BN Bank ASA

INTERIM REPORT 4TH QUARTER | 2013

Content

Financial Ratios

		GROUP	
NOK MILLION	**REFERENCE**	**FULL-YAR 2013**	**FULL-YEAR 2012**
Summary of results			
Net income from interest and credit commissions		410	343
Total other operating income		283	291
Total income		**693**	**634**
Total other operating expense		**215**	**262**
Operating profit before impairment losses		**478**	**372**
Impairment losses on loans and advances		129	114
Profit before tax		**349**	**258**
Computed tax charge		97	72
Profit after tax		**252**	**186**
Profitability			
Return on equity	1	7.3 %	5.8 %
Net interest margin	2	1.04 %	0.84 %
Cost-income ratio	3	31.0 %	41.3 %
Balance sheet figures			
Gross lending		29 309	33 305
Customer deposits		15 169	16 910
Deposit-to-loan ratio	4	51.8 %	50,8 %
Increase/decrease in lending (gross) last 12 months		-12.0 %	-0,4 %
Increase/decrease in deposits last 12 months		-10.3 %	6,0 %
Average total assets (ATA)	5	39 463	40 770
Total assets		37 505	41 732
Balance sheet figures incl. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt			
Gross lending		50 025	49 464
Customer deposits		15 169	16 910
Increase/decrease in lending (gross) last 12 months		1.1 %	8.3 %
Increase/decrease in deposits last 12 months		-10.3 %	6.0 %
Share of lending funded via deposits		30.3 %	34.2 %
Losses on loans and non-performing loans			
Loss ratio lending	6	0.41 %	0.35 %
Non-performing loans as % of gross lending	7	1.91 %	1.19 %
Other doubtful commitments as % of gross lending	7	2.25 %	1.57 %
Solvency			
Capital adequacy ratio		15.44 %	15.07 %
Tier 1 capital ratio		13.02 %	12.06 %
Core tier 1 capital ratio		11.07 %	10.30 %
Tier 1 capital		3 705	3 729
Capital base		4 393	4 661
Office and staffing			
Number of offices		2	2
Number of full-time equivalents		111	114
Shares			
Earnings per share for the period (whole NOK)		18.85	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 total operating income
4) Customer deposits as a percentage of lending to customers
5) Average total assets (ATA) are calculated as an average of quarterly total assets 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 the fourth quarter of 2013

The comparative figures in parentheses are for the third quarter of 2013.

- Net interest income: NOK 110 million (NOK 109 million)
- Other operating income: NOK 73 million (NOK 66 million)
- Profit after tax: NOK 48 million (NOK 93 million)
- Profit after tax of core business: NOK 63 million (NOK 93 million)
- Other operating expense: NOK 55 million (NOK 53 million)
- Cost-income ratio: 30 per cent (30 per cent)
- Return on equity after tax: 5.3 per cent (10.6 per cent)
- Impairment losses on loans resulted in recognised expense of NOK 64 million (recognised income of NOK 7 million).

Summary of the four quarters to 31 December 2013

The comparative figures in parentheses are for the four quarters to 31 December 2012.

- Net interest income: NOK 410 million (NOK 343 million)
- Other operating income: NOK 283 million (NOK 291 million)
- Profit after tax: NOK 252 million (NOK 186 million)
- Profit after tax of core business: NOK 269 million (NOK 215 million)
- Other operating expense: NOK 215 million (NOK 262 million)
- Cost-income ratio: 31 per cent (41 per cent)
- Return on equity after tax: 7.3 per cent (5.8 per cent)
- Return on equity after tax of core business: 7.9 per cent (6.5 per cent)
- Growth in lending: NOK 561 million (NOK 3 801 million)
- The margin on loans measured against 3 month NIBOR increased by 45 basis points in 2013 to 2.39 per cent (1.94 per cent)
- The margin on deposits measured against 3 month NIBOR fell by 42 basis points in 2013 to -1.18 per cent (-0.76 per cent)
- The levy payable to the Norwegian Banks' Guarantee Fund amounted to NOK 19 million (NOK 0 million)
- Impairment losses on loans and advances: NOK 129 million (NOK 114 million)
- Capital adequacy ratio: 15.4 per cent (15.1 per cent)
- Tier 1 capital ratio: 13.0 per cent (12.1 per cent)
- Core tier 1 capital ratio: 11.1 per cent (10.3 per cent)

Profit performance for the fourth quarter of 2013

The comparative figures in parentheses are for the third quarter of 2013.

For the fourth quarter of 2013 the BN Bank Group posted a profit after tax of NOK 48 million (NOK 93 million). This produced an annualised return on equity of 5.3 per cent (10.6 per cent). The change relative to the third quarter is mainly attributable to higher write-downs on loans.

Total income for the fourth quarter of 2013 was NOK 183 million (NOK 175 million).

NOKm	Q4 13	Q3 13	CHANGE
Total income	183	175	8
Margins and volumes, lending, deposits and securities			4
Charges/fees			2
Changes in value			1
Other			1

Net interest income for the fourth quarter was NOK 110 million (NOK 109 million). Lower volumes of lending and deposits and slightly lower margins on loans have pulled net interest income down compared with the third quarter. Deposit margins increased in the fourth quarter, however, pulling net interest income up, while total net interest income for the fourth quarter is in line with net interest income for the third quarter. Other operating income excluding changes in value in the fourth quarter totalled NOK 67 million (NOK 60 million). The volume of lending funded in Sparebank1 Boligkreditt and Sparebank1 Næringskreditt increased by NOK 2.7 billion in the fourth quarter, which is the main reason for the increase in other income. Operating expense totalled NOK 55 million in fourth-quarter 2013 (NOK 53 million). Other operating expense remains at a low level as a result of the Bank's focus on effective operations and costs. BN Bank aims to be one of Norway's most cost-effective banks. Other operating expense in the fourth quarter of 2013 was 30 per cent of total income (30 per cent).

In the fourth quarter of 2013, NOK 64 million was recognised as expense under Impairment losses on loans and advances. Individual and collective impairment losses on loans in fourth-quarter 2013 were distributed as follows:

NOKm	INDIVIDAL	COLLECTIVE
Corporate	53	-12
Retail	0	1
Guarantee Portfolio	12	10

Individual losses on corporate loans in the fourth quarter have arisen first and foremost on a small number of loans. The Guarantee Portfolio was further reduced in fourth-quarter 2013 with maximum credit exposure to this portfolio, taking loss provisions into account, amounting to NOK 117 million as at 31 December 2013. The equivalent exposure as at 31 December 2012 was NOK 224 million. Owing to a negative trend, especially in the shipping portion of the portfolio, losses totalling NOK 22 million were sustained in this portfolio in the fourth quarter.

Highlights of the four quarters to 31 December 2013

The comparative figures in parentheses are for the four quarters to 31 December 2012.

For the four quarters to 31 December 2013, the BN Bank Group posted a profit after tax of NOK 252 million (NOK 186 million), giving an annualised return on equity after tax of 7.3 per cent. Increased margins and a decrease in operating expense contributed positively to the result, while impairment losses on loans and the levy paid to the Norwegian Banks' Guarantee Fund contributed negatively.

The Bank's core business (the result of the corporate and retail banking activities) saw an increase in post-tax profit of NOK 54 million, up from NOK 215 million for full-year 2012 to NOK 269 million for full-year 2013.

Income

Total income for the four quarters to 31 December 2013 was NOK 693 million (NOK 634 million). The Bank has improved its lending margins in both the business and retail sectors in 2013, owing to falling interest rates on the Bank's borrowings and the Bank's own interest-rate adjustments. The income for 2012 includes a one-off effect of NOK 117 million arising from the Bank having entered into a settlement with its former owner. Adjusted for this income, the increase in income from 2012 was NOK 176 million. The Bank's total lending margin measured against 3 month NIBOR at year-end 2013 was 2.39 per cent (1.94 per cent). The retail lending margin for 2013 was 2.27 per cent (1.67 per cent), while the corporate lending margin was 2.47 per cent (2.02 per cent).

The Bank's deposit margin measured against 3 month NIBOR for full-year 2013 was minus 1.18 per cent (minus 0.76 per cent).

