries and general administrative expenses		28	42	130	150
Ord. depreciation, amortisation & write-downs		17	4	31	15
Other operating expense		3	1	7	5
Other gains and losses		0	0	0	0
<b>Total other operating expense</b>		<b>48</b>	<b>47</b>	<b>168</b>	<b>170</b>
<b>Operating profit/(loss) before impairment losses</b>		<b>142</b>	<b>1</b>	<b>211</b>	<b>17</b>
Impairment losses on loans & advances	7	74	10	116	19
<b>Operating profit/(loss) after impairment losses</b>		<b>68</b>	<b>-9</b>	<b>95</b>	<b>-2</b>
Income from ownership int. group comp.	5	0	0	164	131
<b>Profit/(loss) before tax</b>		<b>68</b>	<b>-9</b>	<b>259</b>	<b>129</b>
Tax charge		20	-3	72	40
<b>Profit/(loss) for the period, remaining entity</b>		<b>48</b>	<b>-6</b>	<b>187</b>	<b>89</b>
Result of operations under divestment	9	0	-6	0	6
<b>Profit/(loss) for period inc. discount. operations</b>		<b>48</b>	<b>-12</b>	<b>187</b>	<b>95</b>
<b>Other Comprehensive Income</b>					
Change in value financial assets available for sale		0	0	0	0
<b>Total P&amp;L items recognised in equity</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total profit/(loss) for the period</b>		<b>48</b>	<b>-12</b>	<b>187</b>	<b>95</b>

## Balance Sheet - Parent Bank

NOK MILLION	NOTE	PARENT BANK	
		31.12.12	31.12.11
Intangible assets		10	20
Ownership interests in group companies		1 877	1 877
Own funds lending		451	527
Tangible fixed assets		18	23
Loans and advances	6, 7, 13, 14	15 043	14 396
Prepayments and accrued income		53	70
Financial derivatives		662	699
Short-term securities investments		5 612	4 984
Cash and balances due from credit institutions		12 860	10 886
Assets classified as held for sale	9	1	122
<b>Total assets</b>		<b>36 587</b>	<b>33 604</b>
Share capital		668	649
Share premium		266	190
Retained earnings		1 265	1 173
<b>Total equity</b>		<b>2 199</b>	<b>2 012</b>
Deferred tax		43	1
Subordinated loan capital	8	1 613	1 451
Liabilities to credit institutions		806	1 864
Debt securities in issue	8	14 123	11 354
Accrued expenses and deferred income	7	179	114
Other current liabilities		80	12
Tax payable		31	36
Financial derivatives		603	790
Customer deposits & accounts payable to cust.		16 910	15 959
Liabilities classified as held for sale	9	0	11
<b>Total liabilities</b>		<b>34 388</b>	<b>31 592</b>
<b>Total equity and liabilities</b>		<b>36 587</b>	<b>33 604</b>

Trondheim, 29 January 2013

The Board of Directors of BN Bank ASA

## Statement of Changes in Equity - Parent Bank

NOK MILLION	PARENT BANK				
	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER PAID-UP SHARE CAPITAL	OTHER RESERVES <sup>1</sup>	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	95	95
<b>Balance Sheet as at 31 December 2011</b>	<b>649</b>	<b>190</b>	<b>282</b>	<b>891</b>	<b>2 012</b>
Dividend paid	0	0	0	-95	-95
Share capital increase	19	76	0	0	95
Result for the period	0	0	0	187	187
<b>Balance Sheet as at 31 December 2012</b>	<b>668</b>	<b>266</b>	<b>282</b>	<b>983</b>	<b>2 199</b>

<sup>1</sup> The reserve for unrealised gains is included in Other reserves. Provision of NOK 174 million had been made as at 31 December 2012.

