BN Bank ASA

INTERIM REPORT Q1 | 2013

Content

Financial Ratios

		GROUP		
NOK MILLION	**REFERENCE**	**31.03.13**	**31.03.12**	**FULL-YEAR 2012**
Summary of results				
Net income from interest and credit commissions		87	84	343
Total other operating income		63	43	291
Total income		150	127	634
Total other operating expense		56	67	262
Operating profit before impairment losses		94	60	372
Impairment losses on loans and advances		52	9	114
Profit before tax		42	51	258
Computed tax charge		12	14	72
Profit for the period		30	37	186
Profitability				
Return on equity	1	3.7 %	4.8 %	5.8 %
Net interest margin	2	0.85 %	0.82 %	0.84 %
Cost-income ratio	3	37.3 %	52.8 %	41.3 %
Balance sheet figures				
Gross lending		33 008	34 010	33 305
Customer deposits		17 041	16 154	16 910
Deposit-to-loan ratio	4	51.6 %	47.5 %	50.8 %
Increase/decrease in lending (gross) last 12 months		-2.9 %	1.3 %	0.0 %
Increase/decrease in deposits last 12 months		5.5 %	4.0 %	0.0 %
Average total assets (ATA)	5	40 847	41 100	40 770
Total assets		41 066	42 289	41 732
Balance sheet figures incl. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt				
Gross lending		49 109	45 880	49 464
Customer deposits		17 041	16 154	16 910
Increase/decrease in lending (gross) last 12 months		7.0 %	5.3 %	8.3 %
Increase/decrease in deposits last 12 months		5.5 %	4.0 %	6.0 %
Share of lending funded by deposits		34.7 %	35.2 %	34.2 %
Losses on loans and non-performing loans				
Loss ratio lending	6	0.64 %	0.11 %	0.35 %
Non-performing loans as a % of gross lending	7	1.21 %	1.55 %	1.19 %
Other doubtful commitments as a % of gross lending	7	2.36 %	0.68 %	1.57 %
Solvency				
Capital adequacy ratio		14.57 %	14.20 %	15.07 %
Tier 1 capital ratio		12.04 %	11.50 %	12.06 %
Core tier 1 capital ratio		10.25 %	9.76 %	10.30 %
Tier 1 capital		3 742	3 615	3 729
Capital base		4 525	4 492	4 661
Offices and staffing				
Number of offices		2	2	2
Number of full-time equivalents		114	108	114
Shares				
Earnings per share for the period (whole NOK)		2.24	2.85	14.32

References
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 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 as of the last five quarters
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 Q1 2013

The comparative figures in parentheses are for Q1 2012.

- Profit after tax of NOK 30 million (NOK 37 million)
- Profit after tax of core business NOK 33 million (NOK 57 million)
- Cost-income ratio of 37 per cent (53 per cent)
- Return on equity after tax of 3.7 per cent (4.8 per cent)
- Return on equity after tax of core business at 3.9 per cent (7.3 per cent)
- Growth in lending of NOK 3,229 million in the past 12 months (NOK 2,303 million)
- Expense recognition of impairment losses on loans totalling NOK 52 million (NOK 9 million)
- Capital adequacy ratio of 14.6 per cent (14.2 per cent)
- Tier 1 capital ratio of 12.0 per cent (11.5 per cent)
- Core tier 1 capital ratio of 10.3 per cent (9.8 per cent)

Highlights of Q1 2013

The comparative figures in parentheses are for Q1 2012.

For the first quarter of 2013, the BN Bank Group posted a profit after tax of NOK 30 million (NOK 37 million). The change from first-quarter 2012 is attributable to impairment losses on loans and increased margins, as well as a reduction in operating expense.

The Bank's core business (the result of the business and retail banking activities) shows a fall in post-tax profit of NOK 24 million, down from NOK 57 million for the first quarter of 2012 to NOK 33 million for the first quarter of 2013.

Total income for the first quarter was NOK 150 million (NOK 127 million). The rise in income compared with first-quarter 2012 is mainly attributable to an improved margin picture as well as commission income received from Sparebank 1 Næringskreditt and Sparebank 1 Boligkreditt.

Operating expense for first-quarter 2013 was NOK 56 million (NOK 67 million). The decrease in expenditure compared with first-quarter 2012 is attributable to various cost-cutting measures. The cost-income ratio for first-quarter 2013 was 37 per cent (53 per cent).

Net impairment losses on loans and guarantees totalled NOK 52 million (NOK 9 million), of which NOK 0 million was in the Guarantee Portfolio.

Non-performing loans as at 31 March 2013 were 1.21 per cent of gross lending in the Group and the Guarantee Portfolio (1.55 per cent).

Total lending has grown by NOK 3.2 billion, or 7 per cent, in the past 12 months. Business lending has seen an increase of NOK 2.9 billion, or 9 per cent growth, in the past 12 months. The volume of retail lending has increased by NOK 1.5 billion, or 11 per cent, in the same period. During the first quarter 2013, business lending and retail lending grew by a total of, respectively, NOK 167 million, or 0.5 per cent, and NOK 389 million, or 2.7 per cent. Loans to SpareBank 1 SMN in first-quarter 2013 were redeemed in their entirety, which is equal to a reduction of NOK 1.2 billion in the past 12 months.

Deposits have increased by NOK 0.9 billion in the past 12 months, equal to 5.5 per cent growth. The deposit-to-loan ratio was 51.6 per cent at the end of the first quarter of 2013, an increase of 4.1 per cent on the past 12 months. During first-quarter 2013 deposits grew by NOK 131 million, or 0.8 per cent.

In the first quarter of 2013, BN Bank issued certificates and bonds in the Norwegian bonds market for NOK 2 billion. In the past 12 months, BN Bank has transferred loans for the net sum of NOK 1.9 billion and NOK 2.3 billion to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt respectively. Altogether, the Bank has transferred 29 per cent of business loans and 41 per cent of residential mortgage loans to these two companies.

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

FIGURES AS %	31.03.13	31.03.12
Capital adequacy ratio	14.6	14.2
Tier 1 capital ratio	12.0	11.5
Core tier 1 capital ratio	10.3	9.8

The Board of Directors has determined a capital plan for BN Bank with a target of a core tier 1 capital ratio of 10.5 per cent by the end of 2013 and 12.5 per cent by the end of 2015.

See Note 15 for further details concerning the capital adequacy ratio and solvency.

BN Bank had total assets of NOK 41.1 billion as at 31 March 2013 (NOK 42.3 billion). Including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, total assets were NOK 57.2 billion (NOK 54.2 billion) at the end of March.

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 March 2013 the Guarantee Portfolio stood at NOK 576 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 first-quarter 2013. Write-downs in the portfolio totalled NOK 119 million as at 31 March 2013.

The associated seller's credit to SpareBank 1 SMN relating to the Guarantee Portfolio was redeemed in its entirety in the first quarter of 2013.

In March 2013, the Norwegian Supreme Court passed judgment in the so-called "Røeggen case". The Norwegian Financial Services Complaints Board has in that connection requested BN Bank and other banks to reassess the complaints against them that have been brought before the Board, in the light of the Supreme Court judgment. BN Bank has found no grounds for changing its standpoint and still takes the view that the cases the Bank is involved in are not comparable with the "Røeggen case". As a result of this, no provision was made relating to structured savings products in the first quarter of 2013.

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 first-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 Q1 2013

The comparative figures in parentheses are for Q4 2012.

For the first quarter of 2013, BN Bank reported a post-tax profit of NOK 30 million (NOK 82 million), producing a return on equity of 3.7 per cent (9.9 per cent). Increased margins, growth in lending volumes and a reduction in operating expenditure all contributed positively to profits, while impairment losses on loans and the requirement to pay a levy to the Norwegian Banks' Guarantee Fund pulled profits down in first-quarter 2013. In addition, the fourth quarter of 2012 had seen a P&L effect of income recognised as a result of the amicable settlement with the former owner, Glitnir hf.

Income

Total income for the first quarter of 2013 was NOK 150 million (NOK 264 million).

NOKm	Q1 2013	Q4 2012	CHANGE
Total income	150	264	-114
Margins and volumes, lending and deposits			10
Charges/fees			-6
Value changes			2
Settlement Glitnir hf.			-117
Banks' Guarantee Fund levy			-5
Other			2

The most important reason for the decrease in income in first-quarter 2013 compared with fourth-quarter 2012 is the amicable settlement with Glitnir hf. A decrease in charges and fees, and the levy paid to the Norwegian Banks' Guarantee Fund for 2013, has also had a negative impact in the first quarter, while growth in lending margins and volumes contributed positively to earnings.

Operating expense

First-quarter operating expense was NOK 56 million (NOK 71 million). The change in Other operating expense is attributable to the implementation of various cost-cutting measures, as well as write-downs on impaired intangible assets in the fourth quarter of 2012.

The cost-income ratio in the first quarter of 2013 was 37 per cent (27 per cent). Adjusted for the settlement with Glitnir hf and the write-down of intangible assets in fourth-quarter 2012, the cost-income ratio was 41 per cent.

Impairment losses and non-performing loans

In the first quarter of 2013, NOK 52 million was recognised as expense on impairment losses on loans. Losses are largely related to a single loan.

Impairment losses on loans in the first quarter of 2013 comprised NOK 51 million in corporate loans and NOK 1 million in retail loans. Total write-downs in the Guarantee Portfolio remained unchanged in first-quarter 2013.

Individual and collective impairment losses on loans in first-quarter 2013 were as follows:

NOKm	INDIVIDUAL	COLLECTIVE
Corporate	50	1
Retail	0	1
Guarantee Portfolio	13	-13

Non-performing and doubtful loans, less individual write-downs, totalled NOK 997 million (NOK 808 million) at the end of first-quarter 2013, which is 3.02 per cent (2.43 per cent) of gross lending in the Group and the Guarantee Portfolio. See Note 7 for more information.

Loan loss provisions in the core business as at 31 March 2013 totalled NOK 168 million. Of this figure, individual write-downs account for NOK 102 million and collective write-downs NOK 66 million.

Total loan loss provisions at the end of first-quarter 2013 were as follows:

	LOAN LOSS PROVISION (NOKm)	% OF GROSS LENDING GROUP
Corporate	154	0.63
Retail	14	0.16

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 41.1 billion at the end of the first quarter 2013, which is NOK 1.2 billion down on the past 12 months. The change is attributable to loan transfers to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt, and the fact that the seller's credit to SpareBank 1 SMN has been redeemed in its entirety.

Growth in lending and deposits

Gross managed lending[1] has risen by NOK 3.2 billion, or 7 per cent, in the past 12 months. Gross managed loans totalled NOK 49.1 billion at the end of first-quarter 2013.

NOKbn	31.03.13	31.03.12
Gross lending	49.1	45.9
Change in past 12 months	3.2	2.3

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

NOKbn	31.03.13	31.03.12
Retail	14.8	13.4
Corporate	34.3	31.4
Loans to SpareBank 1 SMN	0.0	1.2

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 1.4 billion, or 10 per cent.

Gross lending in the BN Bank Group[2] had the following sectoral exposure:

FIGURES IN %	31.03.13	31.03.12
Real estate operations	58	54
Retail market	29	31
Financial industry	5	7
Other	8	8

At the end of first-quarter 2013 a loan portfolio of NOK 10.0 billion had been transferred to SpareBank 1 Næringskreditt and a loan portfolio of NOK 6.1 billion to SpareBank 1 Boligkreditt.

Customer deposits have increased by NOK 0.9 billion in the past 12 months. Total deposits stood at NOK 17.0 billion at the end of first-quarter 2013.

The deposit-to-loan ratio at the end of first-quarter 2013 was 51.6 per cent, which is a 4.1 percentage point increase in the past 12 months.

[1] Gross managed lending is the sum total of corporate and retail lending in BN Bank, SpareBank 1 Næringskreditt, SpareBank 1 Boligkreditt and loans to SpareBank 1 SMN.
[2] Gross lending for the Group is the sum total of corporate and retail lending in BN Bank and loans to SpareBank 1 SMN.

Funding and liquidity

In the first quarter of 2013, 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 first-quarter 2013.