Other operating income for the four quarters to 31 December 2013 totalled NOK 283 million (NOK 291 million). Other operating income for full-year 2012 includes NOK 117 million from the settlement with the previous owner mentioned above. Much of the change compared with 2012 is also attributable to an increase in commission income from SpareBank1 Næringskreditt and SpareBank1 Boligkreditt and changes in the value of financial instruments measured at fair value.

Expenditure

Operating expense for the four quarters to 31 December 2013 totalled NOK 215 million (NOK 262 million). The decrease is primarily attributable to the Bank's focus on effective operations and cost savings. The cost-income ratio for full-year 2013 is 31 per cent (41 per cent).

Impairment losses and non-performing loans

Net impairment losses on loans and guarantees to 31 December 2013 totalled NOK 129 million (NOK 114 million). Of this figure, net losses in the Guarantee Portfolio amounted to NOK 22 million.

Non-performing loans as at 31 December 2013 were 1.91 per cent of gross lending in the BN Bank Group (1.19 per cent). Non-performing and doubtful loans, less individual write-downs, totalled NOK 972 million (NOK 808 million) at the end of 2013, which is 3.25 per cent (2.43 per cent) of gross lending in the Group and the Guarantee Portfolio. See Note 7 for more information.

Individual and collective impairment losses on loans for full-year 2013 were distributed as follows:

NOKm	INDIVIDUAL	COLLECTIVE
Corporate	108	-3
Retail	1	1
Guarantee Portfolio	37	-15

Loan loss provisions in the core business as at 31 December 2013 totalled NOK 215 million. Of this figure, individual write-downs account for NOK 154 million and collective write-downs NOK 61 million. Total loan loss provisions at the end of fourth-quarter 2013 were as follows:

	LOAN LOSS PROVISIONS (NOKm)	% OF GROSS LENDING, GROUP
Corporater	201	0.93
Retail	14	0.18

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 part of this portfolio (referred to as the Guarantee Portfolio). As at 31 December 2013, the Guarantee Portfolio totalled NOK 417 million, of which BN Bank provides guarantees for NOK 250 million. This figure was 0.9 per cent of the Bank's gross lending at year-end 2013. In addition to the loss provisions shown in the table above, provision of NOK 133 million has been made as a financial loss guarantee relating to the Guarantee Portfolio. This is 53 per cent of the guaranteed amount.

Balance sheet development and capital

Gross managed lending[1] has increased by NOK 0.6 billion, or 3 per cent, in the past 12 months. Gross managed loans totalled NOK 50.0 billion at the end of fourth-quarter 2013.

NOKbn	31.12.13	31.12.12
Gross lending	50.0	49.4
Change in past 12 months	0.6	3.8

Gross managed lending had the following segmental exposure as at 31 December 2013:

NOKbn	31.12.13	31.12.12
Retail	16.0	14.4
Corporate	34.0	34.1
Loans to SpareBank 1 SMN	0.0	0.9

Corporate lending has decreased by NOK 0.1 billion, or 0.3 per cent, in the past 12 months. The volume of retail lending has increased by NOK 1.6 billion, or 11 per cent, in the same period. At the same time, there has been a decrease in loans to SpareBank1 SMN of NOK 0.9 billion.

[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.

Deposits have been down in 2013 by NOK 1 741 million, or 10.3 per cent. Total deposits were NOK 15.2 billion at year-end 2013. The deposit-to-loan ratio was 51.8 per cent at the end of 2013, an increase of 1.0 percentage point in the past 12 months.

In 2013, the Bank has issued certificates and bonds in the Norwegian bond market for a total of NOK 5.7 billion. The Bank has a conservative liquidity strategy, aimed at ensuring that there are sufficient liquid funds at all time to manage without accessing any new external funding for a period of 12 months. At the end of 2013 this target had been met. The Bank's liquidity portfolio stood at NOK 6.1 billion as at 31 December 2013.

At the end of the fourth quarter, loans worth NOK 12.4 billion had been transferred to SpareBank 1 Næringskreditt and loans worth NOK 8.3 billion to SpareBank 1 Boligkreditt. In total, the Bank has transferred 36 per cent of business loans and 52 per cent of residential mortgage loans to these two companies. During the past 12 months the Bank has transferred loans for the net sums of NOK 2.5 billion and NOK 2.1 billion to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt respectively.

BN Bank's total assets stood at NOK 37.5 billion as at 31 December 2013 (NOK 41.7 billion). Including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, total assets are NOK 58.2 billion (NOK 57.8 billion).

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

FIGURES AS %	**31.12.13**	**31.12.12**
capital adequacy ratio	15.4	15.1
Tier 1 capital ratio	13.0	12.1
Core tier 1 capital ratio	11.1	10.3

The Board of Directors has adopted a provisional capital plan for BN Bank aimed at attaining a core tier 1 capital ratio of 13 per cent by the end of the second quarter of 2016. See Note 15 for more details concerning the Bank's capital adequacy ratio and solvency.

Other matters

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 all the banks involved, including BN Bank, to re-assess the complaints against them that have been brought before the Complaints Board, in the light of the judgment. BN Bank has found no grounds to change its standpoint and still takes the view that the cases the Bank is involved in are not comparable with the "Røeggen case". Statements made by the Complaints Board during the fourth quarter of 2013 have strengthened the Bank's view of the matter. As a result, the Bank has made no provision related to structured products in 2013.

As described in the interim report for the third quarter of 2013, BN Bank has been a creditor of Zachariasbryggen AS in Bergen since 2005. As mentioned in the report, in the autumn of 2013 (October) BN Bank was in the process of transferring its claim against Zachariasbryggen AS to Bergen Sentrum Tomteselskap (BST) and in that connection was intending to become a shareholder in BST along with AB Eiendommer and Realforum. As a result of an understanding with AB Eiendommer and Realforum, the claim was not transferred and as a consequence the Bank remains a creditor of Zachariasbryggen AS and is not a shareholder in BST.

The Bank receives commission on loans that are transferred to Sparebank1 Næringskreditt AS, which is calculated as the lending interest rate on the loans less costs in Sparebank1 Næringskreditt AS. BN Bank's owners resolved in the fourth quarter that as of 2014 inclusive these costs would also include a premium for the capital the owners have contributed to Sparebank1 Næringskreditt for the loans transferred by BN Bank. The cost of equity is equal to a calculated required rate of return of 8 per cent after tax. This entails a decrease in the commission the Bank receives from Sparebank1 Næringskreditt AS. On the basis of an assumed volume of loans transferred in 2014, the Bank expects a decrease in other operating income of about NOK 117 million.

Accounting policies

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

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

Subsidiaries

The BN Bank Group comprises the bank BN Bank ASA and the credit institution Bolig- og Næringskreditt AS (BNkreditt). The Group also includes the real estate company Collection Eiendom AS. The Group previously included the subsidiary BN Boligkreditt AS, but this company was liquidated in the fourth quarter of 2013.

BNkreditt presents 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. As at 31 December 2013, the company has a gross loan portfolio of NOK 15.7 billion, compared with NOK 18.5 billion as at 31 December 2012. A loan portfolio of NOK 12.4 billion had been transferred to SpareBank 1 Næringskreditt as at 31 December 2013.

BNkreditt posted a profit after tax of NOK 120 million for the four quarters to 31 December 2013, compared with a post-tax profit of NOK 110 million for full-year 2012. Profits were boosted by increased lending margins and an increase in commission on loans transferred to SpareBank 1 Næringskreditt, while impairment losses on loans pulled profits down.

Impairment losses on loans totalled NOK 109 million for full-year 2013, compared with NOK 4 million for full-year 2012. Collective write-downs were down by NOK 3 million for the four quarters to 31 December 2013 and total NOK 33 million, which is 0.21 per cent of gross lending in the company as at 31 December 2013.

BNkreditt had NOK 3.5 billion in bond debt outstanding as at 31 December 2013, down from NOK 4.2 billion at year-end 2012.

BN Bank has provided guarantees that BNkreditt will have a minimum capital adequacy ratio and junior financing from the Bank of 20 per cent. BNkreditt's capital adequacy ratio as at 31 December 2013 was 19.16 per cent while the tier 1 capital ratio was 16.43 per cent. The amount BN Bank is ceding precedence for in relation to guarantees was NOK 138 million as at 31 December 2013.