Trondheim, 29 January 2013

The Board of Directors of BN Bank ASA

## Statement of Cash Flows - Parent Bank

NOK MILLION	PARENT BANK	
	31.12.12	31.12.11
<b>Cash flows from operating activities</b>		
Interest/commission received and fees received from customers	805	1 114
Interest/commission paid and fees paid to customers	-475	-450
Interest received on other investments	255	320
Interest paid on other loans	-551	-587
Receipts/disbursements (-) on loans and advances to customers	-1 187	-488
Receipts/payments on customer deposits & accounts payable to cust.	1 211	-1 465
Receipts/payments (-) on liabilities to credit institutions	-1 362	-21
Receipts/payments(-) on securities in issue & securities buy-back	2 668	3 628
Receipts on previously written-off debt	3	35
Other receipts/payments	229	178
Payments to suppliers for goods and services	-60	-100
Payments to employees, pensions and social security expenses	-66	-65
Tax paid	-34	0
<b>Net cash flow from operating activities</b>	<b>1 436</b>	<b>2 099</b>
<b>Cash flows from investing activities</b>		
Receipts/payments (-) on receivables from credit institutions	-731	-2 374
Receipts/payments (-) on short-term securities investments	-578	289
Receipts/payments (-) on long-term securities investments	164	99
Purchase of operating assets etc.	-15	-20
Proceeds from sale of subsidiaries	0	33
<b>Net cash flow from investing activities</b>	<b>-1 160</b>	<b>-1 973</b>
<b>Cash flow from financing activities</b>		
Receipts of subordinated loan capital	156	-228
<b>Net cash flow from financing activities</b>	<b>156</b>	<b>-228</b>
<b>Net cash flow for the period</b>	<b>432</b>	<b>-102</b>
Cash and balances due from central banks as at 1 January *	4	106
<b>Cash and balances due from central banks at the close of the period</b>	<b>436</b>	<b>4</b>

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



## Notes - Parent Bank

Note 1. Accounting policies.....	34
Note 2. Change in value of financial instruments carried at fair value, gains and losses.....	34
Note 3. Other operating income .....	35
Note 4. Amicable settlement .....	35
Note 5. Income from ownership interests in group companies .....	35
Note 6. Overview of gross lending in managed portfolio.....	36
Note 7. Impairment losses and write-downs on loans carried at amortised cost and guarantees.....	36
Note 8. Borrowing (funding).....	39
Note 9. Results of divested operation.....	41
Note 10. Capital adequacy.....	42
Note 11. Contingent liabilities .....	43
Note 12. Contingent outcomes, events after the reporting period .....	43
Note 13. Transfer to SpareBank 1 Næringskreditt.....	43
Note 14. Transfer to SpareBank 1 Boligkreditt.....	44
Note 15. Income statements for the last five quarters .....	44

**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			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Change in value int. rate derivatives obliged to be carried at fair value thro profit or loss <sup>1,4</sup>	0	9	18	17
Change in value currency derivatives obliged to be carried at fair value through profit or loss <sup>2</sup>	-22	3	54	-117
Change value equity-linked options & equity opt. oblig. carried at fair value thro profit or loss <sup>1</sup>	5	3	5	19
<b>Total change in value of financial instruments obliged to be carried at fair value</b>	<b>-17</b>	<b>15</b>	<b>77</b>	<b>-81</b>
Change in value of deposits selected for fair value carrying through profit or loss <sup>4</sup>	1	-3	-11	-6
Change in value of borrowings selected for fair value carrying through profit or loss <sup>4</sup>	-2	-7	-37	-61
Change in value of loans selected for fair value carrying through profit or loss <sup>4</sup>	0	-11	-9	13
Change in value of short-term financial investments selected for fair value carrying <sup>3</sup>	6	-10	45	-1
<b>Total change in value of financial instruments selected for fair value carrying</b>	<b>5</b>	<b>-31</b>	<b>-12</b>	<b>-55</b>
Change in value of interest rate derivatives, hedging <sup>5</sup>	9	6	53	53
Change in value of borrowings, hedged <sup>5</sup>	-9	-6	-53	-54
<b>Total change in value of financial instruments for hedging</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>
<b>Total change in value of financial instruments carried at fair value</b>	<b>-12</b>	<b>-16</b>	<b>65</b>	<b>-137</b>
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost <sup>6</sup>	0	-1	-3	-6
Realised exchange gains/losses(-) on borrowings and loans carried at amortised cost <sup>6</sup>	-1	0	-1	0
Exchange gains/losses on borrowings and loans carried at amortised cost <sup>2</sup>	27	-1	-11	123
<b>Total change in value of financial instruments carried at fair value, gains and losses</b>	<b>14</b>	<b>-18</b>	<b>50</b>	<b>-20</b>