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 first 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.

Bolig- og Næringskreditt AS (BNkreditt)

BNkreditt provides low-risk mortgage loans on commercial real estate. At the end of the first quarter of 2013 the company had a gross loan portfolio totalling NOK 18.9 billion, compared with NOK 18.2 billion as at 31 March 2012. A loan portfolio for NOK 10.0 billion had been transferred to SpareBank1 Næringskreditt as at 31 March 2013.

BNkreditt posted a loss after tax of NOK 4 million for the first quarter to 31 March 2013, compared with a post-tax profit of NOK 19 million for first-quarter 2012. The loss for the period is primarily attributable to impairment losses on loans, although increased margins on lending and increased commission on loans helped boost earnings.

Impairment losses on loans totalled NOK 56 million for the first quarter of 2013, compared with NOK 6 million for first-quarter 2012. Collective write-downs were up by NOK 1 million for first-quarter 2013 and totalled NOK 37 million, which is 0.20 per cent of gross lending in the company as at 31 March 2013.

BNkreditt had NOK 3.5 billion in bond debt outstanding as at 31 March 2013, compared with NOK 4.7 billion as at 31 March 2012.

BN Bank has provided guarantees that BNkreditt will have a minimum capital adequacy ratio and junior financing of 20 per cent. BNkreditt's capital adequacy ratio and tier 1 capital ratio were, respectively, 15.88 per cent and 13.57 per cent as at 31 March 2013. The amount BN Bank is ceding precedence for in relation to guarantees was NOK 805 million as at 31 March 2013.

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 BN Boligkreditt is now being wound up.

The company posted a post-tax profit of NOK 2 million for the first quarter to 31 March 2013, compared with NOK 7 million for first-quarter 2012.

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 the first quarter of 2013, the same result as for the first quarter of 2012.

Outlook for BN Bank

While the main elements of BN Bank's established business strategy remain fixed, stricter regulatory requirements in relation to maintaining solvency will give rise to lower growth and there will be a need to boost earnings in the time ahead. The Bank has announced an increase in interest rates for both business and retail customers. The change will take effect from the start of the second quarter 2013.

Lower costs will enable BN Bank to improve its profits. The cost base was reduced in the first quarter of 2013 and the Board of Directors expects the cost-cutting programme for operating expenditure to help reduce annual costs considerably in 2013.

BN Bank has adopted a long-term target to achieve a core tier 1 capital ratio of 12.5 per cent by the end of 2015. In order to satisfy future regulatory capital requirements, the Bank has initiated a number of different measures. The most important are the introduction of the Advanced Internal Ratings-based (IRB) approach, adjustment of lending volumes and margins, and retainment of profits.

The trend in the Norwegian economy is positive, although slightly weaker than expected through 2012. Growth in employment has slowed, but unemployment is still low. Even if some Norwegian industries are seeing weaker demand from our most important trading partners, the level of activity still remains high in the Norwegian economy in general. Overall this means that the Bank's customers are still well able to service their loans and there is good demand for the Bank's products.

Trondheim, 2 May 2013
The Board of Directors of BN Bank ASA

Tore Medhus (Deputy Chair) | Stig Arne Engen | Finn Haugan (Chair) | Harald Gaupen | Helene Jebsen Anker

Kristin Undheim | Anita Finserås Bretun (Staff representative) | Ella Skjørestad | Gunnar Hovland (Managing Director)

Consolidated Income Statement

GROUP

NOK MILLION	NOTE	Q1 2013	Q1 2012	FULL-YEAR 2012
Interest and similar income		394	430	1 614
Interest expense and similar charges		307	346	1 271
Net income from interest and credit commissions		87	84	343
Change in value of financial instruments at fair value, gains & losses	3, 4	12	15	29
Other operating income	5	51	28	145
Amicable settlement	6	0	0	117
Total other operating income		63	43	291
Salaries and general administrative expenses		46	55	203
Ordinary depreciation, amortisation and write-downs		3	4	31
Other operating expense		7	8	28
Other gains and losses		56	67	262
Total other operating expense		94	60	372
Operating profit before impairment losses	7	52	9	114
Impairment losses on loans and advances		42	51	258
Operating profit after impairment losses		12	14	72
Profit before tax		30	37	186
Tax charge				
Profit after tax		30	37	186
Statement of Other Comprehensive Income				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains (losses) on pension plans	1	0	0	22
Tax		0	0	-6
Other comprehensive income (net of tax)		0	0	16
Total comprehensive income for the period		30	37	202

Consolidated Balance Sheet

		GROUP		
NOK MILLION	**NOTE**	**31.03.13**	**31.03.12**	**31.12.12**
Deferred tax assets		43	51	43
Intangible assets		7	19	10
Tangible fixed assets		17	22	18
Repossessed properties		22	38	29
Loans and advances	7, 8, 9,10, 13, 15	32 862	33 859	33 193
Prepayments and accrued income		64	315	52
Financial derivatives	13, 14	731	906	759
Short-term securities investments		6 115	6 351	6 135
Cash and balances due from credit institutions		1 205	721	1 495
Assets classified as held for sale	12	0	15	0
Total assets		41 066	42 297	41 734
Share capital		668	649	668
Share premium		266	190	266
Retained earnings	1	2 432	2 332	2 402
Total equity		3 366	3 171	3 336
Subordinated loan capital	11	1 462	1 458	1 613
Liabilities to credit institutions		519	1 370	519
Debt securities in issue	11	17 788	18 143	18 369
Accrued expense and deferred income		210	163	201
Other current liabilities		14	986	82
Tax payable		53	35	71
Financial derivatives	13, 14	613	817	633
Customer deposits & accounts payable to cust.		17 041	16 154	16 910
Total liabilities		37 700	39 126	38 398
Total equity and liabilities		41 066	42 297	41 734

Trondheim, 2 May 2013
The Board of Directors of BN Bank ASA

Tore Medhus (Deputy Chair) | Stig Arne Engen | Finn Haugan (Chair) | Harald Gaupen | Helene Jebsen Anker

Kristin Undheim | Anita Finserås Bretun (Staff representative) | Ella Skjørestad | Gunnar Hovland (Managing Director)

Statement of Changes in Equity

GROUP

NOK MILLION	SHARE CAPITAL	SHARE PREM. RESERVE	OTHER PAID-UP SHARE CAPITAL	OTHER RESERVES[1]	TOTAL EQUITY
Balance Sheet as at 1 January 2012	649	190	0	2 295	3 134
Result for the period	0	0	0	37	37
Balanse 31.03.2012	**649**	**190**	**0**	**2 332**	**3 171**
Dividend paid	0	0	0	-95	-95
Share capital increase	19	76	0	0	95
Result for the period	0	0	0	149	149
Actuarial gains (losses) pensions (net of tax)	0	0	0	16	16
Balance Sheet as at 31 December 2012	**668**	**266**	**0**	**2 402**	**3 336**
Result for the period	0	0	0	30	30
Actuarial gains (losses) pensions (net of tax)	0	0	0	0	0
Balance Sheet as at 31 March 2013	**668**	**266**	**0**	**2 432**	**3 366**

[1] See Note 1 for more information concerning changes relating to pensions

Trondheim, 2 May 2013

The Board of Directors of BN Bank ASA

Statement of Cash Flows

	GROUP		
NOK MILLION	**Q1 2013**	**Q1 2012**	**FULL-YEAR 2012**
Cash flows from operating activities			
Interest/commission received and fees received from customers	339	915	1 850
Interest/commission paid and fees paid to customers	-51	-26	-455
Interest received on other investments	44	11	283
Interest paid on other loans	-154	-113	-804
Receipts/disbursements (-) on loans to customers	291	-827	-561
Receipts/payments on customer deposits & accounts payable to customers	-131	63	1 211
Receipts/payments (-) on liabilities to credit institutions	187	222	-962
Receipts/payments (-) on securities in issue	-578	569	338
Receipts on previously written-off debt	7	2	7
Other receipts/payments	-87	-69	184
Payments to suppliers for goods and services	-20	-25	-110
Payments to employees, pensions and social security expenses	-24	-32	-105
Tax paid	-18	-2	-34
Net cash flow from operating activities	-195	688	842
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	28	72	304
Receipts/payments (-) on short-term securities investments	26	-812	-577
Proceeds from sale of operating assets etc.	7	0	0
Purchase of operating assets etc.	0	-41	-44
Net cash flow from investing activities	61	-781	-317
Cash flow from financing activities			
Receipts/payments (-) of subordinated loan capital	-156	0	156
Net cash flow from financing activities	-156	0	156
Net cash flow for the period	-290	-93	681
Cash and balances due from credit institutions as at 1 January	1 495	814	814
Cash and balances due from credit institutions at the close of the period	1 205	721	1 495

Notes Group

NOTE 1. ACCOUNTING POLICIES

The Q1 interim consolidated financial statements for the period 1 January to 31 March 2013 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 2012, with the following exceptions:

Pensions

With effect from 1 January 2013, BN Bank has applied IAS 19 Employee Benefits and has changed the basis for calculating pension liabilities and pension costs. BN Bank has previously used the "corridor" method to account for unamortised estimate variances. The corridor method is no longer permitted, and according to the revised standard IAS 19R, all estimate variances shall be recognised in a Statement of Other Comprehensive Income (OCI). Estimate variances as at 1 January 2012 which totalled NOK 29.8 million have been reset. The pension liability increased correspondingly as of 1 January 2012, while the equity was reduced by NOK 21.5 million after tax.

Previously, the return on pension assets was calculated using the long-term expected rate of return on the pension assets. By applying IAS 19R, the net interest expense for the period is now calculated by applying the discount rate for the liability at the beginning of the period to the net liability. The net interest expense therefore consists of the interest on the liability and the return on the pension assets, both calculated using the discount rate. Changes in the net pension liability as a result of premium receipts and payments of pensions are taken account of. The difference between the actual return on the pension assets and the return recognised in profit and loss, is accounted for immediately in OCI. The pension cost in 2012 under the previous accounting principle was NOK 13.4 million.

The net effect of the change in principle of the treatment of unamortised estimate variances and the calculation of the net interest expense, brought about no change in the pension cost recognised in profit and loss in 2012, while estimate variances for 2012 of NOK 22.4 million were recognised in income under the Statement of Other Comprehensive Income in the fourth quarter of 2012. The pension liability as at 31 December 2012 increased to NOK 47.9 million. IAS 19R has been applied retrospectively, so that the comparable figures have been changed.

NOTE 2. INFORMATION ABOUT OPERATING SEGMENTS

Segment reporting is reviewed regularly with the management. The management have elected to divide up the reporting segments according to the underlying business areas (business segments).

NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL Q1 2013
Net income from interest and credit commissions	63	28	-4	87
Change in value of financial instruments carried at fair value	8	4	0	12
Other operating income	39	12	0	51
Total other operating income	47	16	0	63
Salaries and general administrative expenses	-20	-26	0	-46
Ordinary depreciation, amortisation and write-downs	-2	-2	0	-4
Other operating expense	-2	-4	0	-6
Total other operating expenses	-24	-32	0	-56
Operating profit before impairment losses	86	12	-4	94
Impairment losses on loans and advances	-51	-1	0	-52
Operating profit after impairment losses	35	11	-4	42
Computed tax charge	-10	-3	1	-12
Profit after tax	25	8	-3	30

NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL Q1 2013
Loans (gross) managed portfolio	34 264	14 845	0	49 109
Customer deposits & accounts payable to cust.	1 371	15 670	0	17 041

NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL Q1 2013
Net income from interest and credit commissions	62	32	-10	84
Change in value of financial instruments carried at fair value	9	5	0	14
Other operating income	24	3	2	29
Total other operating income	33	8	2	43
Salaries and general administrative expenses	-22	-33	0	-55
Ordinary depreciation, amortisation and write-downs	-2	-2	0	-4
Other operating expense	-4	-4	0	-8
Total other operating expenses	-28	-39	0	-67
Operating profit before impairment losses	67	1	-8	60
Impairment losses on loans and advances	-1	12	-20	-9
Operating profit after impairment losses	66	13	-28	51
Computed tax charge	-19	-3	8	-14
Profit after tax	47	10	-20	37

NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL Q1 2013
Loans (gross) including loans in covered bonds companies	31 370	13 368	1 142	45 880
Customer deposits & accounts payable to customers	1 693	14 461	0	16 154

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

NOTE 3. CHANGE IN VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE, GAINS AND LOSSES

NOK MILLION	Q1 2013	Q1 2012	FULL-YEAR 2012
Change in value interest rate derivatives obliged to be carried at fair value through profit or loss [1, 4]	6	5	4
Change in value currency derivatives obliged to be carried at fair value through profit or loss [2]	1	59	54
Change in value combined int. rate & currency deriv. obliged carried at fair value thro profit or loss [2]	0	0	0
Change in value equity-linked options & equity options oblig. carried at fair value thro profit or loss [1]	0	0	5
Total change in value of financial instruments obliged to be carried at fair value	7	64	63
Change in value of deposits selected for fair value carrying through profit or loss [4]	1	-5	-12
Change in value of borrowings selected for fair value carrying through profit or loss [4]	-3	-5	-42
Change in value of loans selected for fair value carrying through profit or loss [4]	7	4	38
Change in value short-term financial investments selected for fair value carrying [3]	9	17	45
Total change in value of financial instruments selected for fair value carrying	14	11	29
Change in value of interest rate derivatives, hedging [5]	-4	7	64
Change in value of borrowings, hedged [5]	4	-7	-64
Total change in value of financial instruments for hedging	0	0	0
Total change in value of financial instruments carried at fair value	21	75	92
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost	-11	-3	-11
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost	-1	0	-1
Exchange gains/losses on borrowings and loans carried at amortised cost [2]	3	-57	-51
Total change in value of financial instruments carried at fair value, gains and losses	12	15	29

[1] In connection with the sale and/or issue of the structured products, BN Bank has hedged exposure in the form of equity options, equity-linked options and interest rate swap agreements. The earlier turbulence in the financial markets caused the loss of some contractual counterparties, and it was not possible at the time to replace these hedging transactions. BN Bank is therefore partially exposed to the market development of a limited number of products. Changes in exposure are recognised in profit and loss immediately, and there was no P&L effect in Q1 2013 or in 2012. The effect for full-year 2012 was income recognition of NOK 5 million.

[2] Exchange gains/losses on borrowings and loans carried at amortised cost are chiefly attributable to exchange gain/loss effects which arise when borrowing and lending in foreign currencies are translated at the current exchange rate. Forward exchange contracts and combined interest rate and currency derivatives are carried at fair value with changes in value carried through profit or loss. The net foreign exchange effect for the Group was recognised income of NOK 3 million for Q1 2013, compared with recognised income of NOK 2 million for Q1 2012. The effect for full-year 2012 was recognised income of NOK 3 million.

[3] Changes in the value of financial investments selected for fair value carrying gave rise to recognised income of NOK 9 million for Q1 2013, compared with recognised income of NOK 17 million for Q1 2012. The effect for full-year 2012 was recognised income of NOK 45 million. Turbulence in the financial markets has caused big fluctuations in the value of these investments.

[4] The net effect of interest rate derivatives obliged to be carried at fair value and changes in the value of financial instruments selected for fair value carrying was recognised income of NOK 12 million for Q1 2013, compared with recognised expense of NOK 1 million for Q1 2012. The effect for full-year 2012 was recognised expense of NOK 12 million.

[5] BN Bank uses 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 March 2013 was positive by NOK 171 million, up from NOK 86 million for the same period of 2012. As at 31 December 2012 the value was positive by NOK 192 million.

[6] Realiealised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 12 million for Q1 2013, compared with recognised expense of NOK 3 million for Q1 2012. The effect for full-year 2012 was recognised expense of NOK 12 million.

NOTE 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Methods of determining fair value

Interest swap agreements, currency swap agreements and forward exchange contracts

The measurement of interest swap agreements at fair value is performed using a valuation technique where future cash flows are discounted to present values. The calculation of expected cash flows and the discounting of these cash flows is performed using observed market interest rates for the various currencies (interest-rate swap curve) and observed exchange rates (from which forward exchange rates are derived).

Interest swap agreements with credit spread

The measurement of interest swap agreements with credit spread at fair value is performed using a valuation technique where future cash flows are discounted to present values. The calculation of expected cash flows and the discounting of these cash flows is performed using observed market interest rates for the various currencies (interest-rate swap curve) with premium for the original credit spread on the interest swap agreement.

Certificates and bonds

Certificates are measured at quoted prices where such are available and the securities are liquid. In the case of other securities, measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of market players' assessments of the creditworthiness of the issuer.

Loans and advances

For loans measured at fair value, the valuation is performed using a valuation technique where expected future cash flows are discounted to present values. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk and margins is determined on the basis of the original premium for credit risk and margin, but with subsequent adjustment of these premiums in correlation with changes in the market pricing of risk, the borrowers' credit ratings and margin changes in the market.

Borrowings selected for fair value carrying

Where borrowing/funding is measured at fair value, quoted borrowings will be measured at quoted prices where such are available and the securities are liquid. In the case of other securities, measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of market players' ongoing assessments of the Bank's creditworthiness.

Hedged borrowing/funding

Borrowings included in fair value hedges are measured using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). We have discounted by the interest-rate swap curve with premium for the original credit spread on the borrowing to eliminate the effects of the credit risk. It is the interest rate risk that is hedged.

Deposits

For deposits measured at fair value, the valuation is performed using a valuation technique where expected future cash flows are discounted to present values. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness. The premium for margins is determined on the basis of the original margin, but with subsequent adjustment of margin in correlation with margin changes in the market.

Options

Equity options and equity-linked options are measured at fair value by obtaining market prices from the facilitators of the structured financial products.

Shares

The shares comprise mainly the investments in SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. There is an interplay between the transfer of loans to these companies, the provision of the necessary capital and the level of the commission that is received. The measurement of these shares at fair value is virtually equal to the amount of capital paid into these companies.

Division into measurement levels

Financial instruments measured at fair value at the end of the reporting period are divided into the following levels of fair value measurement:

- Level 1: Quoted price in an active market for an identical asset or liability
- Level 2: Measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate of loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness.
- Level 3: Measurement based on factors not taken from observable markets nor which have observable assumptions as input to the valuation.

The Group's assets and liabilities measured at fair value as at 31 March 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	1 181	1 181
Interest rate derivatives [1]	0	694	0	694
Currency derivatives	0	36	0	36
Equity-linked options and equity options	0	1	0	1
Short-term securities investments	0	3 840	420	4 260
Total assets	0	4 571	1 601	6 172
Subordinated loan capital	0	-176	0	-176
Debt securities in issue	0	-4 028	0	-4 028
Interest rate derivatives [1]	0	-582	0	-582
Currency derivatives	0	-31	0	-31
Customer deposits & accounts payable to customers	0	-1 716	0	-1 716
Total liabilities	0	-6 533	0	-6 533

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 March 2013 was positive by NOK 171 million.

The Group's assets and liabilities measured at fair value as at 31 March 2012

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	1 676	1 676
Interest rate derivatives [1]	0	840	0	840
Currency derivatives	0	58	0	58
Equity-linked options and equity options	0	8	0	8
Short-term securities investments	290	3 687	217	4 194
Total assets	290	4 593	1 893	6 776
Subordinated loan capital	0	-173	0	-173
Debt securities in issue	0	-4 020	0	-4 020
Interest rate derivatives[1]	0	-768	0	-768
Currency derivatives	0	-49	0	-49
Customer deposits & accounts payable to customers	0	-1 623	0	-1 623
Total liabilities	0	-6 633	0	-6 633

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 March 2012 was positive by NOK 86 million.

The Group's assets and liabilities measured at fair value as at 31 December 2012

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	1 226	1 226
Interest rate derivatives[1]	0	706	0	706
Currency derivatives	0	52	0	52
Equity-linked options and equity options	0	1	0	1
Short-term securities investments	29	3 141	420	3 590
Total assets	**29**	**3 900**	**1 646**	**5 575**
Subordinated loan capital	0	-172	0	-172
Liabilities to credit institutions	0	0	0	0
Debt securities in issue	0	-4 409	0	-4 409
Interest rate derivatives [1]	0	-586	0	-586
Currency derivatives	0	-47	0	-47
Customer deposits & accounts payable to cust.	0	-1 951	0	-1 951
Liabilities classified as held for sale	0	0	0	0
Total liabilities	**0**	**-7 165**	**0**	**-7 165**

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 December 2012 was positive by NOK 192 million.

The Group's financial instruments at fair value, Level 3, as at 31 March 2013

NOK MILLION	LOANS	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	1 226	420	1 646
Investments in the period/new agreements	0	0	0
Sales in the period (at book value)	0	0	0
Matured	-52	0	-52
Transferred from Level 1 or 2	0	0	0
Transferred to Level 1 or 2	0	0	0
Change in value of financial instruments carried at fair value, gains and losses	7	0	7
Closing balance	**1 181**	**420**	**1 601**
Of which result for the period relating to financial instruments still on the balance sheet	7	0	7

The Group's financial instruments at fair value, Level 3, as at 31 March 2012

NOK MILLION	LOANS	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	1 880	178	2 058
Investments in the period/new agreements	69	39	108
Sales in the period (at book value)	0	0	0
Matured	-277	0	-277
Transferred from Level 1 or 2	0	0	0
Transferred to Level 1 or 2	0	0	0
Change in value of financial instruments carried at fair value, gains and losses	4	0	4
Closing balance	**1 676**	**217**	**1 893**
Of which result for the period relating to financial instruments still on the balance sheet	5	0	5

The Group's financial instruments at fair value, Level 3, as at 31 December 2012

NOK MILLION	LOANS	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	1 880	178	2 058
Investments in the period/new agreements	54	242	296
Sales in the period (at book value)	0	0	0
Matured	-746	0	-746
Transferred from Level 1 or 2	0	0	0
Transferred to Level 1 or 2	0	0	0
Change in value of financial instruments carried at fair value, gains and losses	38	0	38
Closing balance	**1 226**	**420**	**1 646**
Of which result for the period relating to financial instruments still on the balance sheet	40	0	40

Sensitivity analysis, Level 3

In the case of loans carried at fair value, it is only margin changes that are a not-observable input at fair value calculation. Margin changes do not affect the calculation of fair value to any significant degree and for that reason are not quantified.

The Group's valuation techniques

The Group has a team in its Accounts & Treasury department that is responsible for measuring various assets and liabilities for accounting purposes. This team reports to the Chief Financial Officer. In addition, the factual results from the period's valuations are reported to the audit committee in connection with presentation of the accounts. The team also makes regular reports to the audit committee on the valuation principles and techniques it has applied.

The assumptions used for valuations within Level 3 are related to margin changes on loans.

NOTE 5. OTHER OPERATING INCOME

NOK MILLION	Q1 2013	Q1 2012	FULL-YEAR 2012
Guarantee commission	1	2	1
Net commission income/charges [1]	49	23	140
Other operating income	1	3	4
Total other operating income	**51**	**28**	**145**

[1] Commission income relating to the management of the portfolios in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt totalled NOK 48 million in Q1 2013 and NOK 18 million in Q1 2012. NOK 127 million was recognised as income for full-year 2012.

NOTE 6. 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.

Following the court case there were negotiations between BN Bank ASA and the Winding Up Board for Glitnir hf. The parties came to an amicable settlement after which BN Bank ASA paid NOK 81.8 million to Glitnir hf and Glitnir hf accepted 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 off-set. The P&L effect of the amicable settlement before tax was therefore NOK 117 million recognised as income in 2012.