BN Boligkreditt AS

BN Boligkreditt was formerly BN Bank's credit institution for issuance of covered bonds. The company was liquidated in 2013.

The company's profit after tax for 2013 was NOK 6 million (NOK 7 million).

Collection Eiendom AS

Collection Eiendom was established in 2010 for the purpose of owning and managing repossessed properties.

Collection Eiendom posted a zero result after tax for full-year 2013.

Outlook

With the Ministry of Finance having clarified the level of countercyclical capital buffer towards the end of the fourth quarter, much of the uncertainty surrounding future capital adequacy rules and how those rules will be practised has been removed. BN Bank aims to attain a core tier 1 capital ratio of 13 per cent by the end of the second quarter of 2016. The Bank has initiated a variety of measures to reach this target. The most important of these are the Bank's application to introduce the Advanced Internal Ratings-based (IRB) approach, significant cost-cutting measures, adjustment of lending volumes and margins, and retainment of profits.

Prices in the housing market fell during the fourth quarter. The retail market is however still characterised by low unemployment and low interest rates. This means that households are well able to service their debts, and non-performing loans in the residential mortgage portfolio are at a low level. Average household debt is nevertheless still high, making some households vulnerable to interest rate rises and reductions in earnings. Given the situation in the market, it will be important to continue to maintain the Bank's conservative credit policy to ensure that the credit risk associated with the retail portfolio remains low.

The commercial property market has been characterised by a slight rise in rental prices, but the general picture is that there have been no significant changes in property values in the last quarter. There is no sign of the market moving dramatically in any one direction in the foreseeable future, although a weaker trend in the Norwegian economy may dampen demand for commercial properties. The Bank's losses on commercial property lending in 2013 have been associated with specific circumstances affecting individual loans. The loss trend this year should not, therefore, in the Board's opinion be interpreted as an indication of a weakened underlying property market.

The use of SpareBank1 Næringskreditt and SpareBank1 Boligkreditt has been an important part of the funding structure for the Bank's aggregate loan portfolio. At the same time, there are limits as to how large a share of the portfolio can be funded with covered bonds, and the Bank will continue to remain dependent on market funding. In the past few quarters, BN Bank has increased the term to maturity on the Bank's market funding. This, combined with covered bonds funding a larger share of the Bank's total lending, means in the Board's opinion that the Bank is well equipped to weather any negative developments and events in the financial markets.

Despite large write-downs on loans, in both the Guarantee Portfolio and in corporate lending, BN Bank has increased its earnings considerably through 2013 as a whole. The Bank's interest rate adjustments on retail and business loans have contributed to a higher level of interest income. At the same time, the Bank's cost-cutting programme has resulted in a significantly lower cost base, and the Bank expects to see zero growth in underlying costs in 2014. As mentioned above, the premium for cost of equity in Sparebank1 Næringskreditt will pull down the Bank's accounting result. Apart from this, the Board expects the trend in income and expenditure, together with a normalisation of loss levels in corporate lending, to contribute to the Bank's continuing positive economic development.

Trondheim, 28 January 2014
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	Jannike Lund (Deputy Staff Representative)	Ella Skjørestad		Gunnar Hovland (Man. Director)

Income Statement

GROUP

NOK MILLION	NOTE	Q4 2013	Q4 2012	FULL-YEAR 2013	FULL-YEAR 2012
Interest and similar income		378	391	1 567	1 614
Interest expense and similar charges		268	306	1 157	1 271
Net income from interest and credit commissions		110	85	410	343
Change in value of financial instruments at fair value, gains and losses	3, 4	7	9	41	29
Other operating income	5	66	53	242	145
Legal settlement	6	0	117	0	117
Total other operating income		73	179	283	291
Salaries and general administrative expenses		45	46	176	203
Ordinary depreciation, amortisation & write-downs		3	17	12	31
Other operating expense		6	8	27	28
Total other operating expense		54	71	215	262
Operating profit before impairment losses		129	193	478	372
Impairment losses on loans and advances	7	64	78	129	114
Profit before tax		65	115	349	258
Tax charge		17	33	97	72
Profit after tax		48	82	252	186
Statement of Other Comprehensive Income					
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains (losses) on pension plans	1	18	22	18	22
Tax		-5	-6	-5	-6
Other comprehensive income (net of tax)		13	16	13	16
Total comprehensive income for the period		61	98	265	202

Balance Sheet

		GROUP	
NOK MILLION	**NOTE**	**31.12.13**	**31.12.12**
Deferred tax assets		0	43
Intangible assets		7	10
Subordinated loans		1	0
Tangible fixed assets		13	18
Repossessed properties		3	29
Loans and advances	7, 8, 9,10, 13, 15	29 094	33 193
Prepayments and accrued income		58	52
Financial derivatives	13,14	622	759
Short-term securities investments		6 122	6 135
Cash and balances due from credit institutions		1 585	1 495
Total assets		**37 505**	**41 734**
Share capital		706	668
Share premium		415	266
Retained earnings	1	2 480	2 402
Total equity		**3 601**	**3 336**
Deferred tax		19	0
Subordinated loan capital	11	1 459	1 613
Liabilities to credit institutions		13	519
Debt securities in issue	11	16 517	18 369
Accrued expense and deferred income		187	201
Other current liabilities		16	82
Tax payable		37	71
Financial derivatives	13,14	487	633
Customer deposits & accounts payable to customers		15 169	16 910
Total liabilities		**33 904**	**38 398**
Total equity and liabilities		**37 505**	**41 734**

Trondheim, 28 January 2014

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 | Jannike Lund (Deputy Staff Representative) | Ella Skjørestad | Gunnar Hovland (Man. Director)

Statement of Changes in Equity

GROUP

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER PAID-UP SHARE CAPITAL[1]	TOTAL EQUITY
Balance Sheet as at 1 January 2012	649	190	2 295	3 134
Dividend paid	0	0	-95	-95
Share capital increase	19	76	0	95
Result for the period	0	0	186	186
Actuarial gains/(losses) pensions (net of tax)	0	0	16	16
Balance Sheet as at 31 December 2012	**668**	**266**	**2 402**	**3 336**
Dividend paid	0	0	-187	-187
Share capital increase	38	149	0	187
Result for the period	0	0	252	252
Actuarial gains/(losses) pensions (net of tax)	0	0	13	13
Balance Sheet as at 31 December 2013	**706**	**415**	**2 480**	**3 601**

[1] See Note 1 for more information on changes related to pensions

Trondheim, 28 January 2014

The Board of Directors of BN Bank ASA

Statement of Cash Flows

	GROUP	
NOK MILLION	**31.12.2013**	**31.12.2012**
Cash flows from operating activities		
Interest/commission received and fees received from customers	1 537	1 850
Interest/commission paid and fees paid to customers	-502	-455
Interest received on other investments	184	283
Interest paid on other loans	-698	-804
Receipts/disbursements (-) on loans to customers	3 982	-561
Receipts/payments on customer deposits & accounts payable to customers	-1 561	1 211
Receipts/payments (-) on liabilities to credit institutions	-640	-962
Receipts/payments (-) on securities in issue	-1 785	338
Receipts on previously written-off debt	17	7
Other receipts/payments	-73	184
Payments to suppliers for goods and services	-92	-110
Payments to employees, pensions and social security expenses	-115	-105
Tax paid	-71	-34
Net cash flow from operating activities	183	842
Cash flows from investing activities		
Receipts/payments (-) on receivables from credit institutions	30	304
Receipts/payments (-) on short-term securities investments	13	-577
Proceeds from sale of operating assets etc.	25	0
Purchase of operating assets etc.	-5	-44
Net cash flow from investing activities	63	-317
Cash flow from financing activities		
Receipts/payments (-) of subordinated loan capital	-156	156
Net cash flow from financing activities	-156	156
Net cash flow for the period	90	681
Cash and balances due from credit institutions as at 1 January	1 495	814
Cash and balances due from credit institutions at the close of the period	1 585	1 495