<sup>1</sup> 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 in 2012 NOK 5 million was recognised as income, compared with NOK 8 million recognised as expense for full-year 2011.

<sup>2</sup> 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 in 2012, compared with NOK 1 million recognised as income for full-year 2011. Exposure to exchange rate fluctuations is low.

<sup>3</sup> Changes in the value of financial investments selected for fair value carrying gave rise to recognised income of NOK 45 million in 2012, compared with NOK 1 million recognised as expense for full-year 2011. Turbulence in the financial markets has caused big fluctuations in the value of these investments.

<sup>4</sup> 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 1 million in 2012, compared with NOK 5 million recognised as expense for full-year 2011.

<sup>5</sup> From 2010, BN Bank has used fair value hedges for new fixed-rate borrowings and related hedge instruments. The borrowings are hedged 1:1 through external contracts where the principal, interest stream, term and hedging transaction match. It is the interest rate risk that is hedged and the hedging transactions entered into are documented. With fair value hedges, the hedge instrument is accounted for at fair value, and the hedge object is accounted for at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as at 31 December 2012 was positive by NOK 117 million.

<sup>6</sup> Realised exchange gains/losses on bonds, certificates and borrowings at amortised cost gave rise to recognised expense of NOK 4 million in 2012, compared with recognised expense of NOK 6 million for full-year 2011.

**NOTE 3. OTHER OPERATING INCOME**

NOK MILLION	PARENT BANK			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Guarantee commission	0	7	1	22
Net commission income/charges <sup>1</sup>	19	11	40	23
Other operating income	1	2	8	7
<b>Total other operating income</b>	<b>20</b>	<b>20</b>	<b>49</b>	<b>52</b>

<sup>1</sup> Commission income relating to the management of the portfolio in SpareBank 1 Boligkreditt totalled NOK 27 million in 2012, while there was recognised expense of NOK 3 million for full-year 2011.

**NOTE 4. AMICABLE SETTLEMENT****Amicable settlement with Glitnir banki hf, Iceland**

Glitnir banki hf, now Glitnir hf, sued BN Bank ASA in 2011 for what Glitnir claimed was an unlawful offset of about NOK 240 million relating to claims and counter-claims between the parties declared by BN Bank ASA in November 2009. Oslo District Court gave judgment in the case in January 2012, according to which BN Bank ASA was ordered to pay back Glitnir hf about NOK 213 million plus interest.

Since the court case there have been negotiations between BN Bank ASA and the Winding Up Board for Glitnir hf. The parties have now come to an amicable settlement whereby BN Bank ASA will pay NOK 81.8 million to Glitnir hf and Glitnir hf accepts offset of the other disputed portion of about NOK 135.2 million.

BN Bank ASA has previously reported the greater portion of the claims against Glitnir which were used for offset as a loss and not as settled by means of offset. The P&L effect of the amicable settlement before tax will therefore be NOK 117 million recognised as income.

**Structured products**

In connection with the sale and/or issue of 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 disputed. This counter-claim lapsed in Q4 2012 and the position is now reversed, such that BN Bank now has a claim against the debtor in liquidation of NOK 0.6 million.