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 was not possible to replace all these hedging transactions. The liquidator of one of the contractual counterparties filed a counter-claim in 2011 for NOK 12 million, 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 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, 2012 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	Q1 2013	Q1 2012	FULL-YEAR 2012
Write-offs in excess of prior-year write-downs	0	0	20
Write-offs on loans without prior write-downs	0	0	0
Write-offs transferred to divested portfolio	0	0	0
Write-downs for the period:			
Change in collective write-downs	1	-19	-20
Change in collective write-downs related to Guarantee Portfolio	-13	1	40
Change in collective write-downs transferred to divested portfolio	0	0	0
Total change in collective write-downs	**-12**	**-18**	**20**
Increase in loans with prior-year write-downs [1]	14	18	26
Provisions against loans without prior write-downs	55	11	68
Decrease in loans with prior-year write-downs	0	-2	-18
Change in individual write-downs transferred to divested portfolio	0	0	0
Total change in individual write-downs	**69**	**27**	**76**
Gross impairment losses	57	9	116
Recoveries on previous write-offs	5	0	2
Impairment losses on loans and advances	**-52**	**9**	**114**
Revenue recognition of interest on written-down loans	2	2	6

[1] Changes in value relating to repossessed properties totalled NOK 10 million as at 31 March 2013.

NOK MILLION	Q1 2013	Q1 2012	FULL-YEAR 2012
Individual write-downs to cover impairment losses at start of the period	48	94	94
Write-offs covered by prior-year individual write-downs	-1	-12	-40
Write-downs for the period:			
Increase in loans with prior-year individual write-downs	0	4	12
Write-downs on loans without prior individual write-downs	55	0	0
Decrease in loans with prior-year individual write-downs	0	-1	-18
Transferred assets classified as held for sale	0	0	0
Individual write-downs to cover impairment losses at end of the period	**102**	**85**	**48**
Collective write-downs to cover impairment losses at start of the period	65	85	85
Collective write-downs for the period to cover impairment losses	1	-19	-20
Transferred assets classified as held for sale	0	0	0
Collective write-downs to cover impairment losses at end of the period	**66**	**66**	**65**

NOK MILLION	Q1 2013	Q1 2012	FULL-YEAR 2012
Loss provision financial guarantee related to Guarantee Portfolio at start of period [1]	72	28	28
Write-offs covered by prior-year individual write-downs	0	-1	-27
Write-downs for the period:			
Increase in loans with prior-year individual write-downs	13	8	3
Write-downs on loans without prior individual write-downs	0	11	68
Decrease in loans with prior-year individual write-downs	0	0	0
Loss provision financial guarantee related to Guarantee Portfolio at end of period [1]	**85**	**46**	**72**
Collective write-downs related to Guarantee Portfolio at start of the period	47	20	20
Collective write-downs for the period to cover losses in Guarantee Portfolio	-13	-13	27
Collective write-downs related to Guarantee Portfolio at end of the period [1]	**34**	**7**	**47**
Individual write-downs related to Guarantee Portfolio classified as held for sale	0	0	0
Collective write-downs related to Guarantee Portfolio classified as held for sale	0	0	0
Total loss provisions related to Guarantee Portfolio	**119**	**53**	**119**

[1] 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 BN Bank sold NOK 2.3 billion of the portfolio valued at NOK 3.1 billion to SpareBank1 SMN. 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 Q1 2013 was 1.0% of the Bank's total lending. The total provision for losses in the Guarantee Portfolio was NOK 119 million at 31 March 2013. BN Bank will provide guarantees for losses in the Guarantee Portfolio for a period of 3-5 years from the inception of the original agreement. The loss provision is classified under Accrued expenses and deferred income.

Loans past due more than 3 months [1, 2]

NOK MILLION	31.03.13	31.03.12	31.12.12
Gross principal	405	539	404
Individual write-downs	2	53	3
Net principal	**403**	**486**	**401**

Other loans with individual write-downs [1]

NOK MILLION	31.03.13	31.03.12	31.12.12
Gross principal	779	232	524
Individual write-downs	185	78	117
Net principal	**594**	**154**	**407**

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

NOK MILLION	GROSS OUTSTANDING 31.03.13	%	GROSS OUTSTANDING 31.03.12	%	GROSS OUTSTANDING 31.12.12	%
Corporate Market	354	1.46	455	1.86	341	1.36
Retail Market	51	0.59	64	0.67	63	0.77
Guarantee Portfolio	0	0.00	20	2.64	0	0.00
Total	**405**	**1.21**	**539**	**1.55**	**404**	**1.19**

[1] With regard to disclosures in the notes concerning loans past due (non-performing loans), other loans with individual write-downs, and loans past due by sector and as a percentage of loans, the figures stated include the Guarantee Portfolio vis-à-vis SpareBank 1 SMN.

[2] Loans past due more than 3 months and as a percentage of loans are calculated on the basis of loans in the remaining entity and the Guarantee Portfolio.

NOTE 8. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIO

NOK MILLION	31.03.13	31.03.12	31.12.12
Loans Corporate Market and Retail Market, Group	33 030	32 867	32 394
Seller's credit	-22	1 142	911
Gross lending	33 008	34 009	33 305
Loans transferred to SpareBank 1 Næringskreditt	9 953	8 099	9 919
Loans transferred to SpareBank 1 Boligkreditt	6 148	3 772	6 240
Total loans in managed portfolio	49 109	45 880	49 464
Divested portfolio	0	92	13

NOTE 9. TRANSFER OF LOANS 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 at 31 March 2013. 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. Loans transferred to Sparebank 1 Næringskreditt AS are secured by mortgages on commercial properties for up to 60 per cent of the appraised value. Transferred loans are legally owned by Sparebank 1 Næringskreditt AS, and BNkreditt has, apart from the management right and the right to take over fully or partially written-down loans, no right to the use of these loans. As at 31 March 2013, the book value of transferred loans was NOK 10.0 billion. BNkreditt 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.

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 March 2013, these guarantees totalled NOK 107 million.

The loans transferred to SpareBank 1 Næringskreditt AS are very well secured and there is only a very slight probability of loss. BNkreditt has a remaining involvement in the form of a possible settlement against the commission it receives. Should there arise accounting credit losses or a fall in margin relating to one or more transferred loans, SpareBank 1 Næringskreditt AS can reduce the commission BNkreditt receives with the loss. A reduction in commission for BNkreditt is limited to the total commission for the calendar year and if SpareBank 1 Næringskreditt AS subsequently has its loss covered, the commission will be paid back to BNkreditt. The maximum amount which BNkreditt can be required to pay back has been calculated, but is not material and is thus not recorded on the balance sheet. The fair value of the expected reduction in commission has been calculated and deemed immaterial. A possible settlement against the commission has therefore had no effect on the balance sheet or the result during the period.

The consideration received for loans transferred from BNkreditt to SpareBank 1 Næringskreditt AS is equal to the nominal value of transferred loans and is measured as virtually concurrent with the fair value of the loans as at 31 March 2013 and for full-year 2012.

Guarantee provided by BN Bank to BNkreditt

In order to attend to the interests of existing bond holders, in connection with the transfer of loans to Sparebank 1 Næringskreditt, 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 March 2013, BNkreditt's capital adequacy ratio was 15.88 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 805 million as at 31 March 2013.

NOTE 10. TRANSFER OF LOANS 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. BN Bank had a 3.90% shareholding in the company as at 31 March 2013. 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. Loans transferred to SpareBank 1 Boligkreditt AS are secured by mortgages on residential properties for up to 75 per cent of the appraised value. Transferred loans are legally owned by SpareBank 1 Boligkreditt AS, and BN Bank has, apart from the management right and the right to take over fully or partially written-down loans, no right to the use of these loans. At 31 March 2013, the book value of transferred loans was NOK 6.1 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.

BN Bank has, in conjunction with the other owners of SpareBank 1 Boligkreditt AS, entered into agreements to establish a liquidity facility for SpareBank 1 Boligkreditt AS. This means that the owner banks have undertaken to purchase covered bonds in the case that SpareBank 1 Boligkreditt AS is unable to refinance its business in the market. The purchase is limited to the total value of the maturities in the company at any time in the next twelve months. Previous purchases under this agreement are deducted from future purchase obligations. Each owner is principally liable for his share of the refinancing need, alternatively for the double of what the primary liability may be in accordance with the same agreement. The bonds can be deposited in Norges Bank and thus give rise to no material increase in risk for BN Bank. According to its own internal policy, SpareBank 1 Boligkreditt AS maintains its liquidity for the next 12 months' maturities. This is deducted when the banks' liability is measured. It is therefore only in the event that SpareBank 1 Boligkreditt AS no longer has sufficient liquidity for the next 12 months' maturities that BN Bank will report any commitment here with regard to capital adequacy or major commitments.

BN Bank has also entered into a shareholder agreement with the shareholders of SpareBank 1 Boligkreditt AS. Among other things, this means that BN Bank will contribute to SpareBank 1 Boligkreditt AS having a tier 1 capital ratio of at least 9.0 per cent, and if required inject tier 1 capital if it falls to a lower level. SpareBank 1 Boligkreditt AS has internal guidelines stipulating a tier 1 capital ratio of at least 10.0 per cent. On the basis of a concrete assessment, BN Bank has chosen not to hold capital for this obligation because the risk of BN Bank being compelled to contribute is considered very slight. Reference is also made in that connection to the fact that there are a number of alternative courses of action which may be relevant should such a situation arise.

The loans transferred to SpareBank 1 Boligkreditt AS are very well secured and there is only a very slight probability of loss. BN Bank has a remaining involvement in the form of a possible settlement against the commission it receives. Should there arise accounting credit losses or a fall in margin relating to one or more transferred loans, SpareBank 1 Boligkreditt AS can reduce the commission BN Bank receives with the loss. A reduction in commission for BN Bank is limited to the total commission for the calendar year and if SpareBank 1 Boligkreditt AS subsequently has its loss covered, the commission will be paid back to BN Bank. The maximum amount which BN Bank can be required to pay back has been calculated, but is not material and is thus not recorded on the balance sheet. The fair value of the expected reduction in commission has been calculated and deemed immaterial. A possible settlement against the commission has therefore had no effect on the balance sheet or the result during the period.

The consideration received for loans transferred from BN Bank to SpareBank 1 Boligkreditt AS is equal to the nominal value of transferred loans and is measured as virtually concurrent with the fair value of the loans as at 31 March 2013 and for full-year 2012.

NOTE 11. 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 has issued bonds and certificates with a face value of NOK 1,995 million as at 31 March 2013, either as new issues or increases in existing tap issues.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (face value) as at 1 January 2013	3 234	14 827	18 061
New issues	0	1 635	1 635
Increase in existing issues	0	360	360
Purchase and maturity of existing issues	-392	-2 203	-2 595
Net debt (face value) as at 31 March 2013	**2 842**	**14 619**	**17 461**

Subordinated loan capital and perpetual subordinated capital securities

The BN Bank Group has issued no subordinated loans as at 31 March 2013.

NOK MILLION	PERPET. SUBORD. CAP. SEC.	SUBORDINATED LOAN CAPITAL	TOTAL
Net debt (face value) as at 1 January 2013	650	955	1 605
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-156	-156
Net debt (face value) as at 31 March 2013	**650**	**799**	**1 449**

Recognised values

NOK MILLION	31.03.13	31.03.12	31.12.12
Certificates carried at amortised cost	0	1 261	0
Certificates selected for fair value carrying	2 903	821	3 285
Total recognised value of certificates	**2 903**	**2 082**	**3 285**
Bonds carried at amortised cost	9 588	10 347	10 028
Bonds carried at amortised cost (secured debt)	4 172	2 520	3 932
Bonds selected for fair value carrying	1 125	3 194	1 124
Total recognised value of bonds	**14 885**	**16 061**	**15 084**
Total recognised value of debt securities in issue	**17 788**	**18 143**	**18 369**

NOK MILLION	31.03.13	31.03.12	31.12.12
Perpetual subordinated capital securities carried at amortised cost	483	482	482
Perpetual subordinated capital securities selected for fair value carrying	176	172	172
Total recognised value of perpetual subordinated capital securities	**659**	**654**	**654**
Subordinated loans carried at amortised cost	803	804	959
Subordinated loans selected for fair value carrying	0	0	0
Total recognised value of subordinated loans	**803**	**804**	**959**
Total recognised value of subordinated loans and perpetual subordinated capital securities	**1 462**	**1 458**	**1 613**

NOTE 12. DIVESTED OPERATION

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, and then sold the company on in the second quarter of 2012.