Notes

NOTE 1. ACCOUNTING POLICIES

The Q4 interim consolidated financial statements for the period 30 Sept. to 31 Dec. 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 policy 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	CORORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 31.12.13
Net income from interest and credit commissions	**291**	**123**	**-4**	**410**
Net income from interest and credit commissions	27	14	0	41
Other operating income	164	76	2	242
Total other operating income	**191**	**90**	**2**	**283**
Salaries and general administrative expenses	-79	-98	0	-177
Ordinary depreciation, amortisation and write-downs	-6	-6	0	-12
Other operating expense	-11	-15	0	-26
Total other operating expense	**-96**	**-119**	**0**	**-215**
Operating profit/(loss) before impairment losses	**386**	**94**	**-2**	**478**
Impairment losses on loans and advances	**-106**	**-1**	**-22**	**-129**
Operating profit/(loss) after impairment losses	**280**	**93**	**-24**	**349**
Computed tax charge	**-78**	**-26**	**7**	**-97**
Profit/(loss) after tax	**202**	**67**	**-17**	**252**

NOK MILLION	CORORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 31.12.13
Loans (gross) managed portfolio	34 014	16 011	0	50 025
Customer deposits and accounts payable to customers	1 115	14 054	0	15 169

NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	LEGAL SETTLEMENT	TOTAL 31.12.12
Net income from interest and credit commissions	247	131	-35	0	343
Change in value of financial instruments carried at fair value	19	10	0	0	29
Other operating income	121	24	0	0	145
Legal settlement	0	0	0	117	117
Total other operating income	140	34	0	117	291
Salaries and general administrative expenses	-84	-119	0	0	-203
Ordinary depreciation, amortisation and write-downs	-8	-22	0	0	-30
Other operating expense	-14	-15	0	0	-29
Total other operating expense	-106	-156	0	0	-262
Operating profit/(loss) before impairment losses	281	9	-35	117	372
Impairment losses on loans and advances	-5	12	-121	0	-114
Operating profit/(loss) after impairment losses	276	21	-156	117	258
Computed tax charge	-77	-5	44	-34	-72
Profit/(loss) after tax	199	16	-112	83	186

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

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

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

NOK MILLION	Q4 2013	Q4 2012	31.12.13	31.12.12
Change in value of interest rate derivatives obliged to be carried at fair value thro profit or loss [1, 4]	-1	-1	16	4
Change in value of currency derivatives obliged to be carried at fair value through profit or loss [2]	58	-22	-4	54
Change in value equity-linked options & equity options obliged carried fair value thro profit or loss [1]	0	5	0	5
Total change in value of financial instruments obliged to be carried at fair value	**57**	**-18**	**12**	**63**
Change in value of deposits selected for fair value carrying through profit or loss [4]	3	1	21	-12
Change in value of borrowings selected for fair value carrying through profit or loss [4]	0	-8	9	-42
Change in value of loans selected for fair value carrying through profit or loss [4]	0	8	-3	38
Change in value of short-term financial investments selected for fair value carrying [3]	4	6	11	45
Total change in value of financial instruments selected for fair value carrying	**7**	**7**	**38**	**29**
Change in value of interest rate derivatives, hedging [5]	21	10	-26	64
Change in value of borrowings, hedged [5]	-20	-10	26	-64
Total change in value of financial instruments for hedging	**1**	**0**	**0**	**0**
Total change in value of financial instruments carried at fair value	**65**	**-11**	**50**	**92**
Realised exchange gains/(losses)(-) bonds and certificates carried at amortised cost [6]	0	-1	-16	-11
Realised exchange gains/(losses)(-) borrowings and loans carried at amortised cost [6]	0	-1	-1	-1
Exchange gains/(losses) on borrowings and loans carried at amortised cost [2]	-58	22	8	-51
Total change in value of financial instruments carried at fair value, gains and losses	**7**	**9**	**41**	**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 for full-year 2013, compared with recognised income of NOK 5 million for full-year 2012.

[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 4 million for full-year 2013, compared with NOK 3 million for full-year 2012.

[3] Changes in the value of financial investments selected for fair value carrying gave rise to recognised income of NOK 11 million for full-year 2013, compared with recognised income of NOK 45 million for full-year 2012. 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 43 million for full-year 2013, compared with recognised expense of NOK 12 million for full-year 2012.

[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 December 2013 was positive by NOK 174 million, compared with NOK 192 million as at 31 December 2012.

[6] Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 17 million for full-year 2013, compared with recognised expense of NOK 12 million for full-year 2012.

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 other 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 December 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	895	895
Interest rate derivatives [1]	0	606	0	606
Currency derivatives	0	16	0	16
Short-term securities investments	748	3 242	382	4 372
Total assets	748	3 864	1 277	5 889
Subordinated loan capital	0	-172	0	-172
Debt securities in issue	0	-2 534	0	-2 534
Interest rate derivatives [1]	0	-472	0	-472
Currency derivatives	0	-15	0	-15
Customer deposits and accounts payable to customers	0	-382	0	-382
Total liabilities	0	-3 575	0	-3 575

[1] The value of the hedging instruments earmarked for fair value hedging as at 31 December 2013 was positive by NOK 174 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
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 and accounts payable to customers	0	-1 951	0	-1 951
Total liabilities	0	-7 165	0	-7 165

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

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

NOK MILLION	LOANS	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	1 226	420	1 646
Investments in the period/new agreements	2	87	-89
Sale in the period (at book value)	0	-125	-125
Matured	-330	0	-330
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	-3	0	-3
Closing balance	**895**	**382**	**1 277**
Of which result for the period relating to financial instruments still on the balance sheet	2	0	2

The Group's financial instruments measured 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
Sale 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 measurement and valuation techniques
The BN Bank 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	Q4 2013	Q4 2012	31.12.13	31.12.12
Guarantee commission	1	0	4	1
Net commission income/charges [1]	65	53	230	140
Other operating income	0	0	8	4
Total other operating income	**66**	**53**	**242**	**145**

[1] Commission income relating to the management of the portfolios in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt totalled NOK 235 million for full-year 2013 and NOK 127 million for full-year 2012.

NOTE 6. LEGAL SETTLEMENT

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 settlement before tax was therefore NOK 117 million recognised as income in 2012.

NOTE 7. IMPAIRMENT LOSSES AND WRITE-DOWNS ON LOANS AND GUARANTEES

The various elements included in impairment losses & write-downs on loans are set out in Note 1 to the 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. However, as a first mortgage lender the Group can gain access to revenue, either through the courts or by some voluntary solution. Impairment losses and 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	Q4 2013	Q4 2012	31.12.13	31.12.12
Write-offs in excess of prior-year write-downs	1	0	1	20
Write-offs on loans without prior write-downs	11	0	12	0
Write-downs for the period:				
Change in collective write-downs	-11	0	-3	-20
Change in collective write-downs related to Guarantee Portfolio	10	41	-15	40
Total change in collective write-downs	**-1**	**41**	**-18**	**20**
Increase in loans with prior-year write-down [1]	6	7	27	26
Provision against loans without prior write-downs	48	33	141	68
Decrease in loans with prior-year write-downs	0	-1	-21	-18
Total change in individual write-downs	**54**	**39**	**147**	**76**
Gross impairment losses	65	80	142	116
Recoveries on previous write-offs	1	2	13	2
Impairment losses on loans and advances	**64**	**78**	**129**	**114**
Revenue recognition of interest on written-down loans	**-1**	**2**	**5**	**6**

NOK MILLION	Q4 2013	Q4 2012	31.12.13	31.12.12
Individual write-downs to cover impairment losses at start of period	111	41	48	94
Write-offs covered by prior-year individual write-downs	-5	0	-7	-40
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	0	8	0	12
Write-downs on loans without prior individual write-downs	48	0	133	0
Decrease in loans with prior-year individual write-downs	0	-1	-20	-18
Individual write-downs to cover impairment losses at end of period	**154**	**48**	**154**	**48**
Collective write-downs to cover impairment losses on loans at start of period	73	65	65	85
Collective write-downs for the period to cover impairment losses	-11	0	-3	-20
Collective write-downs to cover impairment losses at end of period	**62**	**65**	**62**	**65**