**NOTE 5. 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.

## NOTE 6. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIO

NOK MILLION	PARENT BANK	
	31.12.12	31.12.11
Loans Corporate Market and Retail Market	14 191	13 253
Seller's credit	911	1 214
<b>Loans in remaining entity</b>	<b>15 102</b>	<b>14 467</b>
Loans transferred to SpareBank 1 Boligkreditt	6 240	3 961
<b>Total loans inc. loans transferred to SpareBank 1 Boligkreditt</b>	<b>21 342</b>	<b>18 428</b>
Divested portfolio	13	101

## NOTE 7. 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			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Write-offs in excess of prior-year write-downs	0	0	13	19
Write-offs on loans without prior write-downs	0	0	0	0
Write-offs transferred to divested operation	0	0	0	0
<b>Write-downs for the period:</b>				
Change in collective write-downs	2	3	-8	-1
Change in collective write-downs related to Guarantee Portfolio	41	9	40	1
Change in collective write-downs transferred to divested operation	0	-8	0	0
<b>Total change in collective write-downs</b>	<b>43</b>	<b>4</b>	<b>32</b>	<b>0</b>
Increase in loans with prior-year write-downs <sup>1</sup>	1	1	11	7
Provisions against loans without prior write-downs	33	8	68	9
Decrease in loans with prior-year write-downs	-1	-2	-6	-10
Change in individual write-downs transferred to divested operation	0	0	0	0
<b>Total change in individual write-downs</b>	<b>33</b>	<b>7</b>	<b>73</b>	<b>6</b>
Gross impairment losses	76	11	118	25
Recoveries on previous write-offs	2	1	2	6
<b>Impairment losses on loans and advances</b>	<b>74</b>	<b>10</b>	<b>116</b>	<b>19</b>
Revenue recognition of interest on written-down loans	2	0	3	2

<sup>1</sup> Changes in value related to repossessed properties totalled NOK 5 million as at 31 December 2012.

NOK MILLION	PARENT BANK			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Individual write-downs to cover impairment losses at start of period	29	35	34	43
Write-offs covered by prior-year individual write-downs	0	0	-3	-19
<b>Write-downs for the period:</b>				
Increase in loans with prior-year individual write-downs	2	1	5	3
Write-downs on loans without prior individual write-downs	0	0	0	0
Decrease in loans with prior-year individual write-downs	-1	-2	-6	-9
Transferred assets classified as held for sale	0	0	0	16
<b>Individual write-downs to cover impairment losses at end of period</b>	<b>30</b>	<b>34</b>	<b>30</b>	<b>34</b>
Collective write-downs to cover impairment losses at start of period	27	34	37	38
Collective write-downs for the period to cover impairment losses	2	3	-8	-1
Transferred assets classified as held for sale	0	0	0	0
<b>Collective write-downs to cover impairment losses at end of period</b>	<b>29</b>	<b>37</b>	<b>29</b>	<b>37</b>

NOK MILLION	PARENT BANK			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Loss provision financial guarantee relating to Guarantee Portfolio at start of period <sup>1</sup>	45	20	28	26
Write-offs covered by prior-year individual write-downs	-7	0	-27	-7
<b>Write-downs for the period:</b>				
Increase in loans with prior-year individual write-downs	1	0	3	4
Write-downs on loans without prior individual write-downs	33	8	68	9
Decrease in loans with prior-year individual write-downs	0	0	0	-4
<b>Loss provision financial guarantee relating to Guarantee Portfolio at end of period <sup>1</sup></b>	<b>72</b>	<b>28</b>	<b>72</b>	<b>28</b>
Collective write-downs related to Guarantee Portfolio at start of period	6	11	20	19
Collective write-downs for the period to cover losses in Guarantee Portfolio	41	9	27	1
<b>Collective write-downs related to Guarantee Portfolio at end of period <sup>1</sup></b>	<b>47</b>	<b>20</b>	<b>47</b>	<b>20</b>
Individual write-downs related to Guarantee Portfolio classified as held for sale	0	2	0	2
Collective write-downs related to Guarantee Portfolio classified as held for sale	0	0	0	0
<b>Total loss provisions relating to Guarantee Portfolio <sup>1</sup></b>	<b>119</b>	<b>50</b>	<b>119</b>	<b>50</b>