NOTE 13. FAIR VALUE OF FINANCIAL INSTRUMENTS COMPARED WITH RECOGNISED VALUE

	31.03.13		31.03.12		31.12.12	
NOK MILLION	**FAIR VALUE**	**RECOG. VALUE**	**FAIR VALUE**	**RECOG. VALUE**	**FAIR VALUE**	**RECOG. VALUE**
Subordinated loans	0	0	0	0	0	0
Loans and advances	32 862	32 862	33 859	33 859	33 193	33 193
Prepayments and accrued income	62	62	315	315	52	52
Interest rate derivatives	694	694	840	840	706	706
Currency derivatives	36	36	58	58	52	52
Equity-linked options and equity options	1	1	8	8	1	1
Short-term securities investments	6 117	6 115	6 349	6 351	6 144	6 135
Cash and balances due from credit institutions	1 205	1 205	721	721	1 495	1 495
Assets classified as held for sale	0	0	15	15	0	0
Subordinated loan capital	-1 476	-1 462	-1 450	-1 458	-1 605	-1 613
Liabilities to credit institutions	-519	-519	-1 370	-1 370	-519	-519
Debt securities in issue [1]	-17 866	-17 788	-18 091	-18 143	-18 465	-18 369
Accrued expenses and deferred income	-119	-119	-54	-54	-119	-119
Other current liabilities	-8	-8	-974	-974	-1	-1
Interest rate derivatives	-582	-582	-768	-768	-586	-586
Currency derivatives	-31	-31	-49	-49	-47	-47
Customer deposits & accounts payable to customers[1]	-17 041	-17 041	-16 154	-16 154	-16 910	-16 910
Liabilities classified as held for sale	0	0	0	0	0	0
Total	3 335	3 425	3 255	3 197	3 391	3 470

In the case of short-term financial instruments, the recognised amount will normally always be a good approximation of fair value. Financial derivatives and short-term securities investments are carried in their entirety at fair value, and consequently no difference will be presented in the balance sheet between fair value and recognised value.

NOTE 14. RIGHT OF SET-OFF, FINANCIAL DERIVATIVES

Financial assets 31.03.13

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	325	71	254
Counterparty 2	158	158	0
Counterparty 3	120	29	91
Counterparty 4	69	50	19
Counterparty 5	46	46	0
Counterparty 6	12	12	0
Total	730	366	364

Financial liabilities 31.03.13

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	73	73	0
Counterparty 2	389	158	231
Counterparty 3	29	29	0
Counterparty 4	49	49	0
Counterparty 5	61	46	15
Counterparty 6	12	12	0
Total	613	367	246

Financial assets 31.03.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	385	62	323
Counterparty 2	197	197	0
Counterparty 3	119	37	82
Counterparty 4	46	46	0
Counterparty 5	41	41	0
Counterparty 6	18	18	0
Counterparty 7	0	0	0
Counterparty 8	7	0	7
Total	813	401	412
No right of set-off	85		

Financial liabilities 31.03.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	61	61	0
Counterparty 2	523	198	325
Counterparty 3	37	37	0
Counterparty 4	49	46	3
Counterparty 5	58	41	17
Counterparty 6	31	18	13
Counterparty 7	9	0	9
Total	768	401	367

Financial assets 31.12.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	358	70	288
Counterparty 2	161	161	0
Counterparty 3	136	29	107
Counterparty 4	57	43	14
Counterparty 5	37	37	0
Counterparty 6	9	9	0
Total	758	349	409

Financial liabilities 31.12.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	69	69	0
Counterparty 2	418	162	256
Counterparty 3	29	29	0
Counterparty 4	43	43	0
Counterparty 5	62	37	25
Counterparty 6	11	9	2
Counterparty 7	1	0	1
Total	633	349	284

[1] The amount subject to settlement on a net basis that is not presented net in the balance sheet

NOTE 15. 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, compliance risk and strategic 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	31.03.13	31.03.12	31.12.12
Share capital	668	649	668
Other reserves	2 682	2 524	2 673
Total equity on balance sheet	**3 350**	**3 173**	**3 341**
Net perpetual subordinated capital (perpetual subordinated capital securities borrowings) [1]	557	656	559
Less:			
Equity and subordinated capital in other financial institutions	-121	-113	-121
Intangible assets	-7	-19	-10
Deferred tax assets	-43	-43	-40
Other deductions in tier 1 capital	0	-39	0
Tier 1 capital	**3 736**	**3 615**	**3 729**
Fixed-term subordinated loan capital	803	803	837
Perpetual subordinated capital securities, hybrid capital in excess of 15%	101	113	95
Less:			
Fixed-term subordinated loan capital that cannot be included	0	0	0
Other deductions in tier 2 capital	-121	-39	0
Net tier 2 capital	**784**	**877**	**932**
Total capital base	**4 520**	**4 492**	**4 661**
Risk-weighted assets	31 069	31 549	30 923
Tier 1 capital ratio (%)	**12.02**	**11.46**	**12.06**
Tier 1 capital excluding hybrid capital and deductions (core tier 1 capital ratio) (%)	**10.25**	**11.48**	**10.25**
Capital adequacy ratio (%)	**14.55**	**14.24**	**15.07**

[1] For more details, see Note 11.

Specification of risk-weighted assets

	31.03.13		31.03.12		31.12.12	
NOK MILLION	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**
0 %	1 000	0	1 005	0	1 486	0
10 %	2 271	227	1 734	173	2 094	209
20 %	3 852	770	5 048	1 010	5 056	1 011
35 %	9 862	3 451	9 955	3 484	9 289	3 251
50 %	10	5	848	424	3	2
75 %	71	53	356	267	91	68
100 %	26 563	26 563	26 191	26 191	26 381	26 381
Investments included in the trading portfolio	0	0	0	0	0	0
Negotiable debt instruments incl. in the trading portf.	0	0	0	0	0	0
Total risk-weighted assets	**43 628**	**31 069**	**45 137**	**31 549**	**44 400**	**30 923**
Capital adequacy ratio (%)		**14.57**		**14.24**		**15.07**

NOTE 16. CONTINGENT LIABILITIES

Sale of structured products

"BN Bank was sued in a group action over structured savings products in 2008. The Supreme Court ruled in February 2010 that group litigation is not appropriate for assessing this type of product. The group action against BN Bank has thus been brought to a conclusion.

Three of the Bank's customers then sued the Bank individually in the District Court. The Court ruled in favour of the Bank on 8 July 2011. The ruling was appealed to the Borgarting Court of Appeal, but the case ended in an amicable settlement, with the same result for the Bank as after the District Court's decision, whereby the Bank was obliged to pay its own costs.

BN Bank has also provided loans to finance Artemis structured products. BN Bank was sued by 6 customers, 3 of whom are limited companies. Two applicants have withdrawn their lawsuits, and the total loan financing on these products now amounts to NOK 100 million. The amounts in dispute are interest payments.

In March 2013, the Supreme Court passed judgment in the so-called "Røeggen case". The Norwegian Financial Services Complaints Board has in that connection requested BN Bank and other banks to reassess the complaints against them that have been brought before the Board, in the light of the court judgment. BN Bank has found no grounds for changing its standpoint and still takes the view that the cases the Bank is involved in are not comparable with the "Røeggen case". As a result of this, no provision was made relating to structured savings products in the first quarter of 2013.

NOTE 17. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

Apart from the matters mentioned in Note 16 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 18. CONSOLIDATED INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

NOK MILLION	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Interest and similar income	394	391	394	399	430
Interest expense and similar charges	307	306	305	314	346
Net income from interest and credit commissions	**87**	**85**	**89**	**85**	**84**
Change in value of financial instruments at fair value, gains and losses	12	9	5	0	15
Other operating income	51	53	33	31	28
Amicable settlement	0	117	0	0	0
Total other operating income	**63**	**179**	**38**	**31**	**43**
Salaries and general administrative expenses	46	46	50	52	55
Depreciation, amortisation and write-downs	3	17	5	5	4
Other operating expense	7	8	7	5	8
Total other operating expense	**56**	**71**	**62**	**62**	**67**
Impairment losses on loans and advances	52	78	13	14	9
Pre-tax profit	**42**	**115**	**52**	**40**	**51**
Computed tax charge	12	33	14	11	14
Profit after tax	**30**	**82**	**38**	**29**	**37**

Income Statement

PARENT BANK

NOK MILLION	NOTE	Q1 2013	Q1 2012	FULL-YEAR 2012
Interest and similar income		315	323	1 249
Interest expense and similar charges		276	286	1 086
Net income from interest and credit commissions		**39**	**37**	**163**
Change in value of financial instruments at fair value, gains & losses	2	19	15	50
Other operating income	4	16	13	49
Amicable settlement	5	0	0	117
Total other operating income		**35**	**28**	**216**
Salaries and general administrative expenses		27	37	130
Ordinary depreciation, amortisation & write-downs		3	4	31
Other operating expense		4	3	7
Other gains and losses		**34**	**44**	**168**
Operating profit before impairment losses		**40**	**21**	**211**
Impairment losses on loans and advances	7	-4	6	116
Operating profit after impairment losses		**44**	**15**	**95**
Income from ownership interests in group companies	6	0	0	164
Profit before tax		**44**	**15**	**259**
Tax charge		12	4	72
Profit after tax		**32**	**11**	**187**
Total profit for the period				
Profit after tax		**32**	**11**	**187**
Statement of Other Comprehensive Income				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains (losses) on pension plans	1	0	0	14
Tax		0	0	-4
Other comprehensive income (net of tax)		**0**	**0**	**10**
Total comprehensive income for the period		**32**	**11**	**197**

Balance Sheet

PARENT BANK

NOK MILLION	NOTE	31.03.13	31.03.12	31.12.12
Deferred tax assets		0	4	0
Intangible assets		7	19	10
Ownership interests in group companies		1 877	1 877	1 877
Subordinated loans		451	527	451
Tangible fixed assets		17	22	18
Loans and advances	7, 8, 9, 10, 13, 14	14 030	14 502	15 043
Prepayments and accrued income		64	156	53
Financial derivatives	13, 14	654	745	662
Short-term securities investments		5 592	5 827	5 612
Cash and balances due from credit institutions		13 949	11 284	12 860
Assets classified as held for sale	12	1	16	1
Total assets		**36 642**	**34 979**	**36 587**
Share capital		668	649	668
Share premium		266	190	266
Retained earnings		1 294	1 171	1 262
Total equity		**2 228**	**2 010**	**2 196**
Deferred tax		42	0	42
Subordinated loan capital	11	1 462	1 458	1 613
Liabilities to credit institutions		807	2 123	806
Debt securities in issue	11	14 274	11 828	14 123
Accrued expenses and deferred income	7	192	125	183
Other current liabilities		12	486	80
Tax payable		14	36	31
Financial derivatives	13, 14	570	759	603
Customer deposits & accounts payable to cust.		17 041	16 154	16 910
Liabilities classified as held for sale	12	0	0	0
Total liabilities		**34 414**	**32 969**	**34 391**
Total equity and liabilities		**36 642**	**34 979**	**36 587**

Trondheim, 2 May 2013
The Board of Directors of BN Bank ASA

Tore Medhus (Deputy Chair) | Stig Arne Engen | Finn Haugan (Chair) | Harald Gaupen | Helene Jebsen Anker

Kristin Undheim | Anita Finserås Bretun (Staff representative) | Ella Skjørestad | Gunnar Hovland (Managing Director)

Statement of Changes in Equity

PARENT BANK

NOK MILLION	SHARE CAPITAL	SHARE PREM. RESERVE	OTHER PAID-UP SHARE CAPITAL	OTHER RESERVES[1, 2]	TOTAL EQUITY
Balance Sheet as at 1 January 2012	649	190	282	878	1 999
Result for the period	0	0	0	11	11
Balance Sheet as at 31 March 2012	**649**	**190**	**282**	**889**	**2 010**
Dividend paid	0	0	0	-95	-95
Share capital increase	19	76	0	0	95
Result for the period	0	0	0	176	176
Actuarial gains (losses) pensions (net of tax)	0	0	0	10	10
Balance Sheet as at 31 December 2012	**668**	**266**	**282**	**980**	**2 196**
Result for the period	0	0	0	32	32
Actuarial gains (losses) pensions (net of tax)	0	0	0	0	0
Balance Sheet as at 31 March 2013	**668**	**266**	**282**	**1 012**	**2 228**

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

[2] See Note 1 for more information concerning changes relating to pensions.