NOK MILLION	Q4 2013	Q4 2012	31.12.13	31.12.12
Loss provision financial guarantee rel. to Guarantee Portfolio at start of period [1]	96	45	72	28
Write-offs covered by prior-year individual write-downs	0	-7	0	-27
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	6	1	24	3
Write-downs on loans without prior individual write-downs	-1	33	6	68
Decrease in loans with prior-year individual write-downs	0	0	-1	0
Loss provision financial guarantee rel. to Guarantee Portfolio at end of period [1]	**101**	**72**	**101**	**72**
Collective write-downs related to Guarantee Portfolio at start of period	22	6	47	20
Collective write-downs for the period to cover losses in Guarantee Portfolio	10	41	-15	27
Collective write-downs related to Guarantee Portfolio at end of period [1]	**32**	**47**	**32**	**47**
Total loss provisions related to Guarantee Portfolio	**133**	**119**	**133**	**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 417 million. The Bank's maximum exposure is thus down to NOK 250 million, which at the end of Q4 2013 was 0.9% of the Bank's total lending. The total provision for losses in the Guarantee Portfolio was NOK 133 million at 31 December 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	31.12.13	31.12.12
Gross principal	569	404
Individual write-downs	75	3
Net principal	**494**	**401**

Other loans with individual write-downs [1]

NOK MILLION	31.12.13	31.12.12
Gross principal	658	524
Individual write-downs	180	117
Net principal	**478**	**407**

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

NOK MILLION	GROSS OUTSTANDING 31.12.13	%	GROSS OUTSTANDING 31.12.12	%
Corporate loans	504	2.33	341	1.36
Retail loans	65	0.85	63	0.77
Guarantee Portfolio	0	0.00	0	0.00
Total	569	1.91	404	1.19

[1] In the 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 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	31.12.13	31.12.12
Corporate and retail loans, Group	29 309	32 394
Vendor financing	0	911
Gross lending	29 309	33 305
Loans transferred to SpareBank 1 Næringskreditt	12 393	9 919
Loans tansferred to SpareBank 1 Boligkreditt	8 323	6 240
Total loans in managed portfolio	50 025	49 464
Divested portfolio	0	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 AA2 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 owns no shares in the company at 31 Dec. 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, apart from the management right and the right to take over fully or partially written-down loans, BNkreditt has no right to the use of these loans. At 31 Dec. 2013, the book value of transferred loans was NOK 12.4 billion. BNkreditt 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 put up guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt's capital base. As at 31 December 2013, these guarantees amounted to NOK 0 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 December 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 BNkreditt, 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 December 2013, BNkreditt's capital adequacy ratio was 19.16 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 138 million as at 31 December 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 4.78% shareholding in the company at 31 Dec. 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, apart from the management right and the right to take over fully or partially written-down loans, BN Bank has no right to the use of these loans. At 31 Dec. 2013, the book value of transferred loans was NOK 8.3 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 December 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 total face value of NOK 5 720 million as at 31 December 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**
New issues	1 650	0	1 650
Increase in existing issues	50	695	745
Purchase and maturity of existing issues	-1 612	-534	-2 146
Net debt (face value) as at 30 June 2013	**2 930**	**14 780**	**17 710**
New issues	0	0	0
Increase in existing issues	0	930	930
Purchase and maturity of existing issues	-847	-911	-1 758
Net debt (face value) as at 30 September 2013	**2 083**	**14 799**	**16 882**
New issues	300	0	300
Increase in existing issues	0	100	100
Purchase and maturity of existing issues	-883	-156	-1 039
Net debt (face value) as at 31 December 2013	**1 500**	**14 743**	**16 243**

Subordinated loan capital and perpetual subordinated capital securities

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

NOK MILLION	PERPET. SUBORD. CAPITAL SEC.	SUBORDINATED LOAN CAÅITAL	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	-155	-155
Net debt (face value) as at 31 March 2013	**650**	**800**	**1 450**
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 30 June 2013	**650**	**800**	**1 450**
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 30 September 2013	**650**	**800**	**1 450**
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 31 December 2013	**650**	**800**	**1 450**

Recognised values

NOK MILLION	31.12.13	31.12.12
Certificates selected for fair value carrying	1 519	3 285
Total recognised value of certificates	**1 519**	**3 285**
Bonds carried at amortised cost	9 739	10 028
Bonds carried at amortised cost (secured debt)	4 244	3 932
Bonds selected for fair value carrying	1 015	1 124
Total recognised value of bonds	**14 998**	**15 084**
Total recognised value of debt securities in issue	**16 517**	**18 369**

NOK MILLION	31.12.13	31.12.12
Perpetual subordinated capital securities carried at amortised cost	483	482
Perpetual subordinated capital securities selected for fair value carrying	172	172
Total recognised value of perpetual subordinated capital securities	**655**	**654**
Subordinated loans carried at amortised cost	804	959
Total recognised value of subordinated loans	**804**	**959**
Total recognised value of subordinated loans and perpetual subordinated capital securities	**1 459**	**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 in the second quarter of 2012.

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

	31.12.13		31.12.12	
NOK MILLION	**FAIR VALUE**	**RECOG. VALUE**	**FAIR VALUE**	**RECOG. VALUE**
Subordinated loans	1	1	0	0
Loans and advances	29 094	29 094	33 193	33 193
Prepayments and accrued income	58	58	52	52
Interest rate derivatives	606	606	706	706
Currency derivatives	16	16	52	52
Equity-linked options and equity options	0	0	1	1
Short-term securities investments	6 124	6 122	6 144	6 135
Cash and balances due from credit institutions	1 585	1 585	1 495	1 495
Subordinated loan capital	-1 471	-1 459	-1 605	-1 613
Liabilities to credit institutions	-13	-13	-519	-519
Debt securities in issue	-16 671	-16 517	-18 465	-18 369
Accrued expense and deferred income	-133	-133	-119	-119
Other current liabilities	-10	-10	-1	-1
Interest rate derivatives	-472	-472	-586	-586
Currency derivatives	-15	-15	-47	-47
Customer deposits and accounts payable to customers	-15 169	-15 169	-16 910	-16 910
Total	3 530	3 694	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

As of 2013 the BN Bank Group will disclose which financial instruments it has entered into off-setting agreements for, in accordance with IFRS 7.13 A-F.

The Group enters into standardised and chiefly bilateral ISDA contracts for derivatives transactions with financial institutions, which give the parties the right of set-off in the event of default. The Group has also entered into additional collateral-posting agreements (CSAs) with some of the counterparties.

Financial assets 31.12.13

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	303	42	261
Counterparty 2	111	111	0
Counterparty 3	114	17	97
Counterparty 4	48	38	10
Counterparty 5	40	40	0
Counterparty 6	8	8	0
Total	624	256	368

Financial liabilities 31.12.13

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	42	42	0
Counterparty 2	341	111	230
Counterparty 3	17	17	0
Counterparty 4	38	38	0
Counterparty 5	41	40	1
Counterparty 6	8	8	0
Total	487	256	231

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	70	70	0
Counterparty 2	419	161	258
Counterparty 3	29	29	0
Counterparty 4	43	43	0
Counterparty 5	60	37	23
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	31.12.13	31.12.12
Share capital	706	668
Other reserves	2 895	2 673
Total equity	**3 601**	**3 341**
Net perpetual subordinated capital (perpetual subordinated capital securities borrowings) [1]	556	559
Deductions for:		
Equity and subordinated capital in other financial institutions	-205	-121
Intangible assets	-7	-10
Deferred tax assets	0	-40
Other deductions in tier 1 capital	-240	0
Tier 1 capital	**3 705**	**3 729**
Tier 1 capital excluding hybrid capital and deductions (core tier 1 capital)	**2 703**	**2 652**
Fixed-term subordinated loan capital	798	837
Perpetual subordinated capital securities, hybrid capital in excess of 15%	95	95
Deductions for:		
Fixed-term subordinated loan capital that cannot be included	0	0
Other deductions in tier 2 capital	-205	0
Net tier 2 capital	**688**	**932**
Total capital base	**4 393**	**4 661**
Risk-weighted assets	28 458	30 923
Tier 1 capital ratio (%)	**13.02**	**12.06**
Tier 1 capital ratio excluding hybrid capital and deductions (core tier 1 capital) (%)	**11.07**	**10.25**
Capital adequacy ratio (%)	**15.44**	**15.07**

[1] For more details, see Note 11.