<sup>1</sup> 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 now provides guarantees for 60% of the credit risk for this portfolio (referred to as the Guarantee Portfolio) of NOK 571 million. The Bank's maximum exposure is thus down to NOK 343 million, which at the end of the fourth quarter of 2012 was 1.0% of the Bank's total lending. The total provision for losses in the Guarantee Portfolio was NOK 119 million at 31 December 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 <sup>1,2</sup>

NOK MILLION	PARENT BANK	
	31.12.12	31.12.11
Gross principal	117	73
Individual write-downs	3	14
<b>Net principal</b>	<b>114</b>	<b>59</b>

Other loans with individual write-downs <sup>1</sup>

NOK MILLION	PARENT BANK	
	31.12.12	31.12.11
Gross principal	460	282
Individual write-downs	99	51
<b>Net principal</b>	<b>361</b>	<b>231</b>

Loans past due more than 3 months by sector and as a percentage of loans <sup>1,2</sup>

NOK MILLION	GROSS OUTSTANDING		GROSS OUTSTANDING	
	31.12.12	%	31.12.11	%
Corporate Market	54	0.78	0	0.00
Retail Market	63	0.77	51	0.70
Guarantee Portfolio	0	0.00	21	0.74
<b>Total</b>	<b>117</b>	<b>0.75</b>	<b>72</b>	<b>0.82</b>

<sup>1</sup> 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.

<sup>2</sup> 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 8. 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 8 946 million as at 31 December 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
<b>Net debt (face value) as at 31 March 2012</b>	<b>2 041</b>	<b>9 644</b>	<b>11 685</b>
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
<b>Net debt (face value) as at 30 June 2012</b>	<b>2 927</b>	<b>8 933</b>	<b>11 860</b>
New issues	400	325	725
Increase in existing issues	0	1 718	1 718
Purchase and maturity of existing issues	-733	-445	-1 178
<b>Net debt (face value) as at 30 September 2012</b>	<b>2 594</b>	<b>10 531</b>	<b>13 125</b>
New issues	900	650	1 550
Increase in existing issues	175	0	175
Purchase and maturity of existing issues	-585	-321	-906
<b>Net debt (face value) as at 31 December 2012</b>	<b>3 084</b>	<b>10 860</b>	<b>13 944</b>

### Subordinated loan capital and perpetual subordinated capital securities

The Parent Bank had issued subordinated loans for NOK 300 million as at 31 December 2012.

NOK MILLION	PERPET. SUBORD. SUBORDINATED		TOTAL
	CAP. SEC	LOAN CAPITAL	
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
<b>Net debt (face value) as at 31 March 2012</b>	<b>650</b>	<b>800</b>	<b>1 450</b>
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
<b>Net debt (face value) as at 30 June 2012</b>	<b>650</b>	<b>800</b>	<b>1 450</b>
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
<b>Net debt (face value) as at 30 September 2012</b>	<b>650</b>	<b>800</b>	<b>1 450</b>
New issues	0	300	300
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-145	-145
<b>Net debt (face value) as at 31 December 2012</b>	<b>650</b>	<b>955</b>	<b>1 605</b>