Trondheim, 2 May 2013

The Board of Directors of BN Bank ASA

Statement of Cash Flows

PARENT BANK

NOK MILLION	Q1 2013	Q1 2012	FULL-YEAR 2012
Cash flows from operating activities			
Interest/commission received and fees received from customers	123	603	805
Interest/commission paid and fees paid to customers	-53	-32	-475
Interest received on other investments	22	10	255
Interest paid on other loans	-92	-65	-551
Receipts/disbursements (-) on loans and advances to customers	96	-282	-1 187
Receipts/payments on customer deposits & accounts payable to cust.	-131	63	1 211
Receipts/payments (-) on liabilities to credit institutions	187	288	-1 362
Receipts/payments (-) on securities in issue and securities buy-back	123	798	2 668
Receipts on previously written-off debt	6	2	3
Other receipts/payments	-110	-48	229
Payments to suppliers for goods and services	-9	-13	-60
Payments to employees, pensions and social security expenses	-14	-22	-66
Tax paid	-17	0	-34
Net cash flow from operating activities	**131**	**1 302**	**1 436**
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	-237	-485	-731
Receipts/payments (-) on short-term securities investments	26	-813	-578
Receipts/payments (-) on long-term securities investments	0	0	164
Proceeds from sale of operating assets etc.	0	0	0
Purchase of operating assets etc.	0	-3	-15
Proceeds from sale of subsidiaries	0	0	0
Net cash flow from investing activities	**-211**	**-1 301**	**-1 160**
Cash flow from financing activities			
Receipts of subordinated loan capital	-156	0	156
Net cash flow from financing activities	**-156**	**0**	**156**
Net cash flow for the period	**-236**	**1**	**432**
Cash and balances due from central banks as at 1 January *	436	4	4
Cash and balances due from central banks at the close of the period	**200**	**5**	**436**

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

Notes Parent Bank

NOTE 1. ACCOUNTING POLICIES

The Q1 financial statements for the period 1 January to 31 March 2013 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 2012, with the following exceptions:

Pensions

With effect from 1 January 2013, BN Bank has applied IAS 19 Employee Benefits and has changed the basis for calculating pension liabilities and pension costs. BN Bank has previously used the "corridor" method to account for unamortised estimate variances. The corridor method is no longer permitted, and according to the revised standard IAS 19R, all estimate variances shall be recognised in a Statement of Other Comprehensive Income (OCI). Estimate variances as at 1 January 2012 which totalled NOK 19.1 million have been reset. The pension liability increased correspondingly as of 1 January 2012, while the equity was reduced by NOK 13.7 million after tax..

Previously, the return on pension assets was calculated using the long-term expected rate of return on the pension assets. By applying IAS 19R, the net interest expense for the period is now calculated by applying the discount rate for the liability at the beginning of the period to the net liability. The net interest expense therefore consists of the interest on the liability and the return on the pension assets, both calculated using the discount rate. Changes in the net pension liability as a result of premium receipts and payments of pensions are taken account of. The difference between the actual return on the pension assets and the return recognised in profit and loss, is accounted for immediately in OCI. The pension cost in 2012 under the previous accounting principle was NOK 8.6 million.

The net effect of the change in principle of the treatment of unamortised estimate variances and the calculation of the net interest expense, brought about no change in the pension cost recognised in profit and loss in 2012, while estimate variances for 2012 of NOK 14.3 million were recognised in income under the Statement of Other Comprehensive Income in the fourth quarter of 2012. The pension liability as at 31 December 2012 increased to NOK 30.7 million. IAS 19R has been applied retrospectively, so that the comparable figures have been changed.

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

NOK MILLION	Q1 2013	Q1 2012	FULL-YEAR 2012
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss [1, 4]	7	11	18
Change in value of currency derivatives obliged to be carried at fair value through profit or loss [2]	1	59	54
Change in value combined int. rate & currency derivatives obliged to be carried at fair value thro profit or loss [2]	0	0	0
Change in value equity-linked options & equity options obliged to be carried at fair value through profit or loss [1]	0	0	5
Total change in value of financial instruments obliged to be carried at fair value	**8**	**70**	**77**
Change in value of deposits selected for fair value carrying through profit or loss [4]	1	-5	-11
Change in value of borrowings selected for fair value carrying through profit or loss [4]	2	-13	-37
Change in value of loans selected for fair value carrying through profit or loss [4]	28	-15	-9
Change in value of short-term financial investments selected for fair value carrying [3]	9	17	45
Total change in value of financial instruments selected for fair value carrying	**40**	**-16**	**-12**
Change in value of interest rate derivatives, hedging [5]	-9	8	53
Change in value of borrowings, hedged [5]	9	-8	-53
Total change in value of financial instruments for hedging	**0**	**0**	**0**
Total change in value of financial instruments carried at fair value	**48**	**54**	**65**
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost [6]	-7	-2	-3
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost [6]	-1	0	-1
Exchange gains/losses on borrowings and loans carried at amortised cost [2]	-21	-37	-11
Total change in value of financial instruments carried at fair value, gains and losses	**19**	**15**	**50**

[1] In connection with the sale and/or issue of the structured products, BN Bank has hedged exposure in the form of equity options, equity-linked options and interest rate swap agreements. The earlier turbulence in the financial markets caused the loss of some contractual counterparties, and it was not possible at the time to replace these hedging transactions. BN Bank is therefore partially exposed to the market development of a limited number of products. Changes in exposure are recognised in profit and loss immediately, and there was no P&L effect in Q1 2013 or in 2012. The effect for full-year 2012 was income recognition of NOK 5 million.

[2] Exchange gains/losses on borrowings and loans carried at amortised cost are chiefly attributable to exchange gain/loss effects which arise when borrowing and lending in foreign currencies are translated at the current exchange rate. Forward exchange contracts and combined interest rate and currency derivatives are carried at fair value with changes in value carried through profit or loss. The net foreign exchange effect for the Group was recognised income of NOK 3 million for Q1 2013, compared with recognised income of NOK 2 million for Q1 2012. The effect for full-year 2012 was recognised income of NOK 3 million.

[3] Changes in the value of financial investments selected for fair value carrying gave rise to recognised income of NOK 9 million for Q1 2013, compared with recognised income of NOK 17 million for Q1 2012. The effect for full-year 2012 was recognised income of NOK 45 million. Turbulence in the financial markets has caused big fluctuations in the value of these investments.

[4] The net effect of interest rate derivatives obliged to be carried at fair value and changes in the value of financial instruments selected for fair value carrying was recognised income of NOK 15 million for Q1 2013, compared with recognised expense of NOK 2 million for Q1 2012. The effect for full-year 2012 was recognised expense of NOK 1 million.

[5] BN Bank uses 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 March 2013 was positive by NOK 132 million, up from NOK 64 million for the same period of 2012. As at 31 December 2012 the value was positive by NOK 117 million.

[6] Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 8 million for Q1 2013, compared with recognised expense of NOK 2 million for Q1 2012. The effect for full-year 2012 was recognised expense of NOK 4 million.

NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Methods of determining fair value

Interest swap agreements, currency swap agreements and forward exchange contracts

The measurement of interest swap agreements at fair value is performed using a valuation technique where future cash flows are discounted to present values. The calculation of expected cash flows and the discounting of these cash flows is performed using observed market interest rates for the various currencies (interest-rate swap curve) and observed exchange rates (from which forward exchange rates are derived).

Interest swap agreements with credit spread

The measurement of interest swap agreements with credit spread at fair value is performed using a valuation technique where future cash flows are discounted to present values. The calculation of expected cash flows and the discounting of these cash flows is performed using observed market interest rates for the various currencies (interest-rate swap curve) with premium for the original credit spread on the interest swap agreement.

Certificates and bonds

Certificates are measured at quoted prices where such are available and the securities are liquid. In the case of other securities, measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of market players' assessments of the creditworthiness of the issuer.

Loans and advances

For loans measured at fair value, the valuation is performed using a valuation technique where expected future cash flows are discounted to present values. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk and margins is determined on the basis of the original premium for credit risk and margin, but with subsequent adjustment of these premiums in correlation with changes in the market pricing of risk, the borrowers' credit ratings and margin changes in the market.

Borrowings selected for fair value carrying

Where borrowing/funding is measured at fair value, quoted borrowings will be measured at quoted prices where such are available and the securities are liquid. In the case of other securities, measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of market players' ongoing assessments of the Bank's creditworthiness.

Hedged borrowing/funding

Borrowings included in fair value hedges are measured using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). We have discounted by the interest-rate swap curve with premium for the original credit spread on the borrowing to eliminate the effects of the credit risk. It is the interest rate risk that is hedged.

Deposits

For deposits measured at fair value, the valuation is performed using a valuation technique where expected future cash flows are discounted to present values. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness. The premium for margins is determined on the basis of the original margin, but with subsequent adjustment of margin in correlation with margin changes in the market.

Options

Equity options and equity-linked options are measured at fair value by obtaining market prices from the facilitators of the structured financial products.

Shares

The shares comprise mainly the investments in SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. There is an interplay between the transfer of loans to these companies, the provision of the necessary capital and the level of the commission that is received. The measurement of these shares at fair value is virtually equal to the amount of capital paid into these companies.

Division into measurement levels

Financial instruments measured at fair value at the end of the reporting period are divided into the following levels of fair value measurement:

- Level 1: Quoted price in an active market for an identical asset or liability
- Level 2: Measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate of loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness.
- Level 3: Measurement based on factors not taken from observable markets nor which have observable assumptions as input to the valuation.

The Parent Bank's assets and liabilities measured at fair value as at 31 March 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	499	499
Interest rate derivatives [1]	0	616	0	616
Currency derivatives	0	36	0	36
Equity-linked options and equity options	0	1	0	1
Short-term securities investments	0	3 840	420	4 260
Total assets	**0**	**4 493**	**919**	**5 412**
Subordinated loan capital	0	-176	0	-176
Debt securities in issue	0	-2 971	0	-2 971
Interest rate derivatives [1]	0	-539	0	-539
Currency derivatives	0	-31	0	-31
Customer deposits & accounts payable to customers	0	-1 716	0	-1 716
Total liabilities	**0**	**-5 433**	**0**	**-5 433**

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 March 2013 was positive by NOK 132 million.

The Parent Bank's assets and liabilities measured at fair value as at 31 March 2012

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	706	706
Interest rate derivatives [1]	0	679	0	679
Currency derivatives	0	58	0	58
Equity-linked options and equity options	0	8	0	8
Short-term securities investments	290	3 687	217	4 194
Total assets	**290**	**4 432**	**923**	**5 645**
Subordinated loan capital	0	-173	0	-173
Debt securities in issue	0	-1 133	0	-1 133
Interest rate derivatives [1]	0	-710	0	-710
Currency derivatives	0	-49	0	-49
Customer deposits & accounts payable to customers	0	-1 623	0	-1 623
Total liabilities	**0**	**-3 688**	**0**	**-3 688**

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 March 2012 was positive by NOK 64 million.

The Parent Bank's assets and liabilities measured at fair value as at 31 December 2012

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	521	521
Interest rate derivatives [1]	0	609	0	609
Currency derivatives	0	52	0	52
Equity-linked options and equity options	0	1	0	1
Short-term securities investments	29	3 141	420	3 590
Total assets	29	3 803	941	4 773
Subordinated loan capital	0	-172	0	-172
Debt securities in issue	0	-3 350	0	-3 350
Interest rate derivatives [1]	0	-556	0	-556
Currency derivatives	0	-47	0	-47
Customer deposits & accounts payable to customers	0	-1 951	0	-1 951
Total liabilities	0	-6 076	0	-6 076

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 December 2012 was positive by NOK 117 million.