Specification of risk-weighted assets

nok million	31.12.13		31.12.12	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	798	0	1 486	0
10 %	2 261	226	2 094	209
20 %	4 176	835	5 056	1 011
35 %	8 181	2 864	9 289	3 251
50 %	100	50	3	2
75 %	75	56	91	68
100 %	24 427	24 427	26 381	26 381
Investments included in the trading portfolio	0	0	0	0
Tradeable debt instruments included in the trading portfolio	0	0	0	0
Total risk-weighted assets	**40 018**	**28 458**	**44 400**	**30 923**
Capital adequacy ratio (%)		**15.44**		**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, but the Court ruled against them on 8 July 2011. The ruling was appealed to the Borgarting Court of Appeal, but the case was settled in court 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 six customers, but the lawsuits were settled in court without the Bank having paid any compensation to the applicants.

In March 2013, the Supreme Court passed judgment in the "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 Complaints Board, in the light of the judgment. BN Bank has found no grounds to change its standpoint+B23 and still takes the view that the cases the Bank is involved in are not comparable with the "Røeggen case". Statements made by the Complaints Board in the fourth quarter of 2013 have strengthened BN Bank's view. As a result, no provision has been made relating to structured savings products to date in 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. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

NOK MILLION	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Interest and similar income	378	395	400	394	391
Interest expense and similar charges	268	286	296	307	306
Net income from interest and credit commissions	**110**	**109**	**104**	**87**	**85**
Change in value of financial instruments carried at fair value, gains and losses	7	6	16	12	9
Other operating income	66	60	65	51	53
Legal settlement	0	0	0	0	117
Total other operating income	**73**	**66**	**81**	**63**	**179**
Salaries and general administrative expenses	45	43	42	46	46
Depreciation, amortisation and write-downs	3	3	3	3	17
Other operating expense	6	7	7	7	8
Total other operating expense	**54**	**53**	**52**	**56**	**71**
Operating profit before impairment losses	**129**	**122**	**133**	**94**	**193**
Impairment losses on loans and advances	64	-7	20	52	78
Profit before tax	**65**	**129**	**113**	**42**	**115**
Computed tax charge	17	36	32	12	33
Profit after tax	**48**	**93**	**81**	**30**	**82**

Income Statement

PARENT BANK

NOK MILLION	NOTE	Q4 2013	Q4 2012	FULL-YEAR 2013	FULL-YEAR 2012
Interest and similar income		295	307	1 222	1 249
Interest expense and similar charges		239	268	1 039	1 086
Net income from interest and credit commissions		**56**	**39**	**183**	**163**
Change in value of financial instruments at fair value, gains and losses	2	14	14	54	50
Other operating income	4	25	20	89	49
Legal settlement	5	0	117	0	117
Total other operating income		**39**	**151**	**143**	**216**
Salaries and general administrative expenses		27	28	102	130
Ordinary depreciation, amortisation and write-downs		3	17	12	31
Other operating expense		4	3	18	7
Total other operating expense		**34**	**48**	**132**	**168**
Operating profit before impairment losses		**61**	**142**	**194**	**211**
Impairment losses on loans and advances	7	40	74	20	116
Operating profit after impairment losses		**21**	**68**	**174**	**95**
Income from ownership interests in group companies	6	0	0	118	164
Profit before tax		**21**	**68**	**292**	**259**
Tax charge		0	20	43	72
Profit after tax		**21**	**48**	**249**	**187**
Statement of Other Comprehensive Income					
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains (losses) on pension plans	1	11	14	12	14
Tax		-3	-4	-3	-4
Other comprehensive income (net of tax)		**8**	**10**	**9**	**10**
Total comprehensive income for the period		**29**	**58**	**258**	**197**

Balance Sheet

		PARENT BANK	
NOK MILLION	**NOTE**	**31.12.13**	**31.12.12**
Intangible assets		7	10
Ownership interests in group companies		1 600	1 877
Subordinated loans		452	451
Tangible fixed assets		13	18
Loans and advances	3, 7, 8, 9, 10, 13, 14	13 430	15 043
Prepayments and accrued income		56	53
Financial derivatives	3, 13, 14	543	662
Short-term securities investments	3, 13	6 122	5 612
Cash and balances due from credit institutions	13	10 656	12 860
Assets classified as held for sale	12	0	1
Total assets		**32 879**	**36 587**
Share capital		706	668
Share premium		415	266
Retained earnings	1, 5	1 332	1 262
Total equity		**2 453**	**2 196**
Deferred tax		64	42
Subordinated loan capital	3, 11, 13	1 459	1 613
Liabilities to credit institutions	13	13	806
Debt securities in issue	3, 11, 13	13 060	14 123
Accrued expenses and deferred income	7, 13	174	183
Other current liabilities	13	16	80
Tax payable		25	31
Financial derivatives	3, 13, 14	442	603
Customer deposits & accounts payable to cust.	3, 13	15 173	16 910
Total equity		**30 426**	**34 391**
Total equity and liabilities		**32 879**	**36 587**

Trondheim, 28 January 2014

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 | Jannike Lund (Deputy Staff Representative) | Ella Skjørestad | Gunnar Hovland (Man. 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
Dividend paid	0	0	0	-95	-95
Share capital increase	19	76	0	0	95
Result for the period	0	0	0	187	187
Actuarial gains (losses) on pensions (net of tax)	0	0	0	10	10
Balance Sheet as at 31 December 2012	**668**	**266**	**282**	**980**	**2 196**
Dividend paid	0	0	0	-187	-187
Share capital increase	38	149	0	0	187
Result for the period	0	0	0	249	249
Actuarial gains (losses) on pensions (net of tax)	0	0	0	8	8
Balance Sheet as at 31 December 2013	**706**	**415**	**282**	**1 050**	**2 453**

[1] The reserve for unrealised gains is included in Other reserves. Provision of NOK 295 million had been made as at 31 December 2013.

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

Trondheim, 28 January 2014

The Board of Directors of BN Bank ASA

Statement of Cash Flows

	PARENT BANK	
NOK MILLION	**31.12.13**	**31.12.12**
Cash flows from operating activities		
Interest/commission received and fees received from customers	599	805
Interest/commission paid and fees paid to customers	-511	-475
Interest received on other investments	200	255
Interest paid on other loans	-550	-551
Receipts/disbursements (-) on loans and advances to customers	669	-1 187
Receipts/payments on customer deposits & accounts payable to cust.	-1 557	1 211
Receipts/payments (-) on liabilities to credit institutions	-927	-1 362
Receipts/payments(-) on securities in issue and securities buy-back	-1 042	2 668
Receipts on previously written-off debt	8	3
Other receipts/payments	-187	229
Payments to suppliers for goods and services	-53	-60
Payments to employees, pensions and social security expenses	-66	-66
Tax paid	-31	-34
Net cash flow from operating activities	**-3 448**	**1 436**
Cash flows from investing activities		
Receipts/payments (-) on receivables from credit institutions	3 536	-731
Receipts/payments (-) on short-term securities investments	-510	-578
Receipts/payments (-) on long-term securities investments	395	164
Proceeds from sale of operating assets etc.	0	0
Purchase of operating assets etc.	-5	-15
Proceeds from sale of subsidiaries	0	0
Net cash flow from investing activities	**3 416**	**-1 160**
Cash flow from financing activities		
Receipts of subordinated loan capital	-156	156
Net cash flow from financing activities	**-156**	**156**
Net cash flow for the period	**-188**	**432**
Cash and balances due from central banks as at 1 January *	436	4
Cash and balances due from central banks at the close of the period	**248**	**436**