### Recognised values

NOK MILLION	PARENT BANK	
	31.12.12	31.12.11
Certificates carried at amortised cost	0	1 250
Certificates carried at fair value	3 131	1 420
<b>Total recognised value of certificates</b>	<b>3 131</b>	<b>2 670</b>
Bonds carried at amortised cost	8 192	7 073
Bonds carried at amortised cost (secured debt)	2 581	1 300
Bonds selected for fair value carrying	219	311
<b>Total recognised value of bonds</b>	<b>10 992</b>	<b>8 684</b>
<b>Total recognised value of debt securities in issue</b>	<b>14 123</b>	<b>11 354</b>
Perpetual subordinated capital securities carried at amortised cost	482	482
Perpetual subordinated capital securities carried at fair value	172	169
<b>Total recognised value of perpetual subordinated capital securities</b>	<b>654</b>	<b>651</b>
Subordinated loans carried at amortised cost	959	804
Subordinated loans selected for fair value carrying	0	-4
<b>Total recognised value of subordinated loans</b>	<b>959</b>	<b>800</b>
<b>Total recognised value of subordinated loans and perpetual subordinated capital securities</b>	<b>1 613</b>	<b>1 451</b>



**NOTE 9. 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 7, are classified under remaining entity.

**Specification of results of divested operation**

NOK MILLION	PARENT BANK			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Net income from interest and credit commissions	0	0	0	4
Total other operating income	0	0	0	1
Total other operating expense	0	0	0	-3
Impairment losses on loans and advances	0	7	0	-1
<b>Pre-tax profit/(loss)</b>	<b>0</b>	<b>-7</b>	<b>0</b>	<b>9</b>
Computed tax charge	0	-1	0	3
<b>Profit/(loss) of discontinued operation</b>	<b>0</b>	<b>-6</b>	<b>0</b>	<b>6</b>

**Specification of results of remaining entity**

NOK MILLION	PARENT BANK			
	Q4 2012	Q4 2011	31.12.12	31.12.11
Net income from interest and credit commissions	39	46	163	155
Total other operating income	151	2	216	32
Total other operating expense	48	47	168	170
<b>Operating profit/(loss) before impairment losses</b>	<b>142</b>	<b>1</b>	<b>211</b>	<b>17</b>
Impairment losses on loans and advances	74	10	116	19
<b>Pre-tax profit/(loss) of remaining entity</b>	<b>68</b>	<b>-9</b>	<b>95</b>	<b>-2</b>
Income from ownership interests in group companies	0	0	164	131
<b>Pre-tax profit/(loss)</b>	<b>68</b>	<b>-9</b>	<b>259</b>	<b>129</b>
Computed tax charge	20	-3	72	40
<b>Profit/(loss) after tax of remaining entity</b>	<b>48</b>	<b>-6</b>	<b>187</b>	<b>89</b>

**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 sold the company on in the second quarter of 2012.

**NOTE 10. 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.

	PARENT BANK	
NOK MILLION	31.12.12	31.12.11
Share capital	668	649
Other reserves	1 531	1 363
Perpetual subordinated loan capital (perpetual subordinated capital securities borrowings) <sup>1</sup>	365	647
<b>Less:</b>		
Perpetual subordinated loan capital (perpetual subordinated capital securities borrowings) that cannot be included <sup>1</sup>	-121	-296
Intangible assets	-10	-20
Deferred tax assets	0	0
Other deductions in tier 1 capital	0	0
<b>Tier 1 capital</b>	<b>2 433</b>	<b>2 343</b>
Fixed-term subordinated loan capital	1 248	1 100
<b>Less:</b>		
Fixed-term subordinated loan capital that cannot be included	-214	-104
Other deductions in tier 2 capital	-121	0
<b>Net tier 2 capital</b>	<b>913</b>	<b>996</b>
<b>Total capital base</b>	<b>3 346</b>	<b>3 339</b>
Risk-weighted assets	16 921	19 131
Tier 1 capital ratio (%)	14.4	12.2
<b>Capital adequacy ratio (%)</b>	<b>19.8</b>	<b>17.5</b>

<sup>1</sup> For more details, see Note 8.