The Parent Bank's financial instruments carried at fair value, Level 3, as at 31 March 2013

NOK MILLION	LOANS	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	521	420	941
Investments in the period/new agreements	0	0	0
Sales in the period at book value	-26	0	-26
Matured	0	0	0
Transferred from Level 1 or 2	0	0	0
Transferred to Level 1 or 2	0	0	0
Change in value of financial instruments carried at fair value, gains and losses	4	0	4
Closing balance	499	420	919
Of which result for the period relating to financial instruments still on the balance sheet	4	0	4

The Parent Banks financial instruments carried at fair value, Level 3, as at 31 march 2012

NOK MILLION	LOANS	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	717	178	895
Investments in the period/new agreements	67	39	106
Sales in the period at book value	0	0	0
Matured	-80	0	-80
Transferred from Level 1 or 2	0	0	0
Transferred to Level 1 or 2	0	0	0
Change in value of financial instruments carried at fair value, gains and losses	2	0	2
Closing balance	**706**	**217**	**923**
Of which result for the period relating to financial instruments still on the balance sheet	2	0	2

The Parent Bank's financial instruments carried at fair value, Level 3, as at 31 December 2012

NOK MILLION	LOANS	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	717	178	895
Investments in the period/new agreements	28	242	270
Sales in the period at book value	0	0	0
Matured	-244	0	-244
Transferred from Level 1 or 2	0	0	0
Transferred to Level 1 or 2	0	0	0
Change in value of financial instruments carried at fair value, gains and losses	20	0	20
Closing balance	**521**	**420**	**941**
Of which result for the period relating to financial instruments still on the balance sheet	20	0	20

Sensitivity analysis, Level 3
In the case of loans carried at fair value, it is only margin changes that are a not-observable input at fair value calculation. Margin changes do not affect the calculation of fair value to any significant degree and for that reason are not quantified.

The Group's valuation techniques
The Group has a team in its Accounts & Treasury department that is responsible for measuring various assets and liabilities for accounting purposes. This team reports to the Chief Financial Officer. In addition, the factual results from the period's valuations are reported to the audit committee in connection with presentation of the accounts. The team also makes regular reports to the audit committee on the valuation principles and techniques it has applied.

The assumptions used for valuations within Level 3 are related to margin changes on loans.

NOTE 4. OTHER OPERATING INCOME

NOK MILLION	Q1 2013	Q1 2012	FULL-YEAR 2012
Guarantee commission	1	3	1
Net commission income/charges [1]	14	5	40
Other operating income	1	5	8
Total other operating income	16	13	49

[1] Commission income relating to the management of the portfolios in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt totalled NOK 13 million in Q1 2013 and NOK 1 million in Q1 2012. NOK 27 million was recognised as income for full-year 2012.

NOTE 5. 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.

Following the court case there were negotiations between BN Bank ASA and the Winding Up Board for Glitnir hf. The parties came to an amicable settlement, after which BN Bank ASA paid NOK 81.8 million to Glitnir hf and Glitnir hf accepted 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 was therefore NOK 117 million recognised as income in 2012.

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 was not possible to replace all these hedging transactions. The liquidator of one of the contractual counterparties filed a counter-claim for NOK 12 million 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 6. INCOME FROM OWNERSHIP INTERESTS IN GROUP COMPANIES

The Annual General Meetings of the subsidiaries Bolig- og Næringskreditt AS and BN Boligkreditt AS resolved in 2012 to render group contribution of, respectively, NOK 128 million and NOK 37 million before tax.

NOTE 7. IMPAIRMENT LOSSES ON LOANS 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, 2012 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	Q1 2013	Q1 2012	FULL-YEAR 2012
Write-offs in excess of prior-year write-downs	0	0	13
Write-offs on loans without prior write-downs	0	0	0
Write-offs transferred to divested operation	0	0	0
Write-downs for the period:			
Change in collective write-downs	0	-18	-8
Change in collective write-downs related to Guarantee Portfolio	-13	1	40
Change in collective write-downs transferred to divested operation	0	0	0
Total change in collective write-downs	**-13**	**-17**	**32**
Increase in loans with prior-year write-downs[1]	14	14	11
Provisions against loans without prior write-downs	0	11	68
Decrease in loans with prior-year write-downs	0	-2	-6
Change in individual write-downs transferred to divested operation	0	0	0
Total change in individual write-downs	**14**	**23**	**73**
Gross impairment losses	1	6	118
Recoveries on previous write-offs	5	0	2
Impairment losses on loans and advances	**-4**	**6**	**116**
Revenue recognition of interest on written-down loans	1	0	2

[1] Changes in value related to repossessed properties totalled NOK 5 million as at 31 December 2012.

NOK MILLION	31.03.13	31.03.12	31.12.12
Individual write-downs to cover impairment losses at the start of the period	30	34	34
Write-offs covered by prior-year individual write-downs	-1	0	-3
Write-downs for the period:			
Increase in loans with prior-year individual write-downs	0	2	5
Write-downs on loans without prior individual write-downs	0	0	0
Decrease in loans with prior-year individual write-downs	0	-1	-6
Transferred assets classified as held for sale	0	0	0
Individual write-downs to cover impairment losses at the end of the period	**29**	**35**	**30**
Collective write-downs to cover impairment losses at the start of the period	29	37	37
Collective write-downs for the period to cover impairment losses	0	-18	-8
Transferred assets classified as held for sale	0	0	0
Collective write-downs to cover impairment losses at the end of the period	**29**	**19**	**29**

NOK MILLION	31.03.13	31.03.12	31.12.12
Loss provision financial guarantee related to Guarantee Portfolio at the start of the period [1]	72	28	28
Write-offs covered by prior-year individual write-downs	0	-1	-27
Write-downs for the period:			
Increase in loans with prior-year individual write-downs	13	8	3
Write-downs on loans without prior individual write-downs	0	11	68
Decrease in loans with prior-year individual write-downs	0	0	0
Loss provision financial guarantee related to Guarantee Portfolio at the end of the period [1]	**85**	**46**	**72**
Collective write-downs related to Guarantee Portfolio at the start of the period	47	20	20
Collective write-downs for the period to cover losses in Guarantee Portfolio	-13	-13	27
Collective write-downs related to Guarantee Portfolio at the end of the period [1]	**34**	**7**	**47**
Individual write-downs related to Guarantee Portfolio classified as held for sale	0	0	0
Collective write-downs related to Guarantee Portfolio classified as held for sale	0	0	0
Total loss provisions relating to Guarantee Portfolio	**119**	**53**	**119**

[1] 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 BN Bank sold NOK 2.3 billion of the portfolio valued at NOK 3.1 billion to SpareBank1 SMN. 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 Q1 2013 was 1.0% of the Bank's total lending. The total provision for losses in the Guarantee Portfolio was NOK 119 million at 31 March 2013. BN Bank will provide guarantees for losses in the Guarantee Portfolio for a period of 3-5 years from the inception of the original agreement. The loss provision is classified under Accrued expenses and deferred income.

Loans past due more than 3 months [1, 2]

NOK MILLION	31.03.13	31.03.12	31.12.12
Gross principal	107	117	117
Individual write-downs	2	15	3
Net principal	**105**	**102**	**114**

Other loans with individual write-downs [1]

NOKMILLION	31.03.13	31.03.12	31.12.12
Gross principal	417	264	460
Individual write-downs	112	66	99
Net principal	**305**	**198**	**361**

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

NOK MILLION	GROSS OUTSTANDING 31.03.13	%	GROSS OUTSTANDING 31.03.12	%	GROSS OUTSTANDING 31.12.12	%
Corporate Market	56	1.04	48	0.77	54	0.78
Retail Market	51	0.59	49	0.64	63	0.77
Guarantee Portfolio	0	0.00	20	2.64	0	0.00
Total	**107**	**0.73**	**117**	**0.80**	**117**	**0.75**

[1] With regard to disclosures in the notes about 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 the Guarantee Portfolio vis-à-vis SpareBank 1 SMN.

[2] Loans past due more than 3 months and as a percentage of loans are calculated on the basis of loans in the remaining entity and the Guarantee Portfolio.

NOTE 8. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIO

NOK MILLION	31.03.13	31.03.12	31.12.12
Loans Corporate Market and Retail Market	14 109	12 763	14 191
Seller's credit	-22	1 142	911
Gross lending	14 087	13 905	15 102
Loans transferred to SpareBank 1 Boligkreditt	6 148	3 772	6 240
Total loans in managed portfolio	20 235	17 677	21 342
Divested portfolio	0	92	13

NOTE 9. TRANSFER OF LOANS 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 at 31 March 2013. 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. Loans transferred to Sparebank 1 Næringskreditt AS are secured by mortgages on commercial properties for up to 60 per cent of the appraised value. Transferred loans are legally owned by Sparebank 1 Næringskreditt AS, and BNkreditt has, apart from the management right and the right to take over fully or partially written-down loans, no right to the use of these loans. As at 31 March 2013, the book value of transferred loans was NOK 10.0 billion. BNkreditt 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.

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 March 2013, these guarantees totalled NOK 107 million.

The loans transferred to SpareBank 1 Næringskreditt AS are very well secured and there is only a very slight probability of loss. BNkreditt has a remaining involvement in the form of a possible settlement against the commission it receives. Should there arise accounting credit losses or a fall in margin relating to one or more transferred loans, SpareBank 1 Næringskreditt AS can reduce the commission BNkreditt receives with the loss. A reduction in commission for BNkreditt is limited to the total commission for the calendar year and if SpareBank 1 Næringskreditt AS subsequently has its loss covered, the commission will be paid back to BNkreditt. The maximum amount which BNkreditt can be required to pay back has been calculated, but is not material and is thus not recorded on the balance sheet. The fair value of the expected reduction in commission has been calculated and deemed immaterial. A possible settlement against the commission has therefore had no effect on the balance sheet or the result during the period.

The consideration received for loans transferred from BNkreditt to SpareBank 1 Næringskreditt AS is equal to the nominal value of transferred loans and is measured as virtually concurrent with the fair value of the loans as at 31 March 2013 and for full-year 2012.

Guarantee provided by BN Bank to BNkreditt

In order to attend to the interests of existing bond holders, in connection with the transfer of loans to Sparebank 1 Næringskreditt, 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 March 2013, BNkreditt's capital adequacy ratio was 15.88 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 805 million as at 31 March 2013.

NOTE 10. TRANSFER OF LOANS 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. BN Bank had a 3.90% shareholding in the company as at 31 March 2013. 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. Loans transferred to SpareBank 1 Boligkreditt AS are secured by mortgages on residential properties for up to 75 per cent of the appraised value. Transferred loans are legally owned by SpareBank 1 Boligkreditt AS, and BN Bank has, apart from the management right and the right to take over fully or partially written-down loans, no right to the use of these loans. At 31 March 2013, the book value of transferred loans was NOK 6.1 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.

BN Bank has, in conjunction with the other owners of SpareBank 1 Boligkreditt AS, entered into agreements to establish a liquidity facility for SpareBank 1 Boligkreditt AS. This means that the owner banks have undertaken to purchase covered bonds in the case that SpareBank 1 Boligkreditt AS is unable to refinance its business in the market. The purchase is limited to the total value of the maturities in the company at any time in the next twelve months. Previous purchases under this agreement are deducted from future purchase obligations. Each owner is principally liable for his share of the refinancing need, alternatively for the double of what the primary liability may be in accordance with the same agreement. The bonds can be deposited in Norges Bank and thus give rise to no material increase in risk for BN Bank. According to its own internal policy, SpareBank 1 Boligkreditt AS maintains its liquidity for the next 12 months' maturities. This is deducted when the banks' liability is measured. It is therefore only in the event that SpareBank 1 Boligkreditt AS no longer has sufficient liquidity for the next 12 months' maturities that BN Bank will report any commitment here with regard to capital adequacy or major commitments.

BN Bank has also entered into a shareholder agreement with the shareholders of SpareBank 1 Boligkreditt AS. Among other things, this means that BN Bank will contribute to SpareBank 1 Boligkreditt AS having a tier 1 capital ratio of at least 9.0 per cent, and if required inject tier 1 capital if it falls to a lower level. SpareBank 1 Boligkreditt AS has internal guidelines stipulating a tier 1 capital ratio of at least 10.0 per cent. On the basis of a concrete assessment, BN Bank has chosen not to hold capital for this obligation because the risk of BN Bank being compelled to contribute is considered very slight. Reference is also made in that connection to the fact that there are a number of alternative courses of action which may be relevant should such a situation arise.