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

Notes

NOTE 1. ACCOUNTING POLICIES

The Q4 financial statements for the period 30 Sept. to 31 Dec. 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, the Parent Bank has applied IAS 19 Employee Benefits and changed the basis for calculating pension liabilities and pension costs. The Bank has previously used the "corridor" method to account for unamortised estimate variances. The corridor method is no longer permitted and under the revised standard IAS 19R, all estimate variances shall be recognised in a Statement of Other Comprehensive Income (OCI). Estimate variances at 1 Jan. 2012 of NOK 19.1 million have been reset. The pension liability increased correspondingly as of 1 Jan. 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 policy 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	Q4 2013	Q4 2012	31.12.13	31.12.12
Change in value of int. rate derivatives obliged to be carried at fair value thro profit or loss [1, 4]	-1	0	17	18
Change in value currency derivatives obliged to be carried at fair value through profit or loss [2]	59	-22	-4	54
Change in value equity-linked options & eq. options oblig. carried fair value thro profit or loss [1]	0	5	0	5
Total change in value of financial instruments obliged to be carried at fair value	58	-17	13	77
Change in value of deposits selected for fair value carrying through profit or loss [4]	3	1	21	-11
Change in value of borrowings selected for fair value carrying through profit or loss [4]	2	-2	9	-37
Change in value of loans selected for fair value carrying through profit or loss [4]	23	0	113	-9
Change in value of short-term financial investments selected for fair value carrying [3]	4	6	11	45
Total change in value of financial instruments selected for fair value carrying	32	5	154	-12
Change in value of interest rate derivatives, hedging [5]	18	9	-25	53
Change in value of borrowings, hedged [5]	-17	-9	25	-53
Total change in value of financial instruments for hedging	1	0	0	0
Total change in value of financial instruments carried at fair value	91	-12	167	65
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost [6]	0	0	-12	-3
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost [6]	0	-1	-1	-1
Realised gain/loss on shares [7]	5	0	5	0
Exchange gains/losses on borrowings and loans carried at amortised cost [2]	-82	27	-105	-11
Total change in value of financial instruments carried at fair value, gains and losses	14	14	54	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 for full-year 2013 compared with recognised income of NOK 5 million for full-year 2012.

[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 4 million for full-year 2013, compared with recognised income of NOK 3 million for full-year 2012.

[3] Changes in the value of financial investments selected for fair value carrying gave rise to recognised income of NOK 11 million for full-year 2013, compared with recognised income of NOK 45 million for full-year 2012. 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 47 million for full-year 2013, compared with NOK 1 million for full-year 2012.

[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 December 2013 was positive by NOK 130 million, compared with NOK 117 million as at 31 December 2012.

[6] Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 13 million for full-year 2013, compared with NOK 4 million for full-year 2012.

[7] The subsidiary BN Boligkreditt AS was liquidated in the fourth quarter of 2013, with a realised capital gain in 2013 of NOK 5 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 other 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 December 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	416	416
Interest rate derivatives [1]	0	527	0	527
Currency derivatives	0	16	0	16
Short-term securities investments	748	3 242	382	4 372
Total assets	**748**	**3 785**	**798**	**5 331**
Subordinated loan capital	0	-172	0	-172
Debt securities in issue	0	-1 577	0	-1 577
Interest rate derivatives [1]	0	-427	0	-427
Currency derivatives	0	-15	0	-15
Customer deposits & accounts payable to customers	0	-382	0	-382
Total liabilities	**0**	**-2 573**	**0**	**-2 573**

[1] The value of the hedging instruments earmarked for fair value hedging as at 31 December 2013 was positive by NOK 130 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 and accounts payable to customers	0	-1 951	0	-1 951
Total liabilities	**0**	**-6 076**	**0**	**-6 076**

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

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

NOK MILLION	LOANS	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	521	420	941
Investments in the period/new agreements	2	87	89
Sale in the period (at book value)	0	-125	-125
Matured	-111	0	-111
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	**416**	**382**	**798**
Of which result for the period relating to financial instruments still on the balance sheet	5	0	5

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
Sale 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 and measurement techniques

The BN Bank 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	Q4 2013	Q4 2012	31.12.13	31.12.12
Guarantee commission	2	0	4	1
Net commission income/charges [1]	23	19	77	40
Other operating income	0	1	8	8
Total other operating income	**25**	**20**	**89**	**49**

[1] Commission income relating to the management of the portfolio in SpareBank 1 Boligkreditt totalled NOK 82 million as at 31 December 2013 and NOK 27 million for full-year 2012.

NOTE 5. LEGAL SETTLEMENT

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 settlement before tax was therefore NOK 117 million recognised as income in 2012.

NOTE 6. INCOME FROM OWNERSHIP INTERESTS IN GROUP COMPANIES

The 2013 Annual General Meetings of the subsidiaries Bolig- og Næringskreditt AS and BN Boligkreditt AS resolved to distribute dividends of, respectively, NOK 110 million and NOK 7 million before tax. No tax has been computed on the dividends as they were distributed within the Group's tax payment arrangements.

NOTE 7. IMPAIRMENT LOSSES AND WRITE-DOWNS ON LOANS AND GUARANTEES

The various elements included in impairment losses & write-downs on loans are set out in Note 1 to the 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. However, as a first mortgage lender the Group can gain access to revenue, either through the courts or by some voluntary solution. Impairment losses and 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	Q4 2013	Q4 2012	31.12.13	31.12.12
Write-offs in excess of prior-year write-downs	0	0	0	13
Write-offs on loans without prior write-downs	11	0	12	0
Write-downs for the period:				
Change in collective write-downs	5	2	0	-8
Change in collective write-downs related to Guarantee Portfolio	10	41	-15	40
Total change in collective write-downs	**15**	**43**	**-15**	**32**
Increase in loans with prior-year write-downs [1]	6	1	27	11
Provisions against loans without prior write-downs	8	33	19	68
Decrease in loans with prior-year write-downs	0	-1	-17	-6
Total change in individual write-downs	**14**	**33**	**29**	**73**
Gross impairment losses on loans and advances	40	76	26	118
Recoveries on previous write-offs	0	2	6	2
Impairment losses on loans and advances	**40**	**74**	**20**	**116**
Revenue recognition of interest on written-downs loans	0	2	1	3

NOK MILLION	Q4 2013	Q4 2012	31.12.13	31.12.12
Individual write-downs to cover impairment losses at start of period	18	29	30	34
Write-offs covered by prior-year individual write-downs	0	0	-2	-3
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	0	2	0	5
Write-downs on loans without prior individual write-downs	9	0	15	0
Decrease in loans with prior-year individual write-downs	0	-1	-16	-6
Individual write-downs to cover impairment losses at end of period	**27**	**30**	**27**	**30**
Collective write-downs to cover impairment losses at start of period	24	27	29	37
Collective write-downs for the period to cover impairment losses	5	2	0	-8
Collective write-downs to cover impairment losses at end of period	**29**	**29**	**29**	**29**

NOK MILLION	Q4 2013	Q4 2012	31.12.13	31.12.12
Loss provision financial guarantee related to Guarantee Portfolio at start of period	96	45	72	28
Write-offs covered by prior-year individual write-downs	0	-7	0	-27
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	6	1	24	3
Write-downs on loans without prior individual write-downs	-1	33	6	68
Decrease in loans with prior-year individual write-downs	0	0	-1	0
Loss provision financial guarantee related to Guarantee Portfolio at end of period [1]	**101**	**72**	**101**	**72**
Collective write-downs related to Guarantee Portfolio at start of period	22	6	47	20
Collective write-downs for the period to cover losses in Guarantee Portfolio	10	41	-15	27
Collective write-downs related to Guarantee Portfolio at end of period [1]	**32**	**47**	**32**	**47**
Total loss provisions related to Guarantee Portfolio [1]	**133**	**119**	**133**	**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 417 million. The Bank's maximum exposure is thus down to NOK 250 million, which at the end of Q4 2013 was 0.9% of the Bank's total lending. The total provision for losses in the Guarantee Portfolio was NOK 133 million at 31 December 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	31.12.13	31.12.12
Gross principal	146	117
Individual write-downs	7	3
Net principal	**139**	**114**

Other loans with individual write-downs [1]

NOK MILLION	31.12.13	31.12.12
Gross principal	465	460
Individual write-downs	122	99
Net principal	**343**	**361**

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

NOK MILLION	GROSS OUTSTANDING 31.12.13	%	GROSS OUTSTANDING 31.12.12	%
Corporate loans	81	1.39	54	0.78
Retail loans	65	0.85	63	0.77
Guarantee Portfolio	0	0.0	0	0.00
Total	**146**	**1.05**	**117**	**0.75**