**Specification of risk-weighted assets**

	PARENT BANK			
NOK MILLION	31.12.12		31.12.11	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	1 486	0	1 004	0
10 %	2 094	209	1 504	150
20 %	16 243	3 249	14 915	2 983
35 %	8 935	3 127	6 986	2 445
50 %	0	0	419	210
75 %	76	57	345	259
100 %	10 279	10 279	13 084	13 084
Investments included in the trading portfolio	0	0	0	0
Negotiable debt instruments included in the trading portfolio	0	0	0	0
<b>Total risk-weighted assets</b>	<b>39 113</b>	<b>16 921</b>	<b>38 257</b>	<b>19 131</b>
<b>Capital adequacy ratio (%)</b>		<b>19.8</b>		<b>17.5</b>

## NOTE 11. CONTINGENT LIABILITIES

### Sale of structured products

In 2008, BN Bank was sued in a group action over structured savings products. 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 31 December 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.

## NOTE 12. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

Apart from the matters mentioned in Note 11 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 13. TRANSFER TO SPAREBANK 1 NÆRINGSKREDITT

SpareBank 1 Næringskreditt AS was established in 2009 and is licensed 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. BN Bank has a 9.58% shareholding in the company as at 31 December 2012. 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 31 December 2012, the book value of transferred loans was NOK 9.9 billion. BN Bank is responsible for managing the transferred loans and BNkreditt receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

In order to attend to the interests of existing bond holders, in connection with the transfer BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 31 December 2012, BNkreditt's capital adequacy ratio was 16.4 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 676 million as at 31 December 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 31 December 2012, these guarantees totalled NOK 165 million.

**NOTE 14. TRANSFER TO SPAREBANK 1 BOLIGKREDITT**

SpareBank 1 Boligkredit is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Næringskredit 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 Boligkredit 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 SpareBank 1 Boligkredit and, as part of the Bank's funding strategy, loans have been transferred to the company. At 31 December 2012, the book value of transferred loans was NOK 6.2 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 15. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS**

NOK MILLION	PARENT BANK				
	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Interest and similar income	307	314	305	323	324
Interest expense and similar charges	268	267	265	286	278
<b>Net income from interest and credit commissions</b>	<b>39</b>	<b>47</b>	<b>40</b>	<b>37</b>	<b>46</b>
Change in value of financial instruments carried at fair value, gains and losses	14	5	16	15	-18
Other operating income	20	8	8	13	20
Amicable settlement	117	0	0	0	0
<b>Total other operating income</b>	<b>151</b>	<b>13</b>	<b>24</b>	<b>28</b>	<b>2</b>
Salaries and general administrative expenses	28	32	33	37	42
Depreciation, amortisation and write-downs	17	5	5	4	4
Other operating expense	3	1	0	3	1
<b>Total other operating expense</b>	<b>48</b>	<b>38</b>	<b>38</b>	<b>44</b>	<b>47</b>
<b>Operating profit/(loss) before impairment losses</b>	<b>142</b>	<b>22</b>	<b>26</b>	<b>21</b>	<b>1</b>
Impairment losses on loans and advances	74	21	14	6	10
<b>Operating profit/(loss) after impairment losses</b>	<b>68</b>	<b>1</b>	<b>12</b>	<b>15</b>	<b>-9</b>
Income from ownership interests in group companies	0	0	164	0	
<b>Pre-tax profit/(loss)</b>	<b>68</b>	<b>1</b>	<b>176</b>	<b>15</b>	<b>-9</b>
Computed tax charge	20	0	48	4	-3
<b>Profit/(loss) remaining entity</b>	<b>48</b>	<b>1</b>	<b>128</b>	<b>11</b>	<b>-6</b>
Profit/(loss) of operation under divestment	0	0	0	0	-6
<b>Profit/(loss) including divested operation</b>	<b>48</b>	<b>1</b>	<b>128</b>	<b>11</b>	<b>-12</b>

[www.bnbank.no](http://www.bnbank.no)