The loans transferred to SpareBank 1 Boligkreditt AS are very well secured and there is only a very slight probability of loss. BN Bank has a remaining involvement in the form of a possible settlement against the commission it receives. Should there arise accounting credit losses or a fall in margin relating to one or more transferred loans, SpareBank 1 Boligkreditt AS can reduce the commission BN Bank receives with the loss. A reduction in commission for BN Bank is limited to the total commission for the calendar year and if SpareBank 1 Boligkreditt AS subsequently has its loss covered, the commission will be paid back to BN Bank. The maximum amount which BN Bank can be required to pay back has been calculated, but is not material and is thus not recorded on the balance sheet. The fair value of the expected reduction in commission has been calculated and deemed immaterial. A possible settlement against the commission has therefore had no effect on the balance sheet or the result during the period.

The consideration received for loans transferred from BN Bank to SpareBank 1 Boligkreditt AS is equal to the nominal value of transferred loans and is measured as virtually concurrent with the fair value of the loans as at 31 March 2013 and for full-year 2012.

NOTE 11. 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 has issued bonds and certificates with a face value of NOK 1,995 million as at 31 March 2013, either as new issues or increases in existing tap issues.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (face value) as at 1 January 2013	3 084	10 860	13 944
New issues	0	1 635	1 635
Increase in existing issues	0	360	360
Purchase and maturity of existing issues	-392	-1 484	-1 876
Net debt (face value) as at 31 March 2013	**2 692**	**11 371**	**14 063**

Subordinated loan capital and perpetual subordinated capital securities

The Parent Bank has issued no subordinated loans as at 31 March 2013.

NOK MILLION	PER. SUBORD. CAP. SEC.	SUBORDINATED LOAN CAPITAL	TOTAL
Net debt (face value) as at 1 January 2013	650	955	1 605
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-156	-156
Net debt (face value) as at 31 March 2013	**650**	**799**	**1 449**

Recognised values

NOK MILLION	31.03.13	31.03.12	31.12.12
Certificates carried at amortised cost	0	1 261	0
Certificates carried at fair value	2 749	821	3 131
Total recognised value of certificates	**2 749**	**2 082**	**3 131**
Bonds carried at amortised cost	8 097	7 717	8 192
Bonds carried at amortised cost (secured debt)	3 207	1 717	2 581
Bonds selected for fair value carrying	221	312	219
Total recognised value of bonds	**11 525**	**9 746**	**10 992**
Total recognised value of debt securities in issue	**14 274**	**11 828**	**14 123**

NOK MILLION	31.03.13	31.03.12	31.12.12
Perpetual subordinated capital securities carried at amortised cost	483	482	482
Perpetual subordinated capital securities carried at fair value	176	172	172
Total recognised value of perpetual subordinated capital securities	**659**	**654**	**654**
Subordinated loans carried at amortised cost	803	804	959
Subordinated loans selected for fair value carrying	0	0	0
Total recognised value of subordinated loans	**803**	**804**	**959**
Total recognised value of subordinated loans and perpetual subordinated capital securities	**1 462**	**1 458**	**1 613**

NOTE 12. DIVESTED OPERATION

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, and then sold the company on in the second quarter of 2012.

NOTE 13. FAIR VALUE OF FINANCIAL INSTRUMENTS COMPARED WITH RECOGNISED VALUE

	31.03.13		31.03.12		31.12.12	
NOK MILLION	**FAIR VALUE**	**RECOG. VALUE**	**FAIR VALUE**	**RECOG. VALUE**	**FAIR VALUE**	**RECOG. VALUE**
Subordinated loans	453	451	525	527	453	451
Loans and advances	14 030	14 030	14 499	14 502	15 043	15 043
Prepayments and accrued income	61	61	154	154	53	53
Interest rate derivatives	616	616	679	679	609	609
Currency derivatives	36	36	58	58	52	52
Equity-linked options and equity options	1	1	8	8	1	1
Short-term securities investments	5 592	5 592	5 825	5 827	5 620	5 612
Cash and balances due from credit institutions	13 949	13 949	11 284	11 284	12 860	12 860
Assets classified as held for sale	1	1	16	16	1	1
Subordinated loan capital	-1 476	-1 462	-1 450	-1 458	-1 605	-1 613
Liabilities to credit institutions	-807	-807	-2 123	-2 123	-806	-806
Debt securities in issue	-14 345	-14 274	-11 815	-11 828	-14 217	-14 123
Accrued expenses and deferred income	-119	-119	-54	-54	-119	-119
Other current liabilities	-8	-8	-473	-473	-1	-1
Interest rate derivatives	-539	-539	-710	-710	-556	-556
Currency derivatives	-31	-31	-49	-49	-47	-47
Customer deposits & accounts payable to customers	-17 041	-17 041	-16 154	-16 154	-16 910	-16 910
Total	373	456	220	206	431	507

In the case of short-term financial instruments, the recognised amount will normally always be a good approximation of fair value. Financial derivatives and short-term securities investments are carried in their entirety at fair value, and consequently no difference will be presented in the balance sheet between fair value and recognised value.

NOTE 14. RIGHT OF SET-OFF, FINANCIAL DERIVATIVES

Financial assets 31.03.13

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	321	65	256
Counterparty 2	151	151	0
Counterparty 3	76	27	49
Counterparty 4	47	17	30
Counterparty 5	46	46	0
Counterparty 6	12	12	0
Total	653	318	335

Financial liabilities 31.03.13

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	66	66	0
Counterparty 2	387	152	235
Counterparty 3	27	27	0
Counterparty 4	17	17	0
Counterparty 5	61	46	15
Counterparty 6	12	12	0
Total	570	320	250

Financial assets 31.03.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	380	61	319
Counterparty 2	185	185	0
Counterparty 3	82	35	47
Counterparty 4	35	15	20
Counterparty 5	41	41	0
Counterparty 6	7	7	0
Counterparty 7	0	0	0
Counterparty 8	7	0	7
Total	737	344	393

Financial liabilities 31.03.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	61	61	0
Counterparty 2	511	184	327
Counterparty 3	35	35	0
Counterparty 4	15	15	0
Counterparty 5	58	41	17
Counterparty 6	21	7	14
Counterparty 7	9	0	9
Counterparty 8	0	0	0
Total	**710**	**343**	**367**
No right of set-off	49		

Financial assets 31.12.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	354	70	284
Counterparty 2	152	152	0
Counterparty 3	68	28	40
Counterparty 4	41	15	26
Counterparty 5	37	37	0
Counterparty 6	9	9	0
Total	**661**	**311**	**350**

Financial liabilities 31.12.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	69	69	0
Counterparty 2	417	151	266
Counterparty 3	28	28	0
Counterparty 4	15	15	0
Counterparty 5	62	38	24
Counterparty 6	11	9	2
Counterparty 7	1	0	1
Total	**603**	**310**	**293**

[1] The amount subject to settlement on a net basis that is not presented net in the balance sheet.

NOTE 15. 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, compliance risk and strategic 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	31.03.13	31.03.12	31.12.12
Share capital	668	649	668
Other reserves	1 543	1 369	1 531
Total equity on balance sheet	**2 211**	**2 018**	**2 199**
Net perpetual subordinated capital (perpetual subordinated capital securities borrowings)[1]	368	655	365
Less:			
Equity and subordinated capital in other financial institutions	0	-310	-121
Intangible assets	-7	-19	-10
Deferred tax assets	0	0	0
Other deductions in tier 1 capital	-121	-39	
Tier 1 capital	**2 451**	**2 305**	**2 433**
Fixed-term subordinated loan capital	803	803	958
Perpetual subordinated capital securities, hybrid capital in excess of 15%	291	310	290
Less:			
Fixed-term subordinated loan capital that cannot be included	0	-134	-214
Other deductions in tier 2 capital	-121	-39	-121
Net tier 2 capital	**973**	**940**	**913**
Total capital base	**3 424**	**3 245**	**3 346**
Risk-weighted assets	16 896	15 938	16 921
Tier 1 capital ratio (%)	14.50	14.46	14.38
Tier 1 capital excluding hybrid capital and deductions (core tier 1 capital ratio) (%)	**12.35**	**12.29**	**12.22**
Capital adequacy ratio (%)	**20.26**	**20.36**	**19.77**

[1] For more details, see Note 11.

Specification of risk-weighted assets

	31.03.13		31.03.12		31.12.12	
NOK MILLION	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**
0 %	1 000	0	1 005	0	1 486	0
10 %	2 271	227	1 734	173	2 094	209
20 %	16 453	3 291	16 433	3 287	16 243	3 249
35 %	9 365	3 277	7 511	2 629	8 935	3 127
50 %	9	5	845	423	0	0
75 %	68	51	356	267	76	57
100 %	10 046	10 046	9 160	9 160	10 279	10 279
Investments included in the trading portfolio	0	0	0	0	0	0
Negotiable debt instruments incl. in the trading portf.	0	0	0	0	0	0
Total risk-weighted assets	**39 212**	**16 896**	**37 044**	**15 938**	**39 113**	**16 921**
Capital adequacy ratio (%)		**20.26**		**20.36**		**19.77**

NOTE 16. CONTINGENT LIABILITIES

Sale of structured products

BN Bank was sued in a group action over structured savings products in 2008. The Supreme Court ruled in February 2010 that group litigation is not appropriate for assessing this type of product. The group action against BN Bank has thus been brought to a conclusion.

Three of the Bank's customers then sued the Bank individually in the District Court. The Court ruled in favour of the Bank on 8 July 2011. The ruling was appealed to the Borgarting Court of Appeal, but the case ended in an amicable settlement, with the same result for the Bank as after the District Court's decision, whereby the Bank was obliged to pay its own costs.

BN Bank has also provided loans to finance Artemis structured products. BN Bank was sued by 6 customers, 3 of whom are limited companies. Two applicants have withdrawn their lawsuits, and the total loan financing on these products now amounts to NOK 100 million. The amounts in dispute are interest payments.

In March 2013, the Supreme Court passed judgment in the so-called "Røeggen case". The Norwegian Financial Services Complaints Board has in that connection requested BN Bank and other banks to reassess the complaints against them that have been brought before the Board, in the light of the court judgment. BN Bank has found no grounds for changing its standpoint and still takes the view that the cases the Bank is involved in are not comparable with the "Røeggen case". As a result of this, no provision was made relating to structured savings products in the first quarter of 2013.

NOTE 17. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

Apart from the matters mentioned in Note 16 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 18. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

NOK MILLION	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Interest and similar income	315	307	314	305	323
Interest expense and similar charges	276	268	267	265	286
Net income from interest and credit commissions	**39**	**39**	**47**	**40**	**37**
Change in value of financial instrum. carried at fair value, gains and losses	19	14	5	16	15
Other operating income	16	20	8	8	13
Amicable settlement	0	117	0	0	0
Total other operating income	**35**	**151**	**13**	**24**	**28**
Salaries and general administrative expenses	27	28	32	33	37
Depreciation, amortisation and write-downs	3	17	5	5	4
Other operating expense	4	3	1	0	3
Total other operating expense	**34**	**48**	**38**	**38**	**44**
Operating profit before impairment losses	**40**	**142**	**22**	**26**	**21**
Impairment losses on loans and advances	-4	74	21	15	6
Operating profit impairment losses	**44**	**68**	**1**	**11**	**15**
Income from ownership interests in group companies	0	0	0	164	0
Pre-tax profit	**44**	**68**	**1**	**175**	**15**
Computed tax charge	12	20	0	48	4
Profit after tax	**32**	**48**	**1**	**127**	**11**

To the Board of Directors of BN Bank ASA

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying interim financial information of BN Bank ASA, which comprise the financial statements of the group and the financial statements of the parent company. The financial statements of the group and the financial statements of the parent company comprise balance sheet as of 31 March 2013 and the related statements of income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

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

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

Conclusion

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

Trondheim, 2. May 2013
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

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

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