[1] In the 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 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	31.12.13	31.12.12
Corporate and retail loans	13 489	14 191
Vendor financing	0	911
Gross lending	13 489	15 102
Loans transferred to SpareBank 1 Boligkreditt	8 323	6 240
Total loans in managed portfolio	21 812	21 342
Divested portfolio	0	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 AA2 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 owns no shares in the company at 31 Dec. 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, apart from the management right and the right to take over fully or partially written-down loans, BNkreditt has no right to the use of these loans. As at 31 Dec. 2013, the book value of transferred loans was NOK 12.4 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 December 2013, these guarantees totalled NOK 0 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 December 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 BNkreditt, 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 December 2013, BNkreditt's capital adequacy ratio was 19.16 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 138 million as at 31 December 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 4.78% shareholding in the company at 31 Dec. 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, apart from the management right and the right to take over fully or partially written-down loans, BN Bank has no right to the use of these loans. At 31 Dec. 2013, the book value of transferred loans was NOK 8.3 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 December 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 Parent Bank has issued bonds and certificates with a total face value of NOK 5 470 million as at 31 December 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**
New issues	1 500	0	1 500
Increase in existing issues	50	695	745
Purchase and maturity of existing issues	-1 462	-499	-1 961
Net debt (face value) as at 30 June 2013	**2 780**	**11 567**	**14 347**
New issues	0	0	0
Increase in existing issues	0	830	830
Purchase and maturity of existing issues	-847	-802	-1 649
Net debt (face value) as at 30 September 2013	**1 933**	**11 595**	**13 528**
New issues	300	0	300
Increase in existing issues	0	100	100
Purchase and maturity of existing issues	-883	-155	-1 038
Net debt (face value) as at 31 December 2013	**1 350**	**11 540**	**12 890**

Subordinated loan capital and perpetual subordinated capital securities

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

NOK MILLION	PER. SUBORD. CAPITAL 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	-155	-155
Net debt (face value) as at 31 March 2013	**650**	**800**	**1 450**
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 30 June 2013	**650**	**800**	**1 450**
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 30 September 2013	**650**	**800**	**1 450**
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 31 December 2013	**650**	**800**	**1 450**

Recognised values

NOK MILLION	31.12.13	31.12.12
Certificates carried at fair value	1 367	3 131
Total recognised value of certificates	**1 367**	**3 131**
Bonds carried at amortised cost	8 208	8 192
Bonds carried at amortised cost (secured debt)	3 275	2 581
Bonds selected for fair value carrying	210	219
Total recognised value of bonds	**11 693**	**10 992**
Total recognised value of debt securities in issue	**13 060**	**14 123**

NOK MILLION	31.12.13	31.12.12
Perpetual subordinated capital securities carried at amortised cost	483	482
Perpetual subordinated capital securities carried at fair value	172	172
Total recognised value of perpetual subordinated capital securities	**655**	**654**
Subordinated loans carried at amortised cost	804	959
Total recognised value of subordinated loans	**804**	**959**
Total recognised value of subordinated loans and perpetual subordinated capital securities	**1 459**	**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 in the second quarter of 2012.

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

	31.12.13		31.12.12	
NOK MILLION	**FAIR VALUE**	**REGOG. VALUE**	**FAIR VALUE**	**REGOG. VALUE**
Subordinated loans	453	452	453	451
Loans and advances	13 430	13 430	15 043	15 043
Prepayments and accrued income	56	56	53	53
Interest rate derivatives	527	527	609	609
Currency derivatives	16	16	52	52
Equity-linked options and equity options	0	0	1	1
Short-term securities investments	6 124	6 122	5 620	5 612
Cash and balances due from credit institutions	10 656	10 656	12 860	12 860
Assets classified as held for sale	0	0	1	1
Subordinated loan capital	-1 471	-1 459	-1 605	-1 613
Liabilities to credit institutions	-13	-13	-806	-806
Debt securities in issue	-13 196	-13 060	-14 217	-14 123
Accrued expense and deferred income	-133	-133	-119	-119
Other current liabilities	-10	-10	-1	-1
Interest rate derivatives	-427	-427	-556	-556
Currency derivatives	-15	-15	-47	-47
Customer deposits & accounts payable to customers	-15 173	-15 173	-16 910	-16 910
Total	824	969	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

As of 2013 the BN Bank Group will disclose which financial instruments it has entered into off-setting agreements for, in accordance with IFRS 7.13 A-F.

The Group enters into standardised and chiefly bilateral ISDA contracts for derivatives transactions with financial institutions, which give the parties the right of set-off in the event of default. The Group has also entered into additional collateral-posting agreements (CSAs) with some of the counterparties.

Financial assets 31.12.13

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	298	31	267
Counterparty 2	105	105	0
Counterparty 3	60	17	43
Counterparty 4	32	8	24
Counterparty 5	40	40	0
Counterparty 6	8	8	0
Total	543	209	334

Financial liabilities 31.12.13

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	31	31	0
Counterparty 2	337	105	232
Counterparty 3	17	17	0
Counterparty 4	8	8	0
Counterparty 5	41	40	1
Counterparty 6	8	8	0
Total	442	209	233

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	69	285
Counterparty 2	152	152	0
Counterparty 3	69	28	41
Counterparty 4	41	15	26
Counterparty 5	37	37	0
Counterparty 6	9	9	0
Total	662	310	352

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	31.12.13	31.12.12
Share capital	706	668
Other reserves	1 747	1 531
Total equity	**2 453**	**2 199**
Net perpetual subordinated capital (perpetual subordinated capital securities borrowings) [1]	353	365
Deductions for:		
Equity and subordinated capital in other financial institutions	-205	-121
Intangible assets	-7	-10
Other deductions in tier 1 capital	-240	0
Tier 1 capital	**2 354**	**2 433**
Tier 1 capital excluding hybrid capital and deductions (core tier 1 capital)	**2 001**	**2 068**
Fixed-term subordinated loan capital	798	958
Perpetual subordinated capital securities, hybrid capital in excess of 15%	298	290
Deductions for:		
Fixed-term subordinated loan capital that cannot be included	0	-214
Other deductions in tier 2 capital	-205	-121
Net tier 2 capital	**891**	**913**
Total capital base	**3 245**	**3 346**
Risk-weighted assets	15 953	16 921
Tier 1 capital ratio (%)	**14.75**	**14.38**
Tier 1 capital ratio excluding hybrid capital and deductions (core tier 1 capital) (%)	**12.54**	**12.22**
Capital adequacy ratio (%)	**20.34**	**19.77**

[1] For more details, see Note 11.

Specification of risk-weighted assets

NOK MILLION	31.12.13		31.12.12	
RISK-WEIGHTING	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**
0 %	798	0	1 486	0
10 %	2 261	226	2 094	209
20 %	13 177	2 635	16 243	3 249
35 %	8 024	2 808	8 935	3 127
50 %	100	50	0	0
75 %	74	56	76	57
100 %	10 178	10 178	10 279	10 279
Investments included in the trading portfolio	0	0	0	0
Tradable debt instruments included in the trading portfolio	0	0	0	0
Total risk-weighted assets	34 612	15 953	39 113	16 921
Capital adequacy ratio (%)		20.34		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, but the Court ruled against them on 8 July 2011. The ruling was appealed to the Borgarting Court of Appeal, but the case was settled in court 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 six customers, but the lawsuits were settled in court without the Bank having paid any compensation to the applicants.

In March 2013, the Supreme Court passed judgment in the "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 Complaints Board, in the light of the judgment. BN Bank has found no grounds to change its standpoint and still takes the view that the cases the Bank is involved in are not comparable with the "Røeggen case". Statements made by the Complaints Board in the fourth quarter of 2013 have strengthened BN Bank's view. As a result, no provision has been made relating to structured savings products to date in 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. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

NOK MILLION	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Interest and similar income	295	304	308	315	307
Interest expense and similar charges	239	257	267	276	268
Net income from interest and credit commissions	56	47	41	39	39
Change in value of financial instruments carried at fair value, gains and losses	14	4	17	19	14
Other operating income	25	22	26	16	20
Legal settlement	0	0	0	0	117
Total other operating income	39	26	43	35	151
Salaries and general administrative expenses	27	25	23	27	28
Depreciation, amortisation and write-downs	3	3	3	3	17
Other operating income	4	5	5	4	3
Total other operating income	34	33	31	34	48
Operating profit before impairment losses	61	40	53	40	142
Impairment losses on loans and advances	40	-16	0	-4	74
Operating profit after impairment losses	21	56	53	44	68
Income from ownership interests in group companies	0	0	118	0	0
Profit before tax	21	56	171	44	68
Computed tax charge	0	16	15	12	20
Profit after tax	21	40	156	32	48